

CHAIRMAN'S ADDRESS

MACQUARIE GROUP LIMITED ANNUAL GENERAL MEETING

23 JULY 2015

SHERATON ON THE PARK, SYDNEY

CHECK AGAINST DELIVERY

Good morning ladies and gentlemen and welcome to Macquarie Group's 2015 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.

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 Gordon Cairns, Nicola Wakefield Evans, Michael Hawker, and Patricia Cross.

On my left is our Company Secretary, Dennis Leong, and next to him are Non-Executive Directors Peter Warne, Diane Grady, Michael Coleman and Gary Banks.

There are three 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 who will take you through these in greater detail, as well as provide an update of our first quarter performance and the outlook for the remainder of the year.

Lastly, we will 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 my presentation with a broad overview of the global market conditions experienced during the last financial year.

At last year's AGM, we said there had been an overall improvement in investor sentiment and that all of Macquarie's operating groups achieved an improved performance.

In the year to 31 March 2015, trading conditions continued to improve across most of the markets we operate in.

Together with many years of investing in our businesses, this has resulted in a significant increase of Macquarie's operating income and profit.

As we outlined at our full year result, Macquarie recorded a profit of \$A1.6 billion for the year to 31 March 2015, an increase of 27 per cent on the prior year.

Operating income was up 14 per cent to \$A9.3 billion – a record level for the Group.

International income from the Group continued to grow, accounting for 70 per cent of total income, compared with 35 per cent 10 years ago.

Due to the increasingly global nature of Macquarie's activities, the Board is actively engaged in better understanding our offshore activities and the markets in which they operate.

This includes visits to our key regional offices, including London, Hong Kong, Singapore, New York and Houston. During these visits, we spend time with senior Macquarie executives, assess the risk culture of the teams, meet with clients and market specialists, and visit asset and project sites.

Nicholas will take you through the performance of the Group in greater detail during his presentation.

Turning to dividends, the full year ordinary dividend of \$A3.30 per share was an increase of 27 per cent from the \$A2.60 shareholders received in the prior year. Last year's dividend of \$A2.60 excludes the special dividend of \$A1.16 shareholders received as part of the in-specie distribution of Sydney Airport units.

Both the interim and final dividends were franked at 40 per cent.

The full year dividend represents an annual payout ratio of 68 per cent, which is in line with our dividend policy of an annual payout ratio between 60 to 80 per cent.

Turning now to Macquarie's strong history of profitability.

Since establishment in 1969, we have achieved a profit in every year of our 46 year history and this graph shows the steady growth over that period.

This record of unbroken profitability is testament to Macquarie's culture of adapting the portfolio mix to changing market conditions, a strong and proven risk management framework, as well as a strong balance sheet and capital position.

This next slide illustrates Macquarie's share price performance against global peers, such as Goldman Sachs, JP Morgan and Morgan Stanley, on the basis of total shareholder return.

This measure, which includes share price appreciation and dividend reinvestment, shows that we have delivered significantly higher returns than our global peers, particularly over the past four years.

This next chart shows our total shareholder returns again but looks at it since the global financial crisis and compared to an index of 37 large global companies that have capital markets facing businesses including large global investment banks and asset managers.

Again you can see Macquarie's continued outperformance.

Regulatory compliance is a key focus for the Board and receives a great deal of Board discussion and oversight.

The financial services industry is experiencing the effects of increased global regulatory obligations. These have resulted in increased compliance functions across the whole organisation.

Macquarie is regulated by approximately 190 authorities in 28 jurisdictions. This increased regulatory focus has resulted in our direct cost of compliance quadrupling over the past four years to approximately \$A413 million – and we expect this trend to continue.

During the year, the Enforceable Undertaking between Macquarie Equities Limited and the Australian Securities and Investment Commission concluded.

This was a voluntary agreement entered into by Macquarie with ASIC two and a half years ago. It focused on the effectiveness of compliance within Macquarie Private Wealth, in particular processes, controls, training and systems.

As part of the client remediation process, Macquarie Private Wealth wrote to approximately 190,000 current and former clients inviting them to seek a file review.

To date, Macquarie has paid approximately \$A11 million in compensation to clients.

The Board has paid close attention to implementation of the Enforceable Undertaking and the remediation of clients.

We sought and received frequent updates on the progress of the implementation plan and the appropriate resourcing of Macquarie Private Wealth to deliver it.

We are satisfied that the Macquarie Private Wealth business has been transformed in terms of its compliance practices and processes.

In addition, the comprehensiveness of our client remediation process has received favourable comment in public forums by a number of parties, including ASIC.

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.

This year the Foundation celebrates 30 years of giving to communities in which we operate. This makes it one of the oldest and largest corporate foundations in Australia.

Since its establishment in 1985, more than \$A240 million has been donated by the Foundation and Macquarie staff globally.

In the year to 31 March 2015, over \$A24 million was contributed to more than 1,300 community organisations around the world and staff gave 33,500 hours of their time as volunteers, fundraisers and pro bono advisers. Our CEO, as well as Senior Management, dedicate their time in roles such as Chairmen, Directors and advisers to a variety of not-for-profit organisations.

We are very proud of the commitment shown by all Macquarie 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 and its 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 update you on our recent performance.