

CHAIRMAN'S ADDRESS

MACQUARIE GROUP LIMITED ANNUAL GENERAL MEETING

24 JULY 2014

SHERATON ON THE PARK, SYDNEY

CHECK AGAINST DELIVERY

Good morning ladies and gentlemen and welcome to Macquarie Group's 2014 Annual General Meeting.

I'm Kevin McCann and, as Chairman of the Macquarie Group Board, I will be chairing the meeting today.

The Company Secretary has confirmed that a quorum is present, so I formally declare the meeting open.

Before we get underway, I would like to have a moment of silence for the 298 people on Malaysia Airlines Flight 17.

Thank you.

I would now like to introduce our Directors and some of our senior executives.

On my right is our Chief Executive Officer Nicholas Moore.

Seated next to him is the Group's Chief Financial Officer Patrick Upfold, and then Non-Executive Directors Patricia Cross, Gary Banks, Nicola Wakefield Evans, Michael Coleman and Peter Warne.

On my left is our Company Secretary, Dennis Leong, and next to him are Non-Executive Directors Helen Nugent, Diane Grady, Peter Kirby and Michael Hawker.

There are three major components of this morning's meeting.

First, I will present a broad overview of the market conditions experienced during the past financial year and report on Macquarie's performance over that period.

I will then hand over to Nicholas to discuss our results for the year to 31 March 2014 in greater detail.

Nicholas will also provide an update of our first quarter performance and the outlook for the remainder of the year.

We will then consider the formal resolutions set out in the Notice of Meeting.

Please be advised that recording devices, photographic equipment and mobile phones may not be used during the meeting.

The meeting is being simultaneously webcast on the Macquarie Group website, where an archive will be available this evening.

At the conclusion of the meeting, we invite you to join the Board and management for refreshments in the foyer.

I'd like to start with a summary of global market conditions that existed during the year.

At last year's AGM, we said there had been a general improvement in market conditions but that client activity remained subdued, particularly for Macquarie's capital markets facing businesses.

This reflected the continuing concerns regarding the European debt crisis and slowing growth in China's economy. On a positive note, the US economy was showing increasing confidence and growth.

In the year to 31 March 2014, global market conditions continued to improve.

While client activity remained subdued for certain parts of Macquarie's capital markets facing businesses, investor sentiment showed an overall improvement and we were pleased that all of Macquarie's operating groups achieved an improved performance.

This series of charts highlights the conditions we experienced during the year.

The chart on the left shows the performance of four global stock market indices, as well as the Macquarie share price, over a two-year period.

As you can see, these indices have overall shown further improvement, with Macquarie's share price performing particularly well, increasing 59 per cent over the past 12 months.

The chart on the right relates to market volatility, specifically the market's expectation of near-term volatility in US stocks. The higher the line, the greater the volatility – or the level of fear – in the market.

You can clearly see the high volatility that prevailed during the global financial crisis and its aftermath, compared to the less volatile conditions over the past two years and which existed prior to the GFC.

Our next chart on the left shows business confidence indicators of economic growth across different regions of the world, on a relative basis.

It highlights the improving economic conditions in the US and UK during the year and the concerns that persist regarding slower growth in China and structural change in the Australian economy following the mining boom.

The chart on the right shows the continuing stabilisation of US credit spreads, reflecting improving investor sentiment and risk appetite.

Let me now turn to an overview of Macquarie's performance for the year.

As we outlined at our full year result, Macquarie recorded a profit of \$A1,265 million for the year to 31 March 2014, an increase of 49 per cent on the prior year.

Earnings per share increased by 53 per cent to \$A3.84.

All of our operating groups achieved an increase in net profit contribution.

Our annuity-style businesses continued their strong performance, reflecting the investment Macquarie has made in these businesses over time.

Our capital markets facing businesses also performed more strongly, as market conditions improved and as a result of cost efficiencies over recent years.

Another feature of Macquarie's result was that for the first time, Australia was not the highest contributor of income.

The Americas region, predominantly the United States, accounted for 35 per cent of our operating income compared to 32 per cent from our successful Australian operations.

This reflects organic growth in the Americas region, as well as acquisitions over recent years such as Delaware Investments fund management business and Constellation Energy's downstream gas business.

Nicholas will speak in greater detail about the performance of each operating group during his presentation.

Turning to dividends, the full year ordinary dividend of \$A2.60 per share was an increase of 30 per cent from the \$A2.00 shareholders received in the prior year. The full year dividend was franked at 40 per cent.

This represents an annual payout ratio of 67 per cent, in line with our dividend policy.

In addition, eligible shareholders benefited from the Sydney Airport distribution in January, which comprised a special dividend of \$A1.16 per share, also franked at 40 per cent, and a return of capital of \$A2.57 per share.

This took the total dividend paid to shareholders for the year to \$A3.76 per share.

Let me now turn to Macquarie's strong history of profitability.

Since establishment in 1969, we have achieved a profit in every year of our 45 year history.

You can see from this graph the steady growth in Macquarie's profit over that period, particularly our sustained profitability through the GFC, demonstrating the strong operating platform we have built in recent years.

This unbroken profitability is testament to Macquarie's culture of supporting the development of business opportunities, balanced with capital allocation and a strong risk management framework.

It also reflects the diversity of Macquarie's business activities across regions and its flexibility to adapt to changing market conditions.

The next slide illustrates Macquarie's performance against its peers on the basis of total shareholder return.

This measure, which includes share price appreciation and dividend reinvestment, shows that over the past 10 years we have consistently delivered higher returns than the average return of peer global financial institutions.

We have also outperformed comparable global capital market firms since the GFC.

This chart shows our total shareholder returns compared to an index of 35 large global companies that, like Macquarie, have capital markets facing businesses.

As you can see, Macquarie has outperformed this index by 64 per cent since August 2007.

I would like to now touch on Board and key management changes.

As we announced last month, Helen Nugent and Peter Kirby will retire today as Directors of Macquarie Group and Macquarie Bank. Catherine Livingstone and John Niland have also retired as Directors during the year.

Helen has been a Board member for 15 years and Chairman of the Board Remuneration Committee since its inception in 2001.

Her banking and strategic expertise has been invaluable to the Board, while her deep knowledge, both of Macquarie and remuneration best practice, has helped shape the remuneration policies and structures that have been integral to Macquarie's success.

The Board has greatly appreciated Helen's extraordinary efforts and diligence in communicating Macquarie's remuneration philosophy and design to our shareholders and corporate governance advisers.

Peter has been a Board member for 11 years. We have valued his expertise in international and Australian business, industry and management and particularly his input on operational and workplace matters.

Helen and Peter, we have greatly appreciated the counsel, insights and expertise you have brought to the Board's deliberations over an extended period.

You have always fulfilled your responsibilities as Directors with great dedication and diligence and in the best interests of Macquarie's shareholders.

We have particularly valued your constructive ideas and your collegiality.

We will miss you both. However, we know that Helen will remain very busy in corporate and community activities, especially as Chairman of Veda, and Peter in his role as Chairman of Dulux.

Three new Directors joined the Macquarie Group and Macquarie Bank Boards during the year and will stand for election at today's meeting.

Professor Gary Banks, Patricia Cross and Nicola Wakefield Evans bring valuable skills to the Board, which I will speak to later in the meeting.

In addition, Peter Warne will be Chairman of Macquarie Group's Remuneration Committee from the end of today's meeting.

Let me turn to key management changes. Earlier this month Mary Reemst became Chief Executive Officer of Macquarie Bank, having previously served as Macquarie's Head of Credit within the Risk Management Group for 11 years.

Mary has also joined Macquarie's Executive Committee, along with Chief Financial Officer Patrick Upfold, and Ben Brazil, Co-Head of Corporate and Asset Finance.

I would like to conclude my remarks with reference to the Macquarie Group Foundation and its continuing work supporting not-for-profit organisations around the world.

During the year, the Foundation reached a significant milestone, achieving \$A215 million in aggregate donations, from both staff and the Foundation, to community organisations in Australia and globally since its inception in 1985.

In the year to 31 March 2014, the Foundation and Macquarie staff contributed almost \$A25 million to more than 1,500 community organisations around the world and gave 32,000 hours of their time as volunteers, fundraisers and pro bono advisers. Almost a quarter of this time was in a professional capacity, as staff shared their business expertise with not-for-profit organisations.

We are proud of this record and the commitment shown by staff to the communities in which they live and work around the world.

The Foundation's latest annual review highlights some of the charities supported by Macquarie staff and our Foundation. It is available at the shareholder table in the foyer and we invite you to collect a copy after the meeting.

That concludes my opening remarks. I will now hand over to Nicholas to discuss Macquarie's results in more detail and update you on our recent performance.