CHAIRMAN'S ADDRESS

MACQUARIE GROUP LIMITED AGM

25 JULY 2012

FOUR SEASONS HOTEL, SYDNEY

CHECK AGAINST DELIVERY

Good morning ladies and gentlemen and welcome to Macquarie Group's 2012 Annual General Meeting.

I'm Kevin McCann and I am the Chairman of Macquarie Group.

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 introduce our Directors and some of our senior executives.

On my right is your Chief Executive Officer Nicholas Moore.

Seated next to him is the Group's Chief Financial Officer Patrick Upfold, then Non-Executive Directors Peter Warne, Diane Grady, Professor John Niland and Michael Hawker.

On my left is our Company Secretary, Dennis Leong.

Next to him are Non-Executive Directors Dr Helen Nugent, Catherine Livingstone and Peter Kirby.

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

First, I will present a broad overview of the market conditions we faced during the past financial year and our performance over that period.

I will then hand over to Nicholas to discuss in greater detail our results for the full year to 31 March 2012.

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

Once we have completed the presentations, we will move on to 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.

At the conclusion of the meeting, you are invited to join us for refreshments in the foyer.

Global financial market conditions during the year

Turning now to global financial markets, at last year's Annual General Meeting, we noted that market conditions and sentiment had weakened after some improvement in 2010.

Particularly in the first half of FY11, significant uncertainty led to a drop in market activity levels. However, improving market sentiment during the second half of FY11 led to correspondingly higher levels of client activity.

Our 2012 financial year saw a similar pattern to 2011. A series of global issues severely impacted market conditions in the first half. These included the US debt ceiling crisis between May and July, the US government credit rating downgrade in August, the European debt crisis and concerns over slowing growth in China.

In the second half, while market activity remained somewhat subdued, there was some improvement in market sentiment, particularly after the European Central Bank announced longer-term refinancing operations in August.

2012 saw particularly volatile market conditions

This volatility in market conditions is demonstrated in the following series of charts, which reflect some of the broader global trends experienced over the year.

The chart on the left shows the performance of global stock market indices. The four indices shown represent average share price movements over the year of large listed companies broken down by region; the S&P 500, based on the stock prices of 500 top listed American companies, the Hang Seng, being the equivalent Hong Kong index, the MSCI World Capital Markets Index comprising 35 large global companies that have capital markets facing businesses, and the ASX200.

The chart on the right is a well-known volatility index - often referred to as a fear index – which looks at the market's expectation of volatility around S&P500 stocks over the ensuing 30 day period.

As you can see from both charts, there was a significant loss of market confidence in the first half with share prices falling and volatility rising, particularly in the July to September period. This had a significant impact on trading businesses globally.

However, in the second half there was an improvement in market confidence levels, especially in the December to March period that led to a rise in client activity levels in our markets facing businesses.

The differing market conditions are also reflected in the change in indicators of economic growth across different regions of the world, particularly the OECD countries and specifically the US.

The chart on the left shows the change over the year for economic growth indicators in OECD countries. As you can see, it again shows the slowdown in the first half with some recovery, particularly in the US, in the second half.

Note the chart focuses on the rate of change and is not in absolute terms; the important point here is that on average the expectation of improved economic activity increased over the latter part of the year.

The chart on the right shows the increase in US credit spreads in the first half, showing us that confidence deteriorated sharply in the second quarter with risk premiums rising sharply. Spreads plateaued in the second half - albeit at higher levels - following the European Central Bank's announcement on long-term refinancing options which increased market liquidity.

As you are all aware, market conditions since the 31st of March remain subdued, although not uniformly so. Nicholas Moore will be speaking shortly about the implications of this for Macquarie.

Overview of Macquarie's performance for the year

As we indicated at our full year results, the year to 31 March 2012 saw substantially lower levels of client activity in many of our capital markets facing businesses caused by the global economic uncertainty outlined earlier. This was partly offset by the ongoing growth of our annuity style businesses.

These annuity style businesses, particularly Macquarie Funds Group and Corporate and Asset Finance Group, continued to deliver strong results reflecting the investment that has been made in these businesses over many years, as well as the benefits of recent acquisitions. The result for Banking and Financial Services Group, though slightly lower, held up well against the volatility in the advice and intermediary businesses.

However, difficult market conditions affected Macquarie's capital markets facing businesses. Macquarie Securities Group experienced a fall in cash and derivatives revenues and exited a number of underperforming businesses globally, recording a loss for the year. Macquarie Capital reported significantly lower results due to low levels of client activity across mergers and acquisitions and equity capital markets. The result for Fixed Income, Currencies and Commodities, though marginally down on the prior year, did benefit from improved sentiment in many FICC markets during the second half of the year. This led to a significant turnaround for this group.

As we reported in April, the Group's profit for the year to 31 March 2012 was $A730 million, a decrease of 24 per cent on the previous year. However, second half profit was 39 per cent higher than the first half as market conditions improved.

Operating income decreased 9 per cent on the previous year to $A7.0 billion, reflecting the heightened uncertainty as discussed earlier.

Earnings per share were $A2.10, a decrease of 26 per cent on the previous year. However, earnings per share rose 43 per cent in the second half compared with the first half.

Dividends

The full year dividend of $A1.40 per share, unfranked, was down from $1.86 in the previous year.

This represents an annual payout ratio of 66 per cent, above Macquarie's dividend policy target of between 50 to 60 per cent of net earnings.

Macquarie's total shareholder return continues to track global financials

The next slide shows Macquarie's performance versus its peers on the basis of total shareholder return and I note that Macquarie is represented by the red line on this chart. This measure, which reflects share price appreciation and dividends, shows that we have exceeded that of comparable firms over the past 10 years.

More recently, we recognise that since the global financial crisis our returns, along with those of other capital markets firms, have fallen in what have been exceptionally difficult market conditions.

While our returns are lower than levels historically experienced, we have demonstrated consistently strong performance relative to our global peers over the past five years.

I can assure you that everyone around the organisation is focussed on improving returns to shareholders.

I would also like to note that the Australian banking system has remained extremely robust under the regulatory oversight of the Australian Prudential Regulation Authority, with little evidence of the issues impacting many banks in other jurisdictions. Macquarie’s own risk management framework is a key factor in the Group’s unbroken record of profitability, a framework that has remained largely consistent for more than 30 years, serving the Group well through a range of market cycles. Macquarie remains extremely well capitalised with a strong and conservative balance sheet.

Key management changes

I would like to now touch briefly on key management changes announced in February of this year.

Richard Sheppard retired as Deputy Managing Director of Macquarie Group and Managing Director and Chief Executive Officer of Macquarie Bank Limited following a distinguished 36-year career with Macquarie. Greg Ward assumed these positions and Patrick Upfold succeeded him as Chief Financial Officer of Macquarie Group. Richard continues in the important role of Chairman of the Macquarie Group Foundation.

Roy Laidlaw retired as Executive Chairman of Macquarie Securities Group and Head of Macquarie Capital. Tim Bishop was appointed Head of Macquarie Capital.

Macquarie Group Foundation

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.

The Macquarie Board and management believe that a company should make a contribution to the society in which it operates, and this has inspired a global culture of community engagement by Macquarie staff.

During the year, the Macquarie Group Foundation was recognised by Philanthropy Australia as Australia's leading corporate donor. The Foundation and Macquarie staff contributed $A21.3 million to more than 1,300 community organisations around the world. The Foundation contributed $A12.5 million, while staff sought matching contributions from the Foundation amounting to $A8.8 million.

The Foundation focuses on health and welfare, education, the environment and the arts, with significant grants over the last year going to, amongst others, Juvenile Diabetes Research Foundation, Inspire Foundation, Cure Cancer Australia, Bell Shakespeare, and Mission Australia.

Since its inception, the Macquarie Group Foundation and Macquarie staff have contributed more than $A165 million to not-for-profits globally, as well as countless hours spent volunteering and in pro bono service. We are proud of this record.

Copies of the Macquarie Group Foundation's latest annual review are available at the shareholder table in the foyer and you are welcome 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 to update you on our recent performance.