

Directors' Report – Remuneration Report for the financial year ended 31 March 2011 continued

1.2.1 Relative performance has been reasonably strong but under pressure

2011 has been a challenging year with NPAT declining by nine per cent. However, relative to peers, Macquarie has performed reasonably well, both in the short and longer run.

The analysis set out below demonstrates that Macquarie has overall, performed well relative to its peers on the following key indicators of performance:

- NPAT compound annual growth rate (CAGR) over the short term and the longer term
- ROE over the short term and the longer term
- TSR since listing
- Compensation ratio over the past three years.

The same global investment banking peer group as last year has been used throughout the Remuneration Report. They are, in alphabetical order: Barclays, Credit Suisse, Deutsche Bank, Goldman Sachs, Jefferies, JP Morgan Chase, Lazard, Merrill Lynch (a subsidiary of Bank of America), Morgan Stanley and UBS. Peers are only excluded from the analysis below where relevant information is not available. Applicable peers are set out below under each piece of analysis. The BRC considers these firms to be appropriate peers on the basis that they broadly operate in the same markets and compete for the same people as Macquarie.

Nonetheless, comparisons are complicated for the following reasons:

- each peer has a different business mix. Some peers are or have become parts of larger organisations, often with large retail operations which can distort comparisons
- where peer information is published, comparative information may not include a share of central overhead costs such as support functions
- remuneration delivered as deferred equity is amortised over the vesting period of the equity. Different deferral levels and different vesting periods, therefore, result in different accounting results, even if the underlying quantum of remuneration is the same
- the level and detail of disclosure differs amongst peers. Segment data is particularly relevant where the investment banking segment is part of a larger organisation
- the compensation expense to income ratio (compensation ratio) is a non-GAAP measure, allowing peers to adopt different definitions of 'income' used in the calculation of the ratio. For example, some peers report the compensation ratio using 'net revenue' on a 'pre-impairment' basis, whereas others include impairments in net revenue, as does Macquarie.

Where appropriate, segment information has been used as disclosed throughout the Report. Peer information is presented in the same order throughout the Report. The same charts are presented as in previous years.

Change in NPAT relative to peers

One of the measures used to compare relative performance is NPAT. The analysis below shows that over the past year, Macquarie has performed in the middle of its international peers in respect of NPAT over one year and above all but one peer over a 10 year period.

Peer relative Growth in NPAT: FY2001–2011

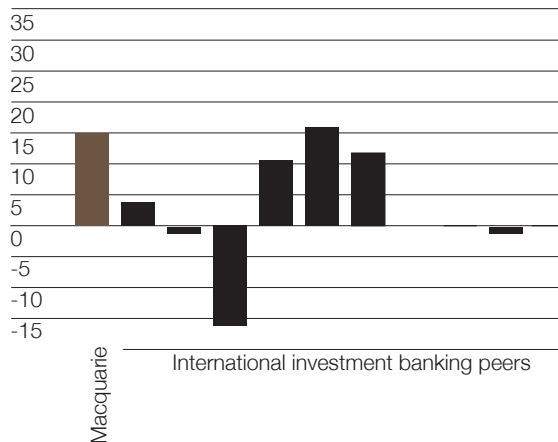
	1 year CAGR %	10 year CAGR ¹ %
Macquarie	(9)	15
Peer	(62)	4
Peer	(24)	(1)
Peer	(54)	(16)
Peer	(38)	11
Peer	(13)	16
Peer	48	12
Peer	234	N/A
Peer	(20)	(0)
Peer	249	(1)
Peer	375	(0)

¹ CAGR over the most recent 10 years, except in cases where 10 years of continuous data is not available for a peer, in which case the longest time period for which continuous data is available for that peer has been used.

Source: Peer underlying data from Bloomberg.

Peers are disclosed under the next chart.

NPAT 10 year compound annual growth rate Macquarie versus international investment banking peers



Peers comprise Barclays, Credit Suisse, Deutsche Bank, Goldman Sachs, Jefferies, JP Morgan Chase, Lazard, Merrill Lynch (Bank of America subsidiary), Morgan Stanley and UBS. The compound 10 year annual growth rate cannot be calculated where the peer has not continuously reported results over 10 years, i.e. Lazard.