2012 Annual General Meeting
Macquarie Group’s 2012 Annual General Meeting will be held at 10.30am on Wednesday 25 July 2012 at the Four Seasons Hotel (Grand Ballroom), 199 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.

Full year result reflects improvement in second half of year
— Net profit of $730 million
— Operating income of $7.0 billion
— International income 60 per cent of total
— Earnings per share of $2.10
— Total ordinary dividends of $1.40 per share
— Return on equity of 6.8 per cent per annum
— Assets under management of $327 billion

Strong funding and balance sheet position
— Diverse and stable funding base
— Minimal reliance on short-term wholesale funding markets
— Total deposits of $33.9 billion
— $8.2 billion of new term funding
— $3.5 billion of capital in excess of minimum regulatory capital requirement

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Diversity at Macquarie 34
Macquarie’s approach to corporate governance 36
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1 These balances represent total deposits per the funded balance sheet, which differs from total deposits per the statutory balance sheet ($337.2 billion at 31 March 2012). The funded balance sheet excludes any deposits which do not represent a funding source for the Group.
Full year result reflects improvement in second half of year
— Net profit of $A730 million
— Operating income of $A7.0 billion
— International income 60 per cent of total
— Earnings per share of $A2.10
— Total ordinary dividends of $A1.40 per share
— Return on equity of 6.8 per cent per annum
— Assets under management of $A327 billion

Strong funding and balance sheet position
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— Consolidated net profit after tax attributable to ordinary equity holders decreased by 24 per cent to $A730 million from $A956 million
— Total operating income decreased by 9 per cent to $A7.0 billion from $A7.6 billion
— International income accounts for 60 per cent of total operating income
— Earnings per share decreased by 26 per cent to $A2.10 from $A2.83
— Dividends per share of $A1.40 (unfranked)
— Return on equity decreased to 6.8 per cent from 8.8 per cent
— Regulatory capital of $A12.8 billion, $A3.5 billion in excess of Macquarie Group’s minimum regulatory capital requirement on a fully Harmonised Basel III basis

Consolidated profit

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<tr>
<th>Year ended 31 March</th>
<th>2012</th>
<th>2011</th>
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<tbody>
<tr>
<td>Net operating income</td>
<td>6,963</td>
<td>7,665</td>
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<tr>
<td>Total operating expenses</td>
<td>(5,914)</td>
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<tr>
<td>Profit before income tax</td>
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<td>Income tax expense</td>
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<td>Profit from ordinary activities after income tax</td>
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<td>Non-controlling interest</td>
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1 Group regulatory surplus at 8.5 per cent risk weighted assets.
Macquarie Group recorded a profit of $A730 million for the year ended 31 March 2012, which was 24 per cent down on the prior year.

All of Macquarie’s operating groups maintained strong franchise positions during the year, notwithstanding challenging global market conditions which negatively impacted the performance of the Group’s capital markets businesses.

In this difficult environment, Macquarie continued to evolve its product and service offering. Particular focus was given to the growth of its long-standing annuity-style businesses, the core strengths of the capital markets businesses and a reduction in operating expenses.

Macquarie remains well positioned, with a strong and diverse global platform and specialist skills across a range of products and asset classes. All of this is built on the foundation of a strong balance sheet, significant surplus capital, a robust liquidity and funding position and a conservative approach to risk management.

Performance of operating groups
The year to 31 March 2012 was marked by global economic uncertainty with substantially lower levels of activity in many markets. This was reflected in the performance of Macquarie’s capital markets businesses. Macquarie Securities Group experienced a fall in cash and derivatives revenues and exited a number of underperforming businesses globally, recording a loss for the year.

Macquarie Capital reported significantly lower results due to low levels of corporate activity across mergers and acquisitions (M&A) and equity capital markets (ECM). The result for Fixed Income, Currencies and Commodities, though marginally down on the prior year, benefitted from a strong second half performance as activity returned to key markets.

Macquarie’s annuity-style businesses, particularly Macquarie Funds Group and Corporate and Asset Finance Group, delivered improved results in this challenging environment, reflecting the investment that has been made in these businesses over many years, as well as the benefits of recent acquisitions. The Banking and Financial Services Group performed well despite the volatility in the advice and intermediary businesses. Its result was slightly lower than the prior year. The performance of these annuity-style businesses further highlights the strength of Macquarie’s uniquely diversified global platform, which provided a buffer in this period of market uncertainty and volatility.

Throughout the year, the Group achieved a $A480 million reduction in costs through a range of initiatives, including exiting certain businesses, simplifying platforms and business rationalisation activities. Lower profit share, as a result of lower earnings and reduced headcount, also contributed to a reduced compensation expense. Staff numbers were 14,202 at 31 March 2012, down from 15,556 at 31 March 2011.

Macquarie Funds Group (MFG) generated strong annuity-style income from base fees, as well as performance fee income from a number of its infrastructure funds and Quant Hedge Funds outperforming their respective benchmarks. Assets under management increased by six per cent to $A324 billion. Macquarie Infrastructure and Real Assets raised more than $A2.2 billion in new equity commitments and made equity investments of more than $A1.3 billion. Macquarie Investment Management won 10 Lipper Fund Awards in 2012 across the US, Europe and Asia.

Delaware Investments was ranked first in the Barron’s Fund Families Report for 2011, while 15 Delaware Investments funds and several Australia funds achieved top quartile performance over three years.

Macquarie specialised Investment Solutions raised over $A300 million despite a weak investment environment.

Corporate and Asset Finance Group (CAF) increased its lease and corporate lending portfolio by five per cent to $A20.6 billion. During the year it tripled its meters portfolio by acquiring the Utility Metering Services (OnStream) business in the UK, doubled its rail freight car portfolio with a North American acquisition, while divesting its small portfolio of aircraft engines. Other initiatives included the establishment of a mining equipment finance business, the expansion of CAF’s motor vehicle finance offering to dealership showrooms and the extension of equipment finance to technology distributors globally. CAF’s lending business delivered new primary financings and strong securitisation activity, while pursuing opportunities to invest in corporate debt and the secondary loan market. The business also established an office in Singapore, broadening its presence in Asia.

Banking and Financial Services Group (BFS) maintained its No. 1 position for full-service retail stockbroking in Australia, while increasing its retail deposits by nine per cent to $A39 billion. Macquarie Wrap entered an agreement to provide systems and administration services for Perpetual Limited’s $A8.7 billion platform business as part of Australia’s largest platform outsourcing deal.

Macquarie also completed the transfer of its Asian advice business to Swiss private bank, Julius Baer. In Canada, continued progress was made with the integration of the Blackmont Capital business, with Macquarie’s private wealth business increasing client numbers by 13 per cent and client assets under management by 25 per cent, while BFS exited some non-core activities.

Macquarie Securities Group (MSG) was impacted by weak investor confidence as a result of global economic concerns and sovereign debt levels in Europe and the US. This led to a substantial reduction in revenues in MSG’s cash and derivatives businesses. Structural market changes prompted MSG to close or scale back a number of derivatives businesses, particularly in Europe, with some

Result overview
Macquarie Group (Macquarie) reported a consolidated after-tax profit of $A730 million for the full year ended 31 March 2012, a decrease of 24 per cent on the prior year’s profit of $A956 million. The key features of the result, including a strong second half performance particularly from Fixed Income, Currencies and Commodities, are outlined in the following table.

<table>
<thead>
<tr>
<th>Financials</th>
<th>Result 31 March 2012</th>
<th>Change on prior year</th>
<th>Result 2H12</th>
<th>Change on prior year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net profit</td>
<td>$A730 million</td>
<td>(24%)</td>
<td>$A425 million</td>
<td>39%</td>
</tr>
<tr>
<td>Operating income</td>
<td>$A7.0 billion</td>
<td>(9%)</td>
<td>$A3.7 billion</td>
<td>15%</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>$A5.9 billion</td>
<td>(8%)</td>
<td>$A3.1 billion</td>
<td>9%</td>
</tr>
<tr>
<td>Effective tax rate</td>
<td>28.2%</td>
<td>Up from 22.8%</td>
<td>29.8%</td>
<td>Up from 26%</td>
</tr>
<tr>
<td>Earnings per share</td>
<td>$A2.10</td>
<td>(26%)</td>
<td>$A1.24</td>
<td>43%</td>
</tr>
<tr>
<td>Return on equity (annualised)</td>
<td>6.8%</td>
<td>Down from 8.8%</td>
<td>7.8%</td>
<td>Up from 5.7%</td>
</tr>
<tr>
<td>Dividends per share (unfranked)</td>
<td>$A1.40</td>
<td>Down from $A1.86</td>
<td>$A0.75</td>
<td>Up from $A0.65</td>
</tr>
<tr>
<td>Assets under management</td>
<td>$A327 billion</td>
<td>5.5%</td>
<td>No change</td>
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</tr>
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The globally respected Lipper Fund Awards recognise funds that have outperformed peers based on risk-adjusted, consistent return.
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In this difficult environment, Macquarie continued to evolve its product and service offering. Particular focus was given to the growth of its long-standing annuity-style businesses, the core strengths of the capital markets businesses and a reduction in operating expenses.

Macquarie remains well positioned, with a strong and diverse global platform and specialist skills across a range of products and asset classes. All of this is built on the foundation of a strong balance sheet, significant surplus capital, a robust economic uncertainty with substantially lower levels of client activity in many markets. This was reflected in the performance of Macquarie’s capital markets businesses. Macquarie Securities Group (MSG) experienced a fall in cash and derivatives revenues and exited a number of underperforming businesses globally, recording a loss for the year.

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exit costs incurred. Despite challenging market conditions, MSG maintained its leading market positions for warrants and execution in keyAsian and commodities and its strong franchise is well positioned for an improvement in market conditions.

Macquarie Capital experienced significantly weaker markets for M&A transactions and ECM raisings. It advised on 435 transactions worth $A97 billion during the year, including Telstra Corporation’s $A11 billion cooperation agreement in relation to Australia’s National Broadband Network; Rio Tinto’s $A4 billion acquisition of Riversdale Mining and the Cbumus Media Inc. acquisition of Citadel Broadcasting Corporation to create the second largest radio broadcasting company in the US. With a global corporate finance capability targeting sectors where Macquarie has specialist knowledge, Macquarie Capital is well placed for a return in investor confidence and activity.

Fixed Income, Currencies and Commodities businesses were broadly in line with the prior year. The Group raised $A8.2 billion in new term funding in the year to 31 March 2012, including the $A2.4 billion refinancing of its Senior Credit Facility, which was supported by 17 global banks. Short-term wholesale issued paper remains a small portion of overall funding, with term assets covered by term funding and equity. This reflects the Group’s conservative approach to funding.

Macquarie has a long-standing policy of holding a significant level of capital to support its business and has consistently grown its capital base ahead of business growth. The Group’s capital at 31 March 2012 was $A12.8 billion. On a fully IFRS basis, the Group had $A25.1 billion in surplus over its minimum regulatory capital requirement. The capital surplus has enabled the Board to resolve to buyback up to $A500 million of Macquarie Group Limited ordinary shares, subject to market conditions and Macquarie’s share price. In addition to the buyback, Macquarie will be purchasing on-market approximately $A275 million in shares to satisfy the MEREP in addition to shares for the Dividend Reinvestment Plan for the second half. Once the above capital management actions have been completed, and subject to market conditions and the Macquarie share price, it remains Macquarie’s intention, subject to regulatory approval, to continue the buyback for a total of up to 10 per cent of Macquarie ordinary shares.

Funding
Macquarie remains very well funded, with diversified funding sources. Total deposits increased to $A33.9 billion at 31 March 2012 from $A31.8 billion at 31 March 2011. This deposit base adds to Macquarie’s diverse and stable sources of funding. The Group raised $A8.2 billion in new term funding in the year to 31 March 2012, including the $A2.4 billion refinancing of its Senior Credit Facility, which was supported by 17 global banks. Short-term wholesale issued paper remains a small portion of overall funding, with term assets covered by term funding and equity. This reflects the Group’s conservative approach to funding.

Disbursement
The Board resolved to pay a final ordinary dividend of $A0.75 per ordinary share (unfranked), up from $A0.60 in the first half. The total ordinary dividend payment for the year was $A1.40 per ordinary share, down from $A1.86 in the prior year. This represents an annual payout ratio of 66 per cent. Macquarie’s dividend policy remains an annual dividend payout ratio of between 50 to 60 per cent of net earnings attributable to ordinary shareholders. While the future rate of franking remains subject to the composition of income, dividends are likely to remain unfranked for the foreseeable future.

Risk management
Macquarie’s robust risk management framework is a key factor in the Group’s record of unbroken profitability. The Group and its management has always sought to identify and understand the consequences of worst case outcomes to determine whether such risks can be tolerated. This approach has remained largely consistent for more than 30 years and has served the Group well through a range of market cycles.

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, with oversight by an independent Risk Management Group.

Sustainability
Macquarie’s Board and management view the commitment to sustainability and Environmental, Social and Governance (ESG) performance as part of the Group’s broader responsibility to clients, shareholders and the communities in which it operates. Macquarie’s approach to sustainability is detailed in the Sustainability section of the Annual Financial Report. A Global Reporting Initiative index is also provided. Macquarie has maintained its carbon neutral commitment and has pursued business opportunities aligned with its specialist expertise in renewable energy, energy efficiency, environmental investments, carbon markets and ESG research.

Board and management
In February 2012, Macquarie announced a number of management changes. Ben Brazil, who joined Macquarie in 1994, was appointed Co-Head of CAF, joining existing CAF Head, Garry Farrell, who has led the lending and leasing businesses since 2000. Ben is responsible for CAF’s lending business, while Garry is responsible for its leasing operations. Alex Harvey, formerly the Global Head of Macquarie’s Telecommunications, Media, Entertainment and Technology group, was appointed Chief Executive Officer of Macquarie’s operations in Asia. Alex joined Macquarie in 1999 and has more than 15 years’ experience in the financial services industry, having led equity, debt and advisory transactions in Australia, Asia, Europe and the United States.

Mark Barnaba was appointed Chairman of Macquarie’s operations in Western Australia. Mark has worked for more than 20 years in corporate advisory and management consulting roles in Australia, the UK and South Africa.

Richard Sheppard retired as Deputy Managing Director of Macquarie Group and Managing Director and Chief Executive Officer of Macquarie Bank Limited following a distinguished 36-year career with Macquarie. Greg Ward assumed these positions and Patrick Godfroy succeeded him as Chief Financial Officer of Macquarie Group.

Richards continues in the important role of Chairman of the Macquarie Group Foundation.

Roy Laidlaw retired as Executive Chairman of Macquarie Securities Group and Head of Macquarie Capital. Tim Bishop was appointed Head of Macquarie Capital and Michael McLaughlin became US Country Head and Head of the US Management Committee, while also joining the Group Executive Committee. All but one of these appointments have been filled by internal candidates, reflecting the strength of Macquarie’s executive team.

As mentioned in last year’s Annual Report, Diane Grady joined the Boards of Macquarie Group and Macquarie Bank on 19 May 2011. The Macquarie Group Board comprises nine members, eight of whom are Independent Directors.

Outlook
While volatility makes forecasting difficult, it is currently expected that the result for the Group for the year ending 31 March 2013 will be an improvement on the prior year provided market conditions for the year ending 31 March 2013 are not worse than those experienced over the past 12 months. However, the final result for the year ending 31 March 2013 will be dependent on market conditions, particularly for capital market and corporate finance businesses, which continue to experience volatility. The result for the year ending 31 March 2013 also remains subject to a range of other challenges including:

– the cost of our continued conservative approach to funding and capital
– regulation, including the potential for regulatory changes
– increased competition in some markets; and
– the overall cost of funding.

Over the medium term, Macquarie remains well positioned to deliver superior performance due to its deep expertise in major markets, strength in diversity, ability to adapt to changing market conditions, strong and conservative balance sheet, proven risk management framework and culture and the ongoing benefits of continued cost initiatives.

Macquarie’s Board and management would like to take this opportunity to thank staff for their efforts on behalf of the Group in the period of volatility and difficult conditions during the year. Finally, we thank our shareholders for their continued support.
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Fixed Income, Currencies and Commodities markets experienced a significant turnaround in the second half of the year, particularly in credit and interest rate markets. The business experienced a significant turnaround in the second half as conditions and sentiment improved in key markets. The fixed income and currencies and futures businesses were broadly in line with the prior year, while price volatility led to increased client hedging activity in the energy markets business. FICC expanded its global futures operations to include listed derivatives sales in Montreal, established a G10 currencies sales and trading platform in Singapore and added sugar to its physical commodities offering.

Capital
Macquarie has a long-standing policy of holding a significant level of capital to support its business and has consistently grown its capital base ahead of business requirements. The Group’s capital at 31 March 2012 was $A12.8 billion. On a fully committed Basel III basis, the Group had $A2.1 billion1 in excess of its minimum regulatory capital requirement. The capital surplus has enabled the Board to resolve to buyback up to $A500 million of Macquarie Group Limited ordinary shares, subject to market conditions and Macquarie’s share price. In addition to the buyback, Macquarie will be purchasing on-market approximately $A275 million in shares to satisfy the MREP in addition to shares for the Dividend Reinvestment Plan for the second half. Once the above capital management actions have been completed, and subject to market conditions and the Macquarie share price, it remains Macquarie’s intention, subject to regulatory approval, to continue the buyback for a total of up to 10 per cent of Macquarie ordinary shares.

Funding
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Dividend
The Board resolved to pay a final ordinary dividend of $A0.75 per ordinary share (unfranked), up from $A0.60 in the first half. The total ordinary dividend payment for the year was $A1.40 per ordinary share, down from $A1.86 in the prior year. This represents an annual payout ratio of 66 per cent. Macquarie’s dividend policy remains an annual dividend payout ratio of between 50 to 60 per cent of net earnings attributable to ordinary shareholders. While the future rate of franking remains subject to the composition of income, dividends are likely to remain unfranked for the foreseeable future.

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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, with oversight by an independent Risk Management Group.

Sustainability
Macquarie’s Board and management view the commitment to sustainability and Environmental, Social and Governance (ESG) performance as part of the Group’s broader responsibility to clients, shareholders and the communities in which it operates. Macquarie’s approach to sustainability is detailed in the Sustainability section of the Annual Financial Report. A Global Reporting Initiative index is also provided. Macquarie has maintained its carbon neutral commitment and has pursued business opportunities aligned with its specialist expertise in renewable energy, energy efficiency, environmental investments, carbon markets and ESG research.

Board and management
In February 2012, Macquarie announced a number of management changes. Ben Brazill, who joined Macquarie in 1994, was appointed Co-Head of CAF, joining existing CAF Head, Garry Farrell, who has led the lending and leasing businesses since 2000. Ben is responsible for CAF’s lending business, while Garry is responsible for its leasing operations.

Alex Harvey, formerly the Global Head of Macquarie’s Telecommunications, Media, Entertainment and Technology group, was appointed Chief Executive Officer of Macquarie’s operations in Asia. Alex joined Macquarie in 1999 and has more than 15 years’ experience in the financial services industry, having led equity, debt and advisory transactions in Australia, Asia, Europe and the United States.

Mark Barnaba was appointed Chairman of Macquarie’s operations in Western Australia, Mark has worked for more than 20 years in corporate advisory and management consulting roles in Australia, the UK and South Africa.

Richard Sheppard retired as Deputy Managing Director of Macquarie Group and Managing Director and Chief Executive Officer of Macquarie Bank Limited following a distinguished 36-year career with Macquarie. Greg Ward assumed the role of Chairman of Macquarie Capital. Tim Bishop was appointed Head of Macquarie Capital and Michael McLaughlin became US Chief Executive and Head of the US Management Committee, while also joining the Group Executive Committee.

All but one of these appointments have been filled by internal candidates, reflecting the strength of Macquarie’s executive team.

As mentioned in last year’s Annual Report, Diane Grady joined the Boards of Macquarie Group and Macquarie Bank on 19 May 2011. The Macquarie Group Board comprises nine members, eight of whom are Independent Directors.

Outlook
While volatility makes forecasting difficult, it is currently expected that the result for the Group for the year ending 31 March 2013 will be an improvement on the prior year provided market conditions for the year ending 31 March 2013 are not worse than those experienced over the past 12 months. However, the final result for the year ending 31 March 2013 will be dependent on market conditions, particularly for capital market facing businesses, which continue to face a low interest rate environment. The result for the year ending 31 March 2013 also remains subject to a range of other challenges including:

– the cost of our continued conservative approach to funding and capital
– regulation, including the potential for regulatory changes
– increased competition in some markets; and
– the overall cost of funding.

Over the medium term, Macquarie remains well positioned to deliver superior performance due to its strong franchise in major markets, strength in diversity, ability to adapt to changing market conditions, strong and conservative balance sheet, proven risk management framework and culture and the ongoing benefits of extended cost initiatives.

Macquarie’s Board and management would like to take this opportunity to thank our shareholders for their efforts on behalf of the Group in the period of volatility and difficult market conditions. Finally, we wish to thank our shareholders for their continued support.
Evolution has been a fundamental tenet of Macquarie’s business. Staff have always been empowered to explore ideas and develop business opportunities within strict risk management disciplines. This approach, called ‘freedom within boundaries’, encourages both innovation and accountability. It has also delivered strong incremental growth throughout Macquarie’s 43-year history. Staff have progressively built knowledge and expertise in particular disciplines and grown their businesses by expanding into adjacencies. Selective acquisitions, designed to complement existing skills, have accelerated the growth process in some businesses.

As a result, Macquarie has developed deep specialist skills globally in areas such as resources, agriculture and commodities, energy, infrastructure and, particularly, the Asia-Pacific region, as well as niche expertise in many other areas. The evolution of Macquarie’s business has also created six diverse operating groups, each with different global competitors and a strong franchise position.

There is an understanding within the Group that not all ideas lead to success, as well as a preparedness to exit businesses once profit opportunities have been exhausted. Many of Macquarie’s successes have been built on the experience gained from earlier endeavours. Each of Macquarie’s six operating groups reflects these key elements of the Group’s evolution focus.

Macquarie’s activities constantly evolve as its businesses seek to anticipate and respond to the opportunities presented by changing market conditions and client needs. At the heart of this evolution is a culture that embraces new opportunities and encourages staff to pursue them. This has enabled Macquarie to develop uniquely diversified businesses and build global specialist capabilities in a number of key areas.

MACquARIE GROUP 2012 ANNuAL REvIEW
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Each of Macquarie’s six operating groups reflects these key elements of the Group’s evolution focus.

Macquarie Funds Group (MFG) is a top 50 global asset manager, with $A324 billion in assets under management, including $A99 billion in infrastructure and real assets. Macquarie was a leader in the establishment of infrastructure as an asset class in Australia and developed infrastructure investment expertise across roads, airports, communications and utility assets. Now located in 17 countries, MFG has grown to be the largest manager of infrastructure assets globally. Emerging markets have been a key focus in recent years for the infrastructure and real assets business, with funds launched either alone or with joint venture partners in China, India, Mexico and Russia. During the period, an African infrastructure fund achieved its final close, raising a total of $US500 million.

Macquarie is also a leading manager of global infrastructure securities, with one of the largest dedicated teams globally. MFG established its securities investment management business in Australia in 1980 and has broadened its global footprint organically and through the acquisitions of Delaware Investments in the US and INNOVEST Kapitalanlage AG (now Macquarie Investment Management Australia). MFG is the now the largest Australian-based global asset manager.

Corporate and Asset Finance Group (CAF) has an asset and loan portfolio of $A20.6 billion, with expertise in corporate debt and asset financing across aircraft, motor vehicle, technology, healthcare, manufacturing, industrial, energy, rail and mining equipment.

Now one of Macquarie’s key businesses, the knowledge and expertise CAF has progressively built over more than 25 years has enabled it to significantly expand its global asset financing and corporate lending activities. CAF provides a consistent source of annuity-style income in challenging market conditions and since 2008 has tripled the size of its portfolio and delivered a five-fold increase in profit.

Banking and Financial Services Group (BFS) has more than 1.1 million clients, with $A117.9 billion in assets under administration, advice or management globally. Australia’s No. 1 full-service Australian retail stockbroker by volume and market share, it provides services to individuals, small and medium enterprises and intermediaries. In recent years, it has also built a successful wealth management business in Canada.

One of the business’ earliest innovations was the establishment of Australia’s first cash management trust in 1980, which became the cornerstone for Macquarie’s expansion into the funds management business. Brought on to the Macquarie balance sheet in 2010, the $A16.1 billion Cash Management Account is now utilised by 500,000 clients.

Macquarie Securities Group (MSG) is a global institutional securities house, with particularly strong foundations in Asia-Pacific, covering sales, research, equity capital markets (ECM), execution and derivatives activities. Having established successful cash equities, ECM and derivatives operations in select international locations since the 1980s, MSG significantly expanded its platform with the ING Asian cash equities acquisition across 10 countries in 2004. Macquarie also used the acquisition to further develop its Asia-Pacific expertise and is now widely regarded as a leading regional specialist.

Macquarie Capital has built a global corporate finance capability with specialist skills across the infrastructure, utilities and renewables, resources, real estate, telecommunications, media, entertainment and technology, industrials and financial institutions sectors.

Macquarie Capital continues to adjust its business mix to reflect market opportunities and conditions with a recent focus on the renewable energy sector, and the formation of dedicated teams to service financial sponsors and raise private capital. Macquarie Capital has increased its capabilities in leveraged finance and hybrid issuance in response to growing market opportunities in these areas. At the same time, Macquarie has continued to build on its strengths: it continues to have the largest infrastructure advisory team globally and maintains a global presence in resources. A number of Macquarie’s successful businesses also originated within Macquarie Capital. It was the original home of the infrastructure funds business located within MFG, as well as the leasing and cross-border leasing activities from the 1980s and 1990s that have since evolved into the CAF business.

Fixed Income, Currencies and Commodities (FICC) operates a portfolio of businesses across global commodity and financial markets which it has progressively evolved over more than 30 years. FICC has always focused on having a deep understanding of both the physical and financial commodity markets in order to create effective and customised risk management solutions for clients. It has leveraged its knowledge and experience in the financial commodity markets to build physical capabilities in select markets. FICC is now the fourth largest marketer of physical gas in North America, while also trading physical liquefied natural gas, power, oil, coal, ethanol, freight, base metals and iron ore. During the year, it added physical sugar to its offering.

In financial markets, FICC has provided foreign exchange and futures trading since the 1980s. In recent years, it has established a credit trading business in the US and is currently building its financial markets offering in Asia.

Evolution has played a critical role in the growth of Macquarie’s business and the development of global expertise in key areas. Macquarie will continue to evolve its products and services to ensure it has the appropriate business mix to suit prevailing market conditions and client needs.

Footnotes:
2 The African Infrastructure Investment Fund 2 is managed by an entity jointly owned by Macquarie and Old Mutual Investment Group South Africa.
Australia

MFG’s flagship Australian fixed income retail strategies – Macquarie Diversified Fixed Interest and Macquarie Income Opportunities – each reached $1.1 billion in assets under management during the period

MFG raised over $300 million for MFG’s Australian retail specialised products

CAF extended its offering to Australian motor vehicle manufacturers and dealers by entering the wholesale floorplan finance market

CAF funded, originated or acquired $33.9 billion of corporate debt and asset finance opportunities

BFS Macquarie Pastoral Fund completed its acquisition phase with the purchase of Cuffrush Property in northern New South Wales, bringing its total pastoral holdings in Australia to more than 10 million hectares

Macquarie Wrap and Perpetual Limited announced an agreement to leverage each other’s expertise as part of Australia’s largest platform outsourcing deal. Macquarie will provide outsourced systems and administrative functions for Perpetual’s $48.7 billion private wealth administration platform

Asia

MFG continued to build out its Asian platform, with the infrastructure and real assets business raising over $600 million in equity for its Asian funds and continuing to deploy equity strategically across the region

The Macquarie Asian Alpha strategy reached more than $US1.5 billion in assets under management and the Macquarie Asian Alpha Fund was named Asia Risk’s Hedge Fund of the Year and won the 2011 AsiaHedge award for the Best Asia (including Japan) Hedge Fund

CAF’s lending business established an office in Singapore, broadening its presence in Asia

CAF broadened its equipment finance white label programs to manufacturers and vendors in Asia

Macquarie completed the transition of Macquarie Private Wealth Asia into Swiss private bank Julius Baer as part of a strategic collaboration agreement

MSG’s derivatives business remained a leading issuer of warrants, ranked No. 1 in Singapore and Korea and No. 5 in Hong Kong

Macquarie Bank Limited was granted a bank branch licence by the Hong Kong Monetary Authority

Macquarie Capital was adviser to SK Telecom, South Korea’s leading telecommunications service provider, on its acquisition of a 21 per cent controlling interest in Hyuni Semiconductor for $US3.5 billion

Macquarie Capital was adviser to a consortium led by Daewoo Engineering & Construction Co., Ltd., for its KRW1.7 trillion ($US1.5 billion) greenfield financing of the Guri-Pocheon Expressway Project

FICC was awarded Best Commodity Derivatives Provider Asia in the Best Derivatives Providers 2011 by Global Finance Magazine

Europe, Middle East and Africa

MFG’s infrastructure and real assets business raised over $1.1 billion for its managed funds across the region

Macquarie Investment Management Austria won two Lipper Awards in 2012, including Best Overall Small Company over three years. The business also launched two new products, including an absolute return asset allocation fund and an emerging markets multi strategy

CAF completed the acquisition of Utility Metering Services (OnStream), increasing the scale of its emerging markets multi strategy

FICC was awarded Best Commodity Derivatives Provider Asia in the Best Derivatives Providers 2011 by Global Finance Magazine

Americas

MFG’s Delaware Investments was ranked first in the Barron’s Fund Families Report for 2011 and won the Best Mixed Asset Small Company Lipper Award for 2012. Three Delaware Investments funds were also recognised as the best in their respective Lipper categories for a total of six further awards

MIPA invested over $480 million in infrastructure and real assets across the Americas including Macquarie Infrastructure Partners II’s acquisition of US-based WCA Waste Corporation

Strong securitisation activity by CAF, with $4.5 billion of motor vehicle leases and loans securitised during the year, including three issuances in the US

CAF funded, originated or acquired $2.1 billion of corporate debt and asset finance opportunities

BFS Canada entered an agreement to outsource the servicing of its $C8 billion mortgage portfolio to Paradigm Quest Inc. while Canadiana Financial Corp will assume loan origination functions for Macquarie

BFS’ Canadian client numbers rose 13 per cent to 142,371, while total assets under management or administration increased by 25 per cent to $C12.2 billion

Macquarie Capital (USA) Inc. was established as a self clearing broker/dealer for equity and fixed income securities

Macquarie ranked No. 15 for ECM market share in the Thompson Reuters US Equity and Equity Related league table rankings, up from No. 36 in the prior year

Macquarie Capital was adviser on the $US1 billion financing of the Marea Renovables project, one of the largest wind farm financings in the world to date. The 396MW wind farm, to be built in the State of Oaxaca in the southwest of Mexico, will be the largest wind farm in Latin America

Macquarie Capital acted as joint financial adviser to Cumnuris Media Inc. on its acquisition of Citadel Broadcasting Corporation, creating the second largest radio broadcasting company in the US. Macquarie was also joint bookrunner and joint lead arranger on the $US3 billion debt financing and provider, along with Crestview Partners, of a $US500 million equity commitment

FICC’s Futures Division expanded its global operations to include a listed derivatives sales office in Montreal, Canada

FICC’s Energy Markets Division maintained its ranking by Platts as the No. 4 US physical gas marketer in North America

Macquarie Capital was adviser to HyCapital on the disposal of fighting products and systems provider SLV Group to Civen, one of the largest private equity transactions in Germany in 2011

Macquarie Capital was adviser to sponsors Samsung Engineering, Invest AD and United Utilities for the project financing of the Muharraq Wastewater Treatment Plant and Sewage Conveyance public-private partnership (PPP). This was the first PPP in Bahrain’s wastewater sector and Macquarie Capital’s first transaction in Bahrain

FICC’s Fixed Income and Currencies Division acted as sole arranger and joint lead manager for Paragon Mortgages in its securitisation of UK Buy-To-Let loans

FICC was awarded the Commodity Business Award for Excellence in Agriculture and Softs for the second consecutive year
REGIONAL ACTIVITY

**Australia**

MFG’s flagship Australian fixed income retail strategies – Macquarie Diversified Fixed Interest and Macquarie Income Opportunities – each reached $A1 billion in assets under management during the period.

MFG raised over $A300 million for MFG’s Australian retail specialised products.

CAF extended its offering to Australian motor vehicle manufacturers and dealers by entering the wholesale floorplan finance market.

CAF funded, originated or acquired $A3.9 billion of corporate debt and asset finance opportunities.

BFS Macquarie Pastoral Fund completed its acquisition phase with the purchase of Guffush Property in northern New South Wales, bringing its total pastoral holdings in Australia to more than 3.6 million hectares.

Macquarie Wrap and Perpetual Limited announced an agreement to leverage each other’s expertise as part of Australia’s largest platform outsourcing deal. Macquarie will provide outsourced systems and administrative functions for Perpetual’s $A8.7 billion private wealth administration platform.

**Asia**

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MIRA invested over $A600 million in infrastructure and real assets across the Americas including Macquarie Infrastructure Partners II’s acquisition of US-based WCA Waste Corporation.

Strong securitisation activity by CAF, with $A2.5 billion of motor vehicle leases and loans securitised during the year, including three issuances in the US.

CAF funded, originated or acquired $A2.1 billion of corporate debt and asset finance opportunities.

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**Macquarie Investment Management Austria won**

two Lipper Awards in 2012, including Best Overall Small Company over three years. The business also launched two new products, including an absolute return asset allocation fund and an emerging markets multi-strategy.

**CAF completed the acquisition of Utility Metering Services (OnStream)**, increasing the scale of its meters business and bringing its total UK portfolio to more than 5.7 million gas and electricity meters.

**CAF funded, originated or acquired $A1.3 billion of corporate debt and asset finance opportunities.**

**Macquarie First South Capital acted as lead financial adviser to Gold One International Limited on the introduction of a long-term strategic partner through a $A150 million subscription and subsequent $A0.55 cash offer by a Chinese consortium.**
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 more than 70 offices in 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. 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 Funds Group is a global asset manager offering a diverse range of products including:
- Alternative asset management including:
  - Infrastructure
  - Real estate
- Securities investment management across:
  - Fixed interest and currencies
  - Equities, including infrastructure securities
  - Private markets
  - Hedge funds
  - Multi-asset allocation solutions
- Fund and equity-based solutions including:
  - Capital protected investments
  - Fund-linked products
  - Retirement income options
  - Alternative funds
  - Residential real estate products
- Annuity reinsurance offerings

Corporate and Asset Finance Group specialises in corporate debt and asset financing across aircraft, motor vehicles, technology, healthcare, manufacturing, industrial, energy, rail and mining equipment. Services include:
- Corporate and asset-backed lending
- Real estate lending
- Leasing
- Specialised asset financing
- Asset lifecycle management services
- Equipment trading and remarketing

Banking and Financial Services Group offers financial services to a broad client base of individuals, intermediaries and small and medium enterprises. Services include:
- Wealth management and private banking
- Cash management services
- Full-service and online broking
- Intermediary products including administrative services and life insurance
- Business banking
- Mortgages

Macquarie Securities Group is a global institutional securities house with strong Asia-Pacific foundations. Services include:
- Institutional cash equities
- Derivatives
- Retail derivatives
- Arbitrage trading
- Synthetic products
- Securities borrowing and lending

Macquarie Capital offers expertise across a range of advisory and capital raising services:
- Corporate finance and advisory
- Equity and debt capital markets
- Private equity placements
- Principal investments

Fixed Income, Currencies and Commodities provides a variety of trading, risk management, sales, structuring, financing and market analysis and strategy services in:
- Metals and energy capital
- Energy markets
- Metals markets
- Agricultural markets
- Fixed income, currency and credit markets
- Futures
- Environmental financial products
- Asian and emerging markets

Operating group contribution to profit

<table>
<thead>
<tr>
<th>Operating group contribution to profit</th>
<th>Net profit contribution ($A$m)</th>
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    - Alternative funds
    - Residential real estate products
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stayed bridge, stretching across the sea from mainland South Korea to Yeongjong Island. More than 27,000 vehicles travel across the bridge every day.

Macquarie Funds Group (MFG) continued to build its Asian infrastructure platform during the year. In February 2012, MFG became the sole manager of Macquarie Korea Infrastructure Fund (MKIF). One of the largest infrastructure funds in Korea, MKIF is listed on both the KRX and London stock exchanges and had a market capitalisation of $A1.6 billion at 31 March 2012. MKIF’s portfolio includes the Incheon Grand Bridge, which is South Korea’s longest spanning cable-stayed bridge, stretching over 12 kilometres from mainland South Korea to Yeongjong Island. More than 27,000 vehicles travel across the bridge every day.

Macquarie Funds Group (MFG) contributed $A655 million to Macquarie’s total profit from operating groups for the full year to 31 March 2012, an increase of 36 per cent on the prior year. MFG generated operating income of $A1.4 billion, an increase of six per cent on the prior year. The result was driven by strong annuity-style income from base fees, increased performance fee income, additional income from the provision of financing facilities to external funds and their investors and lower operating expenses. Net income was adversely impacted by the strengthening of the Australian dollar against major currencies compared to the prior year.

MFG had $A324 billion in assets under management at 31 March 2012, up six per cent on the prior year. This growth was predominantly driven by net inflows into the securities investment management business, investments in the infrastructure and real assets business, positive market movements and valuation changes. These growth factors were partially offset by asset disposals in the infrastructure and real assets business, as well as the strengthening of the Australian dollar against the Euro.

Macquarie Infrastructure and Real Assets (MIRA) raised more than $A2.2 billion in new equity commitments during the year. MIRA continued to focus on investing capital strategically across the globe, with more than $A1.3 billion of equity invested. Performance fees of $A100 million were earned predominately as a result of Macquarie Essential Assets Partnership, Macquarie Asia Roads and Thames Water outperforming their respective benchmarks. MIRA was ranked the largest manager of infrastructure assets for pension funds globally in the Towers Watson Global Alternatives Survey 2011 and first in the Infrastructure Investor magazine 2011 listing of the largest infrastructure investors globally.

Macquarie Investment Management (MIM) had net inflows of $A6.4 billion during the year and won 10 Lipper Fund Awards in 2012 across the US, Europe and Asia. Delaware Investments was ranked first in the Barron’s Fund Families Report for 2011, while 15 Delaware Investments funds achieved top quartile performance over three years in their respective Lipper categories. In Australia, the Macquarie High Conviction Fund, the Macquarie Australian Small Companies Fund and the Macquarie Core Australian Fixed Interest Fund achieved top quartile performance over three years. MIM continued to build out its global distribution platform and launched several new funds, including an international bond fund, a short-term currency alpha fund and an absolute return asset allocation fund.

Macquarie Specialised Investment Solutions (MSIS) generated strong fee and margin income from the provision of financing facilities to external funds and their investors. During the period, MSIS launched a range of new retail products in Australia and Europe. Despite weaker investor appetite, the business raised over $A300 million in Australian retail specialised products.

Outlook
MFG currently expects its result for the year ending 31 March 2013 to be broadly in line with the prior year, subject to performance fees. It will continue to focus on organic growth 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 Infrastructure and Real Assets** is a global leader in alternative asset management, specialising in infrastructure and other real asset classes via public and private funds, co-investments, partnerships and separately managed accounts. Its client base is primarily institutional investors, including global pension and superannuation funds, other institutions and governments. The division is recognised for its expertise over the investment lifecycle, with strong capabilities in investment sourcing, investment management and investor relationships.

- **Macquarie Investment Management** offers a full-service offering to institutional and retail clients in Australia and the US, with selective offerings in other regions. The division is recognised for its product innovation, with a strong track record of delivering tailored solutions to the market.

- **Macquarie Specialised Investment Solutions** manufactures and distributes a range of fund and equity-based solutions including capital protected investments, fund-linked products, retirement income options, alternative funds, residential real estate products and annuity reinsurance offerings. The division is recognised for product innovation, with a strong track record of delivering tailored solutions to the market.
Macquarie Funds Group (MFG) contributed $A655 million to Macquarie’s total profit from operating groups for the full year to 31 March 2012, an increase of 36 per cent on the prior year. MFG generated operating income of $A1.4 billion, an increase of six per cent on the prior year. The result was driven by strong annuity-style income from base fees, increased performance fee income, additional income from the provision of financing facilities to external funds and their investors and lower operating expenses. Net income was adversely impacted by the strengthening of the Australian dollar against major currencies compared to the prior year.

MFG had $A324 billion in assets under management at 31 March 2012, up six per cent on the prior year. This growth was predominantly driven by net inflows into the securities investment management, business investments in the infrastructure and real assets business, positive market movements and valuation changes. These growth factors were partially offset by asset disposals in the infrastructure and real assets business, as well as the strengthening of the Australian dollar against the Euro.

Macquarie Infrastructure and Real Assets (MIRA) was ranked the largest infrastructure investor globally. Infrastructure Investor magazine 2011 listing of pension funds globally in the Towers Watson largest manager of infrastructure assets for respective benchmarks. MIRA was ranked the roads and Thames Water outperforming their respective benchmarks. MIRA was ranked the largest manager of infrastructure assets for pension funds globally in the Towers Watson Global Alternatives Survey 2011 and first in the Infrastructure Investor magazine 2011 listing of the largest infrastructure investors globally.

Macquarie Investment Management (MIM) had net inflows of $A6.4 billion during the year and won 10 Lipper Fund Awards in 2012 across the US, Europe and Asia¹. Delaware Investments was ranked first in the Barron’s Fund Families Report for 2011, while 15 Delaware Investments funds achieved top quartile performance over three years in their respective Lipper categories. In Australia, the Macquarie High Conviction Fund, the Macquarie Australian Small Companies Fund and the Macquarie Core Australian Fixed Interest Fund achieved top quartile performance over three years. MIM continued to build out its global distribution platform and launched several new funds, including an international bond fund, a short-term currency alpha fund and an absolute return asset allocation fund.

¹ The globally respected Lipper Fund Awards recognise funds that have outperformed peers based on risk-adjusted, consistent return.

Macquarie Specialised Investment Solutions (MSIS) generated strong fee and margin income from the provision of financing facilities to external funds and their investors. During the period, MSIS launched a range of new retail products in Australia and Europe. Despite weaker investor appetite, the business raised over $A300 million in Australian retail specialised products.

Outlook

MFG currently expects its result for the year ending 31 March 2013 to be broadly in line with the prior year, subject to performance fees. It will continue to focus on organic growth 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 Infrastructure and Real Assets is a global leader in alternative asset management, specialising in infrastructure and other real asset classes via public and private funds, co-investments, partnerships and separately managed accounts. Its client base is primarily institutional investors, including global pension and superannuation funds, other institutions and governments. The division is recognised for its expertise over the investment lifecycle, with strong capabilities in investment sourcing, investment management and investor relationships.

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

- Macquarie Specialised Investment Solutions manufactures and distributes a range of fund and equity-based solutions including capital protected investments, fund-linked products, retirement income options, alternative funds, residential real estate products and annuity reinsurance offerings. The division is recognised for product innovation, with a strong track record of delivering tailored solutions to the market.
Corporate and Asset Finance Group (CAF) contributed $A698 million to Macquarie’s total profit from operating groups for the full year to 31 March 2012, an increase of 22 per cent on the prior year. CAF generated operating income of $A1.1 billion, an increase of 23 per cent on the prior year. At 31 March 2012, the group managed a lease and loan portfolio of $A20.6 billion, an increase of five per cent on the prior year. CAF has 953 staff servicing clients in more than 40 countries in the corporate, government and retail sectors.

CAF’s funded loan portfolio of $A8 billion was in line with the prior year. The business delivered a number of selective new primary financings, while continued deleveraging across the financial system created opportunities to add to the portfolio via the secondary market. During the period, CAF funded, originated or acquired $A2.3 billion of corporate debt opportunities. The business remained active in commercial real estate lending, completing several opportunistic acquisitions and client financing transactions. In addition, CAF’s lending business expanded its geographic footprint in Asia, establishing an office in Singapore.

CAF’s asset finance business grew organically and through acquisition during the year. Macquarie Leasing entered the dealer floorplan finance market, extending its motor vehicle finance offering from manufacturer to end user. CAF also broadened its equipment finance offering to distributors globally and extended its white label programs to manufacturers and vendors in Australia, Asia, Europe and the US. The acquisition of Utility Metering Services (OnStream) in October 2011 tripled CAF’s portfolio of gas and electricity meters in the UK to more than 5.7 million meters. In November 2011, CAF also acquired a portfolio of North American rail freight cars, almost doubling the size of its rail portfolio to 10,000 railcars.

A mining equipment finance business was established to support miners and contractors as they expand and renew their fleets. In September 2011, CAF signed an agreement to sell a portfolio of leased aircraft engines, which is expected to be finalised by the end of June 2012. CAF’s securitisation activity remained strong, with Macquarie Leasing securing $A2.6 billion of motor vehicle leases and loans during the year.

Outlook
Subject to market conditions, CAF currently expects its result for the year ending 31 March 2013 to be broadly in line with the prior year. The group will continue to pursue opportunities for growth organically and through acquisition.

About Corporate and Asset Finance Group
CAF’s lending business provides bridging and term finance to corporate clients and Invest in select debt assets trading in secondary debt markets. The team has offices in London, New York, Chicago, Sydney and Singapore.

CAF’s aircraft business provides operating leases of commercial jet aircraft to airlines globally. It helps clients improve capital efficiency and flexibility, reduce fleet and technology migration costs, increase fleet management capability and minimise market risk and equipment obsolescence risk. The business includes Macquarie AirFinance, a leading global aircraft operating lessor.

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 Equipment Finance is a global business providing specialist equipment finance and services solutions for a broad range of equipment types, including healthcare, technology, communications, materials handling, manufacturing and related equipment. It provides these services directly to large customers, through vendor finance solutions developed for equipment manufacturers and resellers, and with other financial services partners.

Macquarie Meters owns an extensive gas and electricity metering portfolio, comprising traditional electronic meters and newer ‘smart’ electronic meters, capable of communicating remotely via GSM and GPRS mobile technology. Clients are predominately major UK energy providers.

CAF’s mining business provides finance, operating leases and secured lending for surface and underground mobile mining equipment. The team operates globally on behalf of miners, contract miners and rental companies. CAF’s mining equipment finance business complements Macquarie’s existing capabilities in resources mergers and acquisitions and commodity hedging and trading.

Macquarie Rail offers a 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.
Corporate and Asset Finance Group (CAF) contributed $409.8 million to Macquarie’s total profit from operating groups for the full year to 31 March 2012, an increase of 22 per cent on the prior year. CAF generated operating income of $1.1 billion, an increase of 23 per cent on the prior year. At 31 March 2012, the group managed a lease and loan portfolio of $20.6 billion, an increase of five per cent on the prior year. CAF has 953 staff servicing clients in more than 40 countries in the corporate, government and retail sectors.

CAF’s funded loan portfolio of $48 billion was in line with the prior year. The business delivered a number of selective new primary financings, while continued deleveraging across the financial system created opportunities to add to the portfolio via the secondary market. During the period, CAF funded, originated or acquired $2.3 billion of corporate debt opportunities.

The business remained active in commercial real estate lending, completing several opportunistic acquisitions and client financing transactions. In addition, CAF’s lending business expanded its geographic footprint in Asia, establishing an office in Singapore.

CAF’s asset finance business grew organically and through acquisition during the year. Macquarie Leasing entered the dealer floorplan finance market, extending its motor vehicle finance offering from manufacturer to end user. CAF also broadened its equipment finance offering to distributors globally and extended its white label programs to manufacturers and vendors in Australia, Asia, Europe and the US.

The acquisition of Utility Metering Services (OnStream) in October 2011 tripled CAF’s portfolio of gas and electricity meters in the UK to more than 5.7 million meters. In November 2011, CAF also acquired a portfolio of North American rail height cars, almost doubling the size of its rail portfolio to 10,000 railcars.

A mining equipment finance business was established to support miners and contractors as they expand and renew their fleets. In September 2011, CAF signed an agreement to sell a portfolio of leased aircraft engines, which is expected to be finalised by the end of June 2012.

CAF’s securitisation activity remained strong, with Macquarie Leasing securing $2.6 billion of motor vehicle leases and loans during the year.

Outlook
Subject to market conditions, CAF currently expects its result for the year ending 31 March 2013 to be broadly in line with the prior year. The group will continue to pursue opportunities for growth organically and through acquisition.

About Corporate and Asset Finance Group
CAF’s lending business provides bridging and term finance to corporate clients and invests in select debt assets trading in secondary debt markets. The team has offices in London, New York, Chicago, Sydney and Singapore.

CAF’s aircraft business provides operating leases of commercial jet aircraft to airlines globally. It helps clients improve capital efficiency and flexibility, reduce fleet and technology migration costs, increase fleet management capability and minimise market risk and equipment obsolescence risk. The business includes Macquarie AirFinance, a leading global aircraft operating lessor.

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 Equipment Finance is a global business providing specialist equipment finance and services solutions for a broad range of equipment types, including healthcare, technology, communications, materials handling, manufacturing and related equipment. It provides these services directly to large customers, through vendor finance solutions developed for equipment manufacturers and resellers, and with other financial services partners.

Macquarie Meters owns an extensive gas and electricity metering portfolio, comprising traditional electronic meters and newer “smart” electronic meters, capable of communicating remotely via GSM and GPRS mobile technology. Clients are predominately major UK energy providers.

CAF’s mining business provides finance, operating leases and secured lending for surface and underground mobile mining equipment. The team operates globally on behalf of miners, contract miners and rental companies. CAF’s mining equipment finance business complements Macquarie’s existing capabilities in resources mergers and acquisitions and commodity hedging and trading.

Macquarie Rail offers a 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.
Banking and Financial Services Group (BFS) contributed $A265 million to Macquarie’s total profit from operating groups for the full year to 31 March 2012. The result was slightly down on the prior year. It generated operating income for the year of $A1.4 billion, a decrease of six per cent on the prior year. The result was achieved despite continuing volatility in the advice and intermediary businesses and challenging conditions for non-cash products. Operating income was also affected by income recognised in the prior year as a result of the partial sale of a majority shareholding in OzForex.

BFS maintained market position in its core retail Australian businesses with cash products continuing to grow strongly and retail on-balance sheet cash deposits increasing to $A29 billion at 31 March 2012 from $A26.6 billion at 31 March 2011.

BFS had 1.14 million clients globally at 31 March 2012, consistent with the prior year.

Macquarie Adviser Services continued to focus on growth in its intermediary service and distribution business particularly in the platform and insurance businesses. During the year Macquarie Wrap and Perpetual Limited announced Australia’s largest ever platform outsourcing deal. Macquarie will provide outsourced systems and administrative functions for Perpetual’s $A8.7 billion private wealth administration platform, with integration expected to be complete by March 2013. Macquarie Wrap funds under administration were slightly down on the prior year at $22 billion, due to subdued market conditions. However, client and account numbers continued to increase steadily.

Macquarie’s Intermediary - Life Insurance business experienced an increasingly competitive market in 2011 but remained on track with inforce risk insurance premium income increasing 33 per cent on the prior year. The Macquarie Mortgage portfolio was $A10.8 billion at 31 March 2012, down seven per cent on the prior year. However, mortgage origination is expected to result in net monthly portfolio growth during this financial year.

Macquarie Relationship Banking continued to grow its presence in the core small to medium enterprise segments it services, including strata, residential real estate and insurance broking, growing its total lending and deposit book to $A8.8 billion at 31 March 2012 and achieving a record number of new clients during the year.

Macquarie Private Wealth (MPW) maintained its position as one of the leading advice and broking businesses in Australasia. It was again ranked No. 1 for full-service retail stockbroking in Australia based on market share and trading volumes. MPW’s Australia and New Zealand client numbers were consistent at 321,000 across the full-service broking, strategic financial planning and direct businesses.

During the year MPW consolidated its three online trading platforms – DirectTrade, Edge and Prime – into the Prime platform to provide investors greater convenience and better functionality.

BFS North America: Macquarie Private Wealth Canada increased its investment adviser numbers by 32 per cent to 208 at 31 March 2012, while its client numbers rose by 13 per cent to 142,371, Canadian client assets grew 25 per cent to $C12.2 billion from $C9.8 billion.

Outlook
Subject to market conditions, BFS expects its result for the year ending 31 March 2013 to be up on the prior year. This will be supported by the continuing growth in core businesses including Macquarie Wrap, advice, mortgages, insurance, broking, business banking and cash. The group continues to look carefully at its businesses to ensure it has the right mix of services to maintain its leading position in the advice and intermediary markets.

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 service businesses, providing a diverse range of wealth management products and services to financial advisers, stockbrokers, mortgage brokers, professional service industries and retail clients.

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

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

Macquarie Private Wealth maintains direct relationships with more than 321,000 clients in Australasia. Services include full-service broking, strategic financial planning, online broking and private banking. The division also has a joint venture agreement with Indian company, Religare.

BFS North America is responsible for the group’s private wealth business in Canada.
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 $A265 million to Macquarie's total profit from operating groups for the full year to 31 March 2012. The result was slightly down on the prior year. It generated operating income for the year of $A1.4 billion, a decrease of six per cent on the prior year. The result was achieved despite continuing volatility in the advice and intermediary businesses and challenging conditions for non-cash products. Operating income was also affected by income recognised in the prior year as a result of the partial sale of a majority shareholding in OzForex.

BFS maintained market position in its core retail Australian businesses with cash products continuing to grow strongly and retail on-balance sheet cash deposits increasing to $A29 billion at 31 March 2012 from $A26.6 billion at 31 March 2011.

BFS had 1.14 million clients globally at 31 March 2012, consistent with the prior year.

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Macquarie’s Intermediary - Life Insurance business experienced an increasingly competitive market in 2011 but remained on track with inforce risk insurance premium income increasing 33 per cent on the prior year. The Macquarie Mortgage portfolio was $A10.8 billion at 31 March 2012, down seven per cent on the prior year. However, mortgage origination is expected to result in net monthly portfolio growth during this financial year.

Macquarie Relationship Banking continued to grow its presence in the core small to medium enterprise segments it services, including strata, residential real estate and insurance broking, growing its total lending and deposit book to $A8.8 billion at 31 March 2012 and achieving a record number of new clients during the year.

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Outlook

Subject to market conditions, BFS expects its result for the year ending 31 March 2013 to be up on the prior year. This will be supported by the continuing growth in core businesses including Macquarie Wrap, advice, mortgages, insurance, broking, business banking and cash. The group continues to look carefully at its businesses to ensure it has the right mix of services to maintain its leading position in the advice and intermediary markets.

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 service businesses, providing a diverse range of wealth management products and services to financial advisers, stockbrokers, mortgage brokers, professional service industries and retail clients.

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

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

Macquarie Private Wealth maintains direct relationships with more than 321,000 clients in Australasia. Services include full-service broking, strategic financial planning, online broking and private banking. The division also has a joint venture agreement with Indian company, Religare.

BFS North America is responsible for the group’s private wealth business in Canada.
Macquarie Securities Group (MSG) reported a net loss of $A194 million for the full year to 31 March 2012. This was a decrease from a profit of $A184 million in the prior year. It generated total operating income of $A833 million, a decrease of 33 per cent on the prior year.

The year was characterised by difficult trading conditions for MSG’s clients, leading to reduced institutional and retail client activity. Investor uncertainty was heightened by macroeconomic events including European sovereign debt concerns and weakening global economic growth, particularly in the third quarter. This resulted in lower revenues across each of MSG’s key businesses.

The Cash Division experienced significantly lower levels of activity as weak investor confidence continued to impact market volumes. Revenues for the division were down 38 per cent on the prior year. However, the division maintained its leading positions for Australian equities, ranked No. 1 by US and European investors, No. 2 for overall research and sales strength by Australian institutional investors and No. 3 by Asian investors.

The division continued to invest in market execution technology to maintain leading market positions in this area while covering more than 2,250 stocks globally. MSG has maintained a strong full-service cash equities offering in Asia, Australia, South Africa and Canada, with specialised offerings in the US and Europe.

Equity capital markets (ECM) globally were extremely subdued, particularly in the second half of the year. This resulted in a 61 per cent reduction in ECM fees, with lower contributions from all regions except Australia, which achieved an 8 per cent increase in ECM fees despite reduced market volumes. Macquarie continued to maintain or improve ECM equity and equity related market share, with a No. 2 ranking in Australia, up from No. 7 in the prior year, and No. 15 in the US, up from No. 36 in the prior year.

The cash equities and ECM businesses have been structured to maintain profitability in current markets while remaining well positioned for an upturn in market conditions.

Derivatives Division revenues were down 51 per cent on the prior year, due to weak investor demand for retail and structured products. MSG maintained leading market positions for its warrants offering – ranked No. 1 in Singapore and Korea, No. 3 in Australia and No. 5 in Hong Kong – and was ranked the No. 1 broker by market share in Indian GDRs.

Structural market changes resulted in MSG exiting or significantly scaling back a number of derivatives businesses, particularly in Europe. Derivatives is now focused on core offerings in key global markets with a history of profitability for Macquarie, such as warrants and Asian ADR and GDR trading. The Australian business continued to evolve, launching its MINIs product, a leveraged share-tracking warrant listed on the Australian Securities Exchange, in August 2011 and capturing 18 per cent market share.

Outlook
Subject to market conditions, MSG currently expects its result for the year ending 31 March 2013 to be up on the prior year. MSG is well positioned for a recovery in market conditions.

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 and as a specialised institutional cash equities broker in other locations.

MSG provides ECM products and services through a joint venture with Macquarie Capital. The ECM business is part of the Cash Division. The Derivatives Division combines the group’s trading businesses focusing on retail derivatives in key locations globally.
Macquarie Securities Group (MSG) reported a net loss of $A194 million for the full year to 31 March 2012. This was a decrease from a profit of $A184 million in the prior year. It generated total operating income of $A883 million, a decrease of 33 per cent on the prior year.

The year was characterised by difficult trading conditions for MSG’s clients, leading to reduced institutional and retail client activity. Investor uncertainty was heightened by macroeconomic events including European sovereign debt concerns and weakening global economic growth, particularly in the third quarter. This resulted in lower revenues across each of MSG’s key businesses.

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The Cash Division operates as a full-service institutional cash equities broker in the Asia-Pacific region, South Africa and Canada and as a specialised institutional cash equities broker in other locations.

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Innovative specialist leveraging Asia-Pacific insights to the world
Full-service cash equities in Australia, Asia, South Africa and Canada with specialised offerings in US and Europe. Specialised derivatives offerings in key locations globally
Key specialities: infrastructure and utilities; telecommunications, media, entertainment and technology (TMET); resources (mining and energy); industrials; and financial institutions

Macquarie’s research for institutional clients has been released as an app for iPhone, iPad and Android devices. The app offers access to Macquarie’s research securely without a username or password, provides a powerful search tool, saves searches and sets up alerts to automatically download topics of interest. In addition, the app has a briefcase function to view research while offline as well as save favourites, and shows CNBC videos alongside Macquarie Research.

The app is a further offering to Macquarie’s online tools with the newly released research portal now also in use by institutional clients.

Macquarie Securities Group (MSG) reported a net loss of $A194 million for the full year to 31 March 2012. This was a decrease from a profit of $A184 million in the prior year. It generated total operating income of $A883 million, a decrease of 33 per cent on the prior year.

The year was characterised by difficult trading conditions for MSG’s clients, leading to reduced institutional and retail client activity. Investor uncertainty was heightened by macroeconomic events including European sovereign debt concerns and weakening global economic growth, particularly in the third quarter. This resulted in lower revenues across each of MSG’s key businesses.

The Cash Division experienced significantly lower levels of activity as weak investor confidence continued to impact market volumes. Revenues for the division were down 38 per cent on the prior year. However, the division maintained its leading positions for Australian equities, ranked No. 1 by US and European investors, No. 2 for overall research and sales strength by Australian institutional investors and No. 3 by Asian investors.

The division continued to invest in market execution technology to maintain leading market positions in this area while covering more than 2,250 stocks globally. MSG has maintained a strong full-service cash equities offering in Asia, Australia, South Africa and Canada, with specialised offerings in the US and Europe.

Equity capital markets (ECM) globally were extremely subdued, particularly in the second half of the year. This resulted in a 61 per cent reduction in ECM fees, with lower contributions from all regions except Australia, which achieved an 8 per cent increase in ECM fees despite reduced market volumes. Macquarie continued to maintain or improve ECM equity and equity related market share, with a No. 2 ranking in Australia, up from No. 7 in the prior year, and No. 15 in the US, up from No. 36 in the prior year.

The cash equities and ECM businesses have been structured to maintain profitability in current markets while remaining well positioned for an upturn in market conditions.

Derivatives Division revenues were down 51 per cent on the prior year, due to weak investor demand for retail and structured products. MSG maintained leading market positions for its warrants offering – ranked No. 1 in Singapore and Korea, No. 3 in Australia and No. 5 in Hong Kong – and was ranked the No. 1 broker by market share in Indian GDRs.

Structural market changes resulted in MSG exiting or significantly scaling back a number of derivatives businesses, particularly in Europe. Derivatives is now focused on core offerings in key global markets with a history of profitability for Macquarie, such as warrants and Asian ADR and GDR trading. The Australian business continued to evolve, launching its MINIs product, a leveraged share-tracking warrant listed on the Australian Securities Exchange, in August 2011 and capturing 18 per cent market share.

Outlook
Subject to market conditions, MSG currently expects its result for the year ending 31 March 2013 to be up on the prior year. MSG is well positioned for a recovery in market conditions.

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 and as a specialised institutional cash equities broker in other locations.

MSG provides ECM products and services through a joint venture with Macquarie Capital. The ECM business is part of the Cash Division. The Derivatives Division combines the group’s trading businesses focusing on retail derivatives in key locations globally.

Innovative specialist leveraging Asia-Pacific insights to the world
Full-service cash equities in Australia, Asia, South Africa and Canada with specialised offerings in US and Europe. Specialised derivatives offerings in key locations globally
Key specialities: infrastructure and utilities; telecommunications, media, entertainment and technology (TMET); resources (mining and energy); industrials; and financial institutions

Macquarie’s research for institutional clients has been released as an app for iPhone, iPad and Android devices. The app offers access to Macquarie’s research securely without a username or password, provides a powerful search tool, saves searches and sets up alerts to automatically download topics of interest. In addition, the app has a briefcase function to view research while offline as well as save favourites, and shows CNBC videos alongside Macquarie Research.

The app is a further offering to Macquarie’s online tools with the newly released research portal now also in use by institutional clients.
the Mareña Renovables financings in the world, Latin America, located in the State of Oaxaca, produced, as shown. To date, the 396Mw in one of the highest capacity wind areas of the site has been the largest wind farm in the southwest of Mexico, will be the Americas business was affected by lower market confidence, offset by further development of Macquarie Capital’s leveraged finance business and its pre-eminence in the infrastructure sector. Notable deals for the region include:

- Adviser to Rio Tinto and Mitsubishi Development on their $A1.5 billion acquisition of the minority interests in Australian Securities Exchange-listed coal producer Coal & Allied Industries
- Adviser to CTIC Australia Pty Ltd on the sale of its 25 per cent stake in Macarthur Coal Limited under the $A5 billion takeover offer by a consortium consisting of Peabody Energy Corporation, ArcelorMittal SA
- Sole financial adviser on Transpacific’s $A1.8 billion total refinance, joint lead lender and underwriter for Transpacific’s $A1.5 billion senior debt facility, joint lead manager and underwriter for Transpacific’s $A535 million rights issue and exclusive dealer manager for Transpacific’s $A1.5 billion off-market convertible bond buyback and $A76 million on-market buyback

Macquarie Capital contributed $A85 million to Macquarie’s total profit from operating groups for the full year to 31 March 2012, a decrease of 60 per cent on the prior year. It generated operating income of $A659 million, a decrease of 28 per cent on the prior year, while operating expenses decreased 17 per cent. Macquarie Capital undertook 435 transactions during the year, valued at $A97 billion, a decrease in deal value of 39 per cent on the prior year. The weaker result was a product of continued low client confidence due to ongoing macroeconomic uncertainty, resulting in significantly reduced activity levels in equity capital markets (ECM) and mergers and acquisitions (M&A).

As outlined in the Regional activity section of this report, Macquarie Capital advised on a number of significant transactions. Other notable roles are listed below.

In Australia and New Zealand, Macquarie Capital’s full coverage business was affected by reduced market activity. Macquarie was ranked No. 1 in Australian announced and completed M&A deals by volume and No. 2 in ANZ equity, equity-linked and preferred deals by value. Notable transactions for the region include:

- Adviser to the acquisition of the offshore transmission assets of the Walney 1 wind farm from DONG Energy
- Joint bookrunner on a $US1.5 billion senior unsecured notes issuance for International Lease Finance Corporation
- Adviser to B2Gold on the business combination with Auryn Gold, transaction value of $C160 million.

The Americas business was affected by considerably lower market activity and ongoing concerns associated with the European debt crisis. Notable deals for the region include:

- Exclusive financial adviser, arranger and consortium sponsor to Blue Transmission for the acquisition of the offshore transmission assets of the Walney 1 wind farm from DONG Energy
- Sole financial adviser to Quinn Group on the sale of Quinn Healthcare through a management buyout supported by Swiss RE
- Sole financial and ratings adviser on Thames Water’s debut High Yield Bond offering and Junior Holdco Debt refinancing.

Outlook
Subject to improved market conditions, Macquarie Capital currently expects its results for the year ending 31 March 2013 to be up on the prior year. Macquarie Capital’s performance is highly dependent on market conditions, investor confidence and activity levels in M&A and capital markets.

About Macquarie Capital
Macquarie Capital provides corporate finance advisory and capital market services to corporate and government clients involved in public and private M&A, debt and equity fund raisings, private equity raisings and corporate restructuring. Advisory activities are aligned with areas of expertise in infrastructure, utilities and renewables; resources (mining and energy); telecommunications, media, entertainment and technology (TMET); industrials; and financial institutions.
Global corporate finance capability, including M&A advisory, capital markets and principal investments.

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

Macquarie Capital contributed $85 million to Macquarie’s total profit from operating groups for the full year to 31 March 2012, a decrease of 60 per cent on the prior year. It generated operating income of $A659 million, a decrease of 28 per cent on the prior year, while operating expenses decreased 17 per cent. Macquarie Capital undertook 435 transactions during the year, valued at $A97 billion, a decrease in deal value of 39 per cent on the prior year. The weaker result was a product of continued low client confidence due to ongoing macroeconomic uncertainty, resulting in significantly reduced activity levels in equity capital markets (ECM) and mergers and acquisitions (M&A).

As outlined in the Regional activity section of this report, Macquarie Capital advised on a number of significant transactions. Other notable roles are listed below.

In Australia and New Zealand, Macquarie Capital’s full coverage business was affected by reduced market activity. Macquarie was ranked No. 1 in Australian announced and completed M&A deals by volume and No. 2 in ANZ equity, equity-linked and preferred deals by value. Notable transactions for the region include:

- Adviser to Rio Tinto and Mitsubishi Development on their $A1.5 billion acquisition of the minority interests in Australian Securities Exchange-listed coal producer Coal & Allied Industries;
- Adviser to CITIC Australia Pty Ltd on the sale of its 25 per cent stake in Macarthur Coal Limited under the $A5 billion takeover offer by a consortium consisting of Peabody Energy Corporation and ArcelorMittal SA;
- Sole financial adviser on Transpacific’s $A1.8 billion total refinancing, joint lead arranger and underwriter for Transpacific’s $A1.5 billion senior debt facility, joint lead manager and underwriter for Transpacific’s $A305 million rights issue and exclusive dealer manager for Transpacific’s $A159 million off-market convertible bond buyback and $A76 million on-market buyback.

Macquarie Capital’s Asia business was affected by significantly lower ECM activity, particularly in Hong Kong. Notable deals for the region include:

- Adviser to United Energy Group Limited on its acquisition of BP Plc’s upstream oil and gas business in Pakistan for $US775 million;
- Adviser to First Commercial Joint Stock Bank in its merger with Saigon Commercial Bank and Tin Nghia Bank;
- Joint bookrunner and underwriter on the $US285 million seiltdown of existing shares in Indonesia Stock Exchange-listed PT Harum Energy Tbk by PT Karunia Bara Perkasa.

The Americas business was affected by lower market confidence, offset by further development of Macquarie Capital’s leveraged finance business and its pre-eminent position in the infrastructure sector. Notable deals for the region include:

- Joint bookrunner on a $US1.5 billion senior unsecured notes issuance for International Lease Finance Corporation;
- Adviser to B2gold on the business combination with Auryn Gold, transaction value of $C160 million.

The Europe, Middle East and Africa business was affected by considerably lower market activity and ongoing concerns associated with the European debt crisis. Notable deals for the region include:

- Exclusive financial adviser to Puerto Rico’s Public Private Partnerships Authority on a $US1.1 billion toll highway concession of PR-22 and PR-5, which was named Global Infrastructure Deal of the Year;
- Joint bookrunner on a $US1.5 billion senior unsecured notes issuance for International Lease Finance Corporation;
- Adviser to B2gold on the business combination with Auryn Gold, transaction value of $C160 million.

About Macquarie Capital

Macquarie Capital provides corporate finance advisory and capital market services to corporate and government clients involved in public and private M&A, debt and equity fund raisings, private equity raisings and corporate restructuring. Advisory activities are aligned with areas of expertise in infrastructure, utilities and renewables; resources (mining and energy); telecommunications, media, entertainment and technology (TMET); financial institutions; real estate and industrials.
Fixed Income, Currencies and Commodities (FICC) contributed $A539 million to Macquarie’s total profit from operating groups for the full year to 31 March 2012, a decrease of six per cent on the prior year. It generated operating income of $A1.4 billion, a decrease of four per cent on the prior year.

Challenging global market conditions in the first half of the year led to a marked deterioration in investor confidence, particularly in credit and interest rate markets. However, improved macroeconomic conditions and investor sentiment in many FICC markets led to a significant turnaround in the second half.

Energy Markets made a strong contribution as overall customer activity continued to grow. Volatility in energy prices led to increased client hedging activity and improved trading conditions, particularly in US gas and power and the European utilities business.

Metals and Energy Capital made strong contributions across both metals and energy finance and hedging. While macroeconomic uncertainty and volatility dominated the first half, improved sentiment in resource equity markets in the second half resulted in several opportunistic asset realisations and increased client term hedging activity.

Metals & Agriculture Sales and Trading experienced subdued client trading volumes and limited trading opportunities due to overall market unrest. Client appetite for hedging was also dampened by uncertain market conditions.

Credit Trading was adversely impacted by extreme volatility in the first half of the year due to European and US uncertainty and concerns over global growth. The threat of a US default and European financial contagion receded in the second half, leading to improved volumes as confidence began to return to the market.

Fixed Income and Currencies benefited from improved market volatility and client margins, some signs of improvement in client activity and an increasingly diversified client base in FX and rates, including a growing presence in Japan. Asian Markets became a division in its own right during the year. Challenging global market conditions, particularly in rate and credit markets, contributed to the division’s slower than anticipated traction in gaining market share.

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Fixed Income, Currencies and Commodities (FICC) is a portfolio of businesses operating across commodity (physical and financial) and financial (primary and secondary) markets. It comprises the following divisions:

- **Asian Markets**: is a corporate and institutional investor focused business offering Asian currencies, corporate debt and sovereign debt trading and risk management services.
- **Credit Trading**: facilitates client transactions with institutional investors and makes secondary markets in corporate debt securities, syndicated bank loans, collateralised debt obligations, commercial mortgage finance, asset-backed/mortgage-based securities and derivatives of these products.
- **Energy Markets**: provides risk management solutions to energy producers, consumers and investors across a broad range of products and acts as a gas and power trading intermediary in the US and Europe.
- **Fixed Income and Currencies**: provides currencies and fixed income trading and hedging solutions to 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**: provides a full range of broking and clearing services to corporate and institutional clients, providing access to most major exchanges and with memberships of many. The division is a leading provider of these services in the Australian market and a growing participant in international markets.
- **Metals & Agriculture Sales and Trading**: provides corporate and institutional clients with trading, risk management and selected physical supply solutions across metals and agricultural commodities. The division was formed from the merger of sales and trading activities in metals and agricultural commodities in 2011.
- **Metals and Energy Capital**: provides debt financing, equity capital and price risk management to producers across the metals, industrial minerals, bulk commodities and upstream oil and gas sectors globally and, in addition, makes markets in precious metals.
- **Central Fosters**: develops early stage initiatives, as well as housing FICC-wide services including Environmental Financial Products and Structured Commodity Finance.
FICC recently expanded power markets with risk its global power trading and financing solutions. Management, liquidity capabilities in a wide solutions across the an Australian-based is an active provider of risk management offering providing access to most major exchanges and a growing participant in international markets. Growing presence in physical commodities (natural gas, LNG, power, oil, coal, base metals, iron ore, sugar and freight) Predominant in the US and Australia, niche offering in Canada and Latin America, growing presence in Asia and Europe, Middle East and Africa Key specialities: commodities, Asian and emerging markets; and high yield and distressed debt

Fixed Income, Currencies and Commodities (FICC) contributed $A539 million to Macquarie’s total profit from operating groups for the full year to 31 March 2012, a decrease of six per cent on the prior year. It generated operating income of $A1.4 billion, a decrease of four per cent on the prior year.

Challenging global market conditions in the first half of the year led to a marked deterioration in investor confidence, particularly in credit and interest rate markets. However, improved macroeconomic conditions and investor sentiment in many FICC markets led to a significant turnaround in the second half. Energy Markets made a strong contribution as overall customer activity continued to grow. Volatility in energy prices led to increased client hedging activity and improved trading conditions, particularly in US gas and power and the European utilities business.

Metals and Energy Capital made strong contributions across both metals and energy finance and hedging. While macroeconomic uncertainty and volatility dominated the first half, improved sentiment in resource equity markets in the second half resulted in several opportunistic asset realisations and increased client term hedging activity.

Metals & Agriculture Sales and Trading experienced subdued client trading volumes and limited trading opportunities due to overall market unrest. Client appetite for hedging was also dampened by uncertain market conditions. Credit Trading was adversely impacted by extreme volatility in the first half of the year due to European and US uncertainty and concerns over global growth. The threat of a US default and European financial contagion receded in the second half, leading to improved volumes as confidence began to return to the market.

Fixed Income and Currencies benefited from improved market volatility and client margins, some signs of improvement in client activity and an increasingly diversified client base in FX and rates, including a growing presence in Japan. Asian Markets became a division in its own right during the year. Challenging global market conditions, particularly in rate and credit markets, contributed to the division’s slower than anticipated traction in gaining market share.

Futures experienced overall increased volumes. However, volumes fluctuated throughout the year in line with the significantly varying levels of market confidence. The division’s direct market access activities benefited from a changing competitive landscape, particularly in the second half. Notable activity during the year included expansion in:

- Global physical commodities to include physical sugar and energy power trading activities to include an Australian-based offering
- Fixed Income and Currencies’ G10 currencies sales and trading platform to include Singapore
- Futures’ global operations to include a listed derivatives sales office in Montreal, Canada.

Outlook

Subject to market conditions, FICC currently expects its result for the year ending 31 March 2013 to be up on the prior year. FICC will continue to focus on growth, leveraging its global commodity and financial markets platform and selectively growing its niche physical commodities offering.

About Fixed Income, Currencies and Commodities

FICC is a portfolio of businesses operating across commodity (physical and financial) and financial (primary and secondary) markets. It comprises the following divisions:

Asian Markets is a corporate and institutional investor focused business offering Asian currencies, corporate debt and sovereign debt trading and risk management services. Credit Trading facilitates client transactions with institutional investors and makes secondary markets in corporate debt securities, syndicated bank loans, collateralised debt obligations, commercial mortgage finance, asset-backed/ mortgage-based securities and derivatives of these products.

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

Fixed Income and Currencies provides currencies and fixed income trading and hedging services to 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 provides a full range of broking and clearing services to corporate and institutional clients, providing access to most major exchanges and with memberships of many. The division is a leading provider of these services in the Australian market and a growing participant in international markets.

Metals & Agriculture Sales and Trading provides corporate and institutional clients with trading, risk management and selected physical supply solutions across metals and agricultural commodities. The division was formed from the merger of sales and trading activities in metals and agricultural commodities in 2011.

Metals and Energy Capital provides debt financing, equity capital and price risk management to producers across the metals, industrial minerals, bulk commodities and upstream oil and gas sectors globally and, in addition, makes markets in precious metals. Central fosters and develops early stage initiatives, as well as housing FICC-wide services including Environmental Financial Products and Structured Commodity Finance.
The Corporate Services Group (CSG) provides specialist professional services across all areas of Macquarie. The group’s primary purpose is to support and enhance Macquarie and its businesses by focusing on four key areas: efficiency, effectiveness, people and value.

CSG comprises the following divisions:

- **Business Improvement and Strategy Division** provides 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.

- **Business Services Division** is responsible for the strategic direction, implementation and ongoing management of Macquarie’s workplaces, business resilience, global security, event marketing, sourcing and commercial, and client services.

- **Human Resources Division** supports Macquarie’s businesses by seeking to attract, recruit, reward and retain the best people. The division provides global consulting and operational expertise across the organisation that is aligned with business strategy.

The Financial Management Group (FMG) provides financial, tax and treasury services to all areas of Macquarie. The group is focused on managing the Macquarie balance sheet and profit and loss, while providing strategic analysis and advice to Macquarie’s businesses and senior management. The group also ensures Macquarie continues to meet its financial regulatory and compliance obligations.

There are three divisions in FMG, which work together to provide efficient and effective financial, tax and treasury services:

- **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 has centralised corporate functions such as regulatory reporting, legal entity control and tax compliance, as well as dedicated business unit teams co-located with and providing support to each operating group. The Corporate Centre and Business Unit Finance teams are supported by Global Financial Services.

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

- **Group Treasury** is responsible for capital and 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 debt investor and banking relationships.

Group Legal 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 legal risk assessment on a range of 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 as 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 practising lawyers. At 31 March 2012, Group Legal had 220 lawyers located both across regions and within business units.

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.

The Company Secretarial Division became part of Group Legal in December 2011. It has responsibility for providing services to the Macquarie Group Board, the Board Committees and the Executive Committee, as well as for administering the Macquarie Group’s subsidiaries, ASX listing rule compliance, employee equity schemes, professional risk and general insurances and Group-wide corporate governance matters.

The Company Secretarial Division has now been incorporated into Group Legal, and the combined group is called **Legal and Governance**.

The Corporate Communications and Investor Relations Division actively engages with a wide range of stakeholders. These include shareholders, debt investors, investment analysts, ratings agencies, 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.
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CSG comprises the following divisions:

**Business Improvement and Strategy Division** provides 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.

**Business Services Division** is responsible for the strategic direction, implementation and ongoing management of Macquarie's workplaces, business resilience, global security, event marketing, sourcing and commercial, and client services.

**Human Resources Division** supports Macquarie's businesses by seeking to attract, recruit, reward and retain the best people. The division provides global consulting and operational expertise across the organisation that is aligned with business strategy.

**Finance Division** has centralised tax and treasury services at a global level to provide efficient and effective financial, tax and treasury services across all areas of Macquarie. The group is focused on managing the Macquarie balance sheet and profit and loss, while providing strategic analysis and advice to Macquarie’s businesses and senior management. The group also ensures Macquarie continues to meet its financial regulatory and compliance obligations.

There are three divisions in FMG, which work together to provide efficient and effective financial, tax and treasury services:

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 has centralised corporate functions such as regulatory reporting, legal entity control and tax compliance, as well as dedicated business unit teams co-located with and providing support to each operating group. The Corporate Centre and Business Unit Finance teams are supported by Global Financial Services.

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

**Group Legal** 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 legal risk assessment on a range of 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
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Market Operations and Technology (MOT) is responsible for the middle and back office operations for Macquarie’s capital markets businesses and the management of Macquarie’s technology.

Established in December 2011, MOT combined the capital markets divisions of the Market Operations Division and Macquarie Securities Group Operations with the Information Technology Group to create a function that is business focused and facilitates better delivery of shared services across the organisation.

The new group comprises three divisions: Market Operations, Technology and Business Management.

Market Operations provides independent specialist verification, confirmation and settlement facilities for a variety of products and currencies for Macquarie’s capital markets businesses globally. The division provides a key segregated control function for wholesale trading businesses built on strong operational risk management and a consistent control culture.

The Technology Division manages the infrastructure, the support and development of existing business systems and the delivery of new systems, technologies and services utilising in-house and third party provided applications, services and operations.

Business Management supports effective and commercial MOT performance and is responsible for MOT strategy, governance, IT sourcing and vendor management and oversight of MOT Risk.

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, Data Policy and Credit Analytics. 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 2012 Annual Financial 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. The Credit Analytics division develops tools to assist Credit in measuring counterparty exposures.

Prudential, Capital and Markets (PCM) is responsible for ensuring that Macquarie discharges its obligations to the Australian Prudential Regulation Authority, including compliance with prudential standards, and maintaining a constructive relationship with the regulator. PCM also ensures aggregate risks across all risk types do not exceed Macquarie’s economic capability to bear risk and provides prudential oversight to 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 and compliance risks from a Macquarie-wide perspective to ensure regulatory and compliance risks are identified and appropriate standards are applied consistently to manage these risks. Regulatory and compliance risks include the risk of breaches of applicable laws, regulations, rules, statements and regulatory policy. The development of new business and regulatory changes, domestically and internationally, are key areas of focus within this role.

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 BAC 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. It can then therefore assess risks and opportunities 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.
Market Operations and Technology (MOT) is responsible for the middle and back office operations for Macquarie's capital markets businesses and the management of Macquarie's technology.

Established in December 2011, MOT combined the capital markets divisions of the Market Operations Division and Macquarie Securities Group Operations with the Information Technology Group to create a central function that is business focused and facilitates better delivery of shared services across the organisation.

The new group comprises three divisions: Market Operations, Technology and Business Management.

Market Operations provides independent specialist verification, confirmation and settlement facilities for a variety of products and currencies for Macquarie's capital markets businesses globally. The division provides a key segregated control function for wholesale trading businesses built on strong operational risk management and a consistent control culture.

The Technology Division manages the infrastructure, the support and development of existing business systems and the delivery of new systems, technologies and services utilising in-house and third party provided applications, services and operations.

Business Management supports effective and commercial MOT performance and is responsible for MOT strategy, governance, IT sourcing and vendor management and oversight of MOT Risk.

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, Data Policy and Credit Analytics. 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 2012 Annual Financial 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. The Credit Analytics division develops tools to assist Credit in measuring counterparty exposures.

Prudential, Capital and Markets (PCM) is responsible for ensuring that Macquarie discharges its obligations to the Australian Prudential Regulation Authority, including compliance with prudential standards, and maintaining a constructive relationship with the regulator. PCM also ensures 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 and compliance risks from a Macquarie-wide perspective to ensure regulatory and compliance risks are identified and appropriate standards are applied consistently to manage these risks. Regulatory and compliance risks include the risk of breaches of applicable laws, regulations, rules, statements and regulatory policy. The development of new business and regulatory changes, domestically and internationally, are key areas of focus within this role.

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 BAC 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. It can therefore 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.
In the 12 months to 31 March 2012, the Macquarie Group Foundation maintained its strong level of giving and support of staff engagement in the communities in which Macquarie operates. In total, the Foundation and Macquarie staff contributed $A21.3 million to more than 1,300 community organisations around the world.

Staff recognition
The Macquarie Group Foundation (Foundation) places great emphasis on recognising and rewarding staff volunteering, fundraising and pro bono activity. It launched the CEO’s Global Community Challenge in April 2011, inviting staff to register their community activities on an internal website. This enabled staff volunteer hours to be calculated for the first time with more than 25,100 hours registered during the seven-month competition period.

Macquarie’s Manila office won the challenge on a range of criteria including impact, sustainability, innovation and involvement of staff, as well as money raised. The Foundation distributed $A25,000 among three local charities chosen by Manila staff. Macquarie’s Detroit and Vancouver offices both won Highly Commended awards and received $A5,000 for their nominated charities. The Foundation also recognised a number of outstanding individual staff efforts through its annual Staff in the Community Awards. Successful staff in the categories of volunteering, fundraising and pro bono support receive $A10,000 for their nominated charities while highly commended staff receive $A2,000 for their preferred charities. In 2011, 12 individuals and five teams received awards for their work with community organisations.

Global partnerships
Key to the Foundation’s activities around the world is local engagement underpinned by global partnerships. Examples include:

- Staff partnerships such as Community Advisory Committees (CACs) and the Graduate Volunteer Network (GVN). CACs are staff-led committees that assist in shaping the community activities the Foundation supports in a particular location, with committees established in all of Macquarie’s major offices. The GVN seeks to bring community-minded graduates together during the first year of their employment with Macquarie to volunteer and raise funds for not-for-profit organisations

- Foundation initiatives such as Leadership, Education, Advancement, Development and Support (LEADS) and Community Resourcing (CoR). These two programs were developed to support staff seeking to use their skills to help disadvantaged people attain higher levels of education and strengthen the infrastructure and resourcing of community organisations. These umbrella programs aim to deliver sustainable outcomes as part of a longer-term solution to systemic challenges.

- Global partnerships with several not-for-profit organisations. Macquarie staff around the world have joined forces to provide fundraising and pro bono support for Inspire Foundation’s Reach Out program for young people, the Juvenile Diabetes Research Foundation, men’s health fundraiser Movember and Oxfam’s Trailwalker event. Macquarie is now one of Oxfam Trailwalker’s largest fundraisers with staff raising hundreds of thousands for the aid organisation each year supported by the Foundation.

Capacity building and sector leadership
As part of its ongoing commitment to the sustainability of the not-for-profit sector, the Foundation organised its fourth Social Innovation Summit in November 2011, in partnership with Mission Australia, the Centre for Social Impact and Social Ventures Australia. Senior leaders from business, government and the not-for-profit sector focused on identifying how to better support Australians who are socially excluded and who do not meaningfully participate in the community and economy.

The Foundation also continued its commitment to funding best practice in the not-for-profit sector by supporting:

- The Australian Cancer Research Leadership Forum’s White Paper (released in February 2012) on improving cancer funding and collaboration nationally. The Forum is a collaboration of Australia’s leading cancer charities.

- Mission Australia’s research into the issues and concerns of young Australians (released in March 2012), sourced from the organisation’s research and social policy unit which Macquarie has supported since 2003.

- Ongoing research by the Macquarie Group Foundation Chair for the Centre for Social Impact, the Macquarie Group Foundation Chair of Schizophrenia and the Macquarie Group Foundation Professor for Cerebral Palsy.

Foundation Board and management
To reflect the Foundation’s increasing global presence, David Fass, CEO of Macquarie in Europe, the Middle East and Africa and Alex Harvey, CEO of Macquarie in Asia, joined the Foundation Board during the year. Richard Sheppard was appointed Chairman of the Foundation Board in May 2011 and has continued in this role since retiring in November from his position as Macquarie Bank Managing Director and CEO and Macquarie Group Deputy Managing Director.

Foundation global head Julie White retired in December 2011 after almost 12 years with the Foundation. Macquarie thanks her for the integral role she played in the Foundation’s development and growth over that period.

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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.

Macquarie drives new business opportunities and works to embed ESG into its diverse activities with a focus on the following: ESG governance and risk management; direct operations; investment markets and products; and workplace.

In the year to 31 March 2012, Macquarie made progress in these areas:

- maintained carbon neutrality across premises energy use and corporate air travel
- reduced total carbon emissions by 4.2 per cent compared with FY2011
- relocated staff to more sustainable premises in Mumbai and announced that new Sydney offices at 48 Martin Place will be targeting the highest sustainability ratings
- published 21 specialist ESG research reports and more than 260 pieces of renewable energy research for clients, investors and staff
- received the Ethical Investor Award for Sustainability Research and the ESG Research Australia Award for Best Piece of ESG Research
- continued to build business in global carbon markets, clean technology and renewable energy and launched new business initiatives in energy efficiency and waste remediation
- made an ongoing contribution to public policy reviews
- continued investment in training and development of staff.

Macquarie’s Annual Financial Report contains more detailed information on ESG performance including details of business initiatives and investments, a Global Reporting Initiative (GRI) index and an independent assurance statement.

ESG governance and risk management

Macquarie’s Goals and Values and Code of Conduct provide the foundation for Macquarie’s strong risk management focus which is detailed in the Risk Management report. The approach to risk management includes a well established framework of ESG-related policies that apply across all Macquarie’s divisions and entities and cover the following areas:

- corporate governance
- identification and management of environmental risk
- oversight and management of Work Health and Safety
- selection and management of investments and new business activities
- ethical conduct by staff, including support from Integrity Officers
- sustainable management of Macquarie business premises
- greenhouse and energy management and reporting
- 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
- management of business and staff conflicts of interest
- engagement by Macquarie and its staff in the wider community, including volunteering, capacity building and matched donations.

Overall responsibility for ESG resides with Macquarie’s Board and management which set the direction for the organisation. All staff share responsibility for identifying and managing ESG issues as part of normal business practice. They are supported by the ESG governance structure and specifically the Risk Management Group, Sustainability Advisory Committee and Sustainability and Environment Office. In addition, staff have access to specialist research and training on ESG issues.

Direct operations

Macquarie’s Environmental Management Plan (EMP) integrates resource efficiency and sustainability into the day-to-day operations of Macquarie’s offices and corporate operations. The EMP areas of focus are:

- carbon emissions: reducing energy use and offsetting carbon emissions to achieve carbon neutrality across offices and air travel
- sustainable buildings: investing in sustainable buildings and fit outs
- resource use reduction: reducing paper, waste and water usage
- sustainable procurement: engaging in sustainable procurement practices.

Carbon emissions

Since 2010, Macquarie has maintained its carbon neutral commitment by reducing and offsetting emissions from its office energy use and business air travel. The Carbon Commitment builds on Macquarie’s response to risks and opportunities arising from climate change, its investments and activities in renewable energy, clean technology, environmental markets, and status as a signatory to the Carbon Disclosure Project.

In the year to 31 March 2012, Macquarie’s total emissions reduced by 4.2 per cent from 2011. This is the first reduction in absolute emissions since establishing the Carbon Commitment.

Sustainable buildings

Focusing on sustainable buildings is a critical way for Macquarie to reduce direct resource consumption and greenhouse gas emissions. Macquarie aims to ensure all new premises are designed and constructed to achieve a 6 Star Green Star, LEED Platinum or BREEAM Excellent rating.

In the year ahead, Macquarie’s sustainable building activities will focus on the design and fit out of the new Sydney premises at 48 Martin Place. This flagship building will be targeting the highest possible sustainability rating.

More information

To gain a complete view of Macquarie’s approach to ESG issues, these pages should be read in conjunction with other sections of this Annual Review and the Annual Financial Report. Refer to the GRI index in the Annual Financial Report for guidance.
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The diversity of its people remains fundamental to Macquarie’s success. Their broad range of experiences, skills and views continue to be key strengths and critical to the wide range of services Macquarie delivers to clients and the communities in which it operates.

All executives, managers and employees are responsible for promoting workforce diversity and working with dedicated diversity officers in implementing the organisation’s global diversity agenda. Diversity committees exist both within operating and service groups and within regions, and each committee functions with a mandate that reflects Macquarie’s global objectives and accommodates business or location specific priorities and circumstances.

Global diversity policy
Macquarie’s Workforce Diversity Policy defines Macquarie’s workforce diversity commitment and the structures in place to ensure it is realised. The principles contained in Macquarie’s Workforce Diversity Policy are incorporated in the public Our Commitment to Workforce Diversity statement available on Macquarie’s website.

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 2013, Macquarie has affirmed the gender diversity objectives communicated in last year’s Annual Report as reflecting its key strategic imperatives and desired long-term outcomes.

Details of Macquarie’s progress in realising these objectives during the year ended 31 March 2012 are set out in the following table.

<table>
<thead>
<tr>
<th>Female representation metrics</th>
<th>Long-term outcome sought</th>
<th>Objective</th>
<th>Progress FY12</th>
</tr>
</thead>
<tbody>
<tr>
<td>For the year ending 31 March 2012, the proportion of women employed globally at Macquarie was as follows:</td>
<td>Increase the number of females hired by Macquarie by increasing the rate of female applications</td>
<td>Embark on a long-term plan to attract females to a finance career:</td>
<td>Macquarie’s diversity recruitment strategy and market positioning continues to evolve in response to ongoing research activity, including focus groups with male and female undergraduates attending Australian universities. A focus on increased collaboration with female students has led to the design of a pilot development program for undergraduates, aimed at promoting a finance career and profiling successful female role models working in the industry. Macquarie’s decision to enter into a strategic partnership with a leading recruitment and talent management company has provided a unique opportunity to leverage external expertise in diversity-focused recruitment programs.</td>
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<td>– Board of Directors: 33.3 per cent</td>
<td>– conduct research 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>
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<tr>
<td>– Executive Committee: 10.8 per cent</td>
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<tr>
<td>– Senior Executive: 12.9 per cent</td>
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<td></td>
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<td>– Macquarie workforce: 36.9 per cent</td>
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</tbody>
</table>

Inclusive workplace
Retain top talent by ensuring a workplace supportive of female success
Raise awareness of Macquarie’s commitment to supporting women in their development of successful careers through endorsement and delivery of a range of programs, events and policies
There has been development and delivery of a range of initiatives to ensure a workplace supportive of females success. These include the extension of parental leave support, regular networking events and participation in key programs such as the Women in Banking and Finance (WiBF) mentoring program. A new program, Managing People and Teams, with content tailored to reflect Macquarie’s commitment to diversity, provides managers with practical skills to support diversity in their own teams. A review of Macquarie’s leadership development programs has been conducted to ensure the content reinforces Macquarie’s commitment to building and promoting diversity.

Robust sustainability
Ongoing improvement of core talent processes (performance, development and career) to ensure gender-based equity and transparency
Continue to enhance Macquarie’s development offerings including the ongoing review of programs to incorporate key diversity concepts
A new program, Managing People and Teams, with content tailored to reflect Macquarie’s commitment to diversity, provides managers with practical skills to support diversity in their own teams. A review of Macquarie’s leadership development programs has been conducted to ensure the content reinforces Macquarie’s commitment to building and promoting diversity.

Integration and awareness
Embedding of diversity awareness and objectives into the day-to-day operations of the organisation to become part of the way we do business
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
A variety of forums have been targeted in order to embed diversity awareness and objectives into the day-to-day operations of Macquarie. These include:
- presentations at staff conferences
- a dedicated Women@Macquarie website
- active involvement of men in Diversity networking events.
The diversity of its people remains fundamental to Macquarie’s success. Their broad range of experiences, skills and views continue to be key strengths and critical to the wide range of services Macquarie delivers to clients and the communities in which it operates.

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Macquarie’s approach to corporate governance which has remained largely consistent over time, is to:
- promote the long-term profitability of Macquarie while prudently managing risk
- drive superior and sustainable shareholder value over the long-term through the alignment of the interests of shareholders and staff
- meet stakeholder expectations of sound corporate governance as part of Macquarie’s broader responsibility to clients, shareholders, investors and the communities in which it operates.

Macquarie recognises that a key factor in delivering long-term shareholder returns is providing superior services to clients. Macquarie recruits high quality staff and expects staff to uphold the company’s Goals and Values.

Macquarie is a global financial services specialist. Its shares are listed on the Australian Securities Exchange (ASX); ASX-listed companies are required to report on the extent to which the company has followed the governance recommendations set by the ASX Corporate Governance Council (ASX Recommendations) during the reporting period. Macquarie considers that during the year it has followed these recommendations. The Board remuneration report set out in the ASX Recommendations. A summary of the ASX Recommendations and reference to the applicable Macquarie governance practice is available on Macquarie’s website at macquarie.com.au.

Macquarie is regulated by the Australian Prudential Regulation Authority (APRA) as a non-operating holding company of a licensed Australian bank, Macquarie Bank Limited. APRA’s prudential standards include governance requirements. Macquarie also has subsidiaries that are supervised by regulators in the jurisdictions in which they operate.

During the year Macquarie continued to monitor regulatory and corporate governance developments and their impact on Macquarie’s businesses. The level of global regulation remains a key challenge.

Other than expanding the responsibilities of the Board Corporate Governance Committee (since renamed the Board Governance and Compliance Committee) to include oversight of Work Health and Safety and environmental matters on behalf of the Board in December 2011, Macquarie’s corporate governance framework remained unchanged during the year.

At 31 March 2012, eight of the nine Board members, including the Chairman, were Independent Directors. The following table sets out the current composition of the Board and the membership of each Board Committee. Further information on Macquarie’s governance arrangements is available in the Corporate Governance Statement in the 2012 Annual Financial Report and on the website at macquarie.com.au.

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<tr>
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<td>Member</td>
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Remuneration approach

Macquarie's remuneration system, which has progressively evolved over time, has been designed to balance risk and return. This is reflected in the remuneration system's overarching objective which seeks to align the interests of staff with those of shareholders so as to generate superior returns over time, while having due regard to risk.

During the past year, in relation to executive remuneration, governments, regulators and shareholders have increased their focus on whether risk and return is appropriately balanced. In the financial services sector, regulators and their governments seek to protect depositors' funds and ensure the stability of the financial system. Shareholders then have an interest, but also expect a return on their capital appropriate to the risk involved. In other words, there is an elevated recognition among governments, regulators and shareholders of the need to balance risk and return.

Macquarie's Board of Directors (the Board) has actively assessed such issues and reached the conclusion that Macquarie's existing remuneration approach has the intention to respond to the issues that have been raised by governments, regulators and shareholders, although some further incremental changes are being made. They are:
- the vesting of Executive Committee Performance Share Units (PSUs) will be extended to vest in two equal tranches after three years and four. PSUs previously vested in three equal tranches after two, three and four years.
- for a limited group of staff in the UK, defined as Code Staff under the Financial Services Authority (FSA) Remuneration Code (FSA Code), a greater proportion of remuneration is deferred, delivered in Macquarie shares and required to be held for a longer period. In addition, Malus provisions have been expanded.
- additional disclosure on past, present and future conditional remuneration has been provided for the Managing Director and Chief Executive Officer (Managing Director and CEO).

In addition, FY2012 has been a period of economic uncertainty which has seen some of Macquarie’s businesses severely impacted by macroeconomic conditions, primarily the European debt crisis, the US debt downgrade and the overall risk-aversion in the market. As a result, there has been a high degree of disparity within each business’ contribution to profit during the year. Macquarie’s annuity-style businesses have performed strongly, while some of the capital market facing businesses have been impacted by challenging market conditions which have had an impact on client volumes and margins. Within the capital market facing businesses, there has been a high degree of disparity in performance with some groups and teams performing well while others have operated at a loss.

Reflecting Macquarie’s overall performance, total performance-based remuneration and in turn, total compensation expense, is down on the prior year, with profit share allocations being highly differentiated to reflect differences in individual and business performance.

Nonetheless, Macquarie remains committed to a performance-based approach to remuneration. The proportion and level of fixed remuneration for senior staff remains relatively low compared to comparable roles in other Australian corporations. The Board of Directors consider this is appropriate because it rewards performance. In 2012, fixed remuneration for Macquarie’s 10 Executive Committee members comprised 13 per cent of current year awarded remuneration, with the balance of their remuneration remains at risk.

Performance-based remuneration is aligned with shareholders’ interests. The profit share pool is created using the twin measures of net profit after tax (NPAT) and return on equity, measures which are known to be drivers of returns to shareholders. For a given level of capital employed, total profit share rises if 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. No RCE component of the profit share pool was created in FY2012. However, given the difficult market conditions experienced in FY2012 and the need to retain some key staff, the Non-Executive Directors of the Board have exercised their discretion and increased the quantum of the profit share pool. In prior years, this discretion has been exercised both upwards and downwards.

Profit share is allocated to Macquarie’s businesses and, in turn, to individuals working in them, based predominantly 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, in the context of prudent risk-taking. In addition, other qualitative measures are used to assess individual performance. In some instances, retention of staff in difficult market conditions is also considered.

In the current year, for the Managing Director and CEO of Macquarie Group and the Managing Director and CEO of Macquarie Bank, the Non-Executive Directors considered financial performance measures, performance against peers, business performance and platform growth, cost management initiatives, other strategic initiatives, prudential and compliance matters, risk management, governance, staff and human resources indicators, reputation management and monitoring and community and social responsibility matters. The Board and management also seek to ensure that...
MACQUARIE’S APPROACH TO CORPORATE GOVERNANCE

Macquarie’s approach to governance which has remained largely consistent over time, is to:
- promote the long-term profitability of Macquarie while prudently managing risk
- drive superior and sustainable shareholder value over the long-term through the alignment of the interests of shareholders and staff
- meet shareholder expectations of sound corporate governance as part of Macquarie’s broader responsibility to clients, shareholders, investors and the communities in which it operates.

Macquarie recognises that a key factor in delivering long-term shareholder returns is providing superior services to clients. Macquarie recruits high quality staff and expects staff to uphold the company’s Goals and Values.

Macquarie is a global financial services specialist. Its shares are listed on the Australian Securities Exchange (ASX); ASX-listed companies are required to report on the extent to which the company has followed the governance recommendations set by the ASX Corporate Governance Council (ASX Recommendations) during the reporting period. Macquarie considers that during the year it has followed those recommendations set out in the ASX Recommendations. A summary of the ASX Recommendations and reference to the applicable Macquarie governance practice is available on Macquarie’s website at macquarie.com.au.

Macquarie is regulated by the Australian Prudential Regulation Authority (APRA) as a non-operating holding company of a licensed Australian bank, Macquarie Bank Limited.

APRA’s prudential standards include governance requirements. Macquarie also has subsidiaries that are supervised by regulators in the jurisdictions in which they operate.

During the year Macquarie continued to monitor regulatory and corporate governance developments and their impact on Macquarie’s businesses. The level of global regulation remains a key challenge.

Other than expanding the responsibilities of the Board Corporate Governance Committee (since renamed the Board Governance and Compliance Committee) to include oversight of Work Health and Safety and environmental matters on behalf of the Board in December 2011, Macquarie’s corporate governance framework remained unchanged during the year.

At 31 March 2012, eight of the nine Board members, including the Chairman, were Independent Directors. The following table sets out the current composition of the Board and the membership of each Board Committee. Further information on Macquarie’s governance arrangements is available in the Corporate Governance Statement in the 2012 Annual Financial Report and on the website at macquarie.com.au.

REMUNERATION APPROACH

Macquarie’s remuneration system, which has progressively evolved over time, has been designed to balance risk and return. This is reflected in the remuneration system’s overarching objective which seeks to align the interests of staff with those of shareholders so as to generate superior returns over time, while having due regard to risk.

During the past year, in relation to executive remuneration, governments, regulators and shareholders have increased their focus on whether risk and return is appropriately balanced. In the financial services sector, regulators and their governments seek to protect depositors’ funds and ensure the stability of the financial system. Shareholders share this concern, but also expect a return on their capital appropriate to the risk involved. In other words, there is an elevated recognition among governments, regulators and shareholders of the need to balance risk and return.

Macquarie’s Board of Directors (the Board) has actively assessed such issues and reached the conclusion that Macquarie’s existing remuneration approach has the intention and consequence to respond to the issues that have been raised by governments, regulators and shareholders, although some further incremental changes are being made. They are:
- the vesting of Executive Committee Performance Share Units (PSUs) will be extended to vest in two equal tranches after three years and four. PSUs previously vested in three equal tranches after two, three and four years.
- for a limited group of staff in the UK, defined as Code Staff under the Financial Services Authority (FSA) Remuneration Code (FSA Code), a greater proportion of remuneration is deferred, delivered in Macquarie shares and required to be held for a longer period. In addition, Malus’ provisions have been expanded
- additional disclosure on past, present and future conditional remuneration has been provided for the Managing Director and Chief Executive Officer (Managing Director and CEO).

In addition, FY2012 has been a period of economic uncertainty which has seen some of Macquarie’s businesses severely impacted by macroeconomic conditions, primarily the European debt crisis, the US debt downgrade and the overall risk-aversion in the market. As a result, there has been a high degree of disparity within each business’ contribution to profit during the year. Macquarie’s annuity-style businesses have performed strongly, while some of the capital market facing businesses have been impacted by challenging market conditions which have had an impact on client volumes and margins. Within the capital market facing businesses, there has been a high degree of disparity in performance with some groups and teams performing well while others have operated at a loss.

Reflecting Macquarie’s overall performance, total performance-based remuneration and in turn, total compensation expense, is down on the prior year, with profit share allocations being highly differentiated to reflect differences in individual and business performance.

Nonetheless, Macquarie remains committed to a performance-based approach to remuneration. The proportion and level of fixed remuneration for senior staff remains relatively low compared to comparable roles in other Australian corporations. The Board of Directors consider this is appropriate because it rewards performance. In 2012, fixed remuneration for Macquarie’s 10 Executive Committee members comprised 13 per cent of current year awarded remuneration, meaning the balance of their remuneration remains at risk.

Performance-based remuneration is aligned with shareholders’ interests. The profit share pool is created using the twin measures of net profit after tax (NPAT) and return on equity, 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. No ROE component of the profit share pool was created in FY2012. However, given the difficult market conditions experienced in FY2012 and the need to retain some key staff, the Non-Executive Directors of the Board have exercised their discretion and increased the quantum of the profit share pool. In prior years, this discretion has been exercised both upwards and downwards.

Profit share is allocated to Macquarie’s businesses and, in turn, to individuals working in them, based predominately 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, in the context of prudent risk-taking. In addition, other qualitative measures are used to assess individual performance. In some instances, retention of staff in difficult market conditions is also considered.

In the current year, for the Managing Director and CEO of Macquarie Group and the Managing Director and CEO of Macquarie Bank, the Non-Executive Directors considered financial performance measures, performance against peers, business performance and platform growth, cost management initiatives, other strategic initiatives, prudential and compliance matters, risk management, governance, staff and human resources indicators, reputation management and monitoring and community and social responsibility matters. The Board and management also seek to ensure that

<table>
<thead>
<tr>
<th>Macquarie Group Board</th>
<th>Audit</th>
<th>Governance and Compliance</th>
<th>Nominating</th>
<th>Remuneration</th>
<th>Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Macquarie Group Independent Directors</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kevin McCann AM</td>
<td>Chairman</td>
<td>Chairman</td>
<td>Member</td>
<td>Member</td>
<td></td>
</tr>
<tr>
<td>Michael Hawker AM</td>
<td>Chairman</td>
<td>Member</td>
<td>Member</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>Member</td>
<td>Chairman</td>
<td>Member</td>
<td>Member</td>
<td></td>
</tr>
<tr>
<td>John Nallad 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>Chairman</td>
<td>Member</td>
<td>Member</td>
<td></td>
</tr>
<tr>
<td>Peter Varne</td>
<td>Member</td>
<td>Member</td>
<td>Member</td>
<td>Chairman</td>
<td></td>
</tr>
<tr>
<td>Dana Unally AM</td>
<td>Member</td>
<td>Member</td>
<td>Member</td>
<td>Member</td>
<td></td>
</tr>
<tr>
<td>Macquarie Group MD and CEO</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nicholas Moore</td>
<td>Member</td>
<td>Member</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Macquarie Bank MD and CEO</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Greg Ward</td>
<td>Member</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1 Malus is the Board’s discretion to reduce or eliminate unvested profit share amounts in certain circumstances.
remuneration for staff whose primary role is risk and financial control, including the Chief Risk Officer and the Chief Financial Officer, 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.

Seventy per cent of the Managing Director and CEO’s annual gross profit share allocation is deferred and unvested. 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. After PSUs are taken into account, the effective deferral rate for the Managing Director and CEO is 77 per cent.

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, notional in Macquarie-managed fund equity, with the balance between each type reflecting 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 can be satisfied through the delivery of equity under the current remuneration arrangements. PSUs are only allocated to the Managing Director and CEO and Executive Committee members. From 2012 onwards they will vest in two tranches after three and four years, but are exercisable only subject to the achievement of performance hurdles.

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

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

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

The Board has 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 applies to the Executive Committee, Designated Executive Directors, Code Staff under the FSA Code, senior risk and financial control staff and any other staff as determined by the Board Remuneration Committee (BRC).

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.

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 take into account market rates for relevant Australian financial organisations and reflect the time commitment and responsibilities involved with the shareholder approved aggregate limit.

This overall approach to remuneration achieves an appropriate balance between risk and return that aligns the interests of staff and shareholders.


Remuneration disclosures – Managing Director and CEO

For the Managing Director and CEO, three additional disclosures have been prepared for the first time this year in line with CMAAC’s indicative guidelines. These tables are prepared on a different basis to the Executive Remuneration table. These tables are not additive.

1. Crystallised past pay

This shows crystallised past pay to the Managing Director and CEO. Crystallised past pay represents at risk remuneration that was granted to the Managing Director and CEO in previous years and is paid in the current financial year.

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Compensation</th>
<th>Increase (Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>$A 2,852,299</td>
<td>$A 2,765,583</td>
</tr>
</tbody>
</table>

2. Present pay

This table represents remuneration that was granted and paid in the same year. This comprises:

- current year base remuneration (including superannuation)
- the available component of the current year profit share allocation (70 per cent for the Managing Director and CEO).

<table>
<thead>
<tr>
<th>Year</th>
<th>Base Remuneration</th>
<th>Profit Share – available upfront</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>$A 2,046,811</td>
<td>$A 2,700,654</td>
</tr>
</tbody>
</table>

Total | $A 2,952,269 | $A 3,434,575 |

3. Future conditional pay

This table shows remuneration entitlements, payment of which are conditional and deferred to a future period. For the Managing Director and CEO this represents:

- the deferred unvested component of the current year profit share allocation (70 per cent for the Managing Director and CEO) which is allocated into a combination of Macquarie equity (MEREP) and Macquarie-fund equity (Post-2009 DPS Plan). These amounts vest and are released from three to seven years after the year retained, subject to the Board’s discretion to apply Malus. If the Managing Director and CEO were to leave Macquarie, his unvested profit share would be forfeited except where it is a genuine retirement, redundancy, death, permanent disability or other limited exceptional circumstances, and it would be forfeited in stages if certain events occur within two years of leaving.

- PSUs allocated in the current year. PSUs vest after years three and four and are exercisable subject to the achievement of performance hurdles.

<table>
<thead>
<tr>
<th>Year</th>
<th>Notional Invested in the DPS Plan</th>
<th>Delivered as Macquarie equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>$A 955,179</td>
<td>$A 1,260,325</td>
</tr>
<tr>
<td>2011</td>
<td>$A 955,179</td>
<td>$A 1,260,325</td>
</tr>
</tbody>
</table>

Total | $A 1,890,358 | $A 2,520,650 |

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage Increase (Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>$A 2,520,650</td>
</tr>
<tr>
<td>2011</td>
<td>$A 2,852,269</td>
</tr>
</tbody>
</table>

These tables are based on awarded remuneration and do not include earnings on retained profit share notionally invested in the Post-2009 DPS Plan, or dividends on unvested MEREP awards.

Corporations and Markets Advisory Committee.

The Managing Director and CEO received a base remuneration increase effective 1 July 2010. He did not receive a base remuneration increase during FY2012. The increase from FY2011 to FY2012 shown reflects the full year application of a 2010 decision. Base remuneration amounts do not include an accrual for long service leave (which is included in the Executive Remuneration table).

1 Executive Directors who are members of Operations Review Committee and others who have a significant management or risk responsibility in the organisation.
remuneration for staff whose primary role is risk and financial control, including the Chief Risk Officer and the Chief Financial Officer, preserves the independence of the function and maintains Macquarie’s robust risk management framework.

Profits 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.

Seventy per cent of the Managing Director and CEO’s annual gross profit share allocation is deferred and unvested. 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. After PSUs are taken into account, the effective deferral rate for the Managing Director and CEO is 77 per cent.

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 notably in Macquarie-managed fund equity, with the balance between each type reflecting 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 can be satisfied through the delivery of equity under the current remuneration arrangements. PSUs are only allocated to the Managing Director and CEO and Executive Committee members. From 2012 onwards they will vest in two tranches after three and four years, but are exercisable 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
- deferred and unvested awards to be delivered under the equity plan, the Macquarie Group Employee Retained Equity Plan (MEREP), including PSUs
- unvested options.

Executives can only trade Macquarie ordinary shares and other securities during designated trading windows. The Board has 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 applies to the Executive Committee, Designated Executive Directors, Code Staff under the FSA Code, senior risk and financial control staff and any other staff as determined by the Board Remuneration Committee (BRC).

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.

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 Directors fees take into account 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 achieves an appropriate balance between risk and return that aligns the interests of staff and shareholders.


Remuneration disclosures – Managing Director and CEO¹

For the Managing Director and CEO, three additional disclosures have been prepared for the first time this year in line with CAMAC’s indicative guidelines. These tables are prepared on a different basis to the Executive Remuneration table. These tables are not additive.

1. Crystallised past pay

This shows crystallised past pay to the Managing Director and CEO. Crystallised past pay represents risk remuneration that was granted to the Managing Director and CEO in previous years and is paid in the current financial year.

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011 Increase/(Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>SA</td>
<td>SA</td>
</tr>
<tr>
<td>Notional invested in the DPS Plan</td>
<td>651,219</td>
<td>559,394</td>
</tr>
<tr>
<td>Delivered as Macquarie equity</td>
<td>1,614,692</td>
<td>2,206,219</td>
</tr>
<tr>
<td>Performance Share Units (PSUs)</td>
<td>96,535</td>
<td>N/A</td>
</tr>
<tr>
<td>Options over Macquarie shares</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Total</td>
<td>2,264,246</td>
<td>2,765,583</td>
</tr>
</tbody>
</table>

2. Present pay

This table represents remuneration that was granted and paid in the same year. This comprises:

- current year base remuneration (including superannuation)
- the available component of the current year profit share allocation (30 per cent for the Managing Director and CEO).

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011 Increase/(Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>SA</td>
<td>SA</td>
</tr>
<tr>
<td>Base remuneration¹</td>
<td>895,458</td>
<td>738,921</td>
</tr>
<tr>
<td>Profit share – available upfront</td>
<td>2,046,811</td>
<td>2,700,654</td>
</tr>
<tr>
<td>Total</td>
<td>2,952,269</td>
<td>3,434,575</td>
</tr>
</tbody>
</table>

3. Future conditional pay

This table shows remuneration entitlements, payment of which are conditional and deferred to a future period. For the Managing Director and CEO this represents:

- the deferred unvested component of the current year profit share allocation (70 per cent for the Managing Director and CEO) which is allocated into a combination of Macquarie equity (MEREP) and Macquarie-fund equity (Post-2009 DPS Plan). These amounts vest and are released from three to seven years after the year retained, subject to the Board’s discretion to apply Malus. If the Managing Director and CEO were to leave Macquarie, his unvested profit share would be forfeited except where it is a genuine retirement, redundancy, death, permanent disability or other limited exceptional circumstances, and it would be forfeited in stages if certain events occur within two years of leaving.
- PSUs allocated in the current year. PSUs vest after three years and four and are exercisable subject to the achievement of performance hurdles.

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011 Increase/(Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>SA</td>
<td>SA</td>
</tr>
<tr>
<td>Notional invested in the DPS Plan</td>
<td>955,179</td>
<td>1,260,305</td>
</tr>
<tr>
<td>Delivered as Macquarie equity</td>
<td>3,623,613</td>
<td>5,045,049</td>
</tr>
<tr>
<td>Performance Share Units</td>
<td>1,890,000</td>
<td>2,490,000</td>
</tr>
<tr>
<td>Total</td>
<td>6,668,792</td>
<td>8,795,350</td>
</tr>
</tbody>
</table>

¹ These tables are based on awarded remuneration and do not include earnings on retained profit share notionally invested in the Post-2009 DPS Plan, or dividends on unvested MEREP awards.

² Corporations and Markets Advisory Committee.

³ The Managing Director and CEO received a base remuneration increase effective 1 July 2010. He did not receive a base remuneration increase during FY2012. The increase from FY2011 to FY2012 shown reflects the full year application of a 2010 decision. Base remuneration amounts do not include an accrual for long service leave (which is included in the Executive Remuneration table).
Table: Executive Remuneration Approach

<table>
<thead>
<tr>
<th>Name and position</th>
<th>Year</th>
<th>Base remuneration</th>
<th>Profit Share – available upfront</th>
<th>Notional invested in DPS Plan</th>
<th>Delivered as Macquarie equity</th>
<th>Performance Share Units</th>
<th>Options over Macquarie shares</th>
<th>Total remuneration before notional investment</th>
<th>Earnings on prior year retained profit share</th>
<th>Total remuneration</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Executive Directors</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></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>2012</td>
<td>819,353</td>
<td>2,046,811</td>
<td>955,179</td>
<td>3,349,480</td>
<td>780,548</td>
<td>(570,839)</td>
<td>7,380,532</td>
<td>409,034</td>
<td>7,789,566</td>
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<tr>
<td></td>
<td>2011</td>
<td>746,499</td>
<td>2,700,654</td>
<td>1,520,305</td>
<td>3,492,752</td>
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<td>(2,422,387)</td>
<td>8,980,106</td>
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<tr>
<td>S.D. Allen – Managing Director</td>
<td>2012</td>
<td>771,156</td>
<td>1,468,777</td>
<td>293,759</td>
<td>858,199</td>
<td>460,475</td>
<td>99,867</td>
<td>3,952,229</td>
<td>107,327</td>
<td>4,059,556</td>
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<tr>
<td></td>
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<td>677,286</td>
<td>2,366,985</td>
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<td>724,743</td>
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<td>A.J. Downe – Managing Director</td>
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<td>722,958</td>
<td>3,032,313</td>
<td>303,231</td>
<td>2,379,454</td>
<td>387,426</td>
<td>(398,237)</td>
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<td>8,645,888</td>
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<tr>
<td></td>
<td>2011</td>
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<td>8,615,224</td>
<td>8,381,006</td>
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<td>2011</td>
<td>663,353</td>
<td>1,703,876</td>
<td>173,568</td>
<td>935,379</td>
<td>814,914</td>
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<tr>
<td>T. Bishop – Managing Director</td>
<td>2012</td>
<td>705,944</td>
<td>426,419</td>
<td>(2,790,542)</td>
<td>1,854,807</td>
<td>482,657</td>
<td>270,928</td>
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<td>104,567</td>
<td>4,206,977</td>
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<tr>
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<td>511,746</td>
<td>1,449,660</td>
<td>(194,439)</td>
<td>766,103</td>
<td>278,337</td>
<td>480,593</td>
<td>3,291,990</td>
<td>484,800</td>
<td>3,786,790</td>
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<tr>
<td>S. Vrcelj – Managing Director</td>
<td>2012</td>
<td>722,958</td>
<td>2,795,414</td>
<td>279,541</td>
<td>1,221,236</td>
<td>843,180</td>
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<td>5,978,775</td>
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</tr>
<tr>
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<td>2011</td>
<td>640,857</td>
<td>2,463,754</td>
<td>1,231,877</td>
<td>515,124</td>
<td>814,137</td>
<td>(322,373)</td>
<td>5,343,376</td>
<td>282,891</td>
<td>5,626,267</td>
</tr>
<tr>
<td>M. Carapiet – Managing Director</td>
<td>2012</td>
<td>195,031</td>
<td>0</td>
<td>1,802,495</td>
<td>3,558,528</td>
<td>260,738</td>
<td>(432,583)</td>
<td>5,384,209</td>
<td>498,584</td>
<td>5,882,783</td>
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<tr>
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<td>1,179,759</td>
<td>(774,723)</td>
<td>1,114,537</td>
<td>1,017,002</td>
<td>(1,941,858)</td>
<td>1,235,574</td>
<td>1,650,229</td>
<td>2,885,803</td>
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<td>R.S. Laidlaw – Managing Director</td>
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<td>541,499</td>
<td>0</td>
<td>0</td>
<td>5,777,621</td>
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<td>(306,713)</td>
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<td>66,177</td>
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<td>1,453,611</td>
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<td>(655,463)</td>
<td>4,935,425</td>
<td>650,490</td>
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<td>W.R. Sheppard – Managing Director</td>
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<td>524,217</td>
<td>710,698</td>
<td>710,698</td>
<td>2,464,837</td>
<td>917,020</td>
<td>(111,792)</td>
<td>4,915,678</td>
<td>14,141</td>
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<td>673,479</td>
<td>1,421,397</td>
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<td>736,649</td>
<td>564,369</td>
<td>(603,835)</td>
<td>3,076,338</td>
<td>137,324</td>
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<tr>
<td><strong>Total remuneration</strong></td>
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<td>17,087,936</td>
<td>3,707,574</td>
<td>25,435,760</td>
<td>7,916,045</td>
<td>(1,570,429)</td>
<td>60,624,917</td>
<td>2,837,089</td>
<td>63,462,906</td>
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<tr>
<td><strong>(incl new and former members)</strong></td>
<td>2012</td>
<td>7,631,089</td>
<td>22,162,270</td>
<td>3,608,431</td>
<td>14,511,951</td>
<td>11,665,015</td>
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</table>
## Executive Remuneration

### Base Remuneration

<table>
<thead>
<tr>
<th>Name and position</th>
<th>Year</th>
<th>Base remuneration</th>
<th>Profit Share – available upfront</th>
<th>Notional invested in DPS Plan</th>
<th>Delivered as Macquarie equity</th>
<th>Performance Share Units</th>
<th>Options over Macquarie shares</th>
<th>Total remuneration before notional investment (including retained profit share)</th>
<th>Earnings on prior year restricted profit share</th>
<th>Total remuneration</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Executive Directors</strong></td>
<td></td>
<td></td>
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<td></td>
<td></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>2012</td>
<td>819,353</td>
<td>2,046,811</td>
<td>955,179</td>
<td>3,349,480</td>
<td>780,548</td>
<td>(570,839)</td>
<td>7,380,532</td>
<td>409,034</td>
<td>7,789,566</td>
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<td>2,700,654</td>
<td>1,260,305</td>
<td>3,492,752</td>
<td>2,302,283</td>
<td>(2,422,387)</td>
<td>6,890,106</td>
<td>613,298</td>
<td>6,903,404</td>
</tr>
<tr>
<td><strong>Executives</strong></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>S.D. Allen – Group Head, Risk Management Group</td>
<td>2012</td>
<td>771,156</td>
<td>1,468,777</td>
<td>293,755</td>
<td>858,199</td>
<td>460,475</td>
<td>99,867</td>
<td>3,952,229</td>
<td>107,327</td>
<td>4,059,556</td>
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<td></td>
<td>2011</td>
<td>677,360</td>
<td>2,369,965</td>
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<td>900,867</td>
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<td>254,090</td>
<td>3,309,860</td>
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<td>3,459,054</td>
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<td>664,158</td>
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<td>319,814</td>
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<td>2,081,316</td>
<td>(1,423,018)</td>
<td>6,815,224</td>
<td>1,565,782</td>
<td>8,381,006</td>
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<tr>
<td></td>
<td>2011</td>
<td>658,333</td>
<td>1,705,876</td>
<td>170,568</td>
<td>932,379</td>
<td>814,914</td>
<td>(448,919)</td>
<td>3,836,955</td>
<td>63,427</td>
<td>3,899,382</td>
</tr>
<tr>
<td>G.C. Ward – Deputy Managing Director, W. Sikramanyake – Group Head, Macquarie Funds Group</td>
<td>2012</td>
<td>722,958</td>
<td>1,658,296</td>
<td>331,659</td>
<td>1,185,240</td>
<td>1,185,240</td>
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<td>7,364,967</td>
</tr>
<tr>
<td></td>
<td>2011</td>
<td>689,018</td>
<td>2,368,995</td>
<td>379,039</td>
<td>1,063,893</td>
<td>1,032,724</td>
<td>(491,328)</td>
<td>4,568,542</td>
<td>152,653</td>
<td>4,721,195</td>
</tr>
<tr>
<td>T. Bishop – Group Head, Macquarie Capital</td>
<td>2012</td>
<td>705,944</td>
<td>426,419</td>
<td>(2,790,542)</td>
<td>1,854,807</td>
<td>482,657</td>
<td>270,928</td>
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<td>511,746</td>
<td>1,449,660</td>
<td>(194,439)</td>
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<td>278,337</td>
<td>480,593</td>
<td>3,291,990</td>
<td>494,800</td>
<td>3,786,790</td>
</tr>
<tr>
<td>G. Farrell – Group Head, Corporate and Asset Finance Group</td>
<td>2012</td>
<td>722,958</td>
<td>2,795,414</td>
<td>279,541</td>
<td>1,221,236</td>
<td>843,180</td>
<td>116,446</td>
<td>5,978,775</td>
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<td>(322,373)</td>
<td>5,343,376</td>
<td>282,891</td>
<td>5,626,267</td>
</tr>
<tr>
<td></td>
<td>2011</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>S. Vrcelj – Group Head, Macquarie Securities Group</td>
<td>2012</td>
<td>722,958</td>
<td>–</td>
<td>–</td>
<td>896,338</td>
<td>264,867</td>
<td>99,114</td>
<td>1,923,295</td>
<td>36,185</td>
<td>1,969,480</td>
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</tbody>
</table>

### Total Remuneration (incl new and former members)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total remuneration</th>
<th>Earnings on prior year restricted profit share</th>
<th>Total remuneration – (incl new and former members)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>4,530,539</td>
<td>1,703,719</td>
<td>34,404,618</td>
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<tr>
<td>2011</td>
<td>4,076,231</td>
<td>3,043,063</td>
<td>36,870,299</td>
</tr>
</tbody>
</table>

### New Executives

- T. Bishop – Group Head, Macquarie Capital
- G. Farrell – Group Head, Corporate and Asset Finance Group
- M. McLaughlin – Group Head, United States
- S. Vrcelj – Group Head, Macquarie Securities Group

### Former Executive Voting Directors and Executives

- M. Carapiet – Former Executive Chairman, Macquarie Capital and Macquarie Securities Group
- R.S. Laidlaw – Former Group Head and Executive Chairman, Macquarie Securities Group and Macquarie Capital
- W.R. Sheppard – Former Deputy Managing Director

### Former Executive Voting Directors


### Total Remuneration – (incl new and former members)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total remuneration</th>
<th>Earnings on prior year restricted profit share</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>8,048,031</td>
<td>2,837,089</td>
</tr>
<tr>
<td>2011</td>
<td>7,631,089</td>
<td>1,650,229</td>
</tr>
</tbody>
</table>

---

1. Comparable Executive KMP are Key Management Personnel who were members of the Executive Committee for the full year in both FY2011 and FY2012.
With the exception of 31 March 2005, the financial information presented below has been based on the accounting standards adopted at each reporting date. The financial information for the periods ended 31 March 2005 and later are based on results reported under International Financial Reporting Standards and their related pronouncements.

### Years ended 31 March

**Income statement ($ million)**

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total income</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>7,665</td>
<td>6,963</td>
</tr>
<tr>
<td>Total expenses</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>(6,394)</td>
<td>(5,914)</td>
</tr>
<tr>
<td>Operating profit before income tax</td>
<td>460</td>
<td>666</td>
<td>1,158</td>
<td>1,287</td>
<td>1,928</td>
<td>1,962</td>
<td>2,205</td>
<td>969</td>
<td>1,284</td>
<td>1,271</td>
</tr>
<tr>
<td>Income tax expense</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>
<td>(287)</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>364</td>
<td>524</td>
<td>870</td>
<td>997</td>
<td>1,551</td>
<td>1,888</td>
<td>974</td>
<td>1,093</td>
<td>989</td>
<td>762</td>
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</table>

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

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<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Total assets</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>
<td>153,626</td>
</tr>
<tr>
<td>Total liabilities</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>
<td>141,894</td>
</tr>
<tr>
<td>Net assets</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>
<td>11,732</td>
</tr>
<tr>
<td>Total loan assets</td>
<td>9,839</td>
<td>10,777</td>
<td>28,425</td>
<td>45,796</td>
<td>52,407</td>
<td>44,751</td>
<td>44,267</td>
<td>46,016</td>
<td>45,218</td>
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</tr>
<tr>
<td>Impaired loan assets (net of provisions)</td>
<td>16</td>
<td>61</td>
<td>42</td>
<td>86</td>
<td>95</td>
<td>17</td>
<td>13</td>
<td>16</td>
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</table>

**Share information**

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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash dividends per share (cents per share)</td>
<td>41</td>
<td>52</td>
<td>61</td>
<td>90</td>
<td>125</td>
<td>145</td>
<td>145</td>
<td>85</td>
<td>86</td>
<td>65</td>
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<tr>
<td>Final</td>
<td>52</td>
<td>70</td>
<td>100</td>
<td>125</td>
<td>190</td>
<td>200</td>
<td>200</td>
<td>100</td>
<td>100</td>
<td>75</td>
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<tr>
<td>Special</td>
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<td>61</td>
<td>61</td>
<td>61</td>
<td>61</td>
<td>61</td>
<td>61</td>
<td>61</td>
<td>61</td>
<td>61</td>
</tr>
<tr>
<td>Total</td>
<td>143</td>
<td>122</td>
<td>201</td>
<td>215</td>
<td>315</td>
<td>345</td>
<td>345</td>
<td>185</td>
<td>186</td>
<td>186</td>
</tr>
</tbody>
</table>

**Basic earnings per share (cents per share)**

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<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Share price at 31 March ($)</td>
<td>24.70</td>
<td>35.80</td>
<td>48.03</td>
<td>64.68</td>
<td>82.75</td>
<td>52.82</td>
<td>27.05</td>
<td>47.25</td>
<td>52.82</td>
<td>47.25</td>
</tr>
<tr>
<td>Ordinary share capital (million shares)</td>
<td>206.5</td>
<td>215.9</td>
<td>223.7</td>
<td>232.4</td>
<td>253.9</td>
<td>274.6</td>
<td>283.4</td>
<td>344.2</td>
<td>346.8</td>
<td>348.6</td>
</tr>
<tr>
<td>Market capitalisation at 31 March (fully paid ordinary shares) ($ million)</td>
<td>5,051</td>
<td>7,729</td>
<td>10,744</td>
<td>15,032</td>
<td>21,010</td>
<td>14,504</td>
<td>7,666</td>
<td>16,266</td>
<td>12,693</td>
<td>10,137</td>
</tr>
</tbody>
</table>

**Ratios (%)**

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Return on average ordinary shareholders' funds</td>
<td>18.0</td>
<td>22.3</td>
<td>29.8</td>
<td>26.0</td>
<td>28.1</td>
<td>23.7</td>
<td>9.9</td>
<td>10.1</td>
<td>8.8</td>
<td>6.8</td>
</tr>
<tr>
<td>Dividend payout ratio</td>
<td>87.42</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>
<td>67.3</td>
<td>66.4</td>
</tr>
<tr>
<td>Expense/Income ratio</td>
<td>78.7</td>
<td>75.7</td>
<td>72.4</td>
<td>73.4</td>
<td>73.2</td>
<td>73.3</td>
<td>82.1</td>
<td>80.5</td>
<td>83.4</td>
<td>84.9</td>
</tr>
<tr>
<td>Net loan losses as % of loan assets (excluding securitisation SPVs and segregated futures funds)</td>
<td>0.0</td>
<td>0.3</td>
<td>0.2</td>
<td>0.2</td>
<td>0.1</td>
<td>0.3</td>
<td>1.9</td>
<td>0.8</td>
<td>0.4</td>
<td>0.5</td>
</tr>
<tr>
<td>Assets under management ($ billion)</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>325.8</td>
<td>309.8</td>
<td>326.9</td>
</tr>
<tr>
<td>Staff numbers</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>
<td>14,202</td>
</tr>
</tbody>
</table>

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42  MACQUARIE GROUP 2012 ANNUAL REVIEW

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a) Macquarie’s ordinary shares were listed on the Australian Stock Exchange (now Australian Securities Exchange) on 29 July 1996.

b) Number of fully paid ordinary shares at end of period, excluding options and partly paid shares.

c) Net tangible assets include intangible assets within disposal groups and assets held for sale. Net tangible assets per ordinary share has been restated to include net deferred tax assets, in accordance with industry practice.

d) 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 Dividend payout ratio would have been 56.8 per cent.

e) The methodology used to calculate assets under management was revised in September 2005. Comparatives at 31 March 2005 have been restated in accordance with the revised methodology.
With the exception of 31 March 2005, the financial information presented below has been based on
the accounting standards adopted at each reporting date. The financial information for the periods
ended 31 March 2005 and later are based on results reported under International Financial Reporting
Standards and their related pronouncements.

### Years ended 31 March

<table>
<thead>
<tr>
<th>Years ended 31 March</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>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income statement ($ million)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total income</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>7,665</td>
<td>6,963</td>
</tr>
<tr>
<td>Total expenses</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>(6,394)</td>
<td>(5,914)</td>
</tr>
<tr>
<td>Operating profit before income tax</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>
<td>1,049</td>
</tr>
<tr>
<td>Income tax expense</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>
<td>(287)</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>364</td>
<td>524</td>
<td>870</td>
<td>1,158</td>
<td>1,928</td>
<td>2,205</td>
<td>989</td>
<td>1,294</td>
<td>1,271</td>
<td>1,049</td>
</tr>
<tr>
<td>Other non-controlling interests</td>
<td>(3)</td>
<td>(3)</td>
<td>(1)</td>
<td>(3)</td>
<td>(1)</td>
<td>(25)</td>
<td>(14)</td>
<td>(3)</td>
<td>(2)</td>
<td></td>
</tr>
<tr>
<td>Profit attributable to ordinary equity holders</td>
<td>333</td>
<td>494</td>
<td>812</td>
<td>1,163</td>
<td>1,803</td>
<td>974</td>
<td>1,050</td>
<td>956</td>
<td>730</td>
<td></td>
</tr>
</tbody>
</table>

| **Statement of financial position ($ million)** |       |       |       |       |       |       |       |       |       |       |
| Total assets         | 32,462 | 43,771 | 67,980 | 106,211 | 136,389 | 167,250 | 149,144 | 145,940 | 157,568 | 153,626 |
| Total liabilities    | 29,877 | 40,938 | 63,555 | 100,874 | 128,870 | 157,189 | 139,584 | 134,171 | 145,636 | 141,894 |
| Net assets           | 2,585 | 2,833 | 4,425 | 4,337 | 7,519 | 10,061 | 9,560 | 11,769 | 11,932 | 11,732 |
| Total loan assets    | 9,839 | 10,777 | 28,425 | 34,999 | 45,796 | 52,407 | 44,751 | 44,267 | 46,016 | 45,218 |
| Impaired loan assets (net of provisions) | 16 | 61 | 42 | 85 | 88 | 165 | 952 | 647 | 377 | 405 |

| **Share information** |       |       |       |       |       |       |       |       |       |       |
| Cash dividends per share (cents per share) |       |       |       |       |       |       |       |       |       |       |
| Interim              | 41     | 52     | 61     | 90     | 125    | 145    | 145    | 86     | 86    | 65    |
| Final                | 52     | 70     | 100    | 125    | 190    | 200    | 40     | 100    | 100   | 75    |
| Special              | 50     | –      | 40     | –      | –      | –      | –      | –      | –     | –     |
| Total                | 143    | 122    | 201    | 215    | 315    | 345    | 185    | 186    | 186   | 140   |
| Basic earnings per share (cents per share) | 164.8 | 233.0 | 399.6 | 400.3 | 591.6 | 670.6 | 309.6 | 320.2 | 282.5 | 210.1 |
| Share price at 31 March ($) | 24.70 | 35.80 | 48.03 | 64.68 | 82.75 | 92.82 | 76.55 | 72.04 | 61.11 | 49.81 |
| Ordinary share capital (million shares) | 204.5 | 215.9 | 223.7 | 232.9 | 253.9 | 274.6 | 283.4 | 344.2 | 348.6 | 348.6 |
| Market capitalisation at 31 March (fully paid ordinary shares) ($ million) | 5,051 | 7,729 | 10,744 | 15,032 | 21,010 | 14,504 | 7,666 | 12,693 | 10,137 | 10,137 |
| Net tangible assets per ordinary share ($) | 8.90 | 9.66 | 14.02 | 16.99 | 24.35 | 30.35 | 27.89 | 29.40 | 28.12 | 28.12 |

| **Ratios (%)** |       |       |       |       |       |       |       |       |       |       |
| Return on average ordinary shareholders' funds | 18.0 | 22.3 | 29.8 | 26.0 | 28.1 | 23.7 | 9.9 | 10.1 | 8.8 | 6.8 |
| Dividend payout ratio | 87.42% | 53.2 | 53.2 | 54.4 | 54.3 | 52.2 | 60.2 | 60.4 | 67.3 | 66.4 |
| Expense/income ratio  | 78.7 | 75.7 | 72.4 | 73.4 | 73.2 | 73.3 | 82.1 | 80.5 | 83.4 | 84.9 |
| Net loan losses as % of loan assets (excluding securitisation SPVs and segregated futures funds) | 0.0 | 0.3 | 0.2 | 0.2 | 0.1 | 0.3 | 1.9 | 0.8 | 0.4 | 0.5 |
| **Assets under management** |       |       |       |       |       |       |       |       |       |       |
| ($ billion) | 52.3 | 62.6 | 96.7 | 140.3 | 197.2 | 232.0 | 243.1 | 325.7 | 309.8 | 326.9 |
| **Staff numbers** | 4,839 | 5,716 | 6,556 | 8,183 | 10,023 | 13,107 | 12,716 | 14,657 | 15,556 | 14,202 |

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INVESTOR INFORMATION

Shareholder calendar

2012

Date | Event
---|---
27 April | Full-year result announcement
11 May | Record date for final ordinary dividend
2 July | Payment date of final ordinary dividend
25 July | 2012 Annual General Meeting
30 September | Financial half-year end
26 October | Half-year result announcement
9 November | Record date for interim ordinary dividend
12 December | Payment date of interim ordinary dividend

2012 Annual General Meeting (AGM)

Macquarie Group’s 2012 AGM will be held at 10:30am on Wednesday 25 July 2012 at the Four Seasons Hotel (Grand Ballroom), 199 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 Australian Securities Exchange (ASX) and its ordinary shares trade under the code MQG.

Macquarie Convertible Preference Securities are listed 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.

Macquarie Exchangeable Capital Securities are listed on the Singapore Stock Exchange and trade under the stock code 2AQB.

Dividend details

Macquarie Group generally pays a dividend on its fully paid ordinary shares twice a year following the interim and final results announcements. The proposed dates for the 2012 dividends are as follows:

<table>
<thead>
<tr>
<th>Dividend announcement date</th>
<th>Record date</th>
<th>Proposed payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>27 April 2012</td>
<td>11 May 2012</td>
<td>2 July 2012</td>
</tr>
<tr>
<td>26 October 2012¹</td>
<td>9 Nov 2012¹</td>
<td>12 Dec 2012¹</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
Website: www.investorcentre.com/contact

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 4330
Email: macquarie.shareholders@macquarie.com
Website: macquarie.com.au/investorrelations

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

Website

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

¹ Dates are subject to change
INVESTOR INFORMATION

<table>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
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<td></td>
</tr>
<tr>
<td>Date</td>
<td>Event</td>
</tr>
<tr>
<td>27 April</td>
<td>Full-year result announcement</td>
</tr>
<tr>
<td>11 May</td>
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</tr>
<tr>
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</tr>
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