

# Notice of 2016 Annual General Meeting

**Macquarie Group Limited**

**10:30 am on Thursday, 28 July 2016**

Sheraton on the Park  
Grand Ballroom  
161 Elizabeth Street  
Sydney, New South Wales



**Macquarie Group Limited**

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AUSTRALIA

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6 June 2016



Dear Shareholder

Please find enclosed notice of the 2016 Annual General Meeting of Macquarie Group Limited (Macquarie) which will be held at the Sheraton on the Park, Grand Ballroom, 161 Elizabeth Street, Sydney NSW on Thursday, 28 July 2016. The meeting is scheduled to commence at 10:30 am and will also be webcast live on Macquarie's website at [www.macquarie.com](http://www.macquarie.com)

The Managing Director and Chief Executive Officer, Nicholas Moore, and I will comment briefly on the performance of the Macquarie Group during the year to 31 March 2016 at the meeting. You are also referred to the comments in Macquarie's 2016 Annual Report, which is available on Macquarie's website, for further information. Shareholders will be invited to join members of the Board and senior management for light refreshments before considering the formal business. The meeting will cover the items of business transacted annually, the ratification of the issue of Macquarie ordinary shares under the capital raising in October 2015 and the ratification of the issue of Macquarie Group Capital Notes 2 in December 2015.

If you are unable to attend the meeting, we invite you to appoint a proxy to attend and vote on your behalf, either online using the share registry's website at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) or using the enclosed proxy form.

If you plan to attend the meeting, please bring the enclosed proxy form to facilitate your registration which will commence at 9:45 am. I look forward to seeing you then.

Yours faithfully

**Peter Warne**  
Chairman

# Notice of Meeting

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The 2016 Annual General Meeting (AGM) of Macquarie Group Limited (ACN 122 169 279) (Macquarie, MGL, the Company) will be held at the Sheraton on the Park, Grand Ballroom, 161 Elizabeth Street, Sydney NSW on Thursday, 28 July 2016, at 10:30 am. Registration will commence at 9:45 am.

## Ordinary Business

### Financial Statements and Remuneration

#### 1 Financial Statements

To consider and receive the Financial Report, the Directors' Report and the Auditor's Report of Macquarie for the financial year ended 31 March 2016.

#### 2 Remuneration Report

To consider and, if thought fit, pass the following as an ordinary resolution:

*To adopt the Remuneration Report of Macquarie for the year ended 31 March 2016.*

#### 3 Approval of Executive Voting Director's participation in the Macquarie Group Employee Retained Equity Plan (MEREP)

To consider and, if thought fit, pass the following as an ordinary resolution:

*That the following be approved for all purposes:*

- a) *participation in the Macquarie Group Employee Retained Equity Plan (MEREP) by Mr NW Moore, Managing Director and Chief Executive Officer; and*
- b) *acquisition by Mr NW Moore of Restricted Share Units and Performance Share Units and the acquisition of shares in the Company in respect of those Restricted Share Units and Performance Share Units, all in accordance with the terms of the MEREP and on the basis described in the Explanatory Notes to the Notice of Meeting convening this meeting.*

### Election of Voting Directors

#### 4a Re-election of Mr MJ Hawker as a Voting Director Retiring by Rotation

To consider and, if thought fit, pass the following as an ordinary resolution:

*That Mr MJ Hawker be re-elected as a Voting Director of Macquarie.*

#### 4b Re-election of Mr MJ Coleman as a Voting Director Retiring by Rotation

To consider and, if thought fit, pass the following as an ordinary resolution:

*That Mr MJ Coleman be re-elected as a Voting Director of Macquarie.*

## Special Business

### Ratification of issue of securities

#### 5a Approval of the Issue of Shares under the October 2015 Placement

To consider, and if thought fit, to pass the following as an ordinary resolution:

*That the issue of 5,000,000 ordinary shares in Macquarie at \$80.00 per share under an institutional private placement in October 2015 (the terms and conditions of which are described in the Explanatory Notes to the Notice of Meeting convening this meeting), is ratified for all purposes, including for the purpose of ASX Listing Rule 7.4.*

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## **5b Approval of the issue of Macquarie Group Capital Notes 2**

To consider and, if thought fit, pass the following as an ordinary resolution:

*That the issue of 5,309,921 Macquarie Group Capital Notes 2 by the Company, on the terms and conditions as summarised in the Explanatory Notes to the Notice of Meeting convening this meeting and set out in the replacement prospectus issued by the Company and dated 1 December 2015, is ratified for all purposes, including for the purpose of ASX Listing Rule 7.4.*

## **Chairman's Voting Intention**

The Chairman of the Meeting intends to vote undirected proxies **in favour of all Items.**

## **Voting Exclusions**

### **Item 2 – Remuneration Report**

A vote on Item 2 must not be cast (in any capacity) by, or on behalf of:

- a) a member or a former member of the key management personnel (KMP) whose remuneration details are disclosed in Macquarie's 2016 Remuneration Report; or
- b) a closely related party of such a KMP,

unless the vote is cast by a person as proxy for a person entitled to vote in accordance with a direction on the proxy form. A closely related party includes close family members and companies the KMP controls.

This restriction on voting undirected proxies does not apply to the Chairman of the Meeting acting as proxy for a person entitled to vote on Item 2 because Macquarie's proxy appointment expressly authorises the Chairman of the Meeting to exercise undirected proxies.

### **Item 3 – Approval of Executive Voting Director's participation in the Macquarie Group Employee Retained Equity Plan (MEREP)**

Macquarie will disregard any votes cast on Item 3 by the Managing Director and Chief Executive Officer (Managing Director) and any of his associates. However, Macquarie need not disregard a vote on Item 3 if:

- a) it is cast by the Managing Director or any associate of the Managing Director as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- b) it is cast by the Chairman of the Meeting, as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

In addition, a vote must not be cast on Item 3 by a member of the KMP of Macquarie, or a closely related party of a KMP, acting as proxy for a person entitled to vote, if their appointment does not specify the way the proxy is to vote on Item 3. This restriction on voting undirected proxies does not apply to the Chairman of the Meeting acting as proxy for a person entitled to vote on Item 3 because Macquarie's proxy appointment expressly authorises the Chairman of the Meeting to exercise undirected proxies.

### **Items 5a and 5b – Approval of the Issue of Shares under the October 2015 Placement and the Issue of Macquarie Group Capital Notes 2**

In respect of each of Item 5a and Item 5b, Macquarie will disregard any votes cast by any person who participated in the relevant issue and any associate of those persons. However, Macquarie need not disregard a vote on Item 5a or Item 5b if:

- a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- b) it is cast by the Chairman of the Meeting, as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

# Notice of Meeting

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### ASX Waiver – October 2015 Placement

ASX has granted a waiver allowing Macquarie to limit the application of listing rule 14.11 so that votes of a shareholder who participated in the October 2015 Placement (Placement) may be counted, to the extent only that the holder is acting solely in a fiduciary, nominee, trustee or custodial capacity on behalf of beneficiaries who did not participate in the Placement (the Nominee Holder), on the following conditions:

- a) the beneficiaries provide written confirmation to the Nominee Holder that they did not participate in the Placement, nor are they an associate of a person who participated in the Placement;
- b) the beneficiaries direct the Nominee Holder to vote for or against Item 5a; and
- c) the Nominee Holder does not exercise discretion in casting a vote on behalf of the beneficiaries.

### ASX Waiver – Macquarie Group Capital Notes 2

ASX has granted a waiver allowing Macquarie to limit the application of listing rule 14.11 so that votes of a shareholder who participated in the issue of Macquarie Group Capital Notes 2 (Notes Issue) may be counted, to the extent only that the holder is acting solely in a fiduciary, nominee, trustee or custodial capacity on behalf of beneficiaries who did not participate in the Notes Issue (the Nominee Holder), on the following conditions:

- a) the beneficiaries provide written confirmation to the Nominee Holder that they did not participate in the Notes Issue, nor are they an associate of a person who participated in the Notes Issue;
- b) the beneficiaries direct the Nominee Holder to vote for or against Item 5b; and
- c) the Nominee Holder does not exercise discretion in casting a vote on behalf of the beneficiaries.

By order of the Board



**Dennis Leong**  
Company Secretary  
Sydney, 6 June 2016

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## Notes

### 1 Proxies

If you cannot attend, you may appoint a proxy to attend and vote for you. If you are entitled to cast two or more votes, you may nominate two persons to vote on your behalf at the meeting. If two proxies are appointed, each proxy may be appointed to represent a specified number or proportion of your votes. Fractions of votes will be disregarded. If no such number or proportion is specified, each proxy may exercise half your votes.

Votes may be cast 'For' or 'Against' or you may 'Abstain' from voting on a resolution. If you wish to direct a proxy how to vote on any resolution, place a mark (e.g. a cross) in the appropriate box on the proxy form or insert the number of shares or percentage of shares that you wish to vote in the appropriate box. A valid voting direction must not exceed the total number of shares held or 100 percent. If you place a mark in the 'Abstain' box, your votes will not be counted in computing the required majority on a poll.

For shareholders receiving the Notice of Meeting by post, a proxy form and a reply paid envelope have been included with this Notice of Meeting. Proxy voting instructions are provided on the proxy form.

### 2 Online Proxy Facility

You may also submit your proxy appointment online at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

Login to the Link website using the holding details as shown on the Proxy Form. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the Proxy Form).

You will be taken to have signed the proxy appointment if you lodge it in accordance with the instructions on the website. If you wish to use this facility, you must submit your proxy appointment through the facility by **no later than 10:30 am (Sydney time) on Tuesday, 26 July 2016**. A proxy cannot be appointed online if they are appointed under a power of attorney or similar authority. If you wish to appoint a second proxy contact Macquarie's share registry, Link Market Services, online or on 1300 554 096 (within Australia) or +61 1300 554 096 (internationally). Please read the instructions for the online proxy facility carefully before you submit your proxy appointment using this facility.

If you receive shareholder communications by email, your Notice of Meeting email will include a link to the online proxy appointment site.

### 3 Proxy Delivery

Completed proxies must be received by Macquarie's share registry, Link Market Services, online or at Link Market Services Limited, Locked Bag A14, Sydney South, NSW, 1235 (facsimile number +61 2 9287 0309) or at Link Market Services Limited, 1A Homebush Bay Drive, Rhodes, NSW, 2138 or Level 12, 680 George Street, Sydney, NSW, 2000 or at Macquarie's registered office in Sydney, by **no later than 10:30 am (Sydney time) on Tuesday, 26 July 2016**. Any revocations of proxies (including online proxy appointments) must be received at one of these places before the commencement of the meeting or at the registration desk at the Sheraton on the Park, Sydney for the 2016 Annual General Meeting from 9:45 am on the day of the meeting and no later than the commencement of the meeting.

### 4 Power of Attorney

If a shareholder has appointed an attorney to attend and vote at the meeting, or if the proxy is signed by an attorney, the power of attorney (or a certified copy of the power of attorney) must be received by Macquarie's share registry, Link Market Services, at the addresses or facsimile number in Note 3 above, or at Macquarie's registered office in Sydney, by **no later than 10:30 am (Sydney time) on Tuesday, 26 July 2016**, unless the power of attorney has been previously lodged with Macquarie's share registry.

# Notice of Meeting

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## 5 Corporate Representatives

If a corporate shareholder wishes to appoint a person to act as its representative at the meeting, that person should be provided with a letter or certificate authorising him or her as the company's representative (executed in accordance with the company's constitution) or with a copy of the resolution appointing the representative, certified by a secretary or director of the company. A form of appointment of corporate representative may be obtained from Macquarie's share registry.

## 6 Shareholders Eligible to Vote

Pursuant to regulation 7.11.37 of the *Corporations Regulations 2001 (Cth)*, the holders of Macquarie's ordinary shares for the purposes of the meeting, will be those registered holders of Macquarie's ordinary shares at **7:00 pm (Sydney time) on Tuesday, 26 July 2016**.

## 7 Voting at the Meeting

Voting on each of the proposed resolutions at this meeting will be conducted by poll.

## 8 Conduct of the Meeting

Macquarie is committed to ensuring that its shareholder meetings are conducted in a manner which provides those shareholders (or their proxy holders) who are present at the meeting with the opportunity to participate in the business of the meeting in an orderly fashion and to ask questions about and comment on matters relevant to the business of the meeting or about Macquarie generally. Macquarie will not allow conduct at any meeting which is discourteous to those who are present at the meeting, or which in any way disrupts or interferes with the proper conduct of the meeting. The Chairman of the Meeting will exercise his or her powers as the Chairman to ensure that the meeting is conducted in an orderly and timely fashion, in the interests of all attending shareholders.

## 8 Questions and Comments by Shareholders

Shareholders will be provided with a reasonable opportunity to ask questions about or make comments on the business of the meeting, the management of the Company or about Macquarie Group generally.

PricewaterhouseCoopers, Macquarie's external auditor, will attend the AGM and there will be an opportunity for members to ask questions relevant to the audit.

## 9 Definitions

The terms 'Voting Director' and 'Executive Voting Director' used here and in the Explanatory Notes on Items of Business accompanying this Notice of Meeting have the meaning given in Macquarie's Constitution.

The Voting Directors as at the date of the Notice of Meeting are: Peter H Warne, Gary R Banks, Gordon M Cairns, Michael J Coleman, Patricia A Cross, Diane J Grady, Michael J Hawker, Nicholas W Moore and Nicola M Wakefield Evans. Mr Moore is the only Executive Voting Director.



# Explanatory Notes on Items of Business

## Item 1 – Financial Statements

As required by section 317 of the *Corporations Act 2001 (Cth)* (the Act), the Financial Report, Directors' Report and Auditor's Report of Macquarie Group Limited (Macquarie) and its subsidiaries (Macquarie Group) for the most recent financial year will be laid before the meeting. There will be no formal resolution put to the meeting.

The reports are available on Macquarie's website at [www.macquarie.com/about/investors/reports](http://www.macquarie.com/about/investors/reports)

## Item 2 – Remuneration Report

As required by section 250R(2) of the *Corporations Act 2001(Cth)* (the Act), a resolution that Macquarie's Remuneration Report be adopted will be put to the vote. Section 250R(3) of the Act provides that the vote on the resolution is advisory. The Remuneration Report is contained within the Directors' Report in Macquarie's 2016 Annual Report on pages 64 to 100. The Executive Summary is largely reproduced below.

### Executive Summary

During the year, the Board and the Board Remuneration Committee (BRC) have reviewed Macquarie's remuneration framework to ensure it continues to meet its overriding objective of delivering superior company performance over the short and long term, while prudently managing risk and reinforcing the *Code of conduct* and the long-held foundations of Macquarie's risk culture, the principles of *What We Stand For* – Opportunity, Accountability and Integrity. In undertaking this assessment, the Board and the BRC have considered factors including:

- the degree of alignment between staff and shareholders
- Macquarie's performance during the year and the performance of each business
- shareholder returns
- the need to balance short-term and long-term incentives
- feedback from shareholders
- the risk and conduct culture of Macquarie
- the employment environment
- the evolving regulatory landscape
- market developments.

**The Board believes that Macquarie's longstanding remuneration approach continues to create a strong alignment of staff and shareholders' interests while prudently managing risk and reinforcing the *Code of conduct* and *What We Stand For*.**

The remuneration framework seeks to attract, motivate and retain exceptional people, while aligning their interests with those of shareholders. It comprises fixed remuneration, a profit share scheme and, for Macquarie's most senior executives, the Executive Committee, Performance Share Units (PSUs). The framework should be considered as an integrated whole. The components that make up the integrated remuneration framework are explained below.

Fixed remuneration for senior staff remains low relative to comparable roles in other organisations, although it is sufficient to avoid inappropriate risk-taking. Moreover, it is low as a proportion of overall remuneration. In 2016, fixed remuneration for Macquarie's 13 Executive Committee members comprised approximately 8% of total remuneration. The balance remains at risk and is explicitly linked to performance.

While performance-based remuneration in the form of profit share is aligned with company performance, Macquarie's approach to performance-based remuneration is driven by a detailed assessment at the business group and individual level. Each business group considers profit share allocations to teams and individuals in their business based on performance, market developments and the employment environment with reference to the company-wide profit share pool. The company-wide profit share pool is determined annually with reference to a proportion of Macquarie's after tax profits and its earnings over and above the estimated cost of capital.

# Explanatory Notes on Items of Business

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The Non-Executive Directors (NEDs) of the Board have the discretion to adjust the profit share pool up or down to reflect internal and external factors if deemed in the interests of Macquarie and shareholders. Such factors may include performance, risk and compliance considerations, the employment environment and staff retention risk. As has occurred in previous years, not all of the profit share pool has been paid to employees in the current year.

The criteria used to assess each individual's performance vary depending on their role and include:

- financial performance
- risk management and compliance
- business leadership
- people leadership and professional conduct consistent with the *Code of conduct* and *What We Stand For*.

For staff whose primary role is risk and financial control, including the Chief Risk Officer and the Chief Financial Officer, the Board also seeks to ensure that their remuneration preserves the independence of the function and maintains Macquarie's robust risk management framework.

Performance-based remuneration is delivered in ways that encourage a longer-term perspective and ensure alignment with shareholders' longer-term interests and staff retention. In turn, this encourages staff to maximise profit without exposing Macquarie to risk or behaviours that jeopardise long-term profitability or reputation. To achieve this outcome, a significant portion of performance-based remuneration is:

- retained and deferred over a long period (e.g. the retention rate for the Managing Director and Chief Executive Officer's (Managing Director) profit share allocation is 70%, retained for up to seven years). Including PSUs, the effective deferral rate for the Managing Director is 74% for this year
- delivered in equity
- subject to forfeiture in certain circumstances.

Performance-based remuneration in the form of PSUs provide an additional incentive to Executive Committee members to drive overall company-wide performance over the longer-term over and above their business group responsibilities. They are allocated to Executive Committee members based on their performance, using criteria similar to those used for profit share. PSUs vest in equal tranches after three and four years and are exercisable subject to the achievement of two performance hurdles linked to earnings per share (EPS) and return on equity (ROE), with no retesting.

Other conditions apply that seek to align staff and shareholder interests. All Executive Directors are subject to a minimum shareholding requirement that can be satisfied by the delivery of equity under the current remuneration arrangements. This provides the strongest incentive to staff to maximise long-term profitability and shareholder returns.

Macquarie prohibits staff from hedging any of the following types of securities:

- shares held to satisfy the minimum shareholding requirement
- deferred and unvested awards to be delivered under the equity plan, the MEREP, including PSUs.

Staff can only trade Macquarie ordinary shares and other securities during designated trading windows.

## Macquarie's remuneration outcomes are aligned to business results and shareholder returns.

Macquarie has delivered strong financial results for shareholders while appropriately managing remuneration for staff. While net profit after tax (NPAT) has increased compared with FY2015, total compensation does not reflect the same rate of growth, evidencing Macquarie's commitment to delivering appropriate levels of remuneration.

The Board is of the view that the remuneration outcomes for senior executives are appropriately aligned to their businesses' performance, Macquarie's performance and the interests of shareholders. To demonstrate the link between pay and performance, a comparison of performance measures and executive remuneration outcomes allows shareholders to see how the remuneration for Executive Key Management Personnel (Executive KMP being the members of Macquarie's Executive Committee) is aligned with performance. Remuneration outcomes for Executive KMP varied according to their individual performance and the performance of their business. The analysis below shows that whilst Managing Director remuneration has increased compared to FY2015, it has not increased to the same extent as NPAT. Total remuneration for Comparable Executive KMP<sup>(1)</sup>, including the Managing Director, has remained relatively flat compared to FY2015.

### Comparison of performance measures and executive remuneration measures: FY2015 – FY2016

		2016	2015	Increase/ (Decrease)%
<b>Performance measures</b>				
NPAT	\$Am	2,063	1,604	29
Basic EPS	Cents per share	619.2	502.3	23
Ordinary dividends	Cents per share	400.0	330.0	21
Return on equity	Percent	14.7	14.0	
Annual TSR <sup>(2)</sup>	Percent	(9.9)	38.9	
<b>Executive remuneration measures</b>				
Total Compensation Expense	\$Am	3,957	3,891	2
Compensation Expense to Income ratio	Percent	39.0	42.0	
Average staff headcount		13,902	14,086	(1)
Actual staff headcount 31 March		14,372	14,085	2
Statutory Remuneration – Managing Director	\$Am	18.16	16.50	10
Statutory Remuneration – Comparable Executive KMP	\$Am	91.28	90.82	0.5

<sup>(1)</sup> Comparable Executive KMP are Executive KMP who are members of the Executive Committee for the full year in both FY2016 and FY2015.

<sup>(2)</sup> TSR represents the accumulated share price return when all cash dividends are reinvested at the ex-dividend date.

In addition, Macquarie's performance has been strong relative to peers, particularly over the longer-term.

# Explanatory Notes on Items of Business

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**Strong remuneration governance continues to be exercised.**

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The Board and the BRC remain committed to strong remuneration governance structures and processes. Strict processes are in place to ensure that conflicts of interest are appropriately managed. The BRC makes recommendations to the Board on key decisions. The Board (excluding the Managing Director) approves key remuneration decisions including the outcomes for all Executive KMP members.

An independent remuneration review has also been obtained from an independent consultant, Pay Governance, to provide an opinion on the appropriateness of Macquarie's remuneration arrangements.

NED fees take into account market rates for relevant Australian organisations and reflect the time commitment and responsibilities involved within the shareholder approved aggregate limit.

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**In summary, Macquarie's longstanding approach to remuneration supports the overarching objective of delivering superior company performance over the short and long term, while prudently managing risk and reinforcing the *Code of conduct* and *What We Stand For*.**

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*Noting that each Voting Director has a personal interest in their own remuneration from Macquarie, as described in the Remuneration Report, the Board unanimously recommends that shareholders vote in favour of adopting the Remuneration Report.*

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### **Item 3 – Approval of Executive Voting Director’s Participation in the Macquarie Group Employee Retained Equity Plan (MEREP)**

The approval of shareholders is sought to permit Nicholas Moore, Macquarie’s Managing Director and Chief Executive Officer (Managing Director), to participate this year, with other executives in the MEREP.

#### **Background**

This approval is being sought because ASX Listing Rule 10.14 provides that a listed company may only permit a director of the company to acquire newly issued shares or rights to shares under an employee incentive scheme where that director’s participation has been approved by an ordinary resolution of shareholders.

The Managing Director is eligible to receive Restricted Share Units (RSUs) under the MEREP. The shares required for this grant are expected to be purchased by the trust established to hold shares for MEREP purposes. Subject to shareholder approval of Item 3 in the Notice of Meeting, shares may instead be issued if purchasing becomes impractical or inadvisable.

The Managing Director is also eligible to receive Performance Share Units (PSUs) that are exercisable subject to performance hurdles. Shareholder approval under ASX Listing Rule 10.14 is being sought so that PSUs may be issued to the Managing Director under the MEREP. Further information on PSUs and the performance hurdles can be found in Appendix A to these Explanatory Notes.

#### **Restricted Share Units**

Approval is sought to allocate \$11.17 million of the Managing Director’s retained 2016 profit share under the MEREP, in the form of RSUs.

The RSUs for which approval is sought will vest over seven years. In all other respects, the RSUs will be subject to the same terms and conditions as RSUs awarded to other Executive Directors with retained profit share allocated under the MEREP. Macquarie’s 2016 Remuneration Report includes a summary of these terms and conditions.

The number of RSUs that will be allocated to the Managing Director will be determined by dividing his retained profit share amount to be invested in Macquarie shares (\$11.17 million) (Retained Amount) by the average price at which Macquarie shares are acquired during the Buying Period for the allocation of MEREP awards to other staff with retained profit share for the financial year ended 31 March 2016. For 2016, the Buying Period is expected to run from 17 May 2016 to 8 July 2016 but may be completed earlier or later. The average price is referred to as the Acquisition Price. If shares are issued to fill any shortfall in the number of shares acquired in the Buying Period for the Managing Director and concurrent MEREP offers to staff other than the Managing Director, the number of RSUs that will be allocated to the Managing Director will be determined by dividing his Retained Amount by the volume weighted average of the Acquisition Price in respect of any shares that are purchased and the price at which any shares are issued. The latter will be the volume weighted average price of Macquarie shares traded on the ASX over the 5 trading days up to and including the issue date (Issue Price).

This is consistent with the methodology used for calculating the number of MEREP awards for other staff with retained profit share for the financial year ended 31 March 2016. The number of RSUs to be allocated to the Managing Director will not be known until the Acquisition Price, the Issue Price and/or the volume weighted average of the Acquisition Price and the Issue Price (Blended Price) (as applicable) is calculated at the end of the Buying Period. Macquarie will announce to the market the Acquisition Price, the Issue Price and/or the Blended Price (as applicable) and the number of RSUs to be allocated to the Managing Director, prior to the date of the AGM.

# Explanatory Notes on Items of Business

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## Performance Share Units

Approval is sought to allocate Mr Moore \$2.55 million worth of PSUs vesting in two equal tranches after three and four years from the deemed vesting commencement date (1 July 2016), giving an average vesting period of three and a half years. To ensure continued alignment with shareholders post termination, in cases of genuine retirement, PSUs continue to vest in accordance with the above vesting schedule and remain subject to the same performance hurdles. The Board or its delegate has the authority to accelerate the vesting of, or to forfeit, PSUs when the Managing Director leaves Macquarie. The Managing Director's PSUs will be structured as Deferred Share Units (DSUs) with the performance hurdles described in Appendix A to these Explanatory Notes. A DSU is a right to receive on exercise of the DSU either a share held in the MEREP Trust (Trust) or a newly issued share (as determined by Macquarie in its absolute discretion) for no cash payment, subject to the vesting and forfeiture provisions of the MEREP.

As in previous years, the number of PSUs that will be allocated to the Managing Director will be calculated by dividing \$2.55 million by the fair valuation of a PSU at the date of grant. The fair value of PSUs that may be acquired by the Managing Director is \$2.55 million. The determination of the number of PSUs to be allocated will be deferred until after shareholder approval is received. The fair value per PSU is to be calculated at the date of grant and will be determined using a Monte-Carlo option pricing framework. The Monte-Carlo option pricing framework is a valuation technique that, based on input assumptions, generates thousands of possible outcomes and assigns a value to each.

The values are then averaged and discounted to the present to arrive at the fair value of a PSU. This valuation methodology is also designed to take account of trading period restrictions, the fact that PSUs do not attract dividends and the vesting performance hurdles and timeframes described in Appendix A to these Explanatory Notes. As a result, the fair value of a PSU is lower than the market value of a Macquarie share. The following key assumptions will be adopted in estimating the fair value of the proposed PSUs: a risk free interest rate<sup>(1)</sup>, share volatility<sup>(2)</sup> and a forecast Macquarie share dividend yield. The market price of the Macquarie shares for the purpose of this calculation will be the closing market price preceding the date of grant, which is expected to be on or around 15 August 2016.

The table below provides an estimate of the number of PSUs to be granted at varying prices for Macquarie shares. The following assumptions were used in estimating these values: a risk free interest rate of 2.32% per annum, share volatility of 25.33% and a forecast dividend yield of 4.57% per annum (paid in two installments each year).

Macquarie Share Price	Fair Value of PSU Award	PSU Fair Value <sup>(3)</sup> (per unit)	Estimated number of PSUs to be granted
\$75	\$2,550,000	\$47.4101	53,786
\$70	\$2,550,000	\$44.2495	57,627
\$65	\$2,550,000	\$41.0888	62,060
\$60	\$2,550,000	\$37.9281	67,232

The value of any Macquarie shares that may be received by the Managing Director at a future date as a result of this allocation of PSUs will depend on factors including the extent to which the performance hurdles are achieved and the future price of Macquarie shares when any of these awards become exercisable. The estimated current market value of Macquarie shares underlying the PSUs to be allocated to the Managing Director is approximately \$4.03 million ('Macquarie Share Price' multiplied by the 'Estimated number of PSUs to be granted' in the table above). Further details regarding PSUs are set out on pages 72 to 74 of the Remuneration Report.

(1) Being the zero coupon yield curve derived from the inter-bank interest rate swap curve as per industry practice for a Monte-Carlo simulation.

(2) Being the actual three year historical volatility of the Macquarie share price.

(3) The calculation is based on the standard eight year life of a DSU/PSU.

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### **Executive Voting Director's remuneration**

Full details of the Managing Director's remuneration and Macquarie share holdings in respect of the 2016 financial year are shown in Appendix 2 and Appendix 3 (pages 88 to 99) of the 2016 Annual Report.

### **Maximum number of RSUs and PSUs**

The maximum number of PSUs that may be acquired by the Managing Director for which shareholder approval is sought will be calculated by dividing \$2.55 million by the fair value of a PSU on the date of grant, as described above. The maximum number of RSUs for which approval is sought will be announced to the market before the AGM.

### **Price payable on grant of Restricted Share Units**

The effective aggregate price payable by the Managing Director for the RSUs for which shareholder approval is sought is approximately \$11.17 million, being the amount of Mr Moore's 2016 retained profit share to be allocated under the MEREP.

### **Price payable on grant of Performance Share Units**

The Managing Director will not make any cash payment for the PSUs for which shareholder approval is sought. The PSUs are an incentive mechanism for future performance and can only be exercised subject to satisfaction of the performance hurdles described in Appendix A to these Explanatory Notes.

### **Participants under previous approvals**

The Managing Director is the only person referred to in ASX Listing Rule 10.14 entitled to participate in the MEREP.

The Managing Director was granted 124,404 RSUs at an assessed value of \$80.68 per share and 52,947 PSUs for nil cash consideration following shareholder approval at the 2015 Macquarie Group Annual General Meeting.

### **Terms of any loan relating to the acquisition of shares**

No loan is being provided to the Managing Director in relation to the acquisition of shares under the MEREP.

### **Date by which grants will be made**

The proposed grants of RSUs and PSUs to the Managing Director are expected to be made on or around 15 August 2016 but not later than 30 September 2016, subject to shareholder approval of this Item 3 in the Notice of Meeting.

### **Consequences if approval not obtained**

If shareholders do not approve the proposed issue of RSUs and PSUs to the Managing Director under Item 3, the proposed grant of RSUs and issue of PSUs to him will not proceed. This may impact Macquarie's ability to incentivise the Managing Director and align his interests with those of shareholders and with the remuneration arrangements of the other Executive Directors. The Board will need to consider alternative remuneration arrangements, which may not be consistent with Macquarie's remuneration principles, including a cash payment.

*The Non-Executive Directors of the Board unanimously recommend that shareholders vote in favour of Item 3 in the Notice of Meeting. Mr Moore, being the Managing Director and Chief Executive Officer, has a material personal interest in the resolution and, therefore, has abstained from providing a recommendation.*

# Explanatory Notes on Items of Business

## continued

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### Items 4a and 4b – Election of Voting Directors

Voting Directors, Mr MJ Hawker and Mr MJ Coleman, retire by rotation and offer themselves for re-election. A brief summary of their qualifications and experience is provided below.

#### Item 4a – Re-election of Mr MJ Hawker as a Voting Director retiring by Rotation

**Michael J Hawker AM, BSc (Sydney), FAICD, SF Fin, FAIM, FloD**

*Chairman of the Board Remuneration Committee*

*Member of the Board Audit Committee*

*Member of the Board Nominating Committee*

*Member of the Board Risk Committee*

Michael Hawker joined the Boards of Macquarie Group and Macquarie Bank as an Independent Voting Director in March 2010.

#### Experience

Mr Hawker has substantial expertise and experience in the financial services industry including management experience in regulated entities in Australia and internationally. He was Chief Executive Officer and Managing Director of Insurance Australia Group from 2001 to 2008 and held senior positions at Westpac and Citibank.

Mr Hawker was also President of the Insurance Council of Australia, Chairman of the Australian Financial Markets Association, a board member of the Geneva Association and a member of the Financial Sector Advisory Council.

#### Other current positions

Mr Hawker is an Independent Non Executive Director of Aviva Plc Group, the largest insurance provider in the UK, the Lead Independent Director of Washington H. Soul Pattinson and Company Limited, a Non Executive Director of Rugby World Cup Limited and Chairman of The George Institute for Global Health.

Mr Hawker provides the Board with extensive experience in the financial services industry, and a deep understanding of risk management. Through his role at Aviva and overseas executive experience, he brings a global perspective to Board deliberations.

Prior to submitting himself for re-election, Mr Hawker confirmed that he would continue to have sufficient time to properly fulfil his Director duties for Macquarie. In accordance with Macquarie's policy on independence for non-executive directors, the Board (with Mr Hawker abstaining) has determined that Mr Hawker remains independent.

*The Board (with Mr Hawker abstaining) unanimously recommends that shareholders vote in favour of Mr Hawker's re-election as an Independent Voting Director.*



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## **Item 4b – Re-election of Mr MJ Coleman as a Voting Director retiring by Rotation**

### **Michael J Coleman, MCom (UNSW), FCA, FCPA, FAICD**

*Chairman of the Board Audit Committee*

*Member of the Board Governance and Compliance Committee*

*Member of the Board Nominating Committee*

*Member of the Board Risk Committee*

Michael Coleman joined the Boards of Macquarie Group and Macquarie Bank as an Independent Voting Director in November 2012.

### **Experience**

A senior audit partner with KPMG for 30 years, Mr Coleman has significant experience in risk management, financial and regulatory reporting and corporate governance.

Mr Coleman was KPMG's inaugural National Managing Partner Assurance and Advisory from 1998 to 2002, National Managing Partner for Risk and Regulation from 2002 to 2010 and Regional Leader for Asia Pacific Quality and Risk Management from 2002 to 2011. He has also served as Chairman of ING Management Limited and as a previous member of the Financial Reporting Council, including terms as Chairman and Deputy Chairman.

### **Other current positions**

Mr Coleman is an Adjunct Professor at the Australian School of Business at the University of New South Wales and Chairman of Planet Ark Environmental Foundation. Mr Coleman is also a member of the Audit Committee of the Reserve Bank of Australia, a member of the National Board and of the NSW Council of the Australian Institute of Company Directors (AICD) and Chairman of the Reporting Committee of the AICD.

With over 30 years experience as an audit partner at KPMG Australia specialising in financial services and risk management, Mr Coleman provides the Board with extensive financial reporting, regulatory and corporate governance experience.

Prior to submitting himself for re-election, Mr Coleman confirmed that he would continue to have sufficient time to properly fulfil his Director duties for Macquarie. In accordance with Macquarie's policy on independence for non-executive directors, the Board (with Mr Coleman abstaining) has determined that Mr Coleman remains independent.

*The Board (with Mr Coleman abstaining) unanimously recommends that shareholders vote in favour of Mr Coleman's re-election as an Independent Voting Director.*

# Explanatory Notes on Items of Business

## continued

### Items 5a and 5b – Approval of the Issue of Shares under the October 2015 Placement and the Issue of Macquarie Group Capital Notes 2

#### Background

##### *October 2015 Placement*

In October 2015, Macquarie completed a placement of 5,000,000 ordinary shares (Placement Shares) at a price of \$80.00 per share to assist with the funding of the Esanda dealer finance portfolio from Australia and New Zealand Banking Group Limited. The Placement Shares were issued to certain institutional investors following a book build and ranked pari passu with existing ordinary shares on issue. Information regarding the acquisition was lodged with the ASX on 8 October 2015 in the *Esanda Dealer Finance Portfolio Acquisition and Capital Raising* presentation which is also available on Macquarie's website.

##### *Macquarie Group Capital Notes 2 (MCN2)*

In December 2015, Macquarie completed the issue of 5,309,921 Macquarie Group Capital Notes 2 at an issue price of \$100 per MCN2 with the proceeds used to assist with general corporate funding and capital management purposes. MCN2 qualify as eligible capital for Australian Prudential Regulatory Authority purposes. The notes were issued to Australian resident retail and high net worth investors who were invited to apply under the broker firm offer and to eligible holders of Macquarie securities.

MCN2 are unsecured, subordinated notes issued by Macquarie. They are non-cumulative and mandatorily convertible (subject to certain conditions). A summary of the terms and conditions of MCN2 is provided in Appendix B to these Explanatory Notes. A copy of the replacement prospectus containing the full terms of the MCN2 was lodged with the ASX on 1 December 2015 and is also available on Macquarie's website.

#### Reason for seeking approval

In general terms, ASX Listing Rule 7.1 imposes a limit on the number of equity securities (including ordinary shares) that a company can issue or agree to issue without shareholder approval (15% placement capacity) where an exemption to the rule does not apply. Macquarie determined that it was able to issue all of the Placement Shares and MCN2 within the 15% limit of its placement capacity and accordingly no shareholder approval was required.

ASX Listing Rule 7.4 provides that an issue of shares by a company made pursuant to ASX Listing Rule 7.1 is treated as having been made with approval for the purposes of ASX Listing Rule 7.1, if it is subsequently approved by the company's shareholders.

The effect of approving Items 5a and 5b will be to refresh Macquarie's 15% placement capacity under ASX Listing Rule 7.1 so that its capacity would be the same as if the Placement Shares and MCN2, respectively, had been issued with shareholder approval. If shareholders approve Items 5a and 5b, Macquarie will have greater flexibility to make future placements of Macquarie shares and to raise funds to meet future needs. Notwithstanding an approval by shareholders of the proposed resolutions in Items 5a and 5b, any future equity raisings will remain subject to the 15% limit set out in ASX Listing Rule 7.1 where an exemption to the limit does not apply.

##### *MCN2*

The conversion feature of the MCN2 means that MCN2 are "convertible securities" of Macquarie for the purposes of the ASX Listing Rules. For the purposes of calculating the impact on placement capacity under the ASX Listing Rules, ASX has confirmed that the number of ordinary shares to be taken into account is the number that would result if the MCN2 were exchanged on their date of issue. Therefore, using an ordinary share price of \$81.33, the issue of MCN2 will reduce Macquarie's future placement capacity by approximately 2% of Macquarie's issued capital unless shareholders approve Item 5b in the Notice of Meeting. Under the terms of the MCN2, approximately 6.6 million Macquarie ordinary shares would have been issued if the conversion had occurred on 18 December 2015 (the date of the issue).

*The Board unanimously recommends that shareholders vote in favour of Items 5a and 5b in the Notice of Meeting.*

## Appendix A – Performance Hurdles of PSUs

### Performance hurdles for PSUs

PSUs issued under the MEREP become exercisable upon the achievement of two performance hurdles, each applying individually to 50% of the total number of each tranche of PSUs awarded.

The following table provides a summary of the hurdles:

	EPS CAGR Hurdle	ROE Hurdle
<b>Application to PSU awards</b>	50%	50%
<b>Performance measure</b>	Compound annual growth rate (CAGR) in EPS over the vesting period (three to four years).	Relative average annual ROE over the vesting period (three to four years) compared with a reference group of global peers <sup>(1)</sup>
<b>Hurdle</b>	<p>Sliding scale applies:</p> <ul style="list-style-type: none"> <li>– 50% becoming exercisable at EPS CAGR of 7.5%</li> <li>– 100% at EPS CAGR of 12%.</li> </ul> <p>For example, if EPS CAGR was 9.75%, 75% of the relevant awards would become exercisable.</p> <p>For awards made prior to 2013, the EPS CAGR hurdle range was 9% to 13%.</p>	<p>Sliding scale applies:</p> <ul style="list-style-type: none"> <li>– 50% becoming exercisable above the 50<sup>th</sup> percentile</li> <li>– 100% at the 75<sup>th</sup> percentile.</li> </ul> <p>For example, if ROE achievement was at the 60<sup>th</sup> percentile, 70% of the relevant awards would become exercisable.</p>
<b>Rationale for hurdles</b>	<ul style="list-style-type: none"> <li>– ROE and EPS are considered appropriate measures of performance as they drive longer-term company performance and are broadly similar to the performance measures Macquarie uses for determining the annual profit share pool</li> <li>– ROE and EPS are appropriate for the Executive Committee because they can affect outcomes on both measures. In contrast, Total Shareholder Return (TSR) is influenced by many external factors, including market sentiment, over which executives have limited control</li> <li>– ROE and EPS can be substantiated using information that is disclosed in audited financial statements</li> <li>– the use of a sliding scale diversifies the risk of not achieving the hurdles, provides rewards proportionate to performance for shareholders and is preferable to an all-or-nothing test which some have argued could promote excessive risk taking</li> <li>– the approach is consistent with that advocated by APRA in not using TSR as a measure</li> <li>– Macquarie's performance hurdles reward sustained strong performance and are relatively well-insulated from short term fluctuations. The time frame used for PSUs should also be considered in light of the three to seven year deferral of profit share for members of the Executive Committee.</li> </ul> <p>Use of an international peer group recognises the extent of Macquarie's internationalisation. At 31 March 2016 approximately 68% of Macquarie's income and approximately 54% of Macquarie's staff were offshore.</p>	

<sup>(1)</sup> The reference group comprises Macquarie's major international investment banking peers with whom Macquarie competes and frequently compares its performance. The reference group for awards made from 2013 is Barclays PLC, Bank of America Corporation, Credit Suisse Group AG, Deutsche Bank AG, Goldman Sachs Group Inc., JP Morgan Chase, Lazard Ltd, Morgan Stanley and UBS AG. The reference group for awards made prior to 2013 comprised Bank of America Corporation, Citigroup Inc, Credit Suisse Group AG, Deutsche Bank AG, Goldman Sachs Group AG, JP Morgan Chase, Morgan Stanley and UBS AG as well as significant Australian commercial banks within the ASX 100 (ANZ Group Limited, Commonwealth Bank of Australia, National Australia Bank Limited, Westpac Banking Corporation and Suncorp Metway Limited).

# Appendix A – Performance Hurdles of PSUs

## continued

### Testing of hurdles

Under both performance hurdles, the objective is examined once only. Testing occurs at the calendar quarter end immediately before vesting, based on the most recent financial year end results available. If the condition is not met when examined, the PSUs due to vest will not be exercisable upon vesting.

The PSUs that vested in July 2015 comprised the third tranche of those granted in 2011 and the first tranche of those granted in 2012. As the performance hurdles under each tranche were not met in full, not all of the awards became exercisable. As a result:

PSU Tranche	EPS CAGR Hurdle			ROE Hurdle		
	Macquarie result (for vesting period)	Hurdle	Outcome	Macquarie result (for vesting period)	Hurdle	Outcome
2011 Tranche 3	15.5%	9%-13%	100% exercisable	8.8%	– 50% above the 50 <sup>th</sup> percentile <sup>(1)</sup> – 100% at the 75 <sup>th</sup> percentile <sup>(1)</sup>	56% exercisable
2012 Tranche 1	33.7%	9%-13%	100% exercisable	9.7%	– 50% above the 50 <sup>th</sup> percentile <sup>(2)</sup> – 100% at the 75 <sup>th</sup> percentile <sup>(2)</sup>	72% exercisable

<sup>(1)</sup> Peer group ROE at 50<sup>th</sup> percentile (2.69%) and peer group ROE at 75<sup>th</sup> percentile 26.32%

<sup>(2)</sup> Peer group ROE at 50<sup>th</sup> percentile (2.99%) and peer group ROE at 75<sup>th</sup> percentile 17.86%

PSUs that did not meet performance hurdles expired.

## Appendix B – Additional Information on Item 5b

### Summary of the terms of the Macquarie Capital Notes 2 (MCN2)

The following is summary only of the terms and conditions of the MCN2. The MCN2 terms are set out in Appendix A of the replacement prospectus dated 1 December 2015 (MCN2 Terms). A copy of the replacement prospectus can be found at [www.macquarie.com](http://www.macquarie.com) or [www.asx.com.au](http://www.asx.com.au). Defined terms used in this summary have the meaning given to them in the MCN2 Terms.

### About MCN2

MCN2 are unsecured, subordinated notes issued by Macquarie Group Limited (MGL). They are non-cumulative and mandatorily convertible (subject to certain conditions). The Issue Price is \$100 per MCN2. MCN2 constitute regulatory capital of Macquarie Group which satisfies the Australian Prudential Regulation Authority's regulatory capital requirements.

### Distributions

MCN2 are scheduled to pay floating rate cash distributions twice a year in arrears until all MCN2 are Exchanged, Redeemed or Written-Off. The Distribution Rate is recalculated twice a year based on the Reference Rate plus a margin of 5.15% pa, adjusted for franking.

Distributions are expected to be franked at the same rate as dividends on Ordinary Shares. The level of franking may vary over time and Distributions may be partially, fully or not franked.

Distributions on MCN2 are discretionary, which means MGL can determine not to pay them and they can only be paid if certain payment conditions are met (including that APRA does not object). Distributions are non-cumulative, which means that if a Distribution has not been paid on a Distribution Payment Date then MGL has no obligation to pay an unpaid Distribution at any later date.

If a Distribution is not paid in full within 10 Business Days of a Distribution Payment Date, in most circumstances MGL is restricted from paying any dividend or returning capital on Ordinary Shares until the next Distribution Payment Date.

### Exchange

MCN2 may be Exchanged for a variable number of Ordinary Shares in the following circumstances:

- **Mandatory Exchange:** All MCN2 are scheduled to be Exchanged on 18 March 2024, unless the Exchange Conditions relevant to that date are not met (in which case, Exchange will be deferred until the first semi-annual Distribution Payment Date where the Exchange Conditions are met). The Exchange Conditions (where applicable) are intended to ensure that MCN2 Holders will receive approximately \$101 worth of Ordinary Shares per MCN2 on Exchange (based on the VWAP during the 20 ASX Trading Days before the Exchange Date) and that the Ordinary Shares are capable of being sold on ASX.
- **Exchange at MGL's option:** MGL may also choose to Exchange all or some MCN2 on 17 March 2021, 17 September 2021 or 17 March 2022, or if there has been a Tax Event or Regulatory Event, provided certain conditions are met.
- **Acquisition Event:** MGL will be required to Exchange all MCN2 for Ordinary Shares if an Acquisition Event (broadly, a change of control of MGL by takeover bid, scheme of arrangement or otherwise) occurs, provided certain conditions are met.
- **Non-Viability Event:** MGL will be required to immediately Exchange all or some MCN2 for Ordinary Shares (or, if Exchange has not occurred for any reason within 5 Business Days, Write-Off all or some MCN2) if a Non-Viability Event occurs. Exchange under these circumstances is not subject to any conditions.

The maximum number of Ordinary Shares that MCN2 can be Exchanged for is 6.1478 per MCN2.

### Ranking in a winding up

In a Winding Up of MGL, MCN2 will rank ahead of Ordinary Shares, equally with Equal Ranking Obligations, but behind all Senior Creditors of MGL.

However, any return on MCN2 in a Winding Up may be adversely affected or reduced to zero if a Non-Viability Event occurs. If APRA determines that a Non-Viability Event occurs, some or all of the MCN2 are to be Exchanged, or if that does not occur, written off.

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## Investor Information

### Enquiries

Investors who wish to enquire about any matter relating to their Macquarie Group Limited shareholding are invited to contact the share registry:

### Link Market Services Limited

Level 12, 680 George Street  
Sydney NSW 2000 Australia  
Telephone (within Australia): 1300 554 096  
Telephone (Internationally): +61 1300 554 096  
Facsimile: +61 2 9287 0309

Email: [macquarie@linkmarketservices.com.au](mailto:macquarie@linkmarketservices.com.au)  
Website: [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

All other enquiries relating to a Macquarie Group Limited share investment can be directed to:

### Investor Relations

Macquarie Group Limited  
Level 6, 50 Martin Place  
Sydney NSW 2000 Australia  
Telephone: +61 2 8232 3333  
Facsimile: +61 2 8232 7780  
Email: [macquarie.shareholders@macquarie.com](mailto:macquarie.shareholders@macquarie.com)  
Website: [www.macquarie.com/investors](http://www.macquarie.com/investors)

### Website

Macquarie's 2016 Annual Report is available on Macquarie's website at:  
[www.macquarie.com/about/investors/reports](http://www.macquarie.com/about/investors/reports)





Macquarie Group Limited  
ACN 122 169 279

## LODGE YOUR PROXY FORM



**ONLINE**  
[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)



**BY MAIL**  
Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235 Australia



**BY FAX**  
+61 2 9287 0309



**BY HAND**  
Link Market Services Limited  
1A Homebush Bay Drive, Rhodes NSW 2138; or  
Level 12, 680 George Street, Sydney NSW 2000



**ALL ENQUIRIES TO**  
Telephone (within Australia): 1300 554 096  
Telephone (International): +61 1300 554 096

☐ **CHANGE OF ADDRESS:** If your address is incorrect, mark this box and make the correction on the form. Shareholders sponsored by a broker (reference number commences with 'X') should advise their broker of any changes.

## LODGE A PROXY FORM

Your Proxy Form must be received by **10:30am (Sydney time) on Tuesday, 26 July 2016.**

Proxy Forms may be lodged using the reply paid envelope or:



**ONLINE**  
[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

Login to the Link website using the holding details as shown on the Proxy Form. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the reverse of this Proxy Form and postcode for your shareholding).



### BY MOBILE DEVICE

Our voting website is designed specifically for voting online. You can now lodge your Proxy Form by scanning the QR code adjacent or enter the voting link [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) into your mobile device. Log in using the Holder Identifier as shown on the reverse side of this Proxy Form and postcode for your shareholding.

To scan the code you will need a QR code reader application which can be downloaded free of charge on your mobile device.

### QR Code



## HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

### HOW TO VOTE ON ITEMS OF BUSINESS

All your securities will be voted in accordance with your directions.

### APPOINTMENT OF A PROXY

For important information relating to the appointment of a proxy to vote on your behalf, please refer to Step 1 overleaf.

### Voting 100% of your holding:

Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (subject to the voting restrictions set out in the Notice of Meeting). If you mark more than one box on an item your vote will be invalid on that item.

### Voting a portion of your holding:

Indicate a portion of your voting rights by inserting the percentage or number of shares you wish to vote in the 'For', 'Against' or 'Abstain' box or boxes opposite each item of business. The sum of the votes cast must not exceed your total number of shares or 100%.

### Appointing a second proxy

You are entitled to appoint up to two proxies to attend the Meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of shares for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both proxyholders' names and the percentage of votes or number of shares in Step 1 and Step 2 overleaf. If you wish to give your second proxy different voting instructions, an additional Proxy Form may be obtained by telephoning the Share Registry or you may copy this form.

**A proxy need not be a shareholder of the Company.**

### SIGNING INSTRUCTIONS FOR POSTAL FORMS

**Individual:** Where the holding is in one name, the shareholder must sign.

**Joint Holding:** Where the holding is in more than one name, all of the shareholders should sign.

**Power of Attorney:** This Proxy Form and any Power of Attorney must be lodged by 10:30am (Sydney time) on Tuesday, 26 July 2016. If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held.

### CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry, Link Market Services, or online at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au).

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU.  
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**

## PROXY FORM

I/We being a member(s) of Macquarie Group Limited (Company) and entitled to attend and vote appoint:

### APPOINT A PROXY

the Chairman of the Meeting (mark box)

**OR** if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Annual General Meeting of the Company to be held at **10:30am (Sydney time) on Thursday, 28 July 2016 at the Sheraton on the Park, Grand Ballroom, 161 Elizabeth Street, Sydney NSW 2000** (the Meeting) and at any postponement or adjournment of the Meeting.

**Important for Items 2 and 3:** If the Chairman of the Meeting is your proxy, and you do not direct your proxy to vote 'For', 'Against' or to 'Abstain' on Items 2 and 3, you expressly authorise the Chairman of the Meeting to exercise the proxy as the Chairman decides, in respect of Items 2 and 3 (as applicable), even if that item is connected directly or indirectly with the remuneration of a member of the Company's Key Management Personnel.

**The Chairman of the Meeting will vote undirected proxies in favour of each item of business. If you do not wish for your vote to be cast in this way, you should direct your proxy how to vote.**

### VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 10:30am (Sydney time) on Tuesday, 26 July 2016.

Please read the voting instructions overleaf before marking any boxes with an ☒

#### Items of Business

	For	Against	Abstain*
2 To adopt the Remuneration Report for the year ended 31 March 2016	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Approval of Executive Voting Director's participation in the Macquarie Group Employee Retained Equity Plan (MEREP)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4a Re-election of Mr MJ Hawker as a Voting Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4b Re-election of Mr MJ Coleman as a Voting Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5a Approval of the Issue of Shares under the October 2015 Placement**	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5b Approval of the Issue of Macquarie Group Capital Notes 2**	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



\* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

\*\* **Voting on Items 5a and 5b:** Please refer to the Notice of Meeting for details on voting restrictions and the related ASX waivers for Items 5a and 5b. If you are a trustee, nominee or custodian who is subject to these voting restrictions, and you are directing your proxy to vote on Items 5a and/or 5b, then by signing and lodging this Proxy Form you are confirming to Macquarie Group Limited that the conditions of the ASX waivers referred to in the Notice of Meeting have been satisfied in relation to all security holdings that are the subject of the proxy.

#### Appointing a second proxy

I/We wish to appoint a second proxy

State the percentage of your voting rights or the number of shares for this proxy

AND

%

OR

Name of second proxyholder

### SIGNATURE OF SHAREHOLDER(S) – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

Contact Name

Contact Daytime Telephone

Date

MQG PRX1601N