

CHAIRMAN'S ADDRESS

MACQUARIE GROUP LIMITED ANNUAL GENERAL MEETING

28 JULY 2016

SHERATON ON THE PARK, SYDNEY

CHECK AGAINST DELIVERY

Good morning ladies and gentlemen and welcome to Macquarie Group's 2016 Annual General Meeting.

I am Peter Warne, Chairman of the Macquarie Group Board, and 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 like to introduce your Directors and some of Macquarie's 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. Next to Patrick are Non-Executive Directors Michael Coleman, Patricia Cross, Diane Grady and Gordon Cairns.

To my left is our Company Secretary, Dennis Leong, and next to him are Non-Executive Directors Michael Hawker, Nicola Wakefield Evans and Gary Banks.

In addition, we have seated in the front row some of Macquarie's Executive Committee including:

- Mary Reemst, Macquarie Bank Limited Managing Director and Chief Executive Officer;
- Shemara Wikramanayake, Head of Macquarie Asset Management;
- Gary Farrell and Ben Brazil, Co-Heads of Corporate and Asset Finance;
- Greg Ward, Head of Banking and Financial Services;
- Tim Bishop, Head of Macquarie Capital;
- Stephen Allen, Chief Risk Officer; and
- Nicole Sorbara, Chief Operating Officer.

As you may be aware, I became Macquarie Group's Chairman following Kevin McCann's retirement on 31 March 2016. I am pleased to be chairing my first Macquarie Annual General Meeting.

On behalf of the Board, staff and shareholders, I would like to take this opportunity to formally thank Kevin for almost 20 years of committed service to Macquarie. It has been a tremendous benefit to the business to have someone of Kevin's capability and stature serve as a Director and as Chairman over such a long period of time.

This year, we have revised the format of the meeting to improve the experience for attendees as a whole.

There are four components of today's meeting.

As usual, I will provide an overview of Macquarie's performance for the past financial year.

Then I will hand over to Nicholas who will take you through this result in greater detail. Nicholas will also provide an update of the Group's first quarter performance and the outlook for the remainder of the year.

Following this, we will hear from the two Directors seeking re-election today, Michael Hawker and Michael Coleman, before breaking for approximately half an hour.

During this time you will have the opportunity to meet with members of the Board and senior management, as well as explore the Macquarie showcase featuring some of Macquarie's businesses, in the Hyde Park Room at the other end of this floor. Light refreshments will be served during this time instead of after the meeting.

After the break, we will reconvene to discuss the formal items of business. This year, instead of discussing each item of business separately, we will take questions on all items of business concurrently.

We have made these changes to address feedback from shareholders after previous AGMs.

We hope that this new format provides you with a better opportunity to understand our businesses and a better experience for attendees. Those shareholders who have limited time will have an opportunity to meet with the Board and senior management before having to leave.

Shareholders who have a question relating to any item of business will have the opportunity to speak, before further questions are taken from shareholders who have already spoken.

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.

I'd like to now start my presentation with a broad overview of Macquarie's performance during the last financial year.

At last year's AGM, we said there had been a continued improvement in trading conditions across most markets, resulting in a significant increase to Macquarie's FY15 operating income and profit.

This year, we are pleased to report that, notwithstanding challenging market conditions, operating income and profit continued to grow.

The FY16 result highlighted the mix and quality of Macquarie's businesses and the return on many years of investment across the business.

As we outlined at our full year result announcement, Macquarie reported a record profit of \$A2,063 million for the year to 31 March 2016, an increase of 29 per cent on the prior year.

Operating income was up 9 per cent, to a record \$A10.1 billion.

Earnings per share was \$A6.19, an increase of 23 per cent from \$A5.02 per share in the prior year.

Nicholas will take you through this performance in greater detail during his presentation.

Turning to dividends, the full year ordinary dividend of \$A4.00 per share was an increase of 21 per cent from the \$A3.30 per share shareholders received in the prior year.

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

The full year dividend represents an annual payout ratio of 66 per cent, which is in line with our dividend policy of an annual payout ratio between 60 to 80 per cent.

The chart on this slide highlights Macquarie's strong history of profitability.

Since Macquarie's establishment in 1969, we have achieved a profit in every year of our 47-year history.

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, and a strong balance sheet and capital position.

This chart shows our total shareholder return compared to the ASX 200 Index of Australian companies and the MSCI World Capital Markets Index of 37 large global companies, including global investment banks and asset managers.

As you can see Macquarie's total shareholder return of 61 per cent has outperformed the ASX 200 and the MSCI index by 68 per cent and 103 per cent respectively since 2007.

Macquarie's unbroken profitability and solid share price performance is built on the foundations of our long-standing risk culture. This is reflected in the principles of Opportunity, Accountability and Integrity, which are outlined in the publicly available document, *What We Stand For*.

While we are in business to be profitable, it is the way in which we do business that defines us.

Managing conduct risk has therefore been an important part of our overall risk management framework since inception.

An appropriate risk culture drives good conduct.

Macquarie's risk management framework and our management of conduct risk is well established and embedded across all parts of the organisation.

Staff are expected to adhere to these principles in all of their day-to-day behaviours, actions and business decisions.

We require staff to:

- pursue business activities that generate long-term benefits for clients and shareholders;
- manage associated risks appropriately and speak up and escalate issues when they perceive there may be a problem; and
- be honest and fair in all of their professional interactions.

Primary responsibility for risk management and conduct risk management, including risk culture, is at the individual and business level. In addition, the Risk Management Group provides strong, independent oversight of all our business operations.

We have many policies and controls in place to ensure staff adhere to the standards we expect of them. And we have measures to address and deter non-compliance with our risk management framework. These measures have been a key to Macquarie's success and stability over many years.

Macquarie is regulated by over 200 authorities in 28 jurisdictions and our global compliance obligations continually evolve.

Accordingly, while our risk management approach has been largely consistent since inception, we continue to monitor and enhance our risk culture and management of conduct risk.

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.

One of the oldest and largest corporate foundations in Australia, the Macquarie Group Foundation has contributed more than \$A270 million since its establishment in 1985.

In the year to 31 March 2016, the Foundation and Macquarie staff globally contributed close to \$A30 million in donations to more than 1,500 community organisations around the world.

In addition, staff gave 46,000 hours of their time as volunteers, fundraisers and pro bono advisers.

Our CEO and senior management dedicate their time 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 Foundation stand in the Hyde Park room and we invite you to collect a copy during the break or 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.