

CHAIRMAN'S ADDRESS

MACQUARIE GROUP LIMITED ANNUAL GENERAL MEETING

26 JULY 2018

HYATT REGENCY, SYDNEY

CHECK AGAINST DELIVERY

Good morning ladies and gentlemen and welcome to Macquarie Group's 2018 Annual General Meeting.

I am Peter Warne, Chairman of the Macquarie Group Board. I will be chairing the meeting today and am pleased to formally declare the meeting open.

I hope you enjoyed our opening video, featuring some of the projects our teams have delivered around the world for the benefit of our clients and communities.

I'll now introduce your Directors and some of Macquarie's senior executives here with us today.

On my right is our Chief Executive Officer Nicholas Moore and the Group's Chief Financial Officer, Alex Harvey. Next to Alex are Non-Executive Directors Gordon Cairns, Glenn Stevens, Patricia Cross and Gary Banks.

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

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 and our next CEO, as we announced this morning. I will speak more about that terrific news in a moment;
- Garry Farrell and Ben Brazil, Co-Heads of Corporate and Asset Finance;
- Tim Bishop, Head of Macquarie Capital;
- Patrick Upfold, Chief Risk Officer; and
- Nicole Sorbara, Chief Operating Officer.

Consistent with previous years, there are four parts to today's meeting.

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

Nicholas will then take you through the result in greater detail, provide an update on the Group's first quarter performance and discuss the outlook for the rest of the year.

Following this, we will hear from the two Directors seeking re-election today, Gordon Cairns and myself, and Director Glenn Stevens seeking election for the first time.

I will then formally open the polls.

At that point, we will break for about half an hour. During this time you will be able to meet with members of the Board and senior management – we encourage you to take this opportunity particularly if you are unable to stay for the formal business.

There is a showcase in the room to my left if you would like to learn more about Macquarie, and we will also be serving light refreshments during the break.

Then we will discuss the formal items of business and take questions on all items at the same time.

To give all shareholders the opportunity to speak, we will give preference to those who have not yet asked a question.

I would like to remind you that recording devices, photographic equipment and mobile phones cannot be used during the meeting.

However, the meeting is being webcast live on the Macquarie Group website and you will also be able to view a recording of the meeting there this evening.

I was delighted to announce this morning that Shemara Wikramanayake has accepted the Board's invitation to replace Nicholas as Managing Director and CEO of Macquarie Group from November 2018.

I would like to pause here to place on record the Board's appreciation for the remarkable role Nicholas has played in Macquarie's success – over the last decade as CEO and for many years before that as a member of the management team.

In the great tradition of his four predecessors, Nicholas has tirelessly driven Macquarie forward, building teams and businesses and transforming us into the global, diversified company we are today.

Just as importantly, Nicholas has embodied our core principles of opportunity, accountability and integrity, and had the vision to invest in ideas that leave Macquarie with a significant legacy of momentum and market-leading positions.

That legacy now falls to Shemara to build on as our sixth CEO. As I said in my statement to the market this morning, in considering the transition from Nicholas, I was delighted to have a candidate of Shemara's calibre to take the Group forward.

Like Nicholas, Shemara has been with the company for more than 30 years, most recently as head of our largest business, Macquarie Asset Management. Shemara has lived and worked all around the world with Macquarie, founding some of our key businesses and offices. I'm confident that she has all of the necessary qualities to lead Macquarie into a new era of success.

Nicholas will retire and step down from the Macquarie Group Board effective 30 November 2018, shortly after delivering the Group's results for 1H19 and completing the usual investor roadshow alongside Shemara. We will hear more from both of them over the months ahead.

Turning to Board and other management changes, we were delighted to announce the appointment of former Reserve Bank of Australia Governor, Glenn Stevens, to the Macquarie Group Limited and Macquarie Bank Limited Boards as an independent director from 1 November 2017.

You will hear from Glenn later this morning as he is seeking election.

Patricia Cross will be retiring as a director of Macquarie Group Limited and Macquarie Bank Limited after five years on the Board, effective after today's AGMs.

Mrs Cross' extensive experience in international financial and banking as well as considerable experience as a company director of financial and wealth management corporations has been invaluable to the Board. The Board thanks Patricia for her dedicated service and wishes her well for the future.

At the end of last year Stephen Allen retired as Macquarie's Chief Risk Officer and Head of the Risk Management Group and stepped down from Macquarie's Executive Committee. We thank Stephen for his considerable contribution over his 25 years of service with Macquarie.

On 1 January 2018, Macquarie's Chief Financial Officer and Head of the Financial Management Group, Patrick Upfold, succeeded Mr Allen as Chief Risk Officer and Head of Risk Management Group. Patrick has been with Macquarie for more than 20 years and served as Macquarie's Chief Financial Officer for six years.

Also on 1 January, Alex Harvey succeeded Mr Upfold as Chief Financial Officer and Head of Financial Management Group and joined Macquarie's Executive Committee. Alex joined Macquarie in 1999 following the acquisition of Bankers Trust Australia and has been employed by the Group for almost 20 years.

I will now move to an overview of Macquarie's performance during the last financial year.

We were pleased to report that Macquarie's businesses continued to grow, with profit up 15 per cent on the prior year, highlighting the strength of our global platform, the diversity of our business mix and ongoing ability to adapt to changing market conditions and client needs.

Our annuity-style businesses – Macquarie Asset Management, Corporate and Asset Finance and Banking and Financial Services – representing approximately 70 per cent of the Group's performance, continued to perform well with a combined net profit contribution up six per cent on the prior year.

Our capital markets facing businesses – Commodities and Global Markets and Macquarie Capital – also performed well with a combined net profit contribution up 11 per cent on the prior year.

As we outlined at the full year result announcement, Macquarie reported a record operating income of \$A10.9 billion, up five per cent, and net profit after tax of \$A2.56 billion.

Earnings per share were \$A7.58, compared with \$A6.58 per share in the prior year.

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

Shareholders received full year dividends per ordinary share of \$A5.25 per share, up from \$A4.70 per share in the prior year, franked at 45 per cent.

Seventy per cent of our profit – or about \$A1.6 billion – was returned to shareholders in dividends, in line with our policy to pay between 60 and 80 per cent of profits to shareholders each year as dividends.

This chart highlights Macquarie's strong history of profitability.

Since Macquarie's establishment in 1969, we have achieved a profit every year for 49 years.

Our unbroken profitability is reflected in Macquarie's long-term shareholder returns of more than 5,000 per cent since listing.

There are a number of factors behind this long-term performance, including:

- our ability to adapt our portfolio mix to changing market conditions;
- our proven risk management framework, which has protected Macquarie through a number of major market downturns; and
- our strong balance sheet and capital position.

We measure our success by the outcomes we deliver for our clients, shareholders, staff and communities.

We have significant expertise in sectors that are shaping the world, including infrastructure, energy and technology.

So we take very seriously the responsibility that comes with managing infrastructure assets used by 100 million people a day, the retirement savings of people all over the world or a transaction that transforms a client company.

It gives us great pride that we can:

- provide cleaner drinking water to five million Shenyang residents in China;
- let communities access power for the first time, often through renewable energy;

- enable household waste to be converted to clean energy;
- provide more competition and drive innovation in Australia retail banking; or
- connect communities, through physical infrastructure or technologically.

These are just some examples of the wider impact of our work beyond the bottom line. Nicholas will expand on some of these during his presentation.

The cornerstone of our success is our longstanding culture, based on our three core principles of Opportunity, Accountability and Integrity.

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

The Board is committed to ensuring that Macquarie has a sound risk culture and believes this drives good conduct.

We place significant emphasis on embedding an appropriate risk culture and managing conduct risk within our overall risk management framework. It is well entrenched across all parts of the organisation.

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

Managing risk is the responsibility of every individual and business at Macquarie. In addition, the Risk Management Group provides strong, independent oversight of all our business operations.

We have comprehensive policies, procedures and controls in place to guide staff in decision making and to ensure they adhere to the standards we expect of them. There are also measures to address and deter non-compliance. These protocols have been a key to Macquarie's success and stability over many years.

Over the year, there were 157 matters involving conduct and policy breaches, which resulted in formal consequences. Consequences included additional training, adjustments of performance-based remuneration, impact on promotion, formal warnings and termination. These matters were considered to be isolated incidents and not systemic.

While our risk management approach has been largely consistent since inception, we continually monitor and enhance our risk culture and management of conduct risk.

There were a number of risk culture and conduct related initiatives and achievements during the year:

- we refreshed the Risk Culture Framework – which outlines the indicators used to assess the strengths and areas for development within a business or function;
- the risk culture assessment process was acknowledged as market leading by an independent source; and

- we continued to embed conduct risk management across all businesses and renewed our focus on supervision by rolling out Supervision Standards and global online training to support people managers and directors.

Macquarie also established the Customer Advocate office at the end of March 2017 as part of our commitment to our Australian retail and small business clients.

This year, the Integrity Office celebrates its twentieth year as an independent point of contact for staff to safely raise concerns about potential misconduct, unethical behaviour or breaches of our *Code of Conduct*.

The Integrity Office continues to drive strong awareness of What We Stand For and our *Code of Conduct*. Over the last year, the Integrity Office visited 30 offices and presented to over 2,000 people globally. It led initiatives to remind staff to 'Speak Up' and 'Listen Up' through Group-wide campaigns and tailored training modules, and Macquarie became a founding member of the Ethics Alliance – a new corporate community designed by The Ethics Centre to help raise the standard of business ethics in Australia and around the world.

Macquarie has a substantial and longstanding commitment to the renewable energy and clean technology sectors. We are committed to using our expertise in infrastructure, renewable energy, clean technology and environmental markets to support the transition of the community to a low-carbon economy.

Last year, Macquarie invested or arranged over \$A9.5 billion of investment into renewable energy projects, and more than \$A20 billion since 2010.

Consistent with our strong risk management focus, Macquarie considers climate change and future carbon constraints within our existing risk framework.

We support the work of the Task Force on Climate-related Financial Disclosure in seeking more consistent and clear financial disclosure of climate-related risks across sectors.

In the current year, Macquarie will continue to evolve its own disclosures to align with all relevant Task Force recommendations - including the recommendation regarding a two degrees Celsius scenario analysis.

During the year, a Macquarie-led consortium acquired UK Green Investment Bank for £2.3 billion from the UK government, creating one of Europe's largest teams of green energy investment specialists.

The rebranded Green Investment Group business has invested in 60 per cent of the UK's offshore wind generation capacity; more than 30 waste and biomass projects and financed over 1.8 gigawatts of solar projects.

It has also developed a market-leading proprietary approach to green impact assessment. Work began on creating this approach and methodology with the creation of the UK Green Investment Bank in 2012. Since then it has been applied to

over 120 projects worth in excess of £14 billion across green infrastructure sectors including onshore and offshore wind, solar, waste to energy and energy efficiency.

There are a number of recent highlights reflecting our commitment to the renewable energy sector.

In June this year, Macquarie issued a £2.0 billion loan facility, including a £500 million facility to finance green projects, becoming the first financial institution globally to issue a green loan under the Green Loan Principles issued in March 2018.

We're also involved in the creation of large-scale solar power generation assets in India and the development of onshore wind farms in Sweden.

I would now like to provide some comments on the Royal Commission. The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry has been underway since December last year.

So far the Royal Commission has held public hearings about consumer lending, financial advice, Small and Medium Enterprise lending, and the experiences of regional and remote communities. Further rounds of hearings on superannuation, insurance and consideration of policy issues arising from the first six rounds have also been announced.

In November 2018, there will be a round of public hearings, which will focus on policy considerations arising from the first six rounds. CEOs from a number of organisations including Macquarie will be called to give evidence.

Macquarie has responded to the Commission's inquiries and will continue to respond appropriately.

I'd like to now outline the work of the Macquarie Group Foundation in support of non-profit organisations around the world.

One of the oldest and largest corporate foundations in Australia, the Macquarie Group Foundation and Macquarie staff have together contributed more than \$A330 million since its establishment in 1985.

In the year to 31 March 2018, the Foundation and Macquarie staff globally contributed \$A28.3 million to more than 1,500 community organisations around the world.

In addition, staff gave over 60,000 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 non-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 and is available on Macquarie's website.

We also invite you to visit the Foundation stand in the showcase room during the break or after the meeting.

I'd like to conclude my remarks by sharing with you a tool available on our website at Macquarie.com/discover.

Here you can access the latest information about Macquarie, including our culture, expertise and case studies about the work our staff are doing around the world for the benefit of our clients and communities. You can also view these materials in the showcase room.

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.