This 2011 Shareholder Review contains a report from the Chairman and Managing Director on Macquarie's business and operational highlights. This document is not a concise report prepared under section 314 (2) of the Corporations Act. Macquarie Group has not prepared a concise report for the 2011 financial year.

The 2011 Macquarie Group Annual Report complies with reporting requirements and contains statutory financial statements. It contains Macquarie’s Corporate Governance Statement, the Directors’ Report including the Remuneration Report and full financial statements.

If you would like a copy of the 2011 Macquarie Group Annual Report please call us on +61 2 8232 5006 or visit macquarie.com.au/investorrelations.

2011 Annual General Meeting
Macquarie Group’s 2011 Annual General Meeting will be held at 10:30am on Thursday 28 July 2011 at the Hilton Hotel (Grand Ballroom), 488 George Street, Sydney NSW.

Details of the business of the meeting will be contained in the Notice of Annual General Meeting, to be sent to shareholders separately.

The Holey Dollar
In 1813 Governor Lachlan Macquarie overcame an acute currency shortage by purchasing Spanish silver dollars (then worth five shillings), punching the centres out and creating two new coins – the ‘Holey Dollar’ (valued at five shillings) and the ‘Dump’ (valued at one shilling and three pence).

This single move not only doubled the number of coins in circulation but increased their worth by 25 per cent and prevented the coins leaving the colony. Governor Macquarie’s creation of the Holey Dollar was an inspired solution to a difficult problem and for this reason it was chosen as the symbol for Macquarie Group.

The Macquarie name and Holey Dollar device are registered trade marks of Macquarie Group Limited.
Full year result reflects improvement in second half of year
— Profit of $A956 million
— Operating income of $A7.6 billion
— International income 60 per cent of total
— Earnings per share of $A2.83
— Total ordinary dividends of $A1.86 per share
— Return on equity of 8.8 per cent per annum
— Assets under management of $A310 billion

Strong funding and balance sheet position
— Diverse and stable funding base
— Solid and conservative balance sheet
— Minimal reliance on short-term wholesale funding markets
— Total deposits of $A31.6 billion
— $A9.7 billion of new term funding
— $A3.0 billion of capital in excess of minimum regulatory capital requirement
Key financial details

- Consolidated net profit after tax attributable to ordinary equity holders decreased by 9 per cent to $A956 million from $A1.05 billion
- Total operating income increased by 15 per cent to $A7.6 billion from $A6.6 billion
- International income increased by 31 per cent to $A4.4 billion from $A3.4 billion, accounting for 60 per cent of total operating income
- Earnings per share decreased by 12 per cent to $A2.83 from $A3.20
- Dividends per share of $A1.86 (unfranked) in line with the prior year
- Return on equity decreased to 8.8 per cent from 10.1 per cent
- Regulatory capital of $A12.1 billion, $A3.0 billion in excess of Macquarie Group’s minimum regulatory capital requirement
## Consolidated profit

**Year ended 31 March**

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<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
<th>% Change</th>
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<tbody>
<tr>
<td><strong>$Am</strong></td>
<td>$Am</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net operating income</strong></td>
<td>7,644</td>
<td>6,638</td>
<td>15</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>(6,373)</td>
<td>(5,344)</td>
<td>19</td>
</tr>
<tr>
<td><strong>Profit before income tax</strong></td>
<td>1,271</td>
<td>1,294</td>
<td>(2)</td>
</tr>
<tr>
<td><strong>Income tax expense</strong></td>
<td>(282)</td>
<td>(201)</td>
<td>40</td>
</tr>
<tr>
<td><strong>Profit from ordinary activities after income tax</strong></td>
<td>989</td>
<td>1,093</td>
<td>(10)</td>
</tr>
<tr>
<td><strong>Non-controlling interest</strong></td>
<td>(33)</td>
<td>(43)</td>
<td>(23)</td>
</tr>
<tr>
<td><strong>Profit after income tax attributable to ordinary equity holders</strong></td>
<td>956</td>
<td>1,050</td>
<td>(9)</td>
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## Basic earnings per share (EPS)

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<th></th>
<th>2H09</th>
<th>1H10</th>
<th>2H10</th>
<th>1H11</th>
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<tbody>
<tr>
<td><strong>SA</strong></td>
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<td>0.50</td>
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## Dividends per share (DPS)

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<th></th>
<th>2H09</th>
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<th>2H10</th>
<th>1H11</th>
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<td><strong>SA</strong></td>
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<td>0.75</td>
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<td>0.50</td>
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<td>0.25</td>
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Chairman and Managing Director’s report

Macquarie Group’s result for the full year ended 31 March 2011 was nine per cent down on the prior year.

During the first half of the year market conditions were subdued, particularly for Macquarie Securities Group, Macquarie Capital and Fixed Income, Currencies and Commodities (FICC). However, overall performance significantly improved during the second half with most businesses benefiting from improved market conditions, with the exception of Macquarie Securities Group which experienced continued subdued equity markets.

The Group benefited during the year from its expanded global platform with notable increased contributions from Corporate and Asset Finance Group’s growing lease business, FICC’s commodity financing and trading operations and Macquarie Funds Group’s increased funds management platform following the Delaware acquisition. Macquarie continues to grow its international businesses and build on the diversity of its global platform.

The Group maintained its strong capital and funding position and its conservative approach to risk management that has been a foundation of Macquarie’s unbroken 42-year record of profitability.
Result overview

Macquarie Group (Macquarie) reported a consolidated after-tax profit for the year ended 31 March 2011 of $A956 million, a decrease of nine per cent on the previous year’s profit of $A1.05 billion. Earnings per share were $A2.83, a decrease of 12 per cent from $A3.20 in the prior year. Dividends per share were $A1.86, in line with the previous year. Return on equity was 8.8 per cent, down from 10.1 per cent in the prior year. The overall result, as in recent years, was affected by the cost of carrying excess liquidity on the balance sheet.

Net operating income for the year was $A7.6 billion, an increase of 15 per cent from $A6.6 billion in the prior year. Corporate and Asset Finance Group (CAF) achieved a strong operating result compared with the prior year, benefiting from recent growth initiatives. The result from Macquarie Funds Group (MFG) was down on the prior year which included a number of gains from listed fund initiatives, but excluding these the result was significantly up on the prior year. The result from Banking and Financial Services Group (BFS) was slightly up on the prior year. Fixed Income, Currencies and Commodities (FICC) reported a strong result in the second half of the year, but was down on the prior year due to difficult markets in the first half of the year. Subdued equity market conditions affected activity across Macquarie Securities Group (MSG) and Macquarie Capital with MSG reporting a significantly lower result than the prior year. Profit before tax for the year was $A1.3 billion, in line with the prior year. Foreign exchange translation is estimated to have had a negative impact on the result of approximately five per cent due to the strengthening of the Australian dollar by an average of 10 per cent against major currencies over the year. Total international income increased by 31 per cent to $A4.4 billion, accounting for 60 per cent of total annual income and 64 per cent of income in the second half of the year. Total staff exceeded 15,500 with 53 per cent based outside Australia, compared with 50 per cent at 31 March 2010.

Assets under management (AUM) decreased five per cent from $A326 billion at 31 March 2010 to $A310 billion at 31 March 2011. The decrease was largely due to the conversion of the Macquarie Cash Management Trust to the Macquarie Cash Management Account and also the impact of the appreciation of the Australian dollar against major global currencies.

Operating expenses were $A6.4 billion, an increase of 19 per cent from $A5.3 billion in the previous year. The increase was primarily due to the full-year effect of the expanded global platform. Average headcount increased 17 per cent on the prior year. The expense to income ratio increased to 83.4 per cent, compared with 80.5 per cent in the previous year. The effective tax rate for the year increased to 22.8 per cent from 16.1 per cent in the prior year, primarily due to a lower level of impairments and write-downs.

Operating conditions

Ongoing volatility and uncertainty was a feature of global markets during the year, particularly during the first half.

While there was some improvement in equity market volumes in Australia, Asia, Europe and Canada, volumes remained subdued overall. This impacted activity levels for the cash equities and derivatives businesses. Equity capital market (ECM) volumes in Australia and Europe, Middle East and Africa (EMEA) were significantly lower than the prior year, while there was some improvement in Asia, the US and Canada. Mergers and acquisitions (M&A) activity generally improved on the prior year. Conditions for retail broking improved in the second half of the year, but were also relatively subdued. Australian Securities Exchange (ASX) retail trading market volumes were down on the prior year, a reflection of reduced retail investor confidence. Demand for deposit products remained strong.

Mutual funds in all regions experienced increases in overall AUM compared with the prior year. While MFG’s AUM remained flat for 2011, it experienced approximately $A20 billion of net inflows and capital appreciation over the period, which was largely offset by the appreciation of the Australian dollar against major global currencies. FICC benefited from rising prices in metals and agricultural commodities and the continued rally in US credit markets. This was offset by challenging conditions in energy markets, particularly in US gas prices, and subdued client activity in global foreign exchange. Activity levels for FICC’s businesses overall improved during the second half of the year.

For the CAF businesses, primary and secondary corporate credit margins decreased as liquidity continued to flow back into global credit markets. This was offset by challenging conditions in energy markets, particularly in US gas prices, and subdued client activity in global foreign exchange. Activity levels for CAF’s businesses overall improved during the second half of the year.

In this mixed environment with lower than normal activity levels, Macquarie businesses continued to grow their global platforms and maintained strong market positions.
Growth initiatives
Macquarie pursued a range of growth initiatives during the year.

MSG expanded its global equities platform through organic growth and acquisitions during the year. The European business expanded its research coverage from 270 to more than 400 stocks and significantly increased its Derivatives DeltaOne product platform to more than 40,000 listed products on issue following the acquisition of two businesses of German private bank Sal. Oppenheim jr. & Cie. KGaA (Sal Oppenheim), completed in April 2010.

Macquarie ranks as the ninth largest equities research house globally. It now has more than 2,400 stocks under coverage with particular expertise in the distribution of Asia-Pacific stocks into the US and Europe.

Following the acquisition of financial institutions group (FIG) specialist firm Fox-Pitt Kelton Cochran Caronia Waller in 2009, Macquarie’s FIG advisory business has continued to expand, advising on a number of significant transactions during the year.

It won several key awards for the world’s largest-ever initial public offering (IPO), the $US22 billion dual listing of Agricultural Bank of China Limited on the Hong Kong and Shanghai stock exchanges. Macquarie acted as joint sponsor, joint bookrunner and joint lead manager on the Hong Kong listing. Macquarie Capital advised AXA Asia Pacific Holdings on the $A13 billion acquisition of its business by AXA SA and AMP, the largest financial services transaction in Australian corporate history and was a co-lead manager for AIA Group’s $US20 billion listing on the Stock Exchange of Hong Kong, the second largest-ever IPO.

Two acquisitions were made in the US that will enhance Macquarie Capital’s advisory offering. The acquisition of Presidio Partners LLC, a specialist real estate private capital raising and advisory business, was completed in November 2010. This was followed by the announcement that Macquarie would acquire REGAL Capital Advisors, LLC, a boutique firm that provides strategic and financial advice in the gaming, lodging and leisure industries.
During the year, Macquarie further consolidated its asset management businesses with Macquarie Capital Funds becoming a division of MFG and renamed Macquarie Infrastructure and Real Assets (MIRA). Macquarie now ranks as Australia’s largest asset manager and in the top 40 globally.

Over the period, MFG continued to execute a range of growth initiatives across its divisions. It acquired INNOVEST Kapitalanlage AG, a leading Austrian securities asset manager, enhancing Macquarie Investment Management’s presence in Europe. MIRA continued to build out its Asian unlisted funds platform, raising over $A1.5 billion in equity for funds focused on Korea, China, and India. Macquarie Specialised Investment Solutions successfully expanded its wholesale business, particularly in the US and Europe.

FICC continued to develop its Asia regional hub in Singapore where Macquarie was recently granted a bank branch licence covering a range of activities. In addition, an Asian Markets business was established in Singapore offering foreign exchange and corporate debt services to pension funds, hedge funds and banks globally. Macquarie’s Korean bank branch licence was also extended to include over-the-counter derivatives.

In the US, FICC expanded its energy marketing and trading platform with the addition of a Calgary-based crude oil marketing team and a Latin American oil liquids origination and marketing team based in Houston. It continued to grow its credit trading capabilities with the addition of a commercial mortgage finance and commercial mortgage-backed securities team in New York.

CAF grew its lease and loan portfolio by 22 per cent to $A17.3 billion during the year, with the acquisition of new portfolios and continued organic growth across most businesses. During the year, CAF acquired an aircraft operating lease portfolio from International Lease Finance Corporation for $US1.6 billion. The acquisition of the GMAC auto finance portfolio of approximately $A1 billion consolidated CAF’s position as one of the largest providers of car finance in Australia. CAF also extended its corporate lending, securitisation, smart metering and equipment leasing activities.

BFS undertook a number of initiatives in its international businesses launching Macquarie EquityPlus, an investment product tailored for the Canadian retail market, and establishing an agricultural investment strategy for clients of Macquarie’s Indian joint venture, Religare-Macquarie Private Wealth. BFS’ global client numbers grew by 40,000 to 1.04 million during the year, driven by organic growth in Australia and Canada.

Capital
Macquarie has a long-standing policy of holding a level of capital which supports its business and has consistently grown its capital base ahead of business requirements. Capital at 31 March 2011 was $A12.1 billion which was $A3.0 billion in excess of the Group’s minimum regulatory capital requirement.

During the year, Macquarie Group Limited issued $US400 million of Preferred Membership Interests, eligible hybrid capital, which further diversified the funding mix of the Group.

Proposed Basel III changes are expected to result in a more conservative risk weighting of assets, a stricter capital deduction regime and increased minimum capital ratios for financial institutions globally. The rules are subject to implementation by the Australian Prudential Regulation Authority (APRA) with uncertainty around the consequent changes APRA will make to its prudential standards for Australian banks. Macquarie continues to monitor developments but its current assessment is that it has sufficient capital to meet the Basel III capital and leverage ratio requirements.

Funding
Macquarie remains well funded from diversified funding sources. Total deposits increased by 61 per cent from $A19.6 billion at 31 March 2010 to $A31.6 billion at 31 March 2011, primarily as a result of the conversion of the Macquarie Cash Management Trust to the Macquarie Cash Management Account. This deposit base represents a diverse and stable source of funding. Short-term wholesale issued paper remains a very small portion of overall funding with term assets covered by term funding and equity.

Macquarie will continue to focus on deploying surplus funding into income-generating assets and the continued growth of the Group’s global platform.

Dividend
The Board resolved to pay a final ordinary dividend of $A1.00 per ordinary share (unfranked), up from $A0.86 in the first half. The total ordinary dividend payment for the year of $A1.86 per share was in line with the previous year. Although the current year annual payout ratio was 67 per cent, this is a reflection of a lower profit level rather than a permanent change in Macquarie’s dividend policy. Macquarie remains committed to maintaining an annual dividend payout ratio of between 50 to 60 per cent of net earnings attributable to ordinary shareholders. The future rate of franking remains subject to the composition of income but it is likely that dividends will remain unfranked for the foreseeable future.
The Macquarie model
Macquarie is a global financial services specialist that focuses over the medium term on a number of key fundamentals:

— the provision of services to clients
— the alignment of interests with shareholders, investors and staff
— a conservative approach to risk management
— incremental growth and evolution
— maintaining operations that are diversified by business and geography
— an ability to adapt to change.

Consistent with the Macquarie model, the Company has continually adapted to changes in the markets in which it operates. During the year, businesses continued to pursue growth opportunities in new markets, develop new and expanded product offerings and make selective acquisitions. These initiatives drive the continued evolution of the business.

Risk management
Macquarie’s strong culture of risk management is embedded across all operating groups and divisions. Business heads are responsible for identifying risks within their businesses and ensuring they are managed appropriately. This culture is supported by an independent Risk Management Group.

Central to Macquarie’s risk management approach is the deep analysis of worst-case outcomes and determining whether such risks are acceptable. This is often achieved through the application of specific stress tests.

Macquarie’s key risk management principles have remained largely the same for over 30 years and have served the Group well through a range of market cycles. These principles are a key factor in the Company’s record of unbroken profitability.

As Macquarie continues to grow globally, the risk management framework adapts to maintain effective risk oversight.

Our people
A key factor in Macquarie’s long-term growth is its ability to attract and retain high quality staff, with remuneration based on performance. This delivers long-term shareholder returns by ensuring the interests of staff and shareholders are aligned. Macquarie’s culture and people are the foundation for the continued success of the business.

Staff numbers increased by six per cent from 14,657 at 31 March 2010 to 15,556 at 31 March 2011 reflecting the expanded global platform. Average staff numbers increased 17 per cent on the prior year. As noted, 53 per cent of staff are now based outside Australia with 24 per cent in the Americas, 18 per cent in Asia and 11 per cent in Europe, Middle East and Africa.

Further information on Macquarie’s remuneration policies and practices can be found in the Remuneration Report in the Macquarie Group Annual Report which is available on the Macquarie website.

Sustainability
In all of its activities, Macquarie seeks to act responsibly. While it aims to build sustainable value for shareholders, clients and staff, it places great importance on the manner in which its business is conducted.

Macquarie recognises that a company is assessed not only on its financial performance but by its standards of corporate governance, the conduct of its staff, the quality of its workplace, its environmental footprint and its level of community engagement.

Further information regarding Macquarie’s performance against these wider environmental, social and governance (ESG) objectives is summarised in the Sustainability report.

A full index listing relevant disclosures is provided in the Macquarie Group Annual Report (refer to GRI index) which is available on the Macquarie website.

David Clarke AO
Former Chairman David Clarke resigned as Chairman of Macquarie Group and Macquarie Bank on 17 March 2011 due to ill health, ending a remarkable 40-year career with Macquarie. David passed away on 8 April 2011.

His contribution not only to Macquarie but the corporate and not-for-profit sectors was widely acknowledged in Australia and internationally.

David was one of Macquarie’s great leaders. He joined an organisation of 12 people and left it with staff of over 15,500 operating out of over 70 offices in more than 28 countries. David helped build a successful global operation and played a key role in developing the broad business strategies, recruitment and remuneration policies, risk management framework and professional and ethical standards which continue today.
In addition to his many achievements at Macquarie, David made an enduring contribution to Australian business and the financial services industry and played a transformational role in the not-for-profit sector, through his own personal philanthropy and his leadership of the Macquarie Group Foundation.

Macquarie pays tribute to David on page 10 of this report.

**Board and management**

Kevin McCann was appointed Chairman of Macquarie Group and Macquarie Bank on 17 March 2011 following David Clarke’s resignation. Kevin has been a Director of Macquarie for 14 years and served as acting Chairman of Macquarie Group and Macquarie Bank for nine months from 27 November 2008.

Subsequent to year end, Macquarie announced that Diane Grady would join the Macquarie Group and Macquarie Bank Boards on 19 May 2011. Diane is an experienced company director and her appointment results in the Macquarie Group Board comprising nine members, eight of whom are Independent Directors and three of whom are women.

Michael Carapiet, Executive Chairman of Macquarie Capital and Macquarie Securities Group, announced his intention to retire in July 2011 after 22 years with Macquarie. Michael has been central to Macquarie’s global expansion, the growth of the Macquarie Capital business and the development of Macquarie’s infrastructure advisory and funds businesses. The Board thanks Michael for his outstanding contribution and wishes him all the best for the future.

Roy Laidlaw will assume Michael’s role as Executive Chairman of Macquarie Securities Group, while continuing in his current position as Group Head of Macquarie Capital. Roy’s position as Group Head of Macquarie Securities will be assumed by Stevan Vrcelj, currently Head of Cash Equities in Macquarie Securities.

In July 2010, Tim Bishop, US Country Head; Garry Farrell, Head of CAF; and Stevan Vrcelj were appointed to the Executive Committee.

**Outlook**

Continuing market uncertainty makes forecasting difficult.

The full year 2012 result for each operating group will vary with market conditions, in particular for Macquarie Capital and Macquarie Securities which are assuming better market conditions. Movements in foreign exchange rates will impact the contribution of each group.

The Group’s compensation ratio and effective tax rate are expected to be consistent with historical levels. Higher cost of funding reflecting market conditions and high liquidity levels are also expected to continue.

Overall, it is currently expected that the result for the Macquarie Group for the year ending 31 March 2012 will be an improvement on the prior year. However, the final result will be dependent upon market conditions, particularly for Macquarie Capital and Macquarie Securities which are assuming better market conditions than the prior year. The full year 2012 result also remains subject to a range of other challenges including increased competition across all markets, the cost of a continued conservative approach to funding and capital, and regulation, including the potential for regulatory change.

Over the medium term, Macquarie’s businesses are increasingly well positioned to benefit from future growth due to its position as a global specialist, growing global market share, strength in diversity, a balance sheet positioned for growth and an effective risk management culture.

On behalf of the Board we would like to take this opportunity to thank our staff for their commitment during the year. The result reflects considerable effort from the entire Macquarie Group in continuing difficult markets.

Kevin McCann AM
Chairman

Nicholas Moore
Managing Director and Chief Executive Officer
Sydney
29 April 2011
Vale: David Clarke AO (1942–2011)

Macquarie Group’s former Chairman David Clarke passed away on 8 April 2011. Under David’s leadership over 40 years, Macquarie grew from an organisation of 12 people based in Sydney to a global enterprise of 15,500 employees operating out of over 70 offices in more than 28 countries.

It took 13 years to build each of the businesses required to fulfil this original vision. By then, Hill Samuel Australia was growing faster than its British merchant banking parent, while deregulation was changing the Australian financial services landscape.

“It was our chance to become independent,” David said. As the Hill Samuel Australia team opted to pursue an Australian banking licence, David negotiated the separation from head office in London.

On 1 March 1985, Macquarie Bank Limited opened its doors for business, with David as its Executive Chairman. The new Australian bank took its name from one of the nation’s early leaders, Governor Lachlan Macquarie, and adopted as its logo the punched Spanish coin he used to solve a currency shortage in 1813. “Macquarie was the absolutely obvious choice,” David said. “He started banking in Australia, he started currency in Australia and he was a good innovator. Innovation has always been part of the Macquarie culture.”

Macquarie thrived in the new competitive environment and in the ensuing years moved progressively into new businesses and geographies. “Our growth and development has been a logical progression, a case of evolution rather than revolution,” David said. While he couldn’t foresee what Macquarie would become, he was confident of its growth. “I knew that if we were doing the basics right, we would grow well and we would become big.”

The ‘basics’ are what David considered his greatest contribution to Macquarie. They are the policies put in place in the early Hill Samuel Australia days, which continue to drive Macquarie’s success today.

They included recruiting the best quality people and fostering an environment which encouraged both innovation and accountability. “Essentially if someone has come up with a good idea, there’s a ‘can do’ philosophy,” David said.
"It means people can get out there and build their own business and create something. Our flat management structure provides an environment for ideas and a culture of maximum accountability. It’s a fundamentally different philosophy."

To attract the best people, David initiated a remuneration policy that rewarded achievement. "The profit sharing plan has been in operation for close to 40 years without too many changes," he said. "It’s about sharing the rewards of success between the shareholders and the staff. If the organisation does well because you’ve done well for the organisation, then you’ll share in those rewards. It conveys a sense of equity and fairness."

While encouraging entrepreneurial freedom, David was careful to implement strong risk management principles, which were formalised in later years with the establishment of the Risk Management Group.

“We have always had right from day one an appreciation that risk is very important," he said. "If you look at the CEOs in order, every one of us has a very heightened awareness of the importance of managing risk. Some of our competitors don’t have that."

“The key thing is to make sure the risk management systems protect the organisation against a relatively extreme circumstance. Everyone can protect the organisation in benign conditions. You need something that's going to protect the organisation where it’s extreme.”

One such circumstance occurred on 20 October 1987, which David recalled as "the most horrendous day in my life in the organisation. We all went home one night and then the next morning when we come back the stock market is down 25 per cent. Contemplate the amount of wealth that is destroyed by that. That’s where our risk management system stood us in very good stead. We hadn’t over-extended ourselves and so there wasn’t the sense of panic there might have been elsewhere around the market."

Similarly, Macquarie’s risk management framework enabled it to remain profitable during the recent global financial crisis. David’s leadership was marked by 40 years of unbroken profitability.

Another of David’s lasting achievements was his contribution to the development of the What We Stand For document, which evolved into Macquarie’s Goals and Values, a long-standing cultural blueprint. “The six points of What We Stand For have endured for a long, long time – things like integrity, high professional standards, giving superior service to our clients, teamwork rather than individual superstars, earning profits obviously. We spent a lot of time developing What We Stand For and we constantly reinforce those goals and values with our staff,” he said.

In addition to his many business achievements, David leaves a substantial philanthropic legacy. He had a major personal involvement with a range of community organisations, including the Salvation Army, Opera Australia and Social Ventures Australia. He was a key figure in the transfer of business skills to the not-for-profit sector and drove initiatives to improve the sector’s sustainability.

He also inspired an enduring culture of community engagement among Macquarie staff, dating back to 1978 when he established one of Australia’s earliest corporate foundations, the Hill Samuel Charitable Fund. When Macquarie Bank was formed in 1985, there was no question that the new entity should have a philanthropic arm, which David chaired for 26 years.

Since then, the Macquarie Group Foundation and Macquarie staff have contributed more than $A145 million to community groups globally, as well as thousands of hours in volunteering and pro bono support. David promoted a model of ‘engaged philanthropy’, enabling not-for-profit organisations for the first time to harness a company’s business expertise, strategic advice, networks and resources, as well as its financial support.

“I was always taught by my parents and grandparents that if you are successful in life, you have an obligation to give back,” David said. "The Foundation is an important and long-standing part of Macquarie’s philosophy. There are thousands of our staff who are very much involved in volunteering, donating and doing things for the not-for-profit sector. We would be right up there worldwide, which is something that makes me very proud.”

David tendered his resignation as Chairman of Macquarie Group Limited and Macquarie Bank Limited on 17 March 2011, due to ill health. In the weeks before he passed away, he reflected on what he had learned as a 22-year-old Harvard Business School student that continued to drive him and Macquarie so many years later. “There are two things that stand out,” he said. “One of the concerns I'd had going to Harvard was, on the one hand I wanted to be successful in business, on the other hand ethical standards had been inculcated in me, particularly by my grandfather, and how was I going to reconcile those two things? One of the professors showed the path as to how you can be successful without compromising ethical standards in any way.

“And another professor told me: ‘Don’t accept anything. Question everything’. That’s always been very much part of the culture at Macquarie.”

He voiced only one regret. A proficient rugby player, he did not play the sport again when he returned to Australia from his Harvard studies. Others he had played with went on to represent Australia. David was to make his mark in other fields
Macquarie – the global specialist

Macquarie has built a uniquely diversified business over the 42 years since inception. It is a global business built upon a range of products and sectors in which it has world leading expertise.

Macquarie provides its clients with in-depth knowledge, innovation and leadership developed over decades, backed by the extensive research, advisory, financing and execution capabilities of a global team.

Its leading market positions have enabled it to participate in some of the largest transactions both in Australia and internationally across a wide range of sectors.

Some of the areas where Macquarie is seen as a global specialist include resources, agriculture and commodities, energy and infrastructure together with a deep knowledge of Asia-Pacific financial markets.

When Macquarie decided to take the skills it had developed in Australia global in the early 1990s, expansion into Asia was the logical progression. Over the ensuing years, most of Macquarie’s businesses have taken opportunities to grow their businesses throughout the region. The result today is strong market positions across all major businesses in Asia-Pacific and, including Australia, a team of more than 10,200 staff across 26 locations. Macquarie is seen as an Asia-Pacific specialist.

Macquarie’s research offering of more than 1,200 stocks is one of the largest in the Asia-Pacific region and highly-ranked for the accuracy of its stock selections. With one of the largest dedicated equities sales teams in Asia, Macquarie was recently ranked by Bloomberg as the No. 1 broker in Asia for execution. It also holds the No. 1 position for market share in listed warrants in Singapore and Korea, as well as top three positions in Australia and Hong Kong.

Macquarie has worked on some of the region’s most significant transactions including the Hong Kong IPO of the Agricultural Bank of China Limited, as part of a $US22.1 billion dual listing, the world’s largest-ever IPO. It is increasingly using its deep experience and local knowledge of the Asia-Pacific region to facilitate cross-border transactions between this vital region and the rest of the world. The recent IPO of Powerland, a Chinese leather goods manufacturer and retailer, on the Frankfurt Stock Exchange which demonstrated Macquarie’s ability to bring product from Asia to European investors and provide access to the world’s capital markets for its Asian clients.

Fixed Income, Currencies and Commodities (FICC) offers a range of services in Asia and has recently established its regional hub in Singapore. Across Asia, FICC’s services include Asian currencies, corporate and sovereign debt trading, commodity risk management across metals, energy and agricultural commodities, physical oil, physical coal and physical iron ore trading and marketing, foreign exchange services, originations of emissions trading projects, futures services and access to dry freight markets. Macquarie has been granted banking licences in Singapore and in Korea.

Macquarie also manages a number of Asia-specific funds, with infrastructure a particular focus. Its first fund in Asia, the Macquarie Korea Infrastructure Fund which was established in 2002, is one of the leading private sector infrastructure funds in Korea. Macquarie now has eight infrastructure funds in the region. The Macquarie SBI Infrastructure Fund has completed $US1.2 billion of fundraising to invest in India. During the year, Macquarie’s Chinese real estate fund raised $US1 billion to invest in retail real estate in China.
Macquarie pioneered its infrastructure business over 20 years ago and has developed specialist expertise that is recognised globally. Commencing with infrastructure advisory in Australia in 1990, Macquarie is now the largest infrastructure funds manager globally (Towers Watson Global Alternatives Report, June 2010). It has more than $A90 billion in infrastructure assets under management and over 400 experienced professionals across Australia, Asia, Europe and North America dedicated to sourcing and managing infrastructure investments.

Macquarie was recognised as the Infrastructure Manager of the Year by Financial News in October 2010 (2010 Annual Financial News Awards (European Institutional Asset Management)) and has received numerous awards over the years for its infrastructure management, advisory and research capabilities. Most recently, its infrastructure equities research team was ranked No. 1 by Australian and Asian investors in the 2010 Peter Lee surveys and by Asian and European investors in the 2010 Greenwich Survey of Asian Equities. An infrastructure advisory team of more than 230 professionals operates across 16 countries.

In response to investor demand, Macquarie has grown its unlisted infrastructure funds business and raised substantial funds to invest in infrastructure assets and businesses around the world. Three European infrastructure funds have raised €7.3 billion to invest in infrastructure opportunities in Europe. Macquarie commenced fundraising for its fourth European infrastructure fund during the year. Emerging markets are another key focus with funds established in recent years in the key markets of China, India, Mexico and Russia. Macquarie is a leading manager of global infrastructure securities, with the largest dedicated team globally. The team manages approximately $A3 billion of AUM for clients located in nine countries.

Macquarie’s expertise in resources, agriculture and commodities has been developed over more than 30 years since commencing bullion trading in 1978. A comprehensive platform operates across four continents and covers the spectrum of commodities markets, including agriculture, energy, metals, environmental and freight. Macquarie’s market leading team of 100 global mining finance specialists offers debt, equity capital and price risk management solutions to producers and consumers of metals, bulk commodities and upstream oil and gas. The team includes in-house geologists, petroleum and mining engineers. There is also a financial advisory team of over 160 professionals in 10 countries which has worked on more than 440 deals valued at over $A150 billion over the past three years.

Macquarie is the longest standing provider of trading and risk management services to agricultural producers, consumers and
Macquarie – the global specialist continued

market participants. It pioneered the over-the-counter market in agricultural derivatives in the early 1980s and has actively traded in global agricultural commodity markets for more than 20 years. Its expertise covers the full spectrum of agricultural commodity classes. In funds management, Macquarie manages a portfolio of more than three million hectares of pastoral assets through the Macquarie Pastoral Fund which has over $A700 million in assets under management.

Macquarie also has one of the longest track records globally in metals markets, where it has operated for more than 30 years. Macquarie provides 24-hour trading and price-making for base and precious metals and is a principal provider of liquidity globally. Its Metals and Mining research team was ranked No. 1 by European and US Investors in the 2010 Greenwich Survey of Australian equities.

A natural extension of Macquarie’s commodities expertise was the development of its energy presence. Macquarie has actively traded in energy markets for more than a decade, with capabilities in products such as crude oil and refined products, natural gas, power, LNG and natural gas liquids.

It has built a physical trading business through organic growth and strategic acquisitions. The Cook Inlet Energy Supply acquisition in 2005 enabled Macquarie’s first physical natural gas trade in the US while the 2009 acquisition of Constellation Energy’s downstream natural gas trading operations significantly boosted Macquarie’s presence in this market. Macquarie is now the No. 4 physical gas marketer in North America and the highest-ranked non-producer.

Macquarie’s physical energy trading expertise encompasses natural gas, liquefied natural gas, power, oil, coal and ethanol. A US physical oil business was established in 2010, with a Houston-based Latin American origination team added in January 2011. Physical oil trading and marketing teams also operate from Singapore, Calgary and London.

Macquarie’s energy advisory presence was enhanced by the acquisitions of Orion Financial Services in 2007 and Tristone Capital in 2009. It has been involved in notable transactions including, in Australia, as financial adviser to Origin Energy Limited on the acquisition of the Integral Energy and Country Energy retail businesses from the NSW state-owned energy network businesses and their binding GenTrader arrangements with Eraring Energy. In Canada, Macquarie was financial adviser to Legacy on the $C583 million acquisition of CanEra as well as co-lead manager and co-bookrunner for the $C271 million financing and exclusive financial adviser to Result Energy Inc. on its $C480 million sale to PetroBakken Energy Ltd. Macquarie ranked No. 1 for oil and gas ECM in Canada in the first quarter of the 2011 calendar year with a market share of 15 per cent (Bloomberg). It raised almost $US370 million over seven transactions.

A participant in the developing environmental markets since 1996, Macquarie also provides financial solutions to help corporate and government customers manage their environmental obligations. A top three carbon emissions trader globally (by volume and value), Macquarie was awarded Best Trader by its international peers in the 2011 Carbon Markets Awards sponsored by Thomson Reuters/Point Carbon.

In addition to its areas of global expertise, Macquarie has developed leading businesses in other sectors. Macquarie substantially increased its financial institutions sector (FIG) expertise with the acquisition of Fox-Pitt Kelton Cochran.
Caronia Waller, a FIG specialist, in 2009. Since that time Macquarie has been involved in a number of significant FIG transactions. Apart from the Agricultural Bank of China, it was joint bookrunner and underwriter for the $US1.2 billion Indonesia rights issue by PT Bank Negara, the largest finance industry ECM deal in South-East Asia in 2010 and in Australia, it was adviser to AXA Asia Pacific Holdings on the $A13.3 billion acquisition of its business by AXA SA and AMP, the largest financial services transaction in Australian corporate history.

Macquarie has been involved in significant telecommunications, media, entertainment and technology sector transactions globally. During the year, it was financial adviser to a consortium of Macquarie-managed funds on the acquisition of České Radiokomunikace, a radio tower business in the Czech Republic. This transaction was one of the largest telecommunications transactions in Central and Eastern Europe in calendar 2010.

Macquarie has been a long-standing real estate asset manager and financial adviser, pioneering the development of the listed real estate investment trust (REIT) market in Australia. Macquarie manages a number of real estate funds including the recent addition of a second Macquarie Chinese real estate fund which raised $US1 billion to invest in retail shopping centres in China. Macquarie also has an associate in MGPA which is an independently managed private equity real estate investment advisory company. MGPA is focused on real estate investment in Europe and Asia and currently manages $US10 billion of assets throughout these regions. Macquarie’s real estate advisory team was senior co-manager on the $US2.28 billion common equity follow-on offering for General Growth Properties during the year, the largest REIT follow-on in history.

In the industrials sector, Macquarie has long played a leading role in some of Australia’s largest transactions. Recent roles include lead financial adviser, lead debt arranger and debt lender to The Carlyle Group and TPG Capital on the $A2.8 billion acquisition of Australian private healthcare provider Healthscope Limited. Macquarie was also adviser to Bilfinger Berger on the sale process of its Australian subsidiary, Valemus Limited (formerly Bilfinger Berger Australia) to Lend Lease Group for $A1.2 billion.

Macquarie has taken the debt expertise it has developed in the Australian market and expanded its presence to Asia, the US and Europe, and is continuing to build its debt capital markets activities globally. In the last three years, the business has undertaken over 145 debt-related deals with deal value in excess of $A105 billion, and has established over 300 direct relationships with financial institutions from debt raising activities. During the year, Macquarie participated in its first high yield bond offering in Asia, for Powerlong Real Estate Holdings Limited, and was involved with 15 debt capital market transactions in the US.

In the US Macquarie also specialises in high yield bonds, leveraged loans, distressed credit, special situations, project financings and trade claims. Since inception in 2009, Macquarie has traded in over $US15 billion of bonds and leveraged loans across 120 issuers. An Asian markets credit trading specialty was added in 2010, along with credit trading teams in London and Sydney.

Macquarie is a leading provider of specialist lending and leasing services, with over $A17 billion of loans and assets under finance globally. It has significant expertise in aviation, IT&T, rail, manufacturing, energy, motor vehicles and corporate debt and is one of the largest providers of motor vehicle finance in Australia.

Macquarie’s retail financial service offerings in Australia and Canada continue to grow with over 1.04 million clients globally, including intermediaries, advised and direct. It maintains a No.1 position for Australian full-service retail stockbroking based on market share and trading volumes (iRESS). In Canada, Macquarie was named No.1 National Independent Canadian advisory firm and ranked third of all investment advisory firms (Investment Executive Brokerage Report Card 2011). Macquarie has retail deposits of almost $A27 billion and has almost $A23 billion of funds under administration in the Macquarie Wrap. Macquarie Wrap has ranked in the top four platforms in Australia, in terms of inflows, for the past five years (Morningstar). Macquarie is able to provide its retail and high net-worth clients with unique opportunities to invest in the markets and sectors where it has global specialist expertise, including the Asia-Pacific region and resources, agriculture and commodities, energy and infrastructure sectors.
Regional activity

Australia

Macquarie Capital (MacCap) was financial adviser to Origin Energy Limited on the acquisition of the Integral Energy and Country Energy retail businesses from the NSW state-owned energy network businesses and their binding GenTrader arrangements with Eraring Energy.

MacCap was financial adviser to AXA Asia Pacific Holdings in relation to the $A13.3 billion acquisition of their Asian business by AXA SA and their Australian and New Zealand businesses by AMP. This was the largest financial services transaction in Australian corporate history based on equity value at completion.

MacCap and FICC acted as joint lead managers on the $A550 million five-year Australian bond financing for the Dampier-to-Bunbury pipeline in Western Australia.

FICC was awarded Best Domestic FX Providers – Australia; second place Best For Innovative FX Products and Structured Ideas; third place Best FX Prime Broking Services (AsiaMoney Corporate FX Poll 2010).

BFS’ Macquarie Pastoral Fund purchased an additional three properties in March 2011 in north-western NSW from Clyde Agriculture, further expanding its rural property portfolio. This acquisition took its total pastoral holdings to 3.15 million hectares.

BFS retail deposits increased 72 per cent to $A26.6 billion at 31 March 2011.

MFG was ranked first among individual managers by Rainmaker based on the number of Australian institutional mandates awarded in the year to 31 December 2010.

MFG experienced increased inflows into its retail structured products, with over $A300 million raised during the period.

CAF acquired the GMAC auto finance portfolio worth approximately $A1 billion.

CAF funded, originated or acquired $A3.8 billion of corporate debt and finance leasing opportunities.

MSG maintained its position in Australian equities of No. 1 overall for research and sales to Asian institutional investors (Peter Lee Associates 2010) and No. 1 equity research/advisory share for US and European institutional investors (Greenwich).

MSG derivatives business was the No. 2 provider for listed warrants based on market share (ASX).
MacCap was joint sponsor, joint bookrunner and joint lead manager for the Hong Kong-listing of the Agricultural Bank of China Limited as part of the $US22.1 billion dual listing on the Hong Kong and Shanghai stock exchanges, the world’s largest-ever IPO.

MacCap was exclusive financial adviser to a consortium led by Daewoo Engineering & Construction Co., Ltd. for its $US1.5 billion greenfield financing of Sosa-Wonsi Double-Track Rail build-transfer-lease (BTL) project, one of the largest BTL projects in Korea. The transaction was awarded Project Finance Asia-Pacific Transportation Deal of 2010 by Euromoney.

Macquarie Bank Limited was granted a bank branch licence by the Monetary Authority of Singapore and an extension of the Macquarie Bank Limited Seoul Branch in Korea to include over-the-counter derivatives.

FICC continued to develop its regional hub in Singapore comprising its Asian Markets, Fixed Income and Currencies, Agricultural Commodities and Energy Markets businesses.

MIRA continued the build out of its Asian platform, raising over $A1.5 billion in equity for unlisted funds focused on Korea, China, and India and investing approximately $A1.0 billion in equity across Korea, Taiwan and India.

Macquarie Asia New Stars Fund won the 2011 Lipper Award for the Best Asia-Pacific Small-Mid Cap Equity Fund based on its three-year performance to 31 December 2010.

Macquarie’s Asian Alpha hedge fund strategy experienced increased flows during the period and exceeded $A1.0 billion in AUM following 31 March 2011.

BFS launched the Agricultural Opportunities 2011 Investment Strategy to its Religare- Macquarie Private Wealth clients providing Indian investors unique access to a range of global agricultural and food manufacturing investment opportunities.

BFS Precision Marketing signed a joint venture with Manulife Indonesia to enhance Manulife’s tailored insurance marketing product.

CAF extended its IT&T leasing capacity into Malaysia, Hong Kong, Singapore and India.

CAF funded over $A700 million of leased assets.

MSG was rated the No. 1 execution broker in Asia per Bloomberg’s annual survey on execution capability.

MSG derivatives business maintained top three market share positions in listed warrants in Korea, Singapore and Hong Kong.
Regional activity continued

**Americas**

MacCap acted as joint bookrunner and documentation agent on the $US1.5 billion term loan and $US300 million revolving credit facility for General Growth Properties, and was senior co-manager on the $US2.3 billion common equity follow-on offering, the largest REIT follow-on in history.

MacCap acquired Presidio Partners, a specialist real estate private capital business. It also announced the acquisition of REGAL Capital Advisors, LLC, a boutique investment adviser focused on the gaming, lodging and leisure industries.

MacCap was developer, underwriter and financial adviser on the $US2.1 billion Denver Fastracks Eagle P3 project, which was awarded North American Transport Deal of the Year in 2010 by Project Finance Magazine.

FICC’s Energy Markets Division expanded its global physical oil trading platform with the addition of a Calgary-based crude oil marketing team and Latin American oil liquids origination and marketing team based in Houston.

FICC’s Futures Division obtained an ICE US membership allowing direct interface for futures clearing.

BFS launched its first investment product tailored to the Canadian retail market. Macquarie EquityPlus is an interest-only securities financing program.

Macquarie Private Wealth Canada was named No. 1 National Independent Canadian advisory firm and ranked third of all investment advisory firms (Investment Executive Brokerage Report Card 2011).

Delaware Investments experienced strong net inflows and capital appreciation of approximately $US15.0 billion during the period.

Delaware Investments was recognised for delivering consistently strong risk-adjusted returns, relative to peers, with three group awards in the 2011 Lipper Fund Awards.

Macquarie Specialised Investment Solutions continued the expansion of its wholesale business, with over $US1.0 billion written in fund-linked products during the period.

Strong securitisation activity by CAF with $A1.2 billion of motor vehicle leases and loans securitised during the period, including two issuances in the US.

CAF’s IT&T business completed its first capital markets securitisation of equipment lease receivables in the US in March 2011, issuing $US0.3 billion of securities.

CAF funded, originated or acquired $A1.8 billion of corporate debt and finance leasing opportunities.

Macquarie was ranked No. 3 in the Financial Times/StarMine broker rankings rating the accuracy of research analysts’ stock picks in the US.
MacCap was financial adviser to a consortium of Macquarie-managed funds on the acquisition of 100 per cent of České Radiokomunikace. The transaction represents one of the largest telecommunications transactions in Central and Eastern Europe in calendar year 2010.

MacCap was financial adviser to Macquarie-managed funds on the acquisition of 100 per cent of Thyssengas from RWE. Thyssengas is the owner and operator of a regulated supra-regional gas transmission network in Germany, transporting almost 10 billion cubic metres of natural gas annually to 56 downstream networks.

MacCap was exclusive financial adviser and sole bookrunner to the Government of the Republic of Ghana for a $US215 million sell down in AngloGold Ashanti Limited ordinary shares by way of an accelerated bookbuild.

The Macquarie platform was expanded to include market coverage across FICC-related structured derivative products in Germany, Switzerland and Italy.

FICC was awarded Best Trader by its international peers in the 2011 Carbon Markets Awards sponsored by Thomson Reuters/PointCarbon.

MFG acquired INNOVEST Kapitalanlage AG, a leading Austrian securities asset manager, which won a group award in the 2011 Lipper Fund Awards.

MIRA was again named Infrastructure Manager of the Year in the 2010 Annual Financial News’ Awards (European Institutional Asset Management).

MIRA announced eight European investments valued at over $A2.0 billion by its listed and unlisted funds and commenced fund raising for its fourth European infrastructure fund.

CAF completed the acquisition of a portion of the International Lease Finance Corporation’s aircraft leasing portfolio with aircraft on lease across multiple jurisdictions.

CAF funded approximately $A1.9 billion of corporate debt and leasing opportunities.

MSG’s Derivatives DeltaOne product platform in Europe has grown to over 40,000 listed products on issue since the product launch in August 2010.

MSG expanded its research coverage from 270 to more than 400 stocks following the acquisition of the cash equity business of German private bank Sal Oppenheim.
Macquarie Group is a global financial services provider. It acts primarily as an investment intermediary for institutional, corporate and retail clients and counterparties around the world.

Macquarie has built a uniquely diversified business. It has established leading market positions as a global specialist in a wide range of sectors, including resources, agriculture and commodities, energy and infrastructure with a deep knowledge of Asia-Pacific financial markets.

Alignment of interests is a longstanding feature of Macquarie’s client focused business demonstrated by its willingness to both invest alongside clients and closely align the interests of shareholders and staff.

Operating out of over 70 offices in more than 28 countries, Macquarie’s diverse range of services includes corporate finance and advisory, equities research and broking, funds and asset management, foreign exchange, fixed income and commodities trading, lending and leasing and private wealth management.

Management approach

Macquarie’s strength lies in its unique structure and management style which enables businesses to exercise significant operating freedom balanced by limits on risk and the adherence to professional standards. Macquarie’s management approach fosters an entrepreneurial culture among staff.

Strong prudential management is fundamental to this approach. Central management focuses on risks to Macquarie which may arise from market and industry influences and on issues of medium and long-term significance.

Other core elements of Macquarie’s approach are:

— the encouragement of high ethical and professional standards
— commitment to clients
— commitment to growth
— the recruitment, retention and motivation of quality staff
— the alignment of staff rewards with those of shareholders
— transparent and comprehensive reporting including financial reporting and risk reporting.
Key services

Macquarie Securities Group
— Institutional cash equities
— Derivatives DeltaOne trading
— Institutional and retail derivatives
— Corporate action trading
— Arbitrage trading
— Synthetic products
— Global Securities Finance
  — Capital management, collateral management and securities borrowing and lending

Macquarie Capital
— Corporate finance and advisory
— Equity and debt capital markets
— Private equity placements
— Principal investments

Macquarie Funds Group
— Investment management across:
  — Fixed interest and currencies
  — Equities, including infrastructure securities
  — Funds of private equity funds
  — Multi-asset allocation solutions
— Direct asset funds management including:
  — Infrastructure
  — Real estate
  — Private equity
— Fund and equity-based structured products including:
  — Capital protected investments
  — Fund-linked products

Fixed Income, Currencies and Commodities
— Metals and energy capital
— Energy markets
— Metals markets
— Agricultural markets
— Fixed income, currency and credit markets
— Futures
— Environmental financial products
— Asian and emerging markets

Banking and Financial Services Group
— Wealth management and private banking
— Cash management services
— Full service and online broking
— Intermediary products including administrative services, investment products and life insurance
— Business banking
— Mortgages

Corporate and Asset Finance Group
— Corporate and asset-backed lending
— Real estate lending
— Leasing
— Specialised asset financing
— Asset lifecycle management services
— Equipment trading and remarketing

Operating group and division contribution to profit

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(2010 net profit contributions for Macquarie Capital, Macquarie Funds Group, Corporate and Asset Finance Group and Real Estate Banking Division have been adjusted to reflect restructures during 2011)
Macquarie Securities Group

Macquarie Securities Group (MSG) continues to build a world class corporate access platform for corporate and institutional clients. Macquarie Connections provides a dedicated service connecting institutional investors with corporate clients around the world to facilitate informed investment decisions.

In April 2010, MSG held its annual China/Hong Kong Conference in Hong Kong. The conference included 1,716 one-on-one and group meetings over three days. Over 90 companies, 26 industry specialists and three keynote speakers attended.

Top-tier, global institutional securities house with strong Asia-Pacific foundations
Full-service in Australia, Asia, South Africa and Canada with growing offerings in the US and Europe
Ninth largest research house globally covering over 2,400 stocks
Proven capability in distribution of Asia-Pacific stocks into US and Europe
Key specialities: infrastructure and utilities; real estate; telecommunications, media, entertainment and technology; resources (mining and energy); industrials; and financial institutions
Macquarie Securities Group (MSG) contributed $A175 million to Macquarie’s total profit from operating groups for the year to 31 March 2011. This was a decrease of 70 per cent on the prior year. It generated operating income of $A1.3 billion, a decrease of 12 per cent on the prior year. The lower result was largely attributable to continued subdued equity market conditions throughout the course of the year.

The contribution from the Cash Division was 44 per cent down on the prior year as investor confidence continued to negatively impact market volumes. Secondary market commissions were in line with the prior year. Increased contributions from the US, Canadian and European platforms were offset by lower contributions from Australia and Asia while South Africa was flat. Total ECM fees were down significantly on the prior year with reduced activity in Australia and Europe. However, revenue from the US was up on the prior year and revenue from Asia was in line with the prior year. The result also reflects continued investment by the business in the build out of its cash equities platform globally.

The Derivatives DeltaOne Trading Division result was 149 per cent down on the prior year, primarily due to limited retail and institutional demand and difficult trading conditions. Despite subdued market volumes, the business continues to maintain its strong market share positions in key listed warrants markets: 1st in Singapore and Korea, 2nd in Australia and 3rd in Hong Kong. The business is also well positioned to benefit from a new derivatives platform in Europe following the acquisition of the Sal Oppenheim business (refer below). The result also reflects the investment by the business during the year in support infrastructure and the development and integration of new business activities.

During the year, MSG’s global platform development focused on the integration of the two businesses it acquired from German private bank Sal Oppenheim jr. & Cie. KGaA (Sal Oppenheim) and organic growth across its other businesses.

The Sal Oppenheim acquisitions were completed on 6 April 2010. The cash equities business comprises equities research, sales, trading and execution functions focused on continental Europe, with particular strength in Germany. The acquisition broadens MSG’s pan-European business, bolstering its presence in key European markets and complementing existing operations. It expands the group’s Euro stock coverage to over 400 stocks, 73 per cent of the Euro Stoxx 600, and continues MSG’s growth in research coverage to more than 2,400 stocks globally, placing Macquarie in ninth position in terms of global research coverage.

The equity derivatives and structured products business complements Macquarie’s existing Asian derivatives operation and adds a wider set of products to its growing European business. The business has market making and issuance operations on exchanges in Germany, Switzerland and Italy and provides MSG with access to one of the world’s largest derivative markets. A significant amount of effort went into integrating the platform in the first half of the year. The platform now has more than 40,000 listed products on issue and continues to build market share.

Outlook
MSG currently expects its result for the year ending 31 March 2012 to be up on the prior year, subject to market conditions improving.

The Cash Division is well positioned to capitalise as market conditions improve. The division sees good growth opportunities in the medium to long term across all regions and in particular Europe and the US. MSG will seek to maintain or improve its client rankings across all regions. It continues to invest in electronic execution across key markets globally to enable continued expansion in its client offering.

The group expects conditions for Derivatives DeltaOne to remain challenging as investor demand remains subdued. The business maintains its strong presence in listed warrants and continues to develop its capabilities in new markets such as Germany and India. It will continue to invest in developing the institutional derivatives and DeltaOne product platform.

About Macquarie Securities Group
The Cash Division operates as a full-service institutional cash equities broker in the Asia-Pacific region, South Africa and Canada. In the rest of the world it operates as a specialised institutional cash equities broker. It provides ECM products and services through a joint venture with Macquarie Capital Advisers.

The Derivatives DeltaOne Trading Division combines the group’s institutional and retail derivatives, structured equity finance, arbitrage trading, synthetic product businesses and global securities finance. Global securities finance includes capital management, collateral management and securities borrowing and lending.
Operating groups and divisions

Macquarie Capital

Global corporate finance capability, including M&A advisory, capital markets, and principal investments

Key specialities: infrastructure, utilities and renewables; resources (mining and energy); real estate; telecommunications, media, entertainment and technology (TMET); industrials; and financial institutions

Macquarie Capital acted as joint sponsor, joint bookrunner and joint lead manager on the Hong Kong IPO of the Agricultural Bank of China (ABC). The dual listing of ABC was the world’s largest IPO, raising a combined $US22.1 billion on the Shanghai and Hong Kong stock exchanges. ABC is the last of China’s big four lenders to be listed and is ranked third-largest commercial bank in China by total assets.
Macquarie Capital contributed $A281 million to Macquarie’s total profit from operating groups for the year to 31 March 2011, increasing from a loss of $A56 million in the prior year. It generated operating income of $A1 billion, an increase of 46 per cent on the prior year. The improved result was primarily due to lower impairment charges, partially offset by reduced advisory income.

The group advised on 547 transactions valued at $A159 billion during the year. As outlined in the Regional Activity section of this report, Macquarie Capital advised on a number of significant transactions. Notable roles included:

- Financial adviser to a consortium of Macquarie-managed funds on the acquisition of 100 per cent of České Radiokomunikace in the Czech Republic, one of the largest telecommunications transactions in Central and Eastern Europe in calendar year 2010
- Financial adviser to Macquarie-managed funds on the acquisition of 100 per cent of Thyssengas from RWE. Thyssengas is the owner and operator of a regulated supra-regional gas transmission network in Germany, transporting almost 10 billion cubic metres of natural gas annually to 56 downstream networks
- Financial adviser to a consortium comprising Global Infrastructure Partners, Industry Funds Management, QIC Global Infrastructure and the Abu Dhabi Investment Authority on the acquisition of the 99-year lease of the Port of Brisbane for consideration valued at $A2.1 billion
- Financial adviser, debt arranger and equity bridge provider to Southern Cross Media Group Limited for the takeover offer for Austereo Group Limited
- Sole sponsor, joint global coordinator, joint bookrunner and joint lead manager on the $US369 million ($US425 million post-greenshoe) IPO of China Suntien Green Energy Corporation Limited on the Hong Kong Stock Exchange. China Suntien is one of the leading clean energy companies in Northern China
- Joint financial adviser to the administrators of The Griffin Coal Mining Company Pty Ltd on the sale of coal mining assets to Indian company Lanco Infratech Ltd. This transaction represents the largest inbound investment from an Indian company in the Australian resources sector
- Financial adviser to CoreLogic, a leading provider of information, analytics and business services, on the sale of employer services and litigation support businesses, collectively First Advantage, to Symphony Technology Group
- Sole sponsor, sole global coordinator and joint bookrunner on the $US200 million Hong Kong IPO of Top Spring International Holdings Limited. The deal represented the first real estate IPO (Asia-ex Japan) in 2011.

Outlook
Macquarie Capital’s performance is highly dependent on market conditions and M&A and capital market activities. Subject to market conditions improving, Macquarie Capital expects its result for the year ending 31 March 2012 to exceed the prior year. The result for the next period will be affected by movement of the Macquarie AirFinance business to the Corporate and Asset Finance Group.

About Macquarie Capital
Macquarie Capital provides corporate finance advisory and capital market services to corporate and government clients involved in public and private mergers and acquisitions, debt and equity fund raisings, private equity raisings and corporate restructuring. Advisory activities are aligned around areas of expertise in: infrastructure, utilities and renewables; resources (mining and energy); telecommunications, media, entertainment and technology (TMET); financial institutions; real estate; and industrials.
Top 40 global asset manager with over $A300 billion of assets under management
Provides clients with access to a diverse range of capabilities and products
Key specialities: Investment management; infrastructure and other real asset management; and fund- and equity-based structured products

In January 2011 three Macquarie-managed infrastructure funds acquired České Radiokomunikace (CRa). CRa is the leading provider of broadcasting and telecommunication tower infrastructure in the Czech Republic. Its primary business consists of the transmission of analogue and digital terrestrial TV and radio signals for public and commercial broadcasters. CRa’s portfolio includes 26 high rise towers, 816 tower and mast sites, 360 transmitters, 1,300 transponders and over 2,600 kilometres of fibre optic backbone. CRa serves 98 per cent of the TV and radio broadcasting market, providing corporate and wholesale services to nearly 500 business customers.
Macquarie Funds Group (MFG) contributed $A602 million to Macquarie’s total profit from operating groups for the full year to 31 March 2011. This was a decrease of 26 per cent on the prior year. MFG generated operating income of $A1.4 billion over the same period, a decrease of 2 per cent on the prior year. The prior year included a number of gains from listed fund initiatives, while the current year benefited from a full year of earnings from Delaware Investments.

MFG had $A305 billion in AUM as at 31 March 2011, broadly in line with its AUM at 31 March 2010. During the year to 31 March 2011, inflows and new mandates, particularly in listed equities and alternatives, were largely offset by the appreciation of the Australian dollar against major global currencies.

In October 2010, Macquarie further consolidated its asset management businesses, with Macquarie Capital Funds becoming a division of MFG, renamed Macquarie Infrastructure and Real Assets. The consolidation positioned MFG as Australia’s largest asset manager and a top 40 asset manager globally. Following the consolidation, MFG was restructured into three divisions: Macquarie Investment Management, Macquarie Infrastructure and Real Assets and Macquarie Specialised Investment Solutions.

Macquarie Investment Management (MIM) focused on organic growth initiatives during the year. Its strong performance across asset classes was recognised in the 2011 Lipper Fund Awards (where MIM won 18 awards) and has continued to drive inflows. The division launched several new strategies, including a Global Income Opportunities strategy which utilises Macquarie and Delaware Investments’ heritage fixed income investment capabilities.

In March 2011, Macquarie acquired INNOVEST Kapitalanlage AG (INNOVEST), an Austrian securities asset management firm serving institutional clients in Austria and Germany. INNOVEST enhances MIM’s presence in Europe.

Macquarie Infrastructure and Real Assets (MIRA) raised more than $A2 billion in new equity commitments during the year, with its listed and unlisted funds making 22 investments representing over $A3.5 billion of equity. MIRA reviewed its investor engagement model following its integration into MFG, making term and structure changes which are resonating well with investors. The division also developed several new products in both core and emerging markets, closing a Chinese real estate fund and a Korean private equity fund specialising in infrastructure. It has commenced fund raising for its fourth European infrastructure fund and a Chinese infrastructure fund.

Macquarie Specialised Investment Solutions increased its market share in Australian retail structured products, with strong inflows during the period. Products in its suite include fund- and equity-linked products, lifetime income guarantee products and thematic products. In addition, the division successfully grew its wholesale business in the US and Europe writing more than $A1 billion of fund-linked products during the period.

Outlook
Subject to market conditions, MFG currently expects its result for the year ending 31 March 2012 to be broadly in line with the prior year. Its focus will continue to be the organic growth of its asset base and leveraging existing operating support systems to drive cost synergies across the business.

About Macquarie Funds Group
MFG is a full-service asset manager offering a diverse range of products through three divisions:

Macquarie Investment Management offers investment management expertise across a number of asset classes including fixed interest, currencies, equities, infrastructure securities, funds of private equity funds and multi-asset allocation solutions. It delivers a full-service offering to both retail and institutional clients in Australia and the US, with selective offerings in other regions.

Macquarie Infrastructure and Real Assets manages a range of direct asset funds including infrastructure and real estate funds. Its client base primarily comprises global pension and superannuation funds but also includes other institutions and governments.

Macquarie Specialised Investment Solutions manufactures and distributes a range of fund- and equity-based structured products including capital-protected investments and associated lending arrangements, fund-linked products, lifetime income guarantees and alternative funds. The division is recognised for product innovation, with a strong track record of delivering tailored solutions to the market.

1 Comparative figures have been restated for group restructures undertaken during the first half.
Fixed Income, Currencies and Commodities

Growing presence in physical commodities (natural gas, power, oil, coal, base metals and freight)
Predominant in US and Australia, growing presence in Asia and Europe, Middle East and Africa
Key specialities: commodities; Asian and emerging markets; and high yield and distressed debt

Asia is playing an increasingly important role in driving global economic growth and as a result, institutional investors are showing increased interest in the region. Fixed Income, Currencies and Commodities (FICC) offers a range of services in Asia and has its regional hub in Singapore. FICC recently expanded its offering through its new Asian Markets business to capitalise on this interest. Asian Markets covers all key countries in Asia and is focused on access for institutional clients to Asian currencies, debt issued by Asian corporations and debt issued by Asian governments.
Fixed Income, Currencies and Commodities (FICC) contributed $A575 million to Macquarie’s total profit from operating groups for the year to 31 March 2011, a decrease of 30 per cent on the prior year. It generated operating income of $A1.4 billion which was a decrease of 2 per cent on the prior year. FICC experienced difficult trading conditions in many of its markets during the first half of the year. It experienced an improvement in trading conditions in the second half. The group continued to invest in its growing platform.

Metals and Energy Capital made an outstanding contribution to the overall result, well up on the prior year. The division capitalised on rallying metals prices which positively impacted both trading revenue and equity realisations of project finance investments.

The result from Agricultural Commodities was well up on the prior year as agricultural commodities prices rose under the supply pressures resulting from severe global weather events and geopolitical unrest in the Middle East. This translated into increased client hedging activity and trading opportunities.

US credit markets continued to rally during the period. However, lower levels of client activity impacted the otherwise strong result from Credit Trading. The division successfully extended its product coverage to include US commercial mortgage finance and commercial mortgage-backed securities. The contribution from Fixed Income and Currencies was well down on the prior year as global foreign exchange client activity remained subdued and Australian debt markets continued to operate below 2008 issuance levels.

The result from Futures was up on the prior year. The division saw some improvement in trading volumes, partially offsetting the negative effect of the low interest rate environment in the US and the UK which resulted in lower income earned on client margin deposits.

Notable activity during the year included:
— Development of FICC’s regional hub in Singapore. This included the granting of a bank branch licence to Macquarie Bank Limited, complemented by the extension of the Korean bank branch licence to include over-the-counter derivatives
— Establishment of an Asian Markets business based in Singapore, offering foreign exchange and corporate and sovereign debt trading to pension funds, hedge funds and banks globally
— Expansion of global physical oil trading capabilities with the addition of a Calgary-based crude oil marketing team and a Latin American oil liquids origination and marketing team based in Houston
— Futures membership obtained on the ICE US futures exchange, further strengthening its client offering in the US allowing direct interface for futures clearing.

Outlook
FICC will continue to focus on expanding its presence in Asia and the Middle East, selectively growing in physical commodities markets and steadily growing its more mature market offerings. Subject to market conditions, the group expects its result for the year ending 31 March 2012 to be up on the prior year. It will continue to invest in growth.

About Fixed Income, Currencies and Commodities
Agricultural Commodities Division provides risk management, structured financing and physical commodity solutions across agricultural commodities globally and selected dry freight routes.

Credit Trading Division facilitates client transactions with institutional investors and makes markets in secondary trading of, and investing in, corporate debt securities, credit default swaps, syndicated bank loans, collateralised debt obligations, commercial mortgage finance, asset-backed/mortgage-based securities and derivatives of these products.

Energy Markets Division provides risk management solutions to energy producers, consumers and investors across a broad range of products and acts as a trading intermediary in gas and power in the US and Europe.

Fixed Income and Currencies Division (merger of Debt Markets and Foreign Exchange Divisions) provides currencies and fixed income trading and hedging services to a range of corporate and institutional clients globally. In fixed income, the division arranges and places primary debt and provides secondary market liquidity across a range of instruments.

Futures Division provides a full range of broking and clearing services on all major futures exchanges. The division is a leading provider of these services in the Australian market and is pursuing opportunities in offshore markets.

Metals and Energy Capital Division provides equity and debt finance globally to the metals and energy sector as well as providing trading and hedging services to the base and precious metals sectors.

Central Division fosters and develops various non-division specific, early-stage or cross-divisional initiatives including Asian Markets, Environmental Financial Products, Structured Commodity Finance, new jurisdiction and branch initiatives and joint ventures and alliances.
Provider of specialist finance and asset solutions, with over $A17 billion of loans and assets under finance

One of the largest providers of motor vehicle finance in Australia

Key specialities: aviation; information technology and telecommunications (IT&T); rail; manufacturing; energy; motor vehicles; and corporate debt

During the year Corporate and Asset Finance Group acquired an aircraft operating lease portfolio from International Lease Finance Corporation for $US1.6 billion. The portfolio comprised 44 modern aircraft on lease to 35 airlines in 26 countries.

The acquisition builds on Macquarie’s existing aircraft leasing business and substantial experience in asset leasing and diversifies the client base of its aircraft fleet.
Corporate and Asset Finance Group (CAF) contributed $A501 million to Macquarie’s total profit from operating groups for the year to 31 March 2011, an increase of 96 per cent on the prior year. CAF generated operating income of $A786 million, an increase of 69 per cent on the prior year. At 31 March 2011, the group managed a lease and loan portfolio of $A17.3 billion, an increase of 22 per cent from 31 March 2010. The growth in the portfolio was primarily due to the acquisition of new portfolios and continued organic growth across most businesses. CAF now has 888 staff servicing clients in 39 countries in the corporate, government and retail sectors.

CAF made two significant acquisitions during the year:
— On 14 April 2010, it agreed to acquire an aircraft operating lease portfolio from International Lease Finance Corporation (ILFC) for $US1.6 billion. The portfolio comprised 44 modern aircraft on lease to 35 airlines in 26 countries, bringing Macquarie’s aircraft portfolio to more than 170. The acquisition builds on Macquarie’s existing aircraft leasing business and substantial experience in asset leasing and diversifies the client base of its aircraft fleet
— On 30 April 2010, CAF acquired the GMAC auto finance portfolio worth approximately $A1 billion. This consolidated CAF’s position as one of the largest providers of car finance in Australia, financing or managing more than 240,000 contracts. Macquarie has more than 13 years’ experience developing financial solutions for the motor vehicle leasing sector. The acquisition enhances this expertise and extends it to a broader market. The GMAC acquisition, along with the $A1 billion Ford Credit Australia portfolio acquired in October 2009, expanded CAF’s presence in the consumer finance sector in Australia. These portfolios continued to perform solidly during the year.

CAF continued its corporate lending activities in Australia, the US and Europe, using its specialist expertise to offer bridging and term lending facilities to large corporate clients. It extended its IT&T leasing capacity into Malaysia, Hong Kong, Singapore and India. Within the Meters business, there was continued growth of CAF’s smart metering portfolio in the UK.

The group continued to access global securitisation markets and facilitated a significant amount of securitisation during the year. CAF issued $A1.2 billion of motor vehicle leases and loan securitisations, including two issuances in the US. IT&T completed its first capital markets securitisation of equipment lease receivables in the US. A total of $US0.3 billion of securities were issued, further diversifying funding sources for the group at attractive pricing levels.

Outlook
Subject to market conditions, CAF currently expects its result for the year ending 31 March 2012 to be up on the prior year. It anticipates growth in its lease and loan portfolio. The group will continue to seek opportunities for growth organically and through acquisition.

About Corporate and Asset Finance Group
Macquarie Aviation Finance provides operating leases and other financial products across multiple aviation asset types. Post-balance date, effective 1 April 2011, Macquarie AirFinance, formerly part of Macquarie Capital, was consolidated within CAF to capitalise on synergies between the businesses.

Macquarie Equipment Leasing Fund is a Macquarie-managed equipment leasing program that became effective in the US in June 2009. It offers eligible US retail investors exposure to a diversified portfolio of equipment and equipment leases.

Macquarie Equipment Finance provides specialist IT leasing, equipment finance and services solutions for a wide range of technology-based equipment. It offers a complete technology lifecycle solution and provides these services to government entities, educational institutions and corporations, in addition to providing vendor finance to equipment manufacturers, resellers and service providers.

Macquarie Leasing is a leading provider of finance leases to small to medium enterprises, corporate, government and retail clients in Australia. Its products include finance leases, novated lease agreements and commercial hire purchases for motor vehicles and other income producing plant and equipment.

Macquarie Lending provides bridging, term lending and asset-backed finance to mid to large corporate clients and also invests in select debt assets trading in secondary debt markets. The Lending team has offices in Sydney, London, Chicago and New York.

Macquarie Manufacturing is a leasing and trading business of manufacturing, testing and assembly equipment, including integrated circuit equipment. It offers lease finance, trading and asset management services to clients in Europe, Asia and the US.

Macquarie Meters owns an extensive gas and electricity metering portfolio for major UK energy providers. The portfolio comprises traditional electronic meters and newer ‘Smart’ electronic meters.

Macquarie Rail offers a wide variety of operating lease structures, portfolio sale and leaseback and portfolio acquisition services for freight railcars and related services, supporting the rail equipment needs of shippers and railroads across North America.
Operating groups and divisions

Banking and Financial Services Group

Leading provider of retail advisory services and products
Full-service retail broking, deposit-taking and services to intermediaries in Australia
Growing international capabilities: private wealth and alternative asset management
Banking and Financial Services Group (BFS) contributed $A275 million to Macquarie’s total profit from operating groups for the full year to 31 March 2011, a five per cent increase on the prior year. BFS generated operating income of $A1.5 billion, an increase of 19 per cent on the prior year. The result was up on the prior year despite continuing volatility in the advised and intermediary businesses and challenging conditions for non-cash products.

BFS continued to produce tailored product solutions to support its international businesses. It launched Macquarie EquityPlus in Canada, an investment product tailored for the Canadian retail market. It established an agricultural investment strategy for clients of Macquarie’s Indian joint venture, Religare Macquarie Private Wealth. The group also signed a joint venture agreement with Manulife Indonesia to enhance Manulife’s tailored insurance marketing processes.

Macquarie Private Wealth Canada increased its adviser numbers by 10 per cent during the year, reaching almost 160 at 31 March 2011. Canadian client assets also grew 18 per cent during the period from $C8.3 billion to $C9.8 billion. Macquarie was named No.1 National Independent Canadian advisory firm and ranked third of all investment advisory firms (Investment Executive Brokerage Report Card 2011).

BFS’ global client numbers reached 1.04 million at 31 March 2011, an increase of 40,000, due to organic growth in Australia and Canada.

In November, BFS announced that due to execution challenges and difficult business conditions it did not see a long-term future for its UK wrap platform business. The business will be wound up by June 2011. This decision does not impact Macquarie’s other UK retail businesses.

In Australia, Macquarie Private Wealth (MPW) again held the number one position for full-service retail stockbroking based on market share and trading volumes (IRESS, based on consideration traded).

BFS continued to grow its cash business with the transition in August of the $A9.6 billion Cash Management Trust to the more competitive on-balance sheet Cash Management Account. This saw retail on-balance sheet cash deposits increase from $A15.5 billion at 31 March 2010 to $A26.6 billion at 31 March 2011.

Funds under administration in Macquarie Wrap remained flat at $A22.7 billion but Macquarie Wrap maintained the second highest inflows in the market for the calendar year (Morningstar). In August, Macquarie Mortgages relaunched its loan origination business in Australia.

Macquarie Life inforce risk insurance premiums increased 59 per cent on the prior year. Macquarie Life was ranked third in the NMG Financial Services Consulting satisfaction survey of the top 250 risk advisers in the market and was named the market leader for technology.

Macquarie Life also signed an agreement with Teachers Health Fund for the exclusive distribution and marketing of life insurance products to its 200,000 members.

In November, MPW sold down its 51 per cent holding in OzForex, CanadaForex, UKForex and NZForex to 19.9 per cent. The holding was sold to US-based investors, Accel Partners and The Carlyle Group, to assist the OzForex group of companies in its next stage of growth.

Macquarie Professional Series was named 2010 Standard & Poor’s Product Distributor of the Year for the second consecutive year. S&P also named Macquarie Professional Series Manager, Independent Franchise Partners, as the top International Equities – Developed Markets fund. This is the fourth consecutive year the Macquarie Professional Series has won this award.

**Outlook**

Subject to market conditions, BFS expects its result for the year ending 31 March 2012 to be broadly in line with the prior year. BFS will continue to explore appropriate opportunities to provide differentiated wealth management solutions.

**About Banking and Financial Services Group**

BFS is the primary relationship manager for Macquarie’s retail client base. The group brings together Macquarie’s retail banking and financial services businesses, providing a diverse range of wealth management products and services to intermediaries, professional service industries and clients.

**Macquarie Adviser Services** manages relationships with external financial intermediaries and provides sales services and product management of in-house and external products.

**Macquarie Direct** provides a range of consumer and financial products for 164,000 non-advised clients in Australia.

**Macquarie Global Investments** provides investment products for retail and wholesale investors globally, including the Macquarie Professional Series, Macquarie Private Portfolio Management and the Macquarie Pastoral Fund.

**Macquarie Private Wealth** offers full-service broking, strategic financial planning and private banking services in Australasia. It has a joint venture agreement with Indian financial services company, Religare.

**Macquarie Relationship Banking** provides innovative banking services to successful small to medium sized businesses, professionals and high net-worth individuals.

**BFS North America** is responsible for expanding Macquarie Private Wealth Canada into the North American market.
Real Estate Banking Division’s (REB) result for the year to 31 March 2011 was a net loss of $A42 million, an improvement on the loss of $A148 million reported in the prior year. It generated an operating loss of $A8 million, an improvement on the operating loss of $A114 million in the prior year. The negative result was largely driven by the recognition of asset impairment losses.

The Corporate Affairs Group (CAG) provides essential and professional services across all areas of Macquarie. There are 10 divisions in CAG which work together to provide seamless multi-disciplinary support infrastructure tailored to business requirements, while maintaining appropriate levels of risk management, compliance and corporate governance.

The Finance Division supports Macquarie’s operating groups by providing financial management and control, management reporting and forecasting, regulatory reporting and business advisory services. The division is structured along business lines with dedicated teams co-located with, and providing support to, each operating group. In addition, there are central functions such as Group Finance and Global Financial Services (GFS) that provide services across the whole of Macquarie. GFS provides an efficient and scalable operating model for the service delivery of the division from Sydney and New Delhi.

The Group Financial Management Division is responsible for the management of Macquarie’s capital position and more generally providing strategic advice and expertise to management in relation to the balance sheet.

Market Operations (formerly Settlements Division) is structured to provide independent specialist verification, confirmation and settlement facilities for a variety of products and currencies for many of Macquarie’s businesses globally. The division provides a key segregated control function for wholesale businesses built on strong operational risk management and a control culture that is consistent and resilient.

Macquarie aspires to be recognised as the leading employer of the best people in the market. The Human Resources Division supports business strategy by seeking to attract, recruit, reward and retain the best employees. To achieve this, the division works closely with business groups providing a range of global consulting and operational expertise aligned with business strategy.
The Business Improvement and Strategy Division offers strategic advice and expertise to Macquarie and related entities. The division helps businesses to deliver programs for business unit growth and operational effectiveness. It is also responsible for facilitating Macquarie’s annual corporate strategy process.

The Taxation Division provides taxation support to all areas of Macquarie, managing relationships with revenue authorities worldwide and compliance with taxation legislation.

Group Treasury is responsible for the funding, liquidity and interest rate risk management of Macquarie’s balance sheet. In addition, Group Treasury manages Macquarie’s liquid asset portfolio and is responsible for managing banking and rating agency relationships.

The Corporate Communications and Investor Relations Division actively engages with shareholders, debt investors, investment analysts, governments, media, staff and the wider community to maximise their understanding of Macquarie and enable Macquarie to understand the expectations of our key stakeholders. It also includes the activities of the Macquarie Group Foundation, Macquarie Sports and the Sustainability and Environment Office.

The Business Services Division comprises Corporate Real Estate, Corporate Risk, Corporate Services, Event Marketing and Sourcing and Commercial. The teams have the responsibility for the strategic direction, implementation and ongoing management of Macquarie’s workplaces, business resilience, global security and corporate services. The Event Marketing team delivers professional and quality events which look to protect and enhance the Macquarie brand, while the Sourcing and Commercial team leverages the Macquarie brand, global presence and expenditure on goods and services to unlock value from suppliers and vendors.

The Company Secretarial Division provides governance and company secretarial services to Macquarie, including the main Boards of Macquarie, the Board Committees, Macquarie’s subsidiary companies and Macquarie’s Executive Committee. The division is also responsible for the coordination and administration of Macquarie’s share registry arrangements, employee equity plans and Macquarie’s global professional risk and general liability insurances.

Risk Management Group (RMG) is an independent, central unit responsible for ensuring all risks are appropriately assessed and managed across Macquarie. Its functions include Credit, Prudential, Capital and Markets, Market Risk, Operational Risk, Compliance, Quantitative Applications, Internal Audit and Data Policy. The Head of RMG has oversight of Internal Audit jointly with the Board Audit Committee (BAC). A full risk management report is contained in the Macquarie Group Limited 2011 Annual Report, which is available on Macquarie’s website at macquarie.com.au.

Credit minimises the risk of loss arising from failure by counterparties to repay loans or honour contracts. It ensures that the identification and assessment of equity exposure risks is complete.

Prudential, Capital and Markets (PCM) is responsible for ensuring that Macquarie discharges its obligations to APRA, including compliance with prudential standards, and maintaining a constructive relationship with the regulator. PCM also ensures that aggregate risks across all risk types do not exceed Macquarie’s economic capability to bear risk and provides prudential oversight over liquidity risk management.

Market Risk constrains the risk of losses on the trading portfolio that may arise from adverse movements in market prices and volatility. It develops and monitors the framework that constrains these risks.

Operational Risk assesses operational risk from a Macquarie-wide perspective and ensures that an appropriate framework exists to identify, assess and manage operational risk. It is also responsible for Macquarie’s operational risk capital measurement methodology.

Compliance assesses regulatory, legal and reputation risks from a Macquarie-wide perspective. It creates Macquarie-wide policies and procedures to manage these risks and monitors and oversees the management of compliance risks by each of Macquarie’s businesses. Legal risk is overseen by Group Legal (refer to Group Legal overview within this report).
The **Quantitative Applications Division (QAD)** is responsible for reviewing and approving all derivatives pricing models used within Macquarie’s trading systems. In addition, QAD works with businesses to provide solutions to complex financial problems and independently reviews other RMG and business quantitative models including those used for capital, risk measurement and products.

**Internal Audit** provides independent assurance to senior management and the Board Audit Committee on the adequacy of design and effectiveness of Macquarie’s financial and risk management framework.

**Data Policy** ensures that uniform data standards are adopted across Macquarie so that accurate and reliable information is used for credit monitoring and for regulatory and statistical reporting processes.

RMG’s oversight of risk is based on the following five principles:

1. **Independence** – RMG is responsible for assessing and monitoring risks across Macquarie and is independent of the operating areas of Macquarie. The Head of RMG, as Macquarie’s Chief Risk Officer, reports directly to the Managing Director and Chief Executive Officer with a secondary reporting line to the Board Risk Committee. RMG approval is required for all material risk acceptance decisions.

2. **Centralised prudential management** – RMG’s responsibility covers the whole of Macquarie. Therefore, it can assess risks from a Macquarie-wide perspective and provide a consistent approach across all operating areas.

3. **Approval of all new business activities** – Operating areas cannot undertake new businesses or activities, offer new products or enter new markets without first consulting RMG, which reviews and assesses risk and sets prudential limits. Where appropriate these limits are approved by the Executive Committee and the Board.

4. **Continuous assessment** – RMG continually reviews risks to account for changes in market circumstances and developments within Macquarie’s operating areas.

5. **Frequent monitoring** – Centralised systems allow RMG to monitor credit and market risks daily. RMG staff liaise closely with operating and support divisions.

RMG provides specific guidance to the Board Remuneration Committee in relation to the risk-adjustment of remuneration.

During the year, Macquarie Compliance was created, consisting of all business-aligned compliance staff. Previously, RMG acted in a risk oversight role of the business compliance function. The creation of Macquarie Compliance means that compliance teams now report directly to RMG.

In regulatory developments, the Basel Committee on Banking Supervision released final text of the Basel III framework in December 2010. RMG is responsible for coordinating Macquarie’s evaluation and response to both current and forthcoming developments and provides updates to the Board on a monthly basis.
Legal risk at Macquarie is overseen by **Group Legal**. Group Legal was established during the year to provide a coordinated and integrated legal service for Macquarie. This brings together Macquarie lawyers across a wide range of expertise and disciplines and reinforces the independent function of the legal role.

Group Legal provides the full range of legal services to Macquarie, from strategic legal advice on significant corporate transactions through to risk assessment frameworks for legal, regulatory and reputational issues with the following core objectives:

- ensuring that all transactions are able to be enforced by Macquarie as expected
- enabling individual businesses at Macquarie to understand the legal and regulatory framework and to operate accordingly
- carefully assessing dispute resolution proceedings and threatened actions and as far reasonably practical, minimising or mitigating those risks
- advising on new products and business structures and combinations
- protecting and appropriately enforcing Macquarie’s legal, commercial and reputational interests and rights.

Group Legal is headed up by an experienced team of General Counsel, business unit General Counsel and regional lead lawyers with an average tenure at Macquarie of over 10 years, and with an additional average of 11 years of prior relevant experience. As at 31 March 2011, Group Legal had 230 lawyers located both across regions and within business units, broadly in proportion to total headcount.

The Head of Group Legal is the General Counsel who is a member of Macquarie’s Operations Review Committee and reports directly to the Managing Director and Chief Executive Officer. The General Counsel has access to the Board and board committees. Each significant Macquarie business unit has a General Counsel who reports directly to the Group Legal General Counsel and to the relevant business unit head.

**Information Technology Group (ITG)** is responsible for the management of Macquarie’s technology infrastructure, the support and development of existing business systems and the delivery and deployment of new systems, technologies and services. It comprises business-aligned teams which provide dedicated and specialist services to businesses as well as central teams which provide shared services, such as infrastructure, to multiple businesses. The business-aligned teams are often co-located with the business.

ITG’s business-aligned teams implemented a number of significant applications during the year including:

- Syn Settlements which was implemented to manage global books and records and Asian settlements for Macquarie Securities’ Cash Equities business, replacing legacy platforms
- Client View program which BFS delivered in phases through the year enabling a consolidated real time view of clients’ holdings for their Macquarie Private Wealth advisers across Australia to further improve client service
- the completion of the Calypso global cash management system program for Global Treasury and Settlements.

During the year, ITG supported the integration of businesses, including INNOVEST, an Austrian securities asset management firm acquired by MFG, as well as the completion of the Delaware Investments and Blackmont Capital integrations.

ITG supported Macquarie office relocations in London and Singapore, a new office in Gurgaon (India) and the implementation of new data centres in Hong Kong, London, New York and Singapore.

ITG continues to expand its service centre in Manila (Philippines) and is also building its capability within the service centre in Gurgaon.
In the 12 months to 31 March 2011, the Macquarie Group Foundation celebrated its 25th year of supporting communities around the world. Since inception, the Foundation has provided more than $A145 million to hundreds of community organisations in the locations in which Macquarie operates.

The Macquarie Group Foundation (the Foundation) has grown alongside Macquarie Group, supporting the increasing involvement of Macquarie staff in the community, the ongoing development of international programs and the pioneering focus on sustainability in the not-for-profit sector.

Much of the Foundation’s growth and activity was due to the leadership of David Clarke who resigned in March as founding Chairman of Macquarie Group Foundation and its predecessor Hill Samuel Charitable Fund. David’s belief that a company has the obligation to work for the betterment of the society in which it operates has guided the Foundation’s work over the last 26 years, enabling Macquarie and staff to contribute to the community in a variety of ways. David inspired an enduring culture of community engagement among Macquarie staff and was a key figure in Australian philanthropy. The Foundation Board and staff mourn the passing of David Clarke in April and acknowledge his extraordinary contribution to the Foundation and the not-for-profit sector.

Given the 12 months to 31 March 2011 marked the Foundation’s 25th anniversary, we note below some of the significant milestones of Macquarie’s contribution to the community.

**Milestones**

1978: The Macquarie Bank Charitable Foundation’s predecessor, the Hill Samuel Charitable Fund, is established

1982: The Hill Samuel Graduate Management Scholarship is established

1985: The Macquarie Bank Charitable Foundation makes its first donation to a community organisation

1988: Grants exceed $A100,000 in a 12-month period for the first time

1990: Cumulative grants exceed $A500,000 since inception

1993: Cumulative grants exceed $A1 million since inception

1995: Macquarie staff are the highest contributors to the ‘Work-A-Day 4 Kids’ financial markets charity in Australia

1996: Cumulative grants exceed $A2 million since inception

2001: Designed to foster long-term strategic alliances with major community organisations, the Foundation commits $A1 million over five years to Asthma Australia to fund research programs and $A500,000 over three years to the National Gallery of Australia to create Australia’s first national sculpture prize

2002: Volunteer of the Year awards commence (now known as the Macquarie Staff in the Community awards), recognising outstanding staff contributions to the community. These are presented in three categories: Volunteer of the Year ($A10,000), Fundraiser of the Year ($A10,000) and Pro Bono Adviser of the Year ($A10,000). The Team Award ($A5,000) is presented in one of these three categories. Funds are donated to the not-for-profit organisation supported

2005: The Foundation’s Australian Board Register is established, comprising senior Macquarie executives willing to offer their time, skills and expertise to the not-for-profit sector in a board or executive capacity. Staff matching exceeds $A1 million over 12 months

2007: The Foundation announces a new category of funding to build capacity for well-planned community organisations, as well as for established enterprises to achieve their next phase of growth

2008: Staff matching exceeds $A5 million over 12 months

2009: The Macquarie Group Foundation Professor, Centre for Social Impact, (collaboration between the business schools of the University of New South Wales, Melbourne University, Swinburne University of Technology and the University of Western Australia), is established as part of Macquarie’s commitment to building sustainability in the community sector
2011: In the 12 months to 31 March 2011, the Foundation and Macquarie staff contributed $27.3 million to more than 1,300 organisations around the world. A new record for staff matching is reached with matching now exceeding $10 million over 12 months.

Capacity building
In the spirit of the 25th anniversary year, 2010 also saw the establishment of Macquarie’s Australian Social Innovation Award, an initiative designed to recognise, promote and reward innovation that meets pressing social needs, alleviates disadvantage and encourages social inclusion.

The inaugural winner of the award was The School for Social Entrepreneurs (SSE). This is an Australian not-for-profit organisation dedicated to the development and increased capacity of social entrepreneurs. The award of $100,000 goes to SSE for its capacity building as well as providing grants to six of its students, each of whom will receive $10,000 to develop their own social enterprises.

The bi-annual Social Innovation Award is an example of Macquarie’s commitment to capacity building in the not-for-profit sector and builds upon the Foundation’s 17 grants helping organisations with activities such as strategic planning, buying essential infrastructure or engaging key people to oversee further growth.

Foundation Board
There were a number of changes to the Foundation Board over the 12 months. To reflect the Foundation’s increasing global presence, two New York-based Executive Directors, Paul Daitz from Macquarie Capital and Michael McLaughlin from FICC, joined the Board. Tanya Branwhite, an Executive Director from MSG in Sydney, also added to the Board’s diversity of skills and knowledge.

Macquarie Bank Managing Director and CEO and Macquarie Group Deputy Managing Director, Richard Sheppard, has been appointed the new Chairman of the Macquarie Group Foundation.

Children at the M’lop Tapang Project in Cambodia, funded through Macquarie’s support of International Childcare Trust.
Sustainability

Macquarie’s Board and management view the commitment to sustainability and Environmental, Social and Governance (ESG) performance as part of its broader responsibility to clients, shareholders and the communities in which it operates.

The year to 31 March 2011 was another period of increased sustainability and ESG activity. During this period Macquarie:

- met its commitment to neutralise emissions from office energy use and corporate air travel, including a cumulative reduction in electricity emissions per staff member of more than 15 per cent since 2009, despite a number of acquisitions
- published 26 specialist ESG research publications for clients, investors and staff
- relocated London staff to its new BREEAM Excellent rated Ropemaker Place premises
- implemented its global Environmental Management Plan (EMP) and completed sustainability audits of Macquarie offices worldwide
- developed a bespoke ESG training program for staff
- continued to build business in global carbon markets, clean technology and renewable energy
- made an ongoing contribution to public policy reviews
- supported staff-driven sustainability initiatives across its offices.

Macquarie’s 2011 Annual Report contains more detailed information on environmental, social and governance performance, including a Global Reporting Initiative index.

Policy and governance

Macquarie has a framework of ESG-related policies that apply across all divisions and entities of Macquarie, covering the following areas:

- corporate governance
- identification and management of environmental risk and Occupational Health and Safety (OHS)
- selection and management of investments and business activities
- ethical conduct by staff, including support from Integrity Officers
- sustainable management of Macquarie business premises
- provision of a safe, diverse and appropriate workplace, including a network of Equal Employment Opportunity Officers
- dealings with external parties such as regulators and public officials
- whistle blowing, anti-corruption and anti-money laundering policies
- greenhouse and energy management and reporting
- management of business and staff conflicts of interest
- engagement by Macquarie and its staff in the wider community through volunteering and pro bono activity, capacity building and staff donations matched by the Macquarie Group Foundation.

This framework is underpinned by Macquarie’s Goals and Values and the Code of Conduct. It is also supported by business-specific policies addressing ESG issues in a manner appropriate to their operations. For example, environmental and social responsibility management in asset selection, integration of ESG factors into quantitative analysis and ESG engagement in private equity portfolios.

All Macquarie staff share a responsibility for identifying and managing ESG issues as part of normal business practice. They are supported by Macquarie’s:

- Board and Management
- Risk Management Group
- Integrity Officers and Equal Employment Opportunity Officers
- Sustainability Advisory Committee comprising senior executives from across the businesses
- Sustainability and Environment Office
- Research, training and seminars on sustainability and ESG issues.

For the financial year to 31 March 2011 Macquarie is not aware of any material environmental issues or penalties within businesses it controls.
Direct operations
Macquarie’s Environmental Management Plan integrates resource efficiency and sustainability into the day-to-day management of Macquarie’s offices and selected corporate operations. In the past 12 months, key outcomes include:

— meeting Macquarie’s Carbon Commitment across global corporate office energy use (scope 2 electricity) and air travel (scope 3 short, medium and long-haul flights)
— reducing electricity emissions per staff member by a further 4.5 per cent in the FY11 reporting period compared to FY10, bringing the cumulative reduction to 15.3 per cent since the 2009 base year
— relocating to new BREEAM Excellent rated London premises at Ropemaker Place in line with Macquarie’s commitment to sustainable offices
— completing sustainability audits of Macquarie corporate offices worldwide and developing site-specific sustainability plans
— implementing and improving waste management and recycling systems in all offices housing more than 100 staff
— virtualising 34 per cent of servers in data centres, exceeding the 20 per cent target
— increasing and promoting video conferencing as an alternative to some air travel
— reducing paper procurement options with the aim of purchasing only Forest Stewardship Council certified products
— engaging with key suppliers to enhance sustainable procurement practices throughout the supply chain
— appointing Sustainability Managers in regional hubs to ensure EMP targets are achieved.

Macquarie’s Carbon Commitment
In 2009 Macquarie made a commitment to become carbon neutral across its global corporate office energy use and corporate air travel by December 2010. This ‘Carbon Commitment’ included a target to reduce emissions from electricity use by 10 per cent per staff member. The Commitment was one of a number of initiatives responding to the risks and opportunities arising from climate change. It built on Macquarie’s investments in renewable energy and clean technology, activity in environmental markets and status as a signatory to the Carbon Disclosure Project (CDP).

The Carbon Commitment was fulfilled ahead of the December 2010 deadline. Within this commitment, the electricity emissions target was met with an electricity emissions reduction of 11.24 per cent per staff member for the 12 month period ended 31 March 2010 compared to the 12 month baseline period ended 31 March 2009. A number of measures contributed to the reduction in emissions intensity, including:

— relocation of more than 3,500 staff in Sydney and Hong Kong to new energy efficient premises
— relocation of data centres in Sydney and Hong Kong to purpose built facilities
— consolidation of servers across global data centres (server virtualisation)
— ongoing transition from PCs to more energy efficient laptops.

Energy efficiency measures, particularly in Australian offices, delivered large scale savings and resulted in the overall reduction in emissions intensity per staff member. At the same time Macquarie’s corporate premises portfolio grew by approximately 25 per cent due to global platform growth, resulting in a slight increase in absolute electricity emissions for FY10.

To offset the remaining emissions, Gold Standard and Voluntary Carbon Standard carbon credits were purchased from renewable energy projects in Turkey, China and India. These projects, supported by the sale of carbon credits on international markets, provide sustainable energy solutions in those jurisdictions.

Macquarie has since maintained its Carbon Commitment by working to reduce electricity emissions and continuing to purchase offsets. In FY11 emissions from electricity use per staff member fell by a further 4.5 per cent on the previous year, bringing the cumulative reduction to 15.3 per cent over the FY09 baseline. More information is provided in Macquarie’s 2011 Annual Report.

Commitment to sustainable offices
Based on the positive impact of Macquarie’s 6 Star Green Star office at 1 Shelley Street in Sydney, a commitment was made that all new premises should be constructed to achieve high sustainability ratings.

Opened in March 2011, Macquarie’s new Ropemaker Place premises in London has been awarded a BREEAM Excellent rating, highlighting the building’s environmental features and best practice sustainable design. Resource efficiency features of the building include:

— biomass boiler and solar thermal heating panels providing pre-heating for water
— 800 square feet of photovoltaic roof panels, generating 12,000kWh of clean power per year
— water efficiency devices and rainwater harvesting, which will save an estimated 5.4 million litres of water per year
— green roof space occupying 50 per cent of the total roof area.

Sustainable fit-out features include energy efficient lighting, best practice recycling systems, 95 per cent of carpets with a BRE A+ rating, 100 bicycle racks and central internal staircases to reduce lift use.
These features are consistent with the commitments and targets of Macquarie’s EMP which aims to minimise the environmental impact of direct operations.

**Investments, markets and products**

While Macquarie’s overarching approach aims to embed ESG as part of normal business practice, a number of businesses have a specific focus on these issues.

**ESG research and training**

ESG issues are increasingly acknowledged as key non-financial factors that can influence the performance of investment portfolios. Macquarie’s focus on this area forms part of its detailed analysis of listed stocks around the world and adds an important layer to its analysis. In the past 12 months, Macquarie released 26 ESG research reports covering topics such as: modelling of the renewable energy market; the impact of climate change on insurance; changes in corporate governance diversity guidelines; carbon pricing in supply chains; industrial relations; and employee engagement.

Macquarie has developed and delivered a tailored ESG training program for analysts across its diverse businesses. This program was developed as part of Macquarie’s commitment to address material ESG issues in an integrated way and to assist its clients to do the same.

Macquarie holds an annual ESG Symposium, bringing clients, staff, industry representatives and ESG experts together to examine material issues and trends. Sustainability and ESG seminars are also offered to all staff throughout the year, covering topics such as: climate change policy, energy markets, food security and reducing environmental impact.

**Investment and advisory in renewable energy**

Macquarie and Macquarie-managed businesses have long been active investors and advisers in the renewable energy and clean technology sectors. Over the last 12 months new activities included:

- acquiring a 396MW late stage wind development project in Mexico with other co-developers
- continuing to develop several wind projects in Australia including the Western Australian 55MW Mumbida wind farm joint venture with Verve Energy
- assessing new transmission opportunities to unlock large scale renewable energy generation in South Australia
- advising companies commercialising technologies for wastewater treatment, clean coal, and low carbon intensity building materials.

**Trading environmental products**

Macquarie’s Environmental Financial Products team brings its depth of experience as a top-tier global commodities trading and finance house to the environmental markets. With staff in London, Hong Kong, Beijing and Sydney the team continues to provide a full-service trading desk as well as international emissions reduction projects for direct investment and carbon credit purchase.

In an acknowledgement of its emissions trading expertise, Macquarie was recently voted Best Trader by its international peers in the 2011 Carbon Market Awards sponsored by Thomson Reuters/Point Carbon.

**Investing in environmental and electricity market infrastructure**

Macquarie Global Investments is a majority owner of the Envex JV (established by Macquarie in 2008) along with the Financial Energy Exchange (FEX) and the Intercontinental Exchange (ICE). Envex has worked with FEX to launch the Mercari Environmental Markets over-the-counter trading platform providing trading services in respect of renewable energy and a range of carbon products.

Envex also owns a majority stake in the leading Australian environmental and electricity markets brokerage Next Generation Energy Solutions (NGES) as well as the leading platform for trading of third party water rights in Australia, The Water Exchange.
Avoiding deforestation
Since 2009 Macquarie has been involved in developing projects to invest in the retention of forests at risk of deforestation and generate carbon credits for sale on international markets. This pioneering model is demonstrating the ability to link carbon finance to conservation and reduce deforestation. Initial projects are located in Indonesia and have been developed in partnership with conservation organisation Fauna & Flora International.

Specialised investment products

— Clean technology funds: Macquarie Clean Technology Fund was one of the first of its kind, providing a diversified portfolio of private equity investments that focus on technologies that improve energy efficiency and reduce negative environmental impacts. Macquarie Clean Technology Fund II was subsequently launched in response to an increasing demand for clean technology and sustainable energy investments.

— Not-for-profit investment services: Macquarie assists not-for-profit organisations to design and implement tailored investment management solutions. Investment portfolios are customised to align with the goals of the organisation and reflect its specific ESG interests or screening preferences. For clients seeking guidance on ESG aware investments, Macquarie provides model portfolios with a broad, socially responsible investing bias.

— Delaware SRI funds: Delaware Investments has longstanding experience in socially responsible investment (SRI) and offers a number of SRI products to investors. The Delaware Socially Responsible strategy applies a screening methodology to focus on investing in companies that incorporate positive ESG behaviour into their business operations. The screen is a blend of balanced scorecard and negative screening approaches. Total assets of $US701 million were being managed in this strategy as of 31 March 2011.

Accelerating smart metering
Macquarie has increased funding lines to energy suppliers in the UK to accelerate the roll-out of smart energy meters to assist efficient energy management in both the industrial and commercial, and residential sectors. Macquarie has recently signed several significant additional smart meter funding contracts which should result in leasing more than 400,000 smart electricity and gas meters by 31 March 2012. Macquarie will continue to work closely with the UK Government and energy suppliers to facilitate an effective roll-out of smart meters to 27 million homes by the end of 2019.

Approach to climate change
Macquarie continues to seek business opportunities associated with climate change mitigation and adaptation. Macquarie’s approach to climate change is based on:

— assessing and managing its own carbon footprint
— identifying, assessing and managing the risks arising from climate change and future carbon constraints
— identifying and leveraging opportunities for investment and trading for Macquarie and its clients.

Consistent with Macquarie’s strong risk management focus, climate change and future carbon constraints are considered within the existing risk framework. Under this framework:

— businesses are responsible for considering greenhouse and energy management during due diligence for new businesses and products
— Macquarie’s Greenhouse and Energy Reporting policy addresses local legislative requirements through tailored jurisdictional guidelines
— Macquarie provides clients and staff with research and information about the economic, policy and business impacts of climate change
— Macquarie also uses its expertise in global carbon markets to assist clients to prepare for compliance with emissions trading and provides emissions risk management products.

As a signatory to the Carbon Disclosure Project, Macquarie reports detailed information about its approach to the risks and opportunities arising from climate change. Macquarie’s annual responses are available on the Carbon Disclosure Project website.
All executives, managers and employees are responsible for promoting workforce diversity. To support this shared responsibility a dedicated Diversity Director has been appointed to work in conjunction with Macquarie’s Equal Opportunity office in implementing a global diversity agenda across the organisation. Diversity committees, chaired by the heads of our operating and service groups, have been established and regional committees are in place in the Americas and Europe.

**Global Diversity Policy**

To support the organisation in achieving its Diversity objectives, a *Workforce Diversity Policy* has been developed which has been endorsed by Macquarie’s Board and Executive Committee. Its aim is to publicly define Macquarie’s workforce diversity commitment and the structures in place to ensure it is realised. The principles contained in our *Workforce Diversity Policy* are incorporated into the public *Our Commitment to Workforce Diversity* statement available on Macquarie’s website.

**Female representation metrics¹**

For the year ending 31 March 2011, the proportion of women employed globally at Macquarie was as follows:

- Board of Directors: 25 per cent
- Executive Committee: 8.3 per cent
- Senior Executive: 12.5 per cent
- Macquarie workforce: 37.3 per cent

**Diversity objectives**

The *Workforce Diversity Policy* provides that each year the Board will set measurable objectives for achieving gender diversity. For the year ending 31 March 2012, Macquarie has set the gender diversity objectives listed to the right, in line with its key strategic imperatives and desired long-term outcomes.

**Women@Macquarie**

In late 2009, Macquarie launched *Women@Macquarie*, a global initiative aimed at supporting females in their development of successful, fulfilling, self-directed careers at Macquarie. During calendar 2010, over 400 female staff globally participated in the training/coaching elements of the program while more than 500 male and female staff attended a series of networking events. In 2011, *Women@Macquarie* is broadening to encompass a variety of activities ranging from policies and charitable events to more formal learning opportunities with the objective of engaging all employees, regardless of gender, to make gender diversity part of ‘business as usual’ operations.

<table>
<thead>
<tr>
<th>Strategic imperative</th>
<th>Long-term outcome sought</th>
<th>Objective for fiscal year 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diverse talent pipeline</td>
<td>Increase the number of females hired by Macquarie, by increasing the rate of female applications</td>
<td>Embarking on a long-term plan to attract females to a finance career: — Conduct research with female undergraduates to better understand the industry-wide imbalance in female applicants, address the perceived barriers and articulate the unique value proposition of a finance career for females — Strengthen relationships with female undergraduates through campus-based initiatives such as mentoring, student societies and academic prizes/scholarships — Widen the talent pool of potential senior female applicants through targeted research and sourcing programs</td>
</tr>
<tr>
<td>Inclusive workplace</td>
<td>Retain top talent by ensuring a workplace supportive of female success</td>
<td>Raise awareness of Macquarie’s commitment to supporting females in their development of successful careers through endorsement and delivery of a range of programs, events and policies</td>
</tr>
<tr>
<td>Robust meritocracy</td>
<td>Ongoing improvement of core talent processes (performance, development and career) to ensure gender-based equity and transparency</td>
<td>Continue to enhance Macquarie’s development offerings including the review of all leadership and management development programs to incorporate key diversity concepts</td>
</tr>
<tr>
<td>Integration and awareness</td>
<td>Embedding of diversity awareness and objectives into the day-to-day operations of the organisation to become part of the way we do business</td>
<td>Incorporate diversity-related messaging into newsletters, conferences and other communication forums with staff Equally engage the male and female staff population in diversity-based initiatives such as training programs and networking opportunities</td>
</tr>
</tbody>
</table>

¹ Gender data is only recorded for permanent employees.
Macquarie’s approach to corporate governance

Macquarie’s approach to corporate governance aims to achieve superior and sustainable financial performance and long-term prosperity, while meeting stakeholders’ expectations of sound corporate governance.

Macquarie’s corporate governance framework has been developed to support Macquarie’s client-focused business operations, while providing clear guidance on how authority is exercised within Macquarie including Board oversight of key controls. The Macquarie Board with the assistance of the Board Committees determines the most appropriate corporate governance practices.

Members of the Board and staff are responsible for upholding the Goals and Values to which Macquarie aspires: Integrity, Client commitment, Strive for profitability, Fulfilment for our people, Teamwork and Highest standards.

Macquarie Group Limited (Macquarie) is listed on the ASX and is regulated by the Australian prudential regulator, APRA, as a non-operating holding company of a licensed Australian bank, Macquarie Bank Limited (Macquarie Bank). Macquarie is also supervised by the Australian corporate regulator, Australian Securities and Investments Commission. A number of Macquarie’s key operating subsidiaries are supervised by regulators in the overseas jurisdictions in which they operate.

Macquarie monitors regulatory and corporate governance developments that impact on Macquarie’s businesses, adopting corporate governance practices it considers are in the best interests of Macquarie and its shareholders, consistent with Macquarie’s responsibilities to other stakeholders including clients, investors and staff.

As previously advised, on 17 March 2011, Chairman David Clarke resigned as a member of the Macquarie and Macquarie Bank Boards and the Lead Independent Director, Kevin McCann, was appointed as Chairman of both Boards. Other notable governance developments during the year included the transfer of oversight of Compliance from the Board Audit and Compliance Committee, (since renamed the Board Audit Committee) to the Board Corporate Governance Committee in June 2010 and a review of Macquarie’s governance framework in the context of amendments to the ASX Listing Rules and ASX Corporate Governance Principles and Recommendations. As a result of the review, Macquarie published a statement on its commitment to workforce diversity and a copy of Macquarie’s Trading Policy was lodged with the ASX in December 2010.

Macquarie considers that since 17 March 2011, its governance practices have been consistent with all the ASX Recommendations. At 31 March, seven of the eight Board members, including the Chairman, were Independent Directors and a further Independent Director, Diane Grady, will join the Board on 19 May 2011. Macquarie’s Corporate Governance Statement is included in the Macquarie Group 2011 Annual Report and is available on the website at macquarie.com.au.

<table>
<thead>
<tr>
<th>Current Standing Board Committee Membership</th>
<th>Audit</th>
<th>Corporate Governance</th>
<th>Nominating</th>
<th>Remuneration</th>
<th>Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Independent Directors</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kevin McCann, AM</td>
<td>Member</td>
<td>Chairman</td>
<td>Chairman</td>
<td>Member</td>
<td></td>
</tr>
<tr>
<td>Michael Hawker, AM</td>
<td>Member</td>
<td>Member</td>
<td></td>
<td>Member</td>
<td></td>
</tr>
<tr>
<td>Peter Kirby</td>
<td>Member</td>
<td>Member</td>
<td>Member</td>
<td>Member</td>
<td></td>
</tr>
<tr>
<td>Catherine Livingstone, AO</td>
<td>Chairman</td>
<td>Member</td>
<td>Member</td>
<td>Member</td>
<td></td>
</tr>
<tr>
<td>John Niland, AC</td>
<td>Member</td>
<td>Member</td>
<td>Member</td>
<td>Member</td>
<td></td>
</tr>
<tr>
<td>Helen Nugent, AO</td>
<td>Member</td>
<td>Member</td>
<td>Chairman</td>
<td>Member</td>
<td></td>
</tr>
<tr>
<td>Peter Warne</td>
<td>Member</td>
<td>Member</td>
<td>Member</td>
<td>Chairman</td>
<td></td>
</tr>
<tr>
<td><strong>Executive Directors</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nicholas Moore</td>
<td>Member</td>
<td></td>
<td></td>
<td>Member</td>
<td></td>
</tr>
<tr>
<td>Richard Sheppard¹</td>
<td>Member</td>
<td></td>
<td></td>
<td>Member</td>
<td></td>
</tr>
</tbody>
</table>

¹ In accordance with the Macquarie Risk Committee Charter, the Committee’s membership includes the Managing Director and Chief Executive Officer of Macquarie Bank, Richard Sheppard. Mr Sheppard is not a Voting Director of Macquarie Group Limited.
Remuneration approach

Through its remuneration approach, Macquarie’s objective is to drive superior shareholder returns over the long-term, while managing risk in a prudent fashion. Its aim is to do this by aligning the interests of staff and shareholders, while attracting, motivating and retaining high quality people. The consistency of this approach has served shareholders well over the longer-term. The Board considers that, with incremental change, it continues to be the appropriate approach.

Nonetheless, over the past year, Macquarie has faced some remuneration challenges. Regulators in Australia and some overseas jurisdictions have focused on remuneration, causing adjustments to the structure of remuneration. At the same time, competition for staff has intensified. Some peers have sought to rebuild their business after the Global Financial Crisis. Other firms are not constrained by regulator pay guidelines and are able to offer attractive remuneration packages to target staff.

Macquarie has sought to address these twin and conflicting challenges by making further incremental changes to its remuneration structure within its broad overarching remuneration approach. In so doing, the focus continues to be on aligning the interests of shareholders and staff, while attracting and retaining our most valuable asset, namely our staff.

— For some staff, more profit share is being deferred and delivered in Macquarie equity, with less profit share being delivered as cash.
— ‘Malus’¹ is to be introduced for some staff for the year to 31 March 2012 in line with regulatory requirements. Such an approach is consistent with Macquarie’s existing ability to ‘clawback’ deferred profit share from those staff who leave and breach specific guidelines.
— For some staff, to meet regulatory guidance and market practice, a shift has occurred in the mix between fixed and variable remuneration. Such shifts are most notable in risk and finance staff, as well as in the structure of senior executive remuneration.

Notwithstanding these shifts to increased fixed remuneration, the proportion and level of fixed remuneration for senior staff remain relatively low compared to comparable roles in other Australian corporations. The Board of Directors considers this is appropriate because it encourages a performance orientation. In the year to 31 March 2011, fixed remuneration for Macquarie’s 12 Executive Committee members comprised, on average, 12 per cent of current year total remuneration. The balance of their remuneration remains at risk.

Macquarie remains committed to a performance-based approach to remuneration that is aligned with shareholders’ interests. This is evidenced by the way the profit share pool is created using the twin measures of net profit after tax (NPAT) and return on equity (ROE), measures which are known to be drivers of returns to shareholders. For a given level of capital employed, total profit share rises or falls with NPAT. Macquarie’s total profit share pool increases with performance and no maximum ceiling is imposed. This aligns shareholder and staff interests and provides the strongest incentive to staff to continuously strive to maximise long-term profitability.

Performance-based profit share is allocated to Macquarie’s businesses and, in turn, to individuals based on performance. Performance is primarily assessed based on relative contribution to profits while taking into account capital usage and risk management. This results in businesses and individuals being motivated to increase earnings and to use shareholder funds efficiently, consistent with prudent risk-taking. In addition, other qualitative measures are used to assess individual performance. For the Managing Director and Chief Executive Officer (CEO) of Macquarie Group and the Managing Director and CEO of Macquarie Bank, the Non-Executive Directors annually and specifically assess each Managing Director’s performance by considering a range of indicators, including risk management, governance and compliance, financial performance measures, strategic initiatives, staff and human resources indicators, reputation management and monitoring, community and social responsibility matters and efforts in respect of diversity. The approach adopted motivates staff to work co-operatively given that their profit share will reflect Macquarie’s overall performance, the relative performance of their business and their individual contribution.

The Board and management also seek to ensure that remuneration for staff whose primary role is risk and financial control, including the Chief Risk Officer (CRO) and the Chief Financial Officer (CFO), preserves the independence of the function and maintains Macquarie’s robust risk management framework.

Profit share is delivered in ways that encourage a longer-term perspective and ensures alignment with shareholders’ longer-term interests and staff retention. In turn, this encourages staff to maximise profit without exposing Macquarie to risk or behaviours that jeopardise long-term profitability or reputation.

For the year to 31 March 2011, 70 per cent of the Managing Director and CEO’s annual gross profit share allocation is retained, up from 55 per

¹ Malus is an ex-post risk adjustment to deferred unvested remuneration.
cent in the prior year. For Executive Committee members and Designated Executive Directors, between 50 and 70 per cent of their profit share is retained; whereas retained profit share for other Executive Directors is between 40 and 70 per cent. The 70 per cent upper limit represents an increased deferral from prior years, reflecting market conditions. After Performance Share Units (PSUs) are taken into account, the effective deferral rate for the Managing Director and CEO is 76 per cent and between 61 and 76 per cent for Executive Committee members. In addition, retention rates for staff below Executive Director have also been increased, dependent on certain thresholds.

Retained profit share for the Managing Director and CEO, other Executive Committee members and Designated Executive Directors is released on a pro-rata basis between years three and seven. In the case of other Executive Directors, it is released on a pro-rata basis between years three and five. Retained amounts are invested in a combination of Macquarie ordinary shares and notionally in Macquarie-managed fund equity dependent on an individual executive’s responsibilities. Such an approach also strengthens alignment with Macquarie shareholders and security holders in Macquarie-managed funds.

All Executive Directors are subject to a minimum shareholding requirement which is satisfied through the delivery of equity under the current remuneration arrangements.

PSUs, which are only allocated to the Managing Director and CEO and Executive Committee members, vest in three tranches after two, three and four years, but only if challenging performance hurdles are met.

Macquarie prohibits staff from hedging any of the following types of securities:

- shares held to satisfy the minimum shareholding requirement
- shares to be delivered under the equity plan, the Macquarie Group Employee Retained Equity Plan (MEREP), including PSUs
- shares held under the Executive Committee Share Acquisition Plan
- unvested options.

Executives can only trade Macquarie ordinary shares during designated trading windows.

In accordance with the 2009 shareholder approval, a departing Executive Director’s unvested retained profit share is only paid out in the case of genuine retirement, redundancy or in certain other limited exceptional circumstances, and is forfeited in stages if a ‘disqualifying event’ occurs within two years of leaving. For example, the payment of a departing Executive Director’s retained profit share will be subject to forfeiture if it is found that the individual has acted in a way that damages Macquarie, including but not limited to action or inaction that leads to a material financial restatement, a significant financial loss or any significant reputational harm to Macquarie or its businesses.

From the 2012 fiscal year, the Board will have discretion to reduce or eliminate unvested profit share amounts ‘Malus’ where it determines that an employee’s action or inaction has caused Macquarie significant reputational harm, a significant unexpected financial loss or a material financial restatement. This will apply to the Executive Committee, Designated Executive Directors, Code Staff under the FSA Remuneration Code, senior risk and financial control staff and any other staff as determined by the Board Remuneration Committee (BRC).

The remuneration approach is managed via strong governance structures and processes. Conflicts of interest are managed proactively and assiduously. The BRC makes recommendations to the Non-Executive Directors of the Board on key decisions.

Non-Executive Director fees are set in line with market rates for relevant Australian financial organisations and reflect the time commitment and responsibilities involved within the shareholder approved aggregate limit.

This overall approach to remuneration has over the long haul, contributed to creating value for shareholders.

For further information on Macquarie’s remuneration policies and practices refer to the Remuneration Report contained within the Directors’ Report in the Macquarie Group Limited 2011 Annual Report. This document is available on Macquarie’s website at macquarie.com.au.

### Non-Executive Director remuneration

<table>
<thead>
<tr>
<th>Name</th>
<th>Year</th>
<th>Total remuneration</th>
</tr>
</thead>
<tbody>
<tr>
<td>H.K. McCarr</td>
<td>2011</td>
<td>377,500</td>
</tr>
<tr>
<td></td>
<td>2010</td>
<td>514,489</td>
</tr>
<tr>
<td>D.S. Clarke</td>
<td>2011</td>
<td>825,000</td>
</tr>
<tr>
<td></td>
<td>2010</td>
<td>570,793</td>
</tr>
<tr>
<td>M.J. Hawker</td>
<td>2011</td>
<td>287,500</td>
</tr>
<tr>
<td></td>
<td>2010</td>
<td>6,720</td>
</tr>
<tr>
<td>P.M. Kirby</td>
<td>2011</td>
<td>310,750</td>
</tr>
<tr>
<td></td>
<td>2010</td>
<td>291,250</td>
</tr>
<tr>
<td>C.B. Livingstone</td>
<td>2011</td>
<td>355,050</td>
</tr>
<tr>
<td></td>
<td>2010</td>
<td>328,950</td>
</tr>
<tr>
<td>J.R. Niland</td>
<td>2011</td>
<td>310,750</td>
</tr>
<tr>
<td></td>
<td>2010</td>
<td>290,000</td>
</tr>
<tr>
<td>H.M. Nugent</td>
<td>2011</td>
<td>364,750</td>
</tr>
<tr>
<td></td>
<td>2010</td>
<td>350,500</td>
</tr>
<tr>
<td>P.H. Warne</td>
<td>2011</td>
<td>377,050</td>
</tr>
<tr>
<td></td>
<td>2010</td>
<td>336,750</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2011</td>
<td>3,208,350</td>
</tr>
<tr>
<td></td>
<td>2010</td>
<td>2,689,202</td>
</tr>
</tbody>
</table>

2 Executive Directors who are members of Operations Review Committee and others who have a significant management or risk responsibility in the organisation.
## Remuneration approach

### Executive remuneration

<table>
<thead>
<tr>
<th>Name and position</th>
<th>Year</th>
<th>Fixed remuneration</th>
<th>Profit share available upfront</th>
<th>Profit share notional invested in Plan equity Units shares</th>
<th>Profit share delivered as Performance over earnings on prior year retained year restricted total remuneration</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Executive Directors</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>N.W. Moore – Managing Director and Chief Executive Officer</td>
<td>2011</td>
<td>746,499</td>
<td>2,700,654</td>
<td>1,260,305</td>
<td>8,693,404</td>
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<tr>
<td></td>
<td>2010</td>
<td>518,820</td>
<td>4,681,736</td>
<td>739,980</td>
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<tr>
<td><strong>Executives</strong></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>M. Carapiet – Executive Chairman, Macquarie Capital and Macquarie Securities Group</td>
<td>2011</td>
<td>640,857</td>
<td>1,179,759</td>
<td>(774,723)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2010</td>
<td>384,311</td>
<td>2,866,191</td>
<td>1,324,127</td>
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<tr>
<td>A.J. Downe – Group Head, Fixed Income, Currencies and Commodities</td>
<td>2011</td>
<td>664,158</td>
<td>3,198,143</td>
<td>319,814</td>
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<tr>
<td></td>
<td>2010</td>
<td>480,389</td>
<td>4,069,272</td>
<td>488,520</td>
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<tr>
<td>R.S. Laidlaw – Group Head, Macquarie Securities Group and Macquarie Capital</td>
<td>2011</td>
<td>640,857</td>
<td>1,435,611</td>
<td>334,976</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2010</td>
<td>384,311</td>
<td>3,157,615</td>
<td>68,017</td>
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<tr>
<td>P.J. Maher – Group Head, Banking and Financial Services Group</td>
<td>2011</td>
<td>658,333</td>
<td>1,705,676</td>
<td>170,568</td>
<td></td>
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<tr>
<td></td>
<td>2010</td>
<td>456,369</td>
<td>1,589,514</td>
<td>58,531</td>
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<tr>
<td>W.R. Sheppard – Deputy Managing Director</td>
<td>2011</td>
<td>673,479</td>
<td>1,421,397</td>
<td>284,279</td>
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<tr>
<td></td>
<td>2010</td>
<td>518,820</td>
<td>1,135,132</td>
<td>191,737</td>
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<tr>
<td>G.C. Ward – Chief Financial Officer</td>
<td>2011</td>
<td>689,018</td>
<td>1,895,196</td>
<td>379,039</td>
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<td>2010</td>
<td>432,350</td>
<td>1,750,895</td>
<td>98,826</td>
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<td>S. Wikramanayake – Group Head, Macquarie Funds Group</td>
<td>2011</td>
<td>640,857</td>
<td>2,463,754</td>
<td>1,231,877</td>
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<tr>
<td></td>
<td>2010</td>
<td>384,311</td>
<td>1,040,881</td>
<td>665,182</td>
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<tr>
<td><strong>Total remuneration</strong></td>
<td>2011</td>
<td>5,354,058</td>
<td>16,000,190</td>
<td>3,206,135</td>
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<td>2010</td>
<td>3,559,681</td>
<td>20,311,236</td>
<td>2,404,784</td>
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<td><strong>New Executives</strong></td>
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<tr>
<td></td>
<td>2010</td>
<td>195,288</td>
<td>151,001</td>
<td>46,610</td>
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<tr>
<td>T. Bishop – Country Head, United States of America</td>
<td>2011</td>
<td>511,746</td>
<td>1,449,660</td>
<td>(194,439)</td>
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<td>2010</td>
<td>–</td>
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<tr>
<td>G. Farrell – Group Head, Corporate and Asset Finance Group</td>
<td>2011</td>
<td>543,806</td>
<td>1,678,978</td>
<td>167,898</td>
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<td>2010</td>
<td>–</td>
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<td>S. Vrcelj – Head of Global Cash and Equities</td>
<td>2011</td>
<td>544,113</td>
<td>664,447</td>
<td>155,038</td>
<td></td>
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<td></td>
<td>2010</td>
<td>–</td>
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<tr>
<td><strong>Former Executive Voting Directors and Executives</strong></td>
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<tr>
<td>L.G. Cox – Former Executive Voting Director</td>
<td>2011</td>
<td>–</td>
<td>–</td>
<td>–</td>
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<td></td>
<td>2010</td>
<td>130,632</td>
<td>–</td>
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<td>N.R. Minogue – Former Group Head, Risk Management Group</td>
<td>2011</td>
<td>–</td>
<td>–</td>
<td>–</td>
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<tr>
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<td>2010</td>
<td>289,823</td>
<td>709,354</td>
<td>709,354</td>
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<tr>
<td><strong>Total remuneration</strong></td>
<td>2011</td>
<td>7,631,089</td>
<td>22,162,270</td>
<td>3,808,431</td>
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<td>2010</td>
<td>4,175,424</td>
<td>21,171,591</td>
<td>3,067,528</td>
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<tr>
<td>Name and position</td>
<td>Year</td>
<td>Total remuneration</td>
<td>Performance Share Units</td>
<td>Options over Macquarie shares</td>
<td>Options investment</td>
</tr>
<tr>
<td>-------------------</td>
<td>------</td>
<td>-------------------</td>
<td>-------------------------</td>
<td>-----------------------------</td>
<td>-------------------</td>
</tr>
<tr>
<td>N.W. Moore –</td>
<td>2011</td>
<td>3,492,752</td>
<td>2,302,283</td>
<td>(2,422,387)</td>
<td>8,080,106</td>
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<td>358,774</td>
<td>1,201,971</td>
<td>1,712,935</td>
<td>9,214,216</td>
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<tr>
<td>Managing Director and Chief Executive Officer</td>
<td>2010</td>
<td>1,114,537</td>
<td>1,017,002</td>
<td>(1,941,858)</td>
<td>1,235,574</td>
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<td></td>
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<td>(181,230)</td>
<td>908,885</td>
<td>1,542,932</td>
<td>6,865,216</td>
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<tr>
<td>M. Carapiet –</td>
<td>2011</td>
<td>1,974,811</td>
<td>2,081,316</td>
<td>(1,423,018)</td>
<td>6,815,224</td>
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<tr>
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<td>172,968</td>
<td>1,362,214</td>
<td>1,211,123</td>
<td>6,807,446</td>
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<td>Executive Chairman, Macquarie Capital and Macquarie Securities Group</td>
<td>2010</td>
<td>1,660,380</td>
<td>1,519,064</td>
<td>(655,463)</td>
<td>4,935,425</td>
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<tr>
<td></td>
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<td>445,182</td>
<td>735,675</td>
<td>903,519</td>
<td>5,558,285</td>
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<td>A.J. Downe –</td>
<td>2011</td>
<td>935,379</td>
<td>814,914</td>
<td>(448,915)</td>
<td>3,835,955</td>
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<td>250,053</td>
<td>408,361</td>
<td>324,639</td>
<td>2,970,405</td>
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<td>Executive Chairman, Macquarie Capital and Macquarie Securities Group</td>
<td>2010</td>
<td>736,649</td>
<td>564,369</td>
<td>(603,835)</td>
<td>3,076,338</td>
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<td>290,170</td>
<td>207,760</td>
<td>440,288</td>
<td>2,783,907</td>
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<td>R.S. Laidlaw –</td>
<td>2011</td>
<td>1,063,893</td>
<td>1,032,724</td>
<td>(491,328)</td>
<td>4,568,542</td>
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<td></td>
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<td>61,337</td>
<td>644,976</td>
<td>354,464</td>
<td>3,342,848</td>
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<tr>
<td>Group Head, Macquarie Securities Group and Macquarie Capital</td>
<td>2010</td>
<td>515,124</td>
<td>814,137</td>
<td>(322,373)</td>
<td>5,343,376</td>
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<tr>
<td></td>
<td></td>
<td>9,823</td>
<td>314,453</td>
<td>504,886</td>
<td>2,919,536</td>
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<td>1,407,077</td>
<td>5,784,295</td>
<td>6,994,786</td>
<td>40,461,859</td>
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<tr>
<td>Group Head, Banking and Financial Services Group</td>
<td>2010</td>
<td>900,867</td>
<td>724,743</td>
<td>254,090</td>
<td>5,399,860</td>
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<td>449,874</td>
<td>93,240</td>
<td>238,684</td>
<td>1,081,477</td>
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<td>G.C. Ward –</td>
<td>2011</td>
<td>766,103</td>
<td>278,337</td>
<td>480,583</td>
<td>3,291,990</td>
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<td>–</td>
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</tr>
<tr>
<td>Group Head, Corporate and Asset Finance Group</td>
<td>2010</td>
<td>629,841</td>
<td>310,889</td>
<td>218,571</td>
<td>3,549,983</td>
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<td></td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>New Executives</td>
<td></td>
<td>14,511,951</td>
<td>11,665,015</td>
<td>(7,191,050)</td>
<td>52,587,706</td>
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<tr>
<td></td>
<td></td>
<td>1,856,951</td>
<td>5,877,535</td>
<td>6,863,666</td>
<td>43,012,695</td>
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</tbody>
</table>
Ten year history

With the exception of 31 March 2005, the financial information presented below has been based on the Australian Accounting Standards adopted at the end of each balance date. The financial information for the full years ended 31 March 2005 – 2011 is based on the reported results using the Australian Accounting Standards that also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Years ended 31 March

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<thead>
<tr>
<th></th>
<th>2002</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income statement ($A million)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total income</td>
<td>1,822</td>
<td>2,155</td>
</tr>
<tr>
<td>Total expenses</td>
<td>(1,467)</td>
<td>(1,695)</td>
</tr>
<tr>
<td>Operating profit before income tax</td>
<td>355</td>
<td>460</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>(76)</td>
<td>(90)</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>279</td>
<td>364</td>
</tr>
<tr>
<td>Macquarie Income Preferred Securities distributions</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Macquarie Income Securities distributions</td>
<td>(29)</td>
<td>(28)</td>
</tr>
<tr>
<td>Other non-controlling interests</td>
<td>–</td>
<td>(3)</td>
</tr>
<tr>
<td>Profit attributable to ordinary equity holders</td>
<td>250</td>
<td>333</td>
</tr>
</tbody>
</table>

**Statement of financial position ($A million)**

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>30,234</td>
<td>32,462</td>
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<tr>
<td>Total liabilities</td>
<td>27,817</td>
<td>29,877</td>
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<tr>
<td>Net assets</td>
<td>2,417</td>
<td>2,585</td>
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<tr>
<td>Total loan assets</td>
<td>9,209</td>
<td>9,839</td>
</tr>
<tr>
<td>Impaired loan assets (net of provisions)</td>
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<td></td>
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<tr>
<td>Share information¹</td>
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<td></td>
</tr>
<tr>
<td>Cash dividends per share (cents per share)</td>
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<td></td>
</tr>
<tr>
<td>Interim</td>
<td>41</td>
<td>41</td>
</tr>
<tr>
<td>Final</td>
<td>52</td>
<td>52</td>
</tr>
<tr>
<td>Special²</td>
<td>–</td>
<td>50</td>
</tr>
<tr>
<td>Total</td>
<td>93</td>
<td>143</td>
</tr>
<tr>
<td>Basic earnings per share (cents per share)</td>
<td>132.8</td>
<td>164.8</td>
</tr>
<tr>
<td>Share price at 31 March ($A)¹</td>
<td>33.26</td>
<td>24.70</td>
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<tr>
<td>Ordinary share capital (million shares)³</td>
<td>198.5</td>
<td>204.5</td>
</tr>
<tr>
<td>Market capitalisation at 31 March¹ (fully paid ordinary shares) ($A million)</td>
<td>6,602</td>
<td>5,051</td>
</tr>
<tr>
<td>Net tangible assets per ordinary share ($A)⁴</td>
<td>7.94</td>
<td>8.23</td>
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</table>

**Ratios (%)**

<p>| | | |</p>
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<th></th>
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<tbody>
<tr>
<td>Return on average ordinary shareholders’ funds</td>
<td>18.7</td>
<td>18.0</td>
</tr>
<tr>
<td>Dividend payout ratio</td>
<td>73.6</td>
<td>87.4²</td>
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<tr>
<td>Expense/income ratio</td>
<td>80.5</td>
<td>78.7</td>
</tr>
<tr>
<td>Net loan losses as % of loan assets (excluding securitisation SPVs and segregated futures funds)</td>
<td>0.2</td>
<td>0.0</td>
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<td>Assets under management ($A billion)⁵</td>
<td>41.3</td>
<td>52.3</td>
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<tr>
<td>Staff numbers⁶</td>
<td>4,726</td>
<td>4,839</td>
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</table>

¹ The Macquarie Bank Limited (now Macquarie Group Limited) ordinary shares were quoted on the Australian Stock Exchange (now Australian Securities Exchange) on 29 July 1996.
² The special dividend for 2003 was paid to release one-off franking credits to shareholders on entry into tax consolidation. Excluding the special dividend of 50 cents per share, the payout ratio would have been 56.8 per cent.
³ Number of fully paid ordinary shares at 31 March, excluding options and partly paid shares.
⁴ Net tangible assets include intangibles (net of associated deferred tax assets and deferred liabilities) within assets and disposal groups held for sale.
⁵ The methodology used to calculate assets under management was revised in September 2005. Comparatives at 31 March 2005 have been restated in accordance with methodology.
⁶ Includes both permanent staff (full-time, part-time and fixed term) and contractors (including consultants and secondees).
Ten year history

Years ended 31 March

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
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<tbody>
<tr>
<td>Income statement ($A million)</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Total income</td>
<td>1,822</td>
<td>2,155</td>
<td>2,823</td>
<td>4,197</td>
<td>4,832</td>
<td>7,181</td>
<td>8,248</td>
<td>5,526</td>
<td>6,638</td>
<td>7,644</td>
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<tr>
<td>Total expenses</td>
<td>(1,467)</td>
<td>(1,695)</td>
<td>(2,138)</td>
<td>(3,039)</td>
<td>(3,545)</td>
<td>(5,253)</td>
<td>(6,043)</td>
<td>(4,537)</td>
<td>(5,344)</td>
<td>(6,373)</td>
</tr>
<tr>
<td>Operating profit before income tax</td>
<td>355</td>
<td>460</td>
<td>685</td>
<td>1,158</td>
<td>1,287</td>
<td>1,928</td>
<td>2,205</td>
<td>989</td>
<td>1,294</td>
<td>1,271</td>
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<tr>
<td>Income tax expense</td>
<td>(76)</td>
<td>(96)</td>
<td>(161)</td>
<td>(288)</td>
<td>(290)</td>
<td>(377)</td>
<td>(317)</td>
<td>(15)</td>
<td>(201)</td>
<td>(282)</td>
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<tr>
<td>Profit for the year</td>
<td>279</td>
<td>364</td>
<td>524</td>
<td>870</td>
<td>927</td>
<td>1,551</td>
<td>1,888</td>
<td>974</td>
<td>1,093</td>
<td>989</td>
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<tr>
<td>Macquarie Income Preferred Securities distributions</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(28)</td>
<td>(51)</td>
<td>(54)</td>
<td>(50)</td>
<td>(45)</td>
<td>(8)</td>
<td>(4)</td>
</tr>
<tr>
<td>Other non-controlling interests</td>
<td>–</td>
<td>(3)</td>
<td>(3)</td>
<td>(1)</td>
<td>(1)</td>
<td>(3)</td>
<td>(1)</td>
<td>(25)</td>
<td>(14)</td>
<td>(3)</td>
</tr>
<tr>
<td>Profit attributable to ordinary equity holders</td>
<td>250</td>
<td>333</td>
<td>494</td>
<td>812</td>
<td>916</td>
<td>1,463</td>
<td>1,803</td>
<td>871</td>
<td>1,050</td>
<td>956</td>
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</table>

Statement of financial position ($A million)

<table>
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<tr>
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<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>30,234</td>
<td>32,462</td>
<td>43,771</td>
<td>67,980</td>
<td>106,211</td>
<td>136,389</td>
<td>167,250</td>
<td>149,144</td>
<td>145,940</td>
<td>157,568</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>27,817</td>
<td>29,877</td>
<td>40,938</td>
<td>63,555</td>
<td>100,874</td>
<td>128,870</td>
<td>157,189</td>
<td>139,584</td>
<td>134,171</td>
<td>145,636</td>
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<tr>
<td>Net assets</td>
<td>2,417</td>
<td>2,585</td>
<td>2,833</td>
<td>4,425</td>
<td>5,337</td>
<td>7,519</td>
<td>10,061</td>
<td>9,560</td>
<td>11,769</td>
<td>11,932</td>
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<tr>
<td>Total loan assets</td>
<td>9,209</td>
<td>9,839</td>
<td>10,777</td>
<td>28,425</td>
<td>34,999</td>
<td>45,796</td>
<td>52,407</td>
<td>44,751</td>
<td>44,267</td>
<td>46,016</td>
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<tr>
<td>Impaired loan assets (net of provisions)</td>
<td>49</td>
<td>16</td>
<td>61</td>
<td>42</td>
<td>85</td>
<td>88</td>
<td>165</td>
<td>952</td>
<td>647</td>
<td>377</td>
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<tr>
<td>Share information</td>
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<tr>
<td>Cash dividends per share (cents per share)</td>
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<td></td>
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<tr>
<td>Interim</td>
<td>41</td>
<td>41</td>
<td>52</td>
<td>61</td>
<td>90</td>
<td>125</td>
<td>145</td>
<td>145</td>
<td>86</td>
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<tr>
<td>Final</td>
<td>52</td>
<td>52</td>
<td>70</td>
<td>100</td>
<td>125</td>
<td>190</td>
<td>200</td>
<td>40</td>
<td>100</td>
<td>100</td>
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<tr>
<td>Special</td>
<td>–</td>
<td>50</td>
<td>–</td>
<td>40</td>
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</tr>
<tr>
<td>Total</td>
<td>93</td>
<td>143</td>
<td>122</td>
<td>201</td>
<td>215</td>
<td>315</td>
<td>345</td>
<td>185</td>
<td>186</td>
<td>186</td>
</tr>
<tr>
<td>Basic earnings per share (cents per share)</td>
<td></td>
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<td></td>
<td>132.8</td>
<td>164.8</td>
<td>233.0</td>
<td>369.6</td>
<td>400.3</td>
<td>591.6</td>
<td>670.6</td>
<td>309.6</td>
<td>320.2</td>
<td>282.5</td>
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<td>Share price at 31 March ($A)</td>
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<td></td>
<td>33.26</td>
<td>24.70</td>
<td>35.80</td>
<td>48.03</td>
<td>64.68</td>
<td>82.75</td>
<td>92.82</td>
<td>27.05</td>
<td>47.25</td>
<td>36.60</td>
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<td>Ordinary share capital (million shares)</td>
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<td>223.4</td>
<td>203.0</td>
<td>203.0</td>
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<tr>
<td>Market capitalisation at 31 March ($A million)</td>
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<tr>
<td>Net tangible assets per ordinary share ($A)</td>
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<tr>
<td>Ratios (%))</td>
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<tr>
<td>Return on average ordinary shareholders' funds</td>
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<td></td>
<td>18.7</td>
<td>18.0</td>
<td>22.3</td>
<td>25.8</td>
<td>28.1</td>
<td>30.6</td>
<td>32.0</td>
<td>9.9</td>
<td>10.1</td>
<td>6.8</td>
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<tr>
<td>Dividend payout ratio</td>
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<td></td>
<td>73.6</td>
<td>87.4</td>
<td>253.2</td>
<td>53.2</td>
<td>53.2</td>
<td>54.4</td>
<td>54.3</td>
<td>52.2</td>
<td>60.2</td>
<td>60.4</td>
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<tr>
<td>Expense/income ratio</td>
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<td></td>
<td>80.5</td>
<td>78.7</td>
<td>75.7</td>
<td>72.4</td>
<td>73.4</td>
<td>73.9</td>
<td>74.6</td>
<td>73.4</td>
<td>73.3</td>
<td>73.3</td>
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<tr>
<td>Net loan losses as % of loan assets</td>
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<tr>
<td>(excluding securitisation SPVs and segregated futures funds)</td>
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<tr>
<td></td>
<td>0.2</td>
<td>0.0</td>
<td>0.3</td>
<td>0.2</td>
<td>0.1</td>
<td>0.3</td>
<td>0.3</td>
<td>1.9</td>
<td>0.8</td>
<td>0.4</td>
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<tr>
<td>Assets under management ($A billion)</td>
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<tr>
<td></td>
<td>41.3</td>
<td>52.3</td>
<td>62.6</td>
<td>96.7</td>
<td>140.3</td>
<td>197.2</td>
<td>232.0</td>
<td>243.1</td>
<td>325.7</td>
<td>309.8</td>
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<tr>
<td>Staff numbers</td>
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<tr>
<td></td>
<td>4,726</td>
<td>4,839</td>
<td>5,716</td>
<td>6,556</td>
<td>8,183</td>
<td>10,023</td>
<td>13,107</td>
<td>12,716</td>
<td>14,657</td>
<td>15,556</td>
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</table>
2011 Shareholder calendar

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>29 April</td>
<td>Full-year result announcement</td>
</tr>
<tr>
<td>13 May</td>
<td>Record date for final ordinary dividend</td>
</tr>
<tr>
<td>4 July</td>
<td>Payment date for final ordinary dividend</td>
</tr>
<tr>
<td>28 July</td>
<td>2011 Annual General Meeting</td>
</tr>
<tr>
<td>30 September</td>
<td>Financial half-year end</td>
</tr>
<tr>
<td>28 October</td>
<td>Half-year result announcement</td>
</tr>
<tr>
<td>11 November</td>
<td>Record date for interim ordinary dividend</td>
</tr>
<tr>
<td>14 December</td>
<td>Payment date of interim ordinary dividend</td>
</tr>
</tbody>
</table>

2011 Annual General Meeting (AGM)
Macquarie Group’s 2011 AGM will be held at 10:30am on Thursday 28 July 2011 at the Hilton Hotel (Grand Ballroom), 488 George Street, Sydney NSW. Details of the business of the meeting will be forwarded to shareholders separately.

Stock exchange listing
Macquarie Group Limited is listed on the ASX and its ordinary shares trade under the code MQG. Macquarie Convertible Preference Securities are quoted on the ASX and trade under the code MQCPA.

Macquarie Preferred Membership Interests are listed on the Singapore Stock Exchange and trade under the stock code 40RB.

Dividend details
Macquarie Group generally pays a dividend on its fully paid ordinary shares twice a year following the interim and final result announcements. The proposed relevant dates for the 2011 dividends are as follows:

<table>
<thead>
<tr>
<th>Dividend announcement</th>
<th>Record date</th>
<th>Proposed payment date</th>
</tr>
</thead>
<tbody>
<tr>
<td>29 April 2011</td>
<td>13 May 2011</td>
<td>4 July 2011</td>
</tr>
</tbody>
</table>

Dividend Reinvestment Plan (DRP)
The DRP allows shareholders to apply their dividends to acquire new Macquarie shares rather than receiving dividends in cash.

Enquiries
Investors who wish to enquire about any administrative matter relating to their Macquarie Group Limited shareholding are invited to contact the share registry office at:

Computershare Investor Services Pty Limited
GPO Box 2975
Melbourne Victoria 8060 Australia
Telephone (within Australia): 1300 554 096
Telephone (international): +61 3 9415 4137
Facsimile: +61 3 9473 2500
Email: web.queries@computershare.com.au
Website: www.computershare.com/au

All other enquiries relating to a Macquarie Group Limited share investment can be directed to:

Investor Relations
Macquarie Group Limited
Level 7, No.1 Martin Place
Sydney New South Wales 2000 Australia
Telephone: +61 2 8232 5006
Facsimile: +61 2 8232 6346
Email: investorrelations@macquarie.com
Website: macquarie.com.au/investorrelations

The Group’s Company Secretary, Dennis Leong, may be contacted on the above numbers.

Website
To view the Interim and Annual Reports, presentations, dividend information and other investor information, visit macquarie.com.au/investorrelations.
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