

**CHAIRMAN'S ADDRESS  
MACQUARIE GROUP LIMITED AGM  
25 JULY 2013  
GRAND HYATT MELBOURNE  
CHECK AGAINST DELIVERY**

Good morning ladies and gentlemen and welcome to Macquarie Group's 2013 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 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, then Non-Executive Directors Catherine Livingstone, Michael Coleman, Peter Kirby and Peter Warne.

On my left is our Company Secretary, Dennis Leong.

Next to him are Non-Executive Directors Helen Nugent, Michael Hawker, Diane Grady and John Niland.

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 report on Macquarie's performance over that period.

I will then hand over to Nicholas to discuss in greater detail our results for the year to 31 March 2013.

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.

The meeting is being simultaneously webcast and may be accessed via the Macquarie Group website. An archive of the event will be available on the website from approximately 5pm today.

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

## **Global financial market conditions during the year**

At last year's Annual General Meeting, we noted that increased global uncertainty had further eroded investor confidence and severely impacted client activity, particularly in our capital markets facing Groups.

This was caused by concerns over issues such as the US debt ceiling, the European debt crisis and slowing growth in China.

In the year to 31 March 2013, we saw a general improvement in conditions in some markets in which Macquarie operates.

However, concerns remained in other markets. In Australia, there has been a slow down in mining investment and a consequent decline in investment in resource projects, and in Europe growth remains uneven with recession in some economies.

Accordingly, client activity across a range of markets remained subdued and this was a key factor in the lower levels of activity in Macquarie's capital markets facing businesses. Concerns remain regarding Europe and China. However, the US is showing increased signs of confidence and growth.

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

We have placed each chart over a two-year timeframe to provide some context to the general improvement in market conditions.

The chart on the left shows the performance of four global stock market indices, as well as the Macquarie share price.

As you can see, all of these indices showed a steady recovery during the year.

The chart on the right relates to market volatility and specifically the market's expectation of volatility in S&P500 stocks in the US over the ensuing 30-day period.

This is often referred to as a fear index. The higher the line, the greater the level of fear in the market.

The right hand side of the chart shows the relative stability of this index over the year to 31 March 2013, while the left hand side highlights the volatility of the previous year.

Our next chart on the left shows leading indicators of economic growth across different regions of the world.

You can see the improvement that took place across the major global economies, particularly during the second half of the year.

The obvious exception is Australia, where concerns about the slowdown in mining investment affected expectations of economic growth.

The chart on the right shows the stabilisation of US credit spreads during the year, which again improved, as market confidence has slowly returned.

### **Overview of Macquarie's performance for the year**

As we outlined at our full year result, Macquarie recorded a profit for the year to 31 March 2013 of \$A851 million, an increase of 17 per cent on the previous year.

Earnings per share increased by 20 per cent to \$A2.51.

Macquarie's annuity-style businesses continued to perform strongly during the year highlighting the investment that Macquarie has made in these businesses over many years.

The continued growth of these businesses also highlights the diversity of Macquarie's global platform and our ability to adapt to changing market conditions.

Client activity remained subdued for Macquarie's capital markets facing businesses which affected the performance of some of our operating groups.

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

### **Dividends**

The full year dividend of \$A2.00 per share, was an increase of 43 per cent from the \$A1.40 in the previous year.

This represents an annual payout ratio of 79 per cent. The Board has resolved that the annual payout ratio will be in the range of 60 to 80 per cent of net earnings.

The final ordinary dividend of \$A1.25 was an increase on the first half dividend of 75 cents per share and was 40 per cent franked.

The future rate of franking depends on the amount of income subject to Australian taxation.

### **44 years of profitability**

Since Macquarie's establishment in 1969, it has achieved a profit in every year of operation.

You can see from this graph the steady growth in Macquarie's profit over that period and the particularly strong operating platform we have built in recent years.

The stability of Macquarie's income and its 44 years of unbroken profitability is the result of the balance between Macquarie's entrepreneurial approach and its strong risk management framework.

### **Macquarie's total shareholder return continues to outperform international investment banks**

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 dividends, shows that over the past 10 years we have consistently delivered higher returns than a range of global financial institutions.

### **Macquarie's total shareholder return continues to track global capital markets firms**

We have also outperformed comparable firms since the global financial crisis.

The MSCI World Capital Markets Index comprises 35 large global companies that, like Macquarie, have capital markets facing businesses.

As you can see from this slide, Macquarie has outperformed this index by 30 per cent since August 2007.

### **Key Board and management changes**

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

The Board recognises the importance of undergoing a regular process of renewal through the appointment of new Directors.

Our commitment to Board renewal is reflected in the four Non-Executive Directors we have appointed to the Macquarie Board over the past three years.

We are continuing with this process and expect to make further appointments to the Board over the next 12 months.

As we announced at our annual results, Catherine Livingstone will retire today as a Director of Macquarie Group and Macquarie Bank.

Catherine has been a Board member for 10 years and has served as Chairman of the Board Audit Committee for the past eight years.

The Board would like to express our gratitude to Catherine for her exceptional service as a Director over this period. Catherine, we will also miss you as a colleague we liked, admired and respected. We greatly appreciated your contribution to our risk management culture at Macquarie and your strong contribution to the deliberations of the Board.

Michael Coleman has joined the Macquarie Group and Macquarie Bank Boards. He is a member of the Board Risk and Board Audit Committees and will succeed Catherine as Chairman of the Board Audit Committee.

As an audit partner specialising in financial services at KPMG for 30 years, Michael has a strong background in financial reporting, regulatory and corporate governance. He was also KPMG's Regional Leader for Asia Pacific Quality and Risk Management for nine years.

As announced this morning, we are also delighted to advise that Professor Gary Banks has agreed to join the Macquarie Group and Macquarie Bank Boards, effective 1 August 2013.

Gary has deep experience across economics, public policy and regulation in Australia and internationally. This experience includes roles with The Organisation for Economic Co-operation and Development (OECD), the World Bank and Chairmanship of the Productivity Commission.

Gary was chairman of the Productivity Commission from its inception in 1998 until 2012. He is currently CEO of the Australia and New Zealand School of Government. We believe his experience will be of significant benefit to Macquarie.

There have also been a number of changes within Macquarie's Executive Committee. Peter Maher announced his intention to retire from Macquarie after serving as Head of our Banking and Financial Services Group – or BFS – for more than 12 years.

Peter will leave BFS following a record result in the last financial year, having built a strong retail financial offering for Macquarie.

Greg Ward has been appointed Group Head of BFS and remains as Deputy Managing Director of Macquarie Group and Chief Executive Officer of Macquarie Bank.

Nicole Sorbara was appointed Chief Operating Officer and Head of the newly formed Corporate Operations Group. She has also joined Macquarie's Executive Committee.

Nigel Smyth recently retired as Head of the Market Operations and Technology Group. Nigel served as Chief Information Officer for more than 10 years during a period of significant technological change. Our Shared Services platform, now a very important part of Macquarie's core activities, stands as one of Nigel's enduring contributions to the Group.

We thank Peter and Nigel for their contribution to Macquarie.

### **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.

During the year, the Foundation and Macquarie staff contributed \$A22.6 million to more than 1,300 community organisations around the world.

In addition, Macquarie staff gave 38,000 hours of their time during the year – the equivalent of 5,000 days – as volunteers, fundraisers and pro bono advisers.

Since its inception in 1985, the Foundation and Macquarie staff have contributed more than \$A190 million to not-for-profits globally and many, many hours of their time. We are very proud of this record.

Macquarie Group Directors make a point of visiting projects supported by the Foundation whenever we travel to Macquarie offices.

A number of us were recently privileged to visit an orphanage in Manila.

We were struck by the work the organisation does with the poor and disadvantaged in the community, as well as the passion of Macquarie staff and others who give their time and support as volunteers and in a fundraising capacity.

The Foundation's latest annual review highlights programs supported by Macquarie staff. 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 to update you on our recent performance.