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.

This year celebrates the Bicentenary of the Holey Dollar.


This 2013 Annual Review contains a report from the Chairman and Managing Director on Macquarie’s business and operational highlights. This document is not a concise report prepared under section 314 (2) of the Corporations Act. Macquarie Group has not prepared a concise report for the 2013 financial year.

The 2013 Macquarie Group Annual Financial Report complies with reporting requirements and contains the statutory financial report. It includes Macquarie’s Corporate Governance Statement, the Directors’ Report including the Remuneration Report and the full financial statements.

Certain financial information in this report is prepared on a different basis to that contained in the Macquarie Group Limited Financial Report, which is prepared in accordance with Australian Accounting Standards. Where financial information presented within this report does not comply with Australian Accounting Standards, a reconciliation to the statutory information is provided.

Any additional information in this document which is not included in the Macquarie Group Limited Financial Report was not subject to independent audit or review by PricewaterhouseCoopers.

If you would like a copy of the 2013 Macquarie Group Annual Financial Report please call us on +61 2 8232 5006 or visit macquarie.com.au/investorrelations.

Macquarie Group’s 2013 Annual General Meeting will be held at 10:30am on Thursday 25 July 2013 at the Grand Hyatt Melbourne (Savoy Ballroom), 123 Collins Street, Melbourne, VIC.

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

Full year net profit up 17 per cent on prior year

- Net profit of $A851 million
- Operating income of $A6.7 billion
- International income 63 per cent of total
- Earnings per share of $A2.51
- Total ordinary dividends of $A2.00 per share
- Return on equity of 7.8 per cent per annum
- Assets under management of $A347 billion

Strong funding and balance sheet position

- Diverse and stable funding base
- Minimal reliance on short-term wholesale funding markets
- Retail deposits of $A31.0 billion
- New term funding of $A9.7 billion
- Excess Group regulatory capital of $A3.4\(^{(1)}\) billion over minimum regulatory capital requirement

\(^{(1)}\) All references to Group regulatory capital surplus are on a fully Harmonised Basel III basis at 8.5 per cent RWA.
Chairman and Managing Director’s report

Macquarie Group recorded a profit of $A851 million for the year ended 31 March 2013, an increase of 17 per cent on the prior year.

The result was achieved in improved but still challenging market conditions. Macquarie’s annuity-style businesses continued to perform well while its capital markets facing businesses were again impacted by subdued activity levels. Macquarie’s strength lies in the diversity of its global platform, its specialist skills across a range of products and asset classes and the strong franchise positions of each of its operating groups.

Macquarie’s strong balance sheet, significant surplus capital and robust liquidity and funding profile, together with its conservative approach to risk management, position the business well, both in volatile conditions and as markets improve.
Result 31 March 2013 | Change on prior year | Result 2H13 | Change on 1H13
--- | --- | --- | ---
Net profit | $A851 million | 17% | $A490 million | 36%
Operating income | $A6.7 billion | (4%) | $A3.6 billion | 18%
Operating expenses | $A5.3 billion | (10%) | $A2.7 billion | 7%
Effective tax rate | | | | 
Earnings per share | $A2.51 | 20% | $A1.46 | 38%
Return on equity (annualised) | 7.8% | Up from 6.8% | Up from 8.9% | Up from 6.6%
Dividends per share | $A2.00 | Up from $A1.40 | (40% franked) | 
| | | | Up from $A1.25 | 
| | | | (unfranked)
Assets under management | $A347 billion | 6% | $A347 billion | 1.8%

Basic earnings per share (EPS) $A

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Dividends per share (DPS) $A

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Global market conditions generally improved during the year to 31 March 2013 which, together with strong cost control across the Group, led to the improved result. Over the year, the Group achieved a $A619 million reduction in operating expenses, including an eight per cent reduction in employment expenses.

Macquarie’s annuity-style businesses continued to perform strongly. The Banking and Financial Services Group produced a record result. Macquarie Funds Group made an increased contribution to Macquarie’s profit. Corporate and Asset Finance continued to build its corporate lending and asset finance business, its result broadly in line with a record contribution in the prior year. The strong performances from the annuity-style businesses highlight the investment that Macquarie has made in these businesses over many years, as well as the diversity of its global platform.

Client activity remained subdued for Macquarie’s capital market facing businesses and affected the performance of some operating groups. Macquarie Securities Group experienced reduced volumes in cash equities and ongoing market weakness in derivatives and equity capital markets (ECM) but benefitted from strong cost control. While its overall performance improved significantly, resulting in a small second half profit, it recorded a loss for the year primarily due to the impact of legacy costs associated with businesses that have either been exited or significantly scaled back. Macquarie Capital achieved a result well up on a weak prior year despite continuing low levels of corporate activity in mergers and acquisitions (M&A) and ECM. Its ongoing focus on cost management contributed to the improved result. The result for Fixed Income, Currencies and Commodities was up on the prior year, reflecting a general improvement in market conditions across most of its businesses. Client risk appetite in credit and interest rate markets improved, though conditions in resource equity markets deteriorated.

The Group’s effective tax rate increased to 38.5 per cent from 28.2 per cent in the prior year. This was due to increased profitability in the US, the write down of certain international group tax assets and increased provisioning for tax uncertainties.

Staff numbers were 13,663 at 31 March 2013, down from 14,202 at 31 March 2012.

**Performance of operating groups**

Macquarie Funds Group (MFG) generated strong annuity base fee income, as well as structuring and performance fees predominantly earned as a result of a number of infrastructure funds outperforming their respective benchmarks. Assets under management increased by six per cent to $A343.5 billion. Macquarie Infrastructure and Real Assets raised $A6.6 billion\(^1\) in new equity commitments since 1 April 2012, including new funds in Europe, the Philippines, Mexico, Korea and China, and invested $A4.6 billion of equity in portfolio assets across the globe. Post balance date, Macquarie’s fourth European infrastructure fund (MEIF 4) reached final close with €2.7 billion ($US3.5 billion) committed, well in excess of its target. Macquarie Investment Management was awarded 10 Lipper Fund Awards across the US and Europe in 2013\(^2\) with the majority of its funds outperforming their benchmarks over three years. A change in the mix of assets under management towards higher margin products drove an increase in Macquarie Investment Management’s revenue run-rate. Macquarie Specialised Investment Solutions established an infrastructure debt management business and was awarded a $US500 million mandate to establish and manage an infrastructure debt portfolio.

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\(^1\) Includes fund closing post 31 March 2013.

\(^2\) For more information about these Lipper awards, the issuer of this award, the methodologies, and other important information about these awards, please visit macquarie.com.au/mgl/au/mfg/mim/about-us/awards
Corporate and Asset Finance Group (CAF) increased its asset finance and corporate lending portfolio by nine per cent to $A22.4 billion at 31 March 2013. Its motor vehicle leasing portfolio increased by 18 per cent on the prior year. Other initiatives during the year included the acquisition of a European rail leasing platform, the continued expansion of the UK markets portfolio and the mining equipment finance business, together with the extension of CAF’s equipment finance white label programs to manufacturers and vendors in the US. There were selective sales of aircraft and rail assets at attractive values, while securitisation activity continued during the year. CAF added to its corporate and real estate lending portfolios across all geographies. CAF’s lending portfolios continued to perform well and asset quality remains sound.

Banking and Financial Services Group (BFS) continued to grow its top-ranked Australian wrap platform, with funds under administration increasing 14 per cent to $A25.1 billion. The migration of Perpetual’s $A7.6 billion private wealth administration platform to Macquarie Wrap was completed post balance date. The Australian mortgage portfolio increased by nine per cent to $A11.8 billion. The business formed a distribution alliance with Australian financial services company Yellow Brick Road and also acquired an equity stake in Home Loans Limited in April 2013. The acquisition of GE Capital’s Australian insurance premium funding provider, Pacific Premium Funding, created Australia’s second largest premium funder. BFS maintained its No. 1 position for full-service retail stockbroking in Australia for the sixth successive year, while increasing its retail deposits by seven per cent to $A31.0 billion. In January 2013, Macquarie Private Wealth entered an Enforceable Undertaking with the Australian Securities and Investments Commission and is committed to implementing the changes necessary to improve its compliance processes and systems.

Macquarie Securities Group (MSG) continued to experience subdued activity levels due to weak investor confidence but benefited from improved market volumes in the fourth quarter, together with reduced operating expenses and lower legacy costs. It maintained its leading positions for Australian equities among institutional investors globally, continued to grow its US cash equities activities and invest in market execution technology. Activity in equity capital markets (ECM) remained subdued during the year, with historically low levels of primary issuance and a reduction in total capital raised across most regions. Retail warrant activity remained low, particularly in Korea, where a regulatory rule change resulted in a significant reduction in market volumes. However, MSG continued to build on its expertise as one of the largest warrant issuers in the Asia-Pacific region, issuing its first derivative warrants in October 2012.

Macquarie Capital maintained its strong franchise position with an increase in the number of total transactions for the year although overall activity remains subdued. Macquarie Capital advised on 447 transactions worth $A86 billion during the year and was ranked No. 1 in Australia by Thomson Financial for number of announced and completed M&A deals in 2012 and No. 1 by Preqin for Global Real Estate placements. Macquarie Capital advised China Gas on its successful defence of a $US2.2 billion unsolicited pre-conditional offer; Tokio Marine Holdings on its $US2.7 billion acquisition of Delphi Financial Group, for which it won a number of awards including M&A Deal of the Year ($US1-3 billion) from M&A Advisor; Goodman Group on the $A638 million equity raising for the $A5.1 billion Goodman Australia Industrial Fund; and it won the North American Toll Road Deal of the Year from Project Finance magazine for its role in the $US2.1 billion Downtown Tunnel road construction project in Virginia.

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(3) Net operating income net of impairment charges in each region excludes income from the Corporate segment.
Fixed Income, Currencies and Commodities (FICC) benefited from a general improvement in market conditions across most of its businesses compared to the prior year. Improved client risk appetite in credit and interest rate markets benefited the Credit Trading and Fixed Income and Currencies divisions, while there were strong trading opportunities and customer flow across the global energy platform. Futures volumes increased in all key regions and agricultural markets experienced improved trading conditions and customer activity. Weak investor sentiment and confidence in resource equity markets, as well as underperformance in certain investments, resulted in an increase in impairments on some listed equity holdings in the Metals and Energy Capital business which were partially offset by profits on some equity realisations. During the year, FICC established a Commodity Investor Products business offering commodity-based index products to institutional investors globally, completed its first municipal pre-paid natural gas bond transaction in the US, maintained its ranking as the No. 4 physical gas marketer in North America, established a futures sales office in Singapore and expanded its New York credit sales and trading team.

Capital
Macquarie has a long-standing policy of holding a level of capital which supports its business and has consistently grown its capital base ahead of business requirements. The Group's capital at 31 March 2013 was $A12.9 billion. On a Harmonised Basel III basis(3), this represented a $A3.4 billion capital surplus, while on an Australian Prudential Regulation Authority Basel III basis, the Group had $A2.2 billion in excess of its minimum regulatory capital requirement.

During the year, $A251 million of shares were purchased under the buyback at an average price of $A25.58 per share. Macquarie intends to purchase approximately $A250 million of shares on-market(2) to satisfy the requirements of the Macquarie Group Employee Retained Equity Plan. The buying period for the MEREP will commence on 13 May 2013 and is expected to be completed in early July 2013(3). The shares for the second half of the financial year ended 31 March 2013 Dividend Reinvestment Plan are to be acquired on-market(3).

Macquarie intends to replace the 2008 Convertible Preference Securities (CPS) with a new security. There will be a reinvestment offer for existing CPS holders and a priority offer for Macquarie Group Limited shareholders. The final terms are subject to regulatory approval.

Funding
Macquarie remains very well funded, with diversified funding sources. It continues to pursue its strategy of diversifying funding sources by growing its deposit base and accessing different funding markets. Total retail deposits increased seven per cent to $A31.0 billion at 31 March 2013 from $A29.0 billion at 31 March 2012. During the year, $A9.7 billion of new term funding was raised and $A2.8 billion of government guaranteed debt was repurchased with a plan to launch a public tender to repurchase additional outstanding government guaranteed debt.

Short-term wholesale issued paper remains a small portion of overall funding, with term assets covered by term funding, stable deposits and equity, reflecting the Group’s conservative approach to funding.

Dividend
The Board resolved to pay a final ordinary dividend of $A1.25 per ordinary share (40 per cent franked), up from $A0.75 in the first half (unfranked). The total ordinary dividend payment for the year was $A2.00 per ordinary share, up from $A1.40 in the previous year. This represents an annual dividend payout ratio of 79 per cent.

The Board has resolved that the annual dividend payout ratio will be in the range of 60 to 80 per cent. The future rate of franking remains subject to the composition of income.

Risk management
Risk management is sponsored by the Board. Macquarie’s robust risk management framework is a key factor in the Group’s record of unbroken profitability. The Group has always sought to clearly 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 ESG priorities have been shaped by their materiality to business performance and stakeholder interest.
In the year to 31 March 2013 Macquarie continued to embed ESG risk management in its business units and pursued opportunities aligned with its specialist expertise in renewable energy, carbon markets, energy efficiency and ESG research. Details of Macquarie’s ESG approach are included in the Sustainability section of the Annual Financial Report and Annual Review.

The diversity of our people, including gender diversity, is important to the success of Macquarie. We seek to support women to achieve rewarding careers through delivery of a range of programs.

Board and management

Catherine Livingstone will retire by rotation at the upcoming Annual General Meeting on 25 July 2013. She has notified the Board that she does not intend to seek re-election at the AGM and will retire as a Director of Macquarie Group and Macquarie Bank at that time. Catherine joined the Macquarie Bank Board in November 2003 and became Chairman of the Board Audit Committee in December 2005. We would like to express our sincere gratitude for Catherine’s exceptional service as a Director over that period.

Michael Coleman joined the Boards of Macquarie Group and Macquarie Bank on 9 November 2012. An audit partner at KPMG for 30 years, Michael has a strong background in risk management, financial reporting, regulatory and corporate governance and experience across sectors including financial services, funds management and property in Australia and Asia. He has become a member of the Board Risk Committee and the Board Audit Committee. He will succeed Catherine Livingstone as Chairman of the Board Audit Committee.

Peter Maher has announced his intention to retire from Macquarie Group after serving as Group Head of BFS for over 12 years. Peter will be leaving BFS following a record result in the current year, and having built and integrated a strong retail offering for Macquarie. The Board and management would like to take this opportunity to thank Peter for his dedication in building the BFS business over many years of service.

Greg Ward has been appointed Group Head of BFS in addition to his current position as Deputy Managing Director of Macquarie Group Limited and Chief Executive Officer of Macquarie Bank Limited.

As mentioned in the interim update, Nicole Sorbara was appointed Chief Operating Officer and Head of the newly formed Corporate Operations Group on 1 January 2013. Nicole has also joined Macquarie’s Executive Committee.

Nigel Smyth retired as Head of the Market Operations and Technology Group on 1 January 2013 and will leave Macquarie on 1 July 2013. We thank Nigel for his significant contribution to Macquarie over the past 11 years, during a period of great technological change.

Outlook

While market volatility makes forecasting difficult, subject to market conditions it is currently expected that the net profit contribution from operating groups for the financial year ending 31 March 2014 will be up on the prior year.

The tax rate is currently expected to be in the mid 30 per cent range based on the present mix of income.

Accordingly, the result for the Group for the financial year ending 31 March 2014 is expected to be an improvement on the prior year provided market conditions for the financial year ending 31 March 2014 are not worse than those experienced over the past 12 months.

The result for the financial year ending 31 March 2014 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.

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

Macquarie’s Board and management would like to thank staff for their efforts on behalf of the Group during the year. Finally, we thank our shareholders for their continued support.

Kevin McCann AM
Chairman

Nicholas Moore
Managing Director and Chief Executive Officer
Sydney
3 May 2013
The Holey Dollar: A symbol of innovation

The holey dollar, Australia’s earliest example of financial innovation and the global symbol of Macquarie Group, this year marks its 200th anniversary.

Two hundred years ago, when the fledgling colony of New South Wales suffered a severe currency shortage, Governor Lachlan Macquarie imported 40,000 Spanish silver dollars and punched a hole through the centre of them.

This created Australia’s first official currency and put the colony on the path to economic independence. The currency stimulated the economy while retaining its intrinsic value, with the two new coins – the holey dollar and the dump – worth 25 per cent more than the original. Two centuries later, Australia has evolved into one of the world’s major financial centres.

In today’s environment, as the world’s major economies continue to adjust monetary policy to stimulate growth, the success of Lachlan Macquarie’s initiative stands out. Adopting the holey dollar as its symbol, along with the name of its creator, Macquarie Group highlighted its pursuit of practical approaches with profitable outcomes.

Macquarie differentiates itself by focusing on new opportunities, both in product and geography, progressively building expertise in these disciplines and expanding into adjacent areas of expertise. In this way, it has built a uniquely diversified global business and a team with specialist expertise in areas such as resources, agriculture and commodities, energy and infrastructure and, particularly, the Asia-Pacific region, as well as niche expertise in many other areas.

Macquarie’s entrepreneurial approach is balanced by a strong risk management framework, embedded across all operating groups, which equips the business for unanticipated disruptions. This has enabled Macquarie to successfully navigate the challenging global markets of recent years and achieve 44 years of unbroken profitability. The stability of Macquarie’s income differentiates it from many of its peers. In addition, Macquarie has consistently maintained a strong capital surplus, enabling its businesses to utilise opportunities for expansion.

Macquarie Funds Group (MFG) is a top 50 global asset manager, with $A343.5 billion in assets under management, including $A97 billion in infrastructure and real assets. Macquarie led the establishment of infrastructure as an asset class almost 20 years ago and is now the world’s largest infrastructure manager, operating 49 funds globally, with investments in 114 businesses, 300 properties and 3.6 million hectares of farmland. In 2012, MFG established the first infrastructure fund dedicated to the Philippines, while the Macquarie Mexican REIT was the largest REIT listing in five years. Post balance date, Macquarie’s fourth European infrastructure fund (MEIF 4) reached final close with €2.7 billion ($US3.5 billion) committed, well in excess of its target. Macquarie was ranked first in Infrastructure Investor magazine’s list of top infrastructure investors globally in 2012, for the third consecutive year.

In 2012, the Macquarie Infrastructure Debt Investment Solutions was awarded a $US500 million mandate to establish and manage an infrastructure debt portfolio.

MFG also has a global presence in securities investment management, managing $A239.3 billion in around 100 investment strategies. Macquarie’s strong capital position facilitated the acquisition of leading US diversified asset management firm Delaware Investments in 2010, significantly expanding MFG’s global footprint in this area. Macquarie Investment Management continues to develop new products, with the majority of funds outperforming their benchmarks over three years.

Corporate and Asset Finance Group (CAF) manages an asset finance and corporate lending portfolio of $A22.4 billion, specialising in corporate and real estate lending and asset financing across aircraft, motor vehicles, technology, healthcare, manufacturing, industrial, energy, rail and mining equipment. The business evolved from Macquarie’s leasing and cross-border leasing activities in the 1980s and 1990s and has grown strongly over the past five years, providing a strong source of annuity-style income in a period of capital markets volatility.

CAF’s corporate lending business is differentiated by its bespoke offering. It works closely with clients to understand every facet of their credit structure and provide customised financial solutions. CAF also continues to expand its asset finance portfolio. It acquired its first European rail leasing platform in January 2013, while its smart metering business, the largest in the UK, is assisting carbon emission reduction efforts in that market.
Banking and Financial Services Group (BFS) is a leading provider of retail advisory services and products, with 1.1 million clients globally and retail deposits of $A31.0 billion. It has been ranked No. 1 for full-service retail stockbroking in Australia by volume and market share for six consecutive years, while maintaining the top-ranked Australian wrap platform for service and growing mortgage and insurance businesses.

Having introduced Australia’s first cash management trust in 1980, BFS continues to pioneer new products and services, including a Virtual Adviser Network to support advisory practices, an intuitive online underwriting platform and its Macquarie Life Active combination of life insurance products, which has won multiple awards.

Macquarie Securities Group (MSG) is a global institutional securities house with strong Asia-Pacific foundations, covering sales, research, equity capital markets, execution and derivatives activities.

Building on the relationships it has developed in all of its key markets, MSG has managed a strong corporate access program over more than 15 years and runs approximately 80 events a year connecting companies with institutional investors globally. A leading Asia-Pacific specialist, particularly since the acquisition of ING’s Asian cash equities business in 2004, it operates an established full-service institutional cash equities business in 12 Asia-Pacific countries, with one of the largest equities sales teams in the region and research coverage of more than 1,100 stocks.

Macquarie Capital has built a corporate finance capability with a focus on the infrastructure, utilities and renewables, resources, real estate, telecommunications, media, entertainment and technology (TMET), industrials and financial institutions sectors. It services some or all of these sectors in each of five regions globally.

Macquarie Capital has one of the largest infrastructure advisory teams globally, with 200 dedicated professionals, a global presence in resources and a growing focus on the renewable energy sector. In the 2012 calendar year, Macquarie Capital was ranked No. 1 in Australia for number of announced and completed mergers and acquisitions transactions by Thomson Financial. During the financial year, Macquarie Capital reinforced its leadership in the real estate sector, advising on major transactions in Australia, China and the UK, and securing the No. 1 ranking by Prequin for third party global real estate placements in 2012, with $US4.1 billion capital raised. It also advised China Gas on its successful defence of a $US2.2 billion unsolicited pre-conditional offer.

Fixed Income, Currencies and Commodities (FICC) operates a portfolio of businesses across global physical and financial commodity markets and primary and secondary financial markets which it has built over more than 30 years.

In the past eight years, FICC has extended its commodities expertise and developed a strong physical energy trading business. It is now the fourth largest physical gas trader in North America and the highest ranked non-producer. Recently, Macquarie entered a $US1.5 billion agreement to provide a 20-year supply of natural gas to Texas Municipal Gas Acquisition and Supply Corporation III.

FICC has also been an important source of finance to junior mining and energy companies, providing finance of more than $US7.0 billion to projects over the past 10 years across more than 40 jurisdictions. Its team of more than 80 mining and energy finance specialists includes in-house geologists, petroleum and mining engineers, providing the technical expertise to assess transactions and tailor funding solutions.

As the holey dollar turns 200, it remains a relevant symbol of financial innovation. Within the Macquarie business, it continues to inspire the organisation’s best efforts to deliver new ideas and products for its clients.
Regional activity

**AUSTRALIA**

MFG recognised $A29 million of performance fees from its management of Macquarie Atlas Roads Group and DUET Group. DUET Group received security holder approval for the internalisation of its management.

Macquarie Income Opportunities, one of MFG’s flagship Australian fixed income retail strategies, reached $A1.5 billion in assets under management.

CAF securitised $A2.4 billion of motor vehicle and equipment leases and loans.

CAF funded, originated or acquired $A5.6 billion of corporate and real estate credit and asset finance opportunities.

Macquarie Wrap completed the migration of Perpetual’s $A7.6 billion private wealth administration platform to Macquarie Wrap. Effective 1 April 2013, Macquarie is now providing outsourced systems and administrative support to Perpetual.

BFS signed a distribution agreement with Australian financial services company, Yellow Brick Road, with mortgages as the introductory product. Yellow Brick Road joins mortgage distribution partners Aussie Home Loans, AFG, VOW and Mortgage Choice.

MSG retained its No. 2 position for Australian equities in the Peter Lee survey of Australian institutional investors covering 75 per cent of the domestic commission pool. MSG also ranked equal first for research, equal second for sales and third for trading.

MSG was ranked No. 1 for Australian equities in the Greenwich surveys of US and European institutional investors and No. 1 by Asian institutional investors in the Peter Lee surveys.

Macquarie Capital was adviser and sole lead manager on the $A638 million equity raising for the $A5.1 billion Goodman Australia Industrial Fund and its seven-year extension.

Macquarie Capital was adviser to APA Group on a $A2.9 billion off-market takeover for Hastings Diversified Utilities Fund.

**ASIA**

MFG continued to build its Asian platform, with the infrastructure and real assets business raising approximately $A1.2 billion in equity for its funds in Korea, the Philippines and China and continuing to deploy equity strategically across the region.

MFG’s infrastructure and real assets business was awarded Asian Infrastructure Fund Manager of the Year by trade publication Infrastructure Investor, while Macquarie Enhanced Global Bond Fund was recognised by AsianInvestor magazine as the best Global Fixed Income Fund (Hedged).

MSG remained a leading issuer of warrants in Asia, ranked No. 1 in Singapore and No. 5 in Hong Kong single stock listed warrants. It commenced a warrants business in Thailand.

Macquarie Bank Limited was awarded Qualified Foreign Institutional Investor (QFII) status and quota by the China Securities Regulatory Commission and the State Administration for Foreign Exchange, allowing Macquarie to invest in Chinese mainland yuan-denominated securities markets.

Macquarie Capital was adviser to Tokio Marine on its $US2.7 billion acquisition of Delphi Financial Group.

Macquarie Capital was adviser and placement agent to China Resources Capital in relation to the establishment of an urban car park investment partnership with a first equity close of $US265 million. Macquarie Capital also made a principal investment in the partnership.

FICC’s Futures Division expanded its presence in Asia with the establishment of a sales office in Singapore.

FICC was awarded Best Commodity Derivatives Provider Asia in the World’s Best Derivatives Providers 2012 by Global Finance magazine for the third consecutive year.

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(1) DUET Group, a listed fund jointly managed by Macquarie Group and AMP Capital Investors Limited until internalisation in December 2012.

(2) The award selection was based on feedback and surveys taken from participants within the industry and readers of the Infrastructure Investor Journal.

(3) The award assesses funds that primarily sell into the Asian region and is judged on nominal and risk-adjusted performance over one, three and five years.
MFG’s Delaware Investments won the Best Overall Small Fund Group Lipper Award for 2013. A number of Delaware Investment funds were also recognised as the best in their respective Lipper categories.

Macquarie Mexican REIT successfully completed its global offering with issuance proceeds of $MX14.2 billion (in excess of $US1.1 billion).

One of North America’s largest independent lessors of technology equipment, CAF broadened its equipment finance white label programs to manufacturers and vendors.

CAF funded, originated or acquired $A1.9 billion of corporate and real estate credit and asset finance opportunities.

BFS Canada sold its Insurance Premium Funding Canada business to Wintrust Financial Corporation.

MSG teamed with SunGard’s Fox River to provide North American clients with its Canadian trading algorithms, enabling clients to seamlessly trade inter-listed equities on all available trading venues in Canada and the US and to settle in a single currency.

Macquarie Capital advised on and co-sponsored the $US2.1 billion Downtown Tunnel/Midtown Tunnel MLK Extension, winning North American Toll Road Deal of the Year from Project Finance magazine. It was the seventh consecutive US transport PPP which included Macquarie as developer, adviser or equity investor.

Macquarie Capital was co-adviser to Kelso and PSAV on the acquisition of Swank Audio Visuals and joint bookrunner and joint lead arranger on $US495 million of senior secured credit facilities, as well as preferred equity investor.

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

Macquarie Group priced its first US municipal pre-paid natural gas bond at $US1.5 billion to provide TexGas III with a 20-year supply of natural gas.

Macquarie’s fourth European infrastructure fund (MEIF 4) reached final close (post balance date) of €2.7 billion ($US3.5 billion), exceeding its initial target of €1.5 - 2 billion. It also invested in two assets – German and Czech gas grids.

MFG launched the Macquarie European Alpha strategy, which employs the same successful investment process as its Macquarie Asian Alpha strategy. Since opening to external investors in January 2013, the strategy has attracted strong global interest.

CAF acquired its first rail leasing platform in Europe and extended its motor vehicle business into the UK, entering the independent contract hire market.

There was continued growth of CAF’s metering portfolio in the UK. The business is now the largest deregulated traditional and smart meter provider in the UK.

Macquarie Life Insurance expanded its back office operations into South Africa to provide 24-hour assessment of insurance claims and processing, reducing turnaround times for advisers and their clients.

Macquarie Capital was adviser to a consortium on the acquisition of Open Grid Europe, the largest gas network operator in Germany, from E.ON AG for approximately €3.2 billion.

Macquarie Capital advised a consortium on the acquisition of a 90 per cent interest in Veolia’s UK regulated business (renamed Affinity Water) and subsequently advised Affinity Water on the implementation of its £2.5 billion whole-business securitisation.

For more information about these Lipper awards, the issuer of this award, the methodologies, and other important information about these awards, please visit macquarie.com.au/mgl/au/mfg/mim/about-us/awards
About Macquarie

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 long-standing 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.

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.

Macquarie Group Limited is listed in Australia (ASX:MQG; ADR:MQBKY) and is regulated by APRA, the Australian banking regulator, as the owner of Macquarie Bank Limited, an authorised deposit taker.

Macquarie also owns a bank in the UK, Macquarie Bank International Limited, which is regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

Founded in 1969, Macquarie employs more than 13,600 people in 28 countries. At 31 March 2013, Macquarie had assets under management of $A347 billion.

(1) Mr Roberts’ role is related to Non-Bank Group businesses
(2) Peter Maher has announced his intention to retire. Greg Ward has been appointed Group Head of BFS, in addition to his current position as MBL Managing Director and CEO and Group Deputy Managing Director.
Key services

Macquarie Funds Group is a global asset manager offering a diverse range of products including:

- Alternative asset management:
  - Infrastructure
  - Real estate
  - Agriculture
  - Energy

- Securities investment management across:
  - Fixed interest and currencies
  - Equities, including infrastructure securities
  - Hedge funds
  - Private markets
  - Multi-asset allocation solutions
  - ‘Best of breed’ external managers

- Fund and equity-based solutions:
  - Fund-linked products
  - Capital protected investments
  - Retirement and annuity solutions
  - Agriculture
  - Infrastructure debt investment solutions

Corporate and Asset Finance Group specialises in corporate and real estate lending 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 to 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 and currency markets
- Credit markets
- Futures
- Asian and emerging markets
Operating Groups

Macquarie Funds Group

Top 50 global asset manager with more than $A340 billion of assets under management

Provides clients with access to a diverse range of capabilities and products

Key specialities: infrastructure and other real asset management, securities investment management and fund and equity-based solutions

With $A1.6 billion in assets under management, the Macquarie Asian Alpha strategy continued to deliver strong risk-adjusted returns to investors across the globe, returning 12 per cent (net of fees) in the year ending 31 March 2013. During the period, Macquarie Funds Group also launched the Macquarie European Alpha strategy, which applies the same successful investment process to European equities. Since opening to external investors in January 2013, the strategy has attracted strong global interest.
Macquarie Funds Group (MFG) contributed $A755 million to Macquarie’s total profit from operating groups for the year to 31 March 2013, an increase of 17 per cent on the prior year. It generated net operating income of $A1.5 billion, an increase of seven per cent on the prior year. The result was driven by strong annuity-style base fee income, structuring and performance fee income predominantly earned from a number of infrastructure funds outperforming their respective benchmarks, and lower operating expenses. These were partially offset by lower demand for financing facilities from external funds and their investors. MFG had $A343.5 billion in assets under management at 31 March 2013, up six per cent on the prior year.

Macquarie Infrastructure and Real Assets (MIRA) raised more than $A6.6 billion in new equity commitments since 1 April 2012. This includes the post balance date final close commitments into Macquarie’s fourth European infrastructure fund (MEIF 4) which reached €2.7 billion ($US3.5 billion), exceeding its initial target of €1.5 - 2 billion. MIRA invested $A4.6 billion of equity in assets globally. Investments included Germany’s largest gas distribution network, two UK power stations, a Czech gas distribution business, US gas storage, a prime shopping mall in Shanghai, and waste-to-energy and wastewater treatment plants in China. Performance fees of $A139 million were earned predominantly as a result of Macquarie Infrastructure Company, Macquarie Atlas Roads and DUET Group(1) outperforming their respective benchmarks. There were also performance fees earned on the divestment of Wales & West Utilities by third party co-investors.

MIRA continued to expand into adjacent real asset sectors: real estate, energy and agriculture. The business strengthened its real estate capability with the successful completion of the Macquarie Mexican REIT global offering, and acquired two UK power stations. Macquarie Agricultural Funds Management planted its first crops in Brazil.

Macquarie Investment Management (MIM) continued to build its global distribution platform, won a range of mandates, launched several new funds and now manages more than $A12 billion in cross-border assets. Assets under management rose to $A239.3 billion, driven predominantly by market movements. Change in the mix of assets under management toward higher margin products drove an increase in run-rate revenue.

Macquarie Specialised Investment Solutions (MSIS) began providing finance to private equity fund of funds with four transactions successfully closed. MSIS established an infrastructure debt management business and was awarded a $US500 million mandate to establish and manage an infrastructure debt portfolio.

**Outlook**

Subject to market conditions, MFG currently expects its result for the year ending 31 March 2014 to be broadly in line with the prior year, subject to performance fees. It will continue to focus on organic growth opportunities.

**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, real estate, agriculture, energy 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.

**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. Macquarie Investment Management also partners with a select few specialist investment managers to distribute ‘best of breed’ strategies in Australia through its Macquarie Professional Series range of funds.

**Macquarie Specialised Investment Solutions** manufactures and distributes a range of fund and equity-based solutions including fund-linked products, capital protected investments, retirement and annuity solutions, agriculture investment solutions and infrastructure debt investment solutions.

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(1) DUET Group, a listed fund jointly managed by Macquarie Group and AMP Capital Investors Ltd. until internalisation in December 2012.
Operating Groups

Corporate and Asset Finance Group

Provider of specialist finance and asset management solutions, with $A22.4 billion of loans and assets under finance

Leading market participant in bespoke primary lending and a niche acquirer of secondary loans

Key specialties: Asset finance including aircraft, motor vehicles, technology, healthcare, manufacturing, industrial, energy, rail and mining equipment

In October 2011 CAF acquired Utility Metering Services (OnStream), which tripled its portfolio of gas and electricity meters in the UK. The metering portfolio has continued to grow and the business is now the largest deregulated traditional and smart meter provider in the UK.
Corporate and Asset Finance Group (CAF) contributed $A694 million to Macquarie’s total profit from operating groups for the year to 31 March 2013, broadly in line with the prior year. The group generated operating income of $A1.1 billion, also broadly in line with the prior year. At 31 March 2013, CAF managed a lease and loan portfolio of $A22.4 billion, an increase of nine per cent on the prior year. The business has 957 staff servicing clients in more than 40 countries in the corporate, government and retail sectors.

Lending’s funded loan portfolio totalled $A7.9 billion at 31 March 2013, which was broadly in line with the prior year. Portfolio additions for the year were $A3.3 billion, comprising:

- $A1.4 billion of new primary corporate and real estate financings
- $A1.4 billion of corporate and commercial real estate loans acquired in the secondary market
- $A0.5 billion of residential mortgage portfolios.

The portfolio additions were balanced across Australia, the US and Europe, with a limited weighting to Asia. Asset quality within the portfolio remained sound, and ongoing prepayments continued to contribute to very attractive overall return levels.

CAF’s asset finance portfolio of $A14.5 billion was up 15 per cent on the prior year, driven largely by an 18 per cent increase in the motor vehicle leasing portfolio to $A7.3 billion. It extended its motor vehicle business into the UK, entering the independent contract hire market.

In January 2013, CAF acquired its first European rail leasing platform, purchasing a modern fleet of freight locomotives, wagons and passenger vehicles. The business selectively sold aviation and rail assets at attractive values.

The UK metering portfolio continued to grow. The business is now the largest deregulated traditional and smart meter provider in the UK.

Established two years ago, CAF’s mining equipment finance business is now well positioned to capitalise on growth opportunities.

Strong securitisation activity continued, with the group securing $A2.4 billion of motor vehicle and equipment leases and loans during the year.

Outlook
Subject to market conditions, CAF currently expects its result for the year ending 31 March 2014 to be broadly in line with the prior year.

About Corporate and Asset Finance Group
CAF’s corporate and real estate lending business provides primary financing to clients and invests in credit assets in secondary markets. It is a leading market participant in bespoke primary lending and a niche acquirer of secondary loans on an opportunistic basis.

CAF’s aircraft business provides operating leases of commercial jet aircraft to airlines globally, helping clients increase fleet management capability and minimise market risk and equipment obsolescence risk. It 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. The business has also recently entered the UK independent contract hire market.

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.

Macquarie Energy Leasing 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 rail business offers operating lease financing for customers requiring passenger and freight assets in Europe and freight rail cars in North America.
Operating Groups
Banking and Financial Services Group

Leading provider of retail advisory services and products
Full-service retail broking, deposit taking and services to intermediaries in Australia
Specialist relationship banking to small to medium enterprises
No. 1 full-service Australian retail stockbroker in terms of volume and market share

In 2013, Macquarie launched a major campaign for its Australian mortgage business, offering a 1.01 per cent ‘life of loan’ discount for clients. As well as providing clients an attractive mortgage rate in a competitive market, the campaign is designed to support Macquarie’s accredited intermediary mortgage brokers and financial advisers. The campaign has involved significant promotion, including television advertising. Macquarie’s Australian mortgage portfolio grew nine per cent to $A11.8 billion in the year to 31 March 2013.
Banking and Financial Services Group (BFS) achieved a record result, contributing $A335 million to Macquarie's total profit from operating groups for the year to 31 March 2013, an increase of 22 per cent on the prior year. Factors that contributed to the result included continued growth in cash deposits, recovering mortgage and platform businesses, stable brokerage and commission income and a continued focus on cost control.

BFS generated operating income of $A1.4 billion for the year which was broadly in line with the prior year. Operating income benefited from the sale of the Coin Financial Planning Software business and the sale of Macquarie Premium Funding Canada.

BFS maintained its strong market position in its core Australian retail businesses. Cash products continued to grow strongly and retail on-balance sheet cash deposits increased seven per cent to $A31.0 billion at 31 March 2013 from $A29.0 billion at 31 March 2012.

BFS had 1.1 million clients globally at 31 March 2013, consistent with the prior year.

Macquarie Adviser Services continued to grow its intermediary distribution business, most notably the mortgage, insurance and platform businesses. The migration of Perpetual's $A7.6 billion private wealth administration platform to Wrap was completed on schedule with Macquarie providing outsourced systems and administrative support to Perpetual from 1 April 2013. Wrap funds under administration increased 14 per cent to $25.1 billion at 31 March 2013 from $A22.0 billion at 31 March 2012. Including the Perpetual wrap funds, Wrap now has $A32.7 billion in funds under administration.

Macquarie Australian Mortgages grew its portfolio nine per cent to $A11.8 billion at 31 March 2013 from $A10.8 billion at 31 March 2012. In November 2012, Macquarie further broadened its distribution platform by signing a distribution agreement with Australian financial services company, Yellow Brick Road.

During the year Macquarie Life inforce risk insurance premium income increased 24 per cent and the Macquarie Life Active business was awarded five-star status in Beaton Benchmarks 2012 – Life Insurance Intermediaries Study for the fifth consecutive year.

Macquarie Relationship Banking grew its total lending and deposit book to $A9.9 billion at 31 March 2013 and increased its client base during the year by 21 per cent. The acquisition of GE Capital's Pacific Premium Funding business has created Australia's second largest premium funder.

Macquarie Private Wealth (MPW) was ranked No. 1 for full-service retail stockbroking in Australia for the sixth consecutive year based on market share and trading volumes. Macquarie Private Wealth Canada increased client assets to $A12.4 billion at 31 March 2013 from $A11.8 billion at 31 March 2012.

In January 2013, MPW entered an Enforceable Undertaking with the Australian Securities and Investments Commission (ASIC). MPW is committed to implementing the changes necessary to improve compliance processes and systems, in particular record keeping, to address ASIC’s concerns.

Outlook

Subject to market conditions, BFS expects its result for the year ending 31 March 2014 to be broadly in line with the prior year. This will be supported by the continued growth of core businesses including Macquarie Mortgages, Wrap, business banking, insurance and cash products. The group continues to focus on risk management and regulatory requirements and ensuring its businesses maintain their leading positions in financial services markets.

About Banking and Financial Services Group

BFS is the primary relationship manager for Macquarie's retail clients, providing a diverse range of wealth management products and services to financial intermediaries and retail clients.

Macquarie Adviser Services manages relationships with external financial intermediaries and provides sales services and 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 provides full-service broking, strategic financial planning, online broking and private banking to retail clients in Australasia. The division has a joint venture agreement with Indian company, Religare, and a 19.9 per cent interest in online foreign exchange company OzForex.

BFS North America is responsible for the group’s private wealth business in Canada.
Operating Groups

Macquarie Securities Group

Global institutional securities house with strong Asia-Pacific foundations covering sales, research, equity capital markets, execution and derivatives activities

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

Macquarie research analysts conduct site visits around the world to obtain insights and gather first-hand information about companies and sectors. This included a visit to the Beadell Resources Tucano Gold Mine, a site covering 2,500 square kilometres in Amapá State in northern Brazil, where analysts viewed the mine’s operations including the recently constructed gold processing tank. Combining this practical experience with strong analytical expertise, Macquarie analysts have built a deep specialist knowledge across key areas, enhancing the Macquarie Securities Group client offering and investment process.
Macquarie Securities Group (MSG) reported a net loss of $A50 million for the full year to 31 March 2013, an improvement on the prior year net loss of $A194 million. It generated total operating income of $A752 million, down 16 per cent on the prior year. The improved result was supported by an increase in market volumes in the fourth quarter, a lower level of losses from legacy businesses and the benefit of ongoing cost management. Operating expenses of $A628 million, excluding brokerage and commission expenses, were down 26 per cent on the prior year. The Cash Division experienced low levels of activity as weak investor confidence continued to impact market volumes. It benefited from improved market volumes in the fourth quarter, along with reduced operating expenses. It maintained its leading positions for Australian equities among institutional investors globally, ranked No. 1 by US and European investors in the Greenwich surveys, and No. 2 by Australian institutional investors and No. 1 by Asian institutional investors in the Peter Lee surveys. It continued to grow its US cash equities activities and invest in market execution technology. Equity capital markets (ECM) activity remained subdued during the year, with historically low levels of primary issuance and lower total market capital raised across most regions. The division maintained its market share, ranked No. 3 in Australian equity, equity linked and preferred Bloomberg league tables; No. 17 in Asia-Pacific equity offerings; and No. 17 in US equity and equity linked Bloomberg league tables.

Revenues in the Derivatives Division were impacted by regulatory rule changes in the Korean warrant market, resulting in a 90 per cent reduction in market turnover. Prior to the changes, the Korean market was the second largest warrant market in Asia, with Macquarie holding No. 1 market share. Overall, market volatility hit nine-year lows in Australia and six-year lows in Hong Kong, resulting in low levels of institutional and retail client demand and reduced revenues. However, the division maintained its position as one of the largest derivative warrant issuers in Asia-Pacific, focusing on its core competencies and selectively investing in growth opportunities. It launched its Thailand warrants business on the Stock Exchange of Thailand in October 2012 as the first major foreign issuer. MSG continues to be a significant participant in trading and execution of American and global depository receipts in the region, with a No. 1 market share in global depository receipts in Indonesia, India, Philippines and Taiwan. At the end of the 2012 calendar year, Macquarie Bank Limited was granted approval by the China Securities Regulatory Commission and the State Administration for Foreign Exchange to invest in Chinese mainland yuan-denominated securities markets.

Outlook
Subject to market conditions, MSG currently expects its result for the year ending 31 March 2014 to be up on the prior year. MSG continues to be well positioned for a recovery in equity 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. In the rest of the world it operates as a specialised institutional cash equities broker. It provides an ECM service through a joint venture with Macquarie Capital. The Derivatives Division issues retail derivatives in key locations, provides delta 1 products and equity finance solutions to its institutional client base, and conducts risk and arbitrage trading activities.
Operating Groups

Macquarie Capital

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 advised China Gas on its successful defence of a $US2.2 billion unsolicited pre-conditional offer by ENN Energy and China Petroleum & Chemical Corporation (Sinopec), the largest ever hostile takeover offer on the Hong Kong Stock Exchange. China Gas then entered into a strategic agreement with Sinopec, allowing it to explore potential areas of cooperation while remaining an independent company. This agreement, along with a marked increase in the share price and a strengthened shareholder register, has created significant value for China Gas shareholders.
Macquarie Capital contributed $A150 million to Macquarie’s total profit from operating groups for the year to 31 March 2013, an increase of 76 per cent on the prior year. It generated operating income of $A620 million, a decrease of six per cent on the prior year, which was offset by a 17 per cent reduction in operating expenses. Although transaction numbers increased three per cent to 447, deal value was 12 per cent lower at $A85 billion.

In Australia and New Zealand, Macquarie Capital strengthened its leading market position in mergers and acquisitions (M&A) advisory and capital markets activity across all industry sectors with particular growth in its service to the real estate and telecommunications, media, entertainment and technology (TMET) sectors.

In the 2012 calendar year, Macquarie Capital was ranked No. 1 in Australia for number of announced and completed M&A deals by Thomson Financial, and No. 1 for third party Global Real Estate placements by Preqin, with $US4.1 billion capital raised. Notable transactions for the region, in addition to those mentioned in the Regional Activity pages, include:

- Equity and debt arranger and adviser to a consortium comprising the Government of Singapore Investment Corporation, the Public Sector Pension Investment Board of Canada and Charter Hall Group on the $A1.9 billion privatisation of the Charter Hall Office Real Estate Investment Trust
- Adviser to Nine Entertainment Co on its $A3.4 billion debt restructure and the sale of ACP Magazines to Bauer Media Group.

In Asia, Macquarie Capital continued to develop its broad regional capability and ability to lead inward and outward cross-border advisory activity. Notable transactions for the region, in addition to those mentioned in the Regional Activity pages, include:

- Adviser to Greentown China Holdings on The Wharf Holdings’ $US657 million strategic investment into Greentown, one of China’s largest announced or completed real estate deals in 2012
- Adviser to Daewoo International on the $US1.1 billion sale of its 24 per cent stake in Kyobo Life Insurance, one of Korea’s largest M&A transactions in the financial institutions sector in 2012.

In the US, Macquarie Capital continued to strengthen its development of mid-market and financial sponsor clients and build its position as a leading adviser to the infrastructure, media, gaming and insurance sectors. In Canada, Macquarie Capital continued to focus on the resources sector. Notable transactions for the region, in addition to those mentioned in the Regional Activity pages, include:

- Adviser to Renegade Petroleum on its $C405 million light oil asset acquisition, co-lead underwriter to its $C71 million bought deal prospectus offering, and co-manager to its $C114 million private placement
- Joint adviser to Star Atlantic Waste Holdings II, L.P., a portfolio company of Highstar Capital, on its $US1.9 billion acquisition of Veolia ES Solid Waste and joint lead manager and joint bookrunner on $US2.6 billion of acquisition financing.

In Europe, Middle East and Africa, Macquarie Capital remained the leading adviser to the infrastructure and renewable energy sectors and developed its strength in Germany, particularly with financial sponsor clients. Notable transactions for the region, in addition to those mentioned in the Regional Activity pages, include:

- Together with Macquarie Fixed Income, Currencies and Commodities, provided a €40 million corporate facility to Mainstream Renewable Power to develop wind farm and solar power plants globally
- Adviser to GRIP unit trust, a partnership between APG Strategic Real Estate Pool and Grainger plc, on the acquisition of a £349 million residential portfolio in the UK.

Outlook

Subject to market conditions, Macquarie Capital currently expects its result for the year ending 31 March 2014 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); financial institutions; real estate and industrials.
Global fixed income, currencies and commodities provider of finance, risk solutions and market access to producers/consumers and financial institutions/investors
Growing presence in physical commodities (natural gas, liquefied natural gas, natural gas liquids, 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 specialties: commodities; Asian and emerging markets; high yield and distressed debt

Fixed Income, Currencies and Commodities (FICC) is a leading trader, transporter and manager of physical commodities and is actively involved in storing, merchandising, marketing and transporting a wide range of agricultural, metals, energy and energy-related products globally. By combining its extensive knowledge across both physical commodities (including natural gas, liquefied natural gas, natural gas liquids, power, oil, coal, base metals, iron ore, sugar and freight) and derivatives, FICC is able to cater to the full spectrum of client needs.
Fixed Income, Currencies and Commodities (FICC) contributed $A563 million to Macquarie’s total profit from operating groups for the year to 31 March 2013, an increase of four per cent on the prior year. It generated operating income of $A1.3 billion, a decrease of four per cent on the prior year.

The result for FICC reflected a general improvement in market conditions across most businesses compared to the prior year. Client risk appetite in credit and interest rate markets improved, though conditions in resource equity markets deteriorated.

Energy Markets benefited from strong customer flow and trading opportunities across the global energy platform, including continued growth in oil activities due to increased client flows.

Metals and Energy Capital was impacted by weak investor sentiment and confidence in resource equity markets as well as underperformance in certain investments, which resulted in some equity holding impairments. However, these were partially offset by profit on realisations. Client hedging activity was moderately lower than the prior year due to sustained higher precious metals prices, but there was some improvement in the second half.

Metals & Agriculture Sales and Trading experienced increased customer activity in agricultural and metals markets and improved agricultural trading conditions. The physical metals business continued to grow.

Credit Trading benefited from much improved market conditions. This translated into increased client activity and opportunities across the platform, particularly in middle market and leveraged loans as well as in commercial real estate finance. The division also benefited from new and continued opportunities in securitised products.

Fixed Income and Currencies experienced improved debt origination and structuring conditions in the UK and Europe. Improvement in the credit environment led to increased client appetite for risk. Volumes and volatility across markets stabilised, though at low levels.

Futures experienced increased transactional volumes in all key regions. Australian market share remained strong, with growth in both direct market access and traditional voice brokered business. The North American and European client bases continued to expand.

Notable activity during the year, in addition to those referenced in the Regional Activity pages, included:

- Metals & Agriculture Sales and Trading established a Commodity Investor Products business offering commodity-based index products to institutional investors globally
- Credit Trading expanded its New York Credit Sales and Trading team to provide additional products and services to clients including middle market loan trading and portfolio financing solutions.

Outlook

Subject to market conditions, FICC currently expects its result for the year ending 31 March 2014 to be up on the prior year. FICC will continue to invest in growth initiatives across its platform.

About Fixed Income, Currencies and Commodities

FICC operates across global physical and financial commodity markets, and primary and secondary financial markets providing finance, risk solutions and market access to producers and consumers, as well as financial institutions and investors. It comprises the following divisions:

- Credit Trading facilitates client transactions with institutional investors and makes secondary markets in corporate debt securities, syndicated bank loans, middle market loans, collateralised debt obligations, commercial mortgage finance, asset-backed/mortgage-backed securities and derivatives of these products.
- Energy Markets provides risk management solutions to energy producers, consumers and investors across a broad range of physical and financial energy products.
- Fixed Income and Currencies provides foreign exchange 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 execution and clearing services to corporate and institutional clients, providing access to most major exchanges globally. It is a leading provider of these services in the Australian market and a growing participant in North America, Europe and Asia.
- Metals & Agriculture Sales and Trading provides trading, risk management and selected physical supply solutions across metals and agricultural commodities to corporate and institutional clients, and offers commodity-based index products to institutional investors globally.
- Metals and Energy Capital provides debt financing, equity capital and price risk management to producers across the mining and upstream oil and gas sectors globally and makes markets in precious metals.

Central fosters and develops various non-division specific, early stage or cross-divisional initiatives as well as housing FICC-wide services including Structured Commodity Finance, Structured Global Markets and Private & Structured Finance.
Central functions

In the management of their businesses, Macquarie’s six operating groups are supported by four service groups. They provide a range of centralised functions to Macquarie’s businesses, ensuring they have the appropriate workplace infrastructure and technological systems to operate effectively, provide a strong level of staff support and have the necessary resources to meet their regulatory, compliance, financial reporting, legal and risk management requirements.

The Corporate Operations Group (COG) was formed on 1 January 2013, bringing together specialist support services including workplace infrastructure, human resources, market operations and technology. COG’s purpose is to drive operational excellence through business-aligned services with a focus on quality, cost and risk. COG comprises the following key delivery functions:

- **Business Improvement and Strategy** provides strategic advice and expertise to Macquarie and related entities, to help them achieve business unit growth and operational effectiveness. It also facilitates 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, security, event marketing, sourcing and vendor management, and client services.

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

- **Market Operations** is a segregated operations and control function. It provides independent transaction support functions to Macquarie’s capital markets businesses and a number of services and control functions across the Group.

- **Technology** manages Macquarie’s technology infrastructure, supports and develops existing business systems and delivers and deploys new systems, technologies and services. It comprises business-aligned teams which provide dedicated and specialist services to businesses, as well as central teams which provide shared services, such as infrastructure, to multiple businesses.

The 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 and timely 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 within FMG that 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. In addition to centralised corporate functions such as Regulatory Reporting, Legal Entity Control and Tax Compliance, the division has 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 Finance Services, which provides a cost effective and scalable operating model for the division’s service delivery.

- **The Taxation Division** provides taxation support to all areas of Macquarie, managing relationships with revenue authorities worldwide and ensuring compliance with taxation 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, together with Corporate Communications and Investor Relations, for managing debt investor and banking relationships.
Legal and Governance consists of two divisions: Group Legal and the Company Secretarial Division.

Group Legal brings together Macquarie lawyers across a range of expertise and disciplines and reinforces the independent function of the legal role.

It provides the full range of legal services to Macquarie, from strategic legal advice on corporate transactions to legal risk assessment on a variety of issues. Its objectives are to:

- ensure all transactions can be enforced by Macquarie as expected
- enable individual Macquarie businesses to understand the legal and regulatory framework and operate accordingly
- assess dispute resolution proceedings and threatened actions and, as far as reasonably practical, minimise or mitigate associated risks
- advise on new products and business structures and combinations
- protect and appropriately enforce Macquarie’s legal, commercial and reputational interests and rights.

Group Legal is led by an experienced team of practising lawyers. The Head of Group Legal, the General Counsel, 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 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.

The Company Secretarial Division has responsibility for providing services to the Macquarie Group and Bank Boards, the Board Committees and the Executive Committee, and administering Macquarie Group’s subsidiaries, ASX listing rule compliance, employee equity schemes, professional risk and general insurances and Group-wide corporate governance matters.
Risk Management Group (RMG) is an independent, central unit responsible for ensuring all risks across Macquarie are appropriately assessed and managed. 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. A full risk management report is contained in the Macquarie Group Limited 2013 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, by ensuring the complete identification and assessment of equity exposure risks. The Credit Analytics division develops tools to assist Credit in measuring counterparty exposures.

Prudential, Capital and Markets (PCM) ensures that Macquarie discharges its obligations to APRA and other prudential regulators, including compliance with prudential standards, and maintains a constructive relationship with the regulators. PCM also ensures aggregate risks across all risk types do not exceed Macquarie’s economic capability to bear risk. PCM monitors and reports on non-traded equity risk and interest rate risk and provides prudential oversight over liquidity risk management.

Market Risk develops and monitors the necessary framework to constrain the risk of losses on the trading portfolio that may arise from adverse movements in market prices and volatility.

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

Compliance ensures regulatory and compliance risks are identified and appropriate standards applied consistently to manage these risks from a Group-wide perspective. Regulatory and compliance risks include the risk of breaches of applicable laws, regulations, rules, statements and regulatory policy. The development of new business, as well as domestic and international regulatory changes, are key areas of focus within this role.

The Quantitative Applications Division reviews and approves all derivative pricing models used within Macquarie’s trading systems. In addition, it works with businesses to provide solutions to complex financial problems and independently reviews other RMG and business quantitative models including those used for capital, risk measurement and products.

Internal Audit provides independent assurance to senior management and the Board Audit Committee on the quality and effectiveness of Macquarie’s internal control, risk management and governance systems and processes.

Data Policy ensures that uniform data standards are adopted across Macquarie so that accurate and reliable information is used for credit monitoring and regulatory and statistical reporting processes.
RMG’s oversight of risk is based on the following five principles:

1. **Independence**
   RMG assesses and monitors 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 assess risks from a Group-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 input to the Board Remuneration Committee in relation to the risk-adjustment of remuneration.
Macquarie Group Foundation

In the 12 months to 31 March 2013, the Macquarie Group Foundation maintained its strong level of giving and support of staff engagement in the communities in which Macquarie operates. During the year, the Foundation and Macquarie staff contributed $A22.65(1) million to more than 1,300 community organisations around the world and provided approximately 38,000 hours of voluntary community service.

Youth Off The Streets, a Sydney-based community organisation providing support services to disadvantaged youth, is an example of Macquarie’s model of engaged philanthropy. Macquarie has supported the charity since 2004, providing long-term grant funding through the Macquarie Group Foundation, combined with staff volunteering and fundraising efforts. In addition, a Macquarie Securities Group Division Director has served on the Board since 2006 and as Chairman since 2011. Members of Macquarie’s Corporate Operations Group are pictured here volunteering with the Youth Off The Streets food van.
The Macquarie Group Foundation’s (Foundation) support of the not-for-profit sector is underpinned by its engaged philanthropy model, which goes beyond the provision of financial support. A number of principles distinguish its approach.

**Grassroots philanthropy**

Macquarie staff are integral to the Foundation’s philanthropic program. In the same way Macquarie enables its businesses to identify and pursue opportunities within their area of expertise, the Foundation encourages staff to identify and initiate their own community engagement as volunteers and fundraisers for not-for-profit organisations.

The Foundation recognises this activity in a number of ways. Its annual Staff in the Community Awards acknowledge outstanding staff volunteering, fundraising and pro bono efforts, with individual winners receiving a $A10,000 donation for their nominated charities and highly commended awards of $A2,000. In 2012, 26 individuals and five teams received awards for their work with community organisations. Macquarie’s Vancouver office won a $A25,000 award based on the proportion of office staff involved, hours contributed and the diversity of community activity. Highly commended offices in Detroit, London and New York each received $A2,000.

In addition, Macquarie’s staff matching policy provides up to $A25,000 for individual donations or fundraising and up to $A100,000 for team fundraising. A highlight of Macquarie’s staff fundraising in the year to 31 March 2013 was the Movember campaign, for which Macquarie was the highest global corporate fundraiser. Macquarie’s Vancouver office won a $A25,000 award based on the proportion of office staff involved, hours contributed and the diversity of community activity. Highly commended offices in Detroit, London and New York each received $A2,000.

**Pro bono expertise**

The Foundation’s Community Resourcing (CoRe) program enables staff to share their professional expertise with the not-for-profit sector. This is a distinguishing feature of Macquarie’s philanthropy, designed to improve the performance and capacity of community organisations.

During the year, the CoRe program offered pro bono business planning and strategic advice, as well as risk management, human resources and media management workshops to help not-for-profits more effectively address their objectives.

**Social innovation**

Throughout its 28-year history, the Foundation has sought to pioneer new approaches to corporate philanthropy. It supports innovation in the sector through a number of initiatives:

- The establishment of the $A20,000 David Clarke Social Innovation Fellowship in 2012 and the $A100,000 Social Innovation Award in 2010 to encourage best practice social innovation by not-for-profit CEOs and organisations
- Founding support in 2004 and ongoing funding for Social Ventures Australia Consulting, a specialist consultancy working with not-for-profits, philanthropists and governments to deploy new approaches to social services delivery
- Social Innovation Summits (held in 2006, 2007, 2008 and 2011), bringing together business, government and the not-for-profit sector to consider ways of working together to resolve long-term social problems
- The establishment of the Macquarie Group Foundation Chair at the Centre for Social Impact

**Long-term partnerships**

The Foundation builds sustained relationships with not-for-profit partners by extending grants in some cases over three to five years. This allows for certainty of funding within those organisations and the ability to leverage support from other funders. Examples include:

- OzHarvest – the Foundation was a founding supporter of the food rescue charity in 2004 and provides ongoing support. Its cornerstone funding enabled OzHarvest to expand rapidly and build additional corporate support
- Juvenile Diabetes Research Foundation (JDRF) – the Foundation has partnered with the diabetes research fundraising charity since 2005. In 2008, it signed a four-year research and innovation grant with JDRF, extending the partnership for a further five years in 2012
- East London Business Alliance (ELBA) – Macquarie has been a member of this social regeneration charity in east London since 2006 and provided funding for a number of employment programs in the local community

**Collaborative funding**

In 2012, the Foundation established a new pool of funding to facilitate collaboration within the not-for-profit sector, reducing duplication and improving efficiencies. Collaborative funding grants have been made to Inspire Foundation – in collaboration with the Young and Well Centre, Inspire Ireland and the Brain and Mind Research Institute – and KidsXpress, in collaboration with Mission Australia.

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(1) Comprising Foundation matching support for staff donations and fundraising; Foundation donations to commemorate staff attaining 10-year and 25-year anniversaries at Macquarie; Foundation participation grants to staff who have been on a not-for-profit board for more than 12 months; and Foundation grants to community organisations.
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.

Underpinned by Macquarie’s Goals and Values and Code of Conduct, Macquarie’s ESG priorities are shaped by their materiality to business performance and stakeholder interest. Macquarie has built its commitment to ESG by focusing on the following priorities:

- ESG governance and management
- Direct operations
- Investments, markets and products
- People and workplace
- Engaging with stakeholders.

In the year to 31 March 2013, Macquarie continued to embed ESG within its diverse activities and drive new business opportunities. Highlights include:

- Maintaining carbon neutrality across office energy use and corporate air travel
- Reducing total Scope 2 and Scope 3 emissions by 12 per cent compared with the prior year
- Integrating ESG through business-specific ESG policies and training
- Publishing more than 360 research pieces on renewable energy for clients, investors and staff
- Achieving high rankings for renewable energy and ESG research, including 1st and 3rd for renewable energy research analysts\(^{(1)}\), 2nd for Australian ESG research\(^{(2)}\) and 2nd for leading brokerage firm for renewable energy research\(^{(1)}\)
- Becoming the largest deregulated traditional and smart meter provider in the UK
- Ranking globally as a Top 3 carbon trader by volume
- Continuing to build business in renewable energy, global carbon markets, energy efficiency and clean technology
- Contributing to public policy reviews
- Investing in ongoing staff training and development.

The Sustainability section of the Annual Financial Report details Macquarie’s approach to sustainability and includes an independent assurance statement. A Global Reporting Initiative (GRI) index is available on Macquarie’s website.

**ESG governance and management**

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, specifically the Risk Management Group, Sustainability Advisory Committee and Sustainability and Environment Office, and have access to specialist ESG research and training.

Macquarie’s risk management approach is detailed in the Risk Management Report and includes a well-established framework of ESG-related policies that apply across all Macquarie divisions and entities, including financing, leasing and advisory. ESG-related policies include:

- 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 gas 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.

\(^{(1)}\) Thomson Reuters Extel and UKSIF 2012 Socially Responsible Investing & Sustainability Survey 2012.
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 and environmental markets, and status as a signatory to the Carbon Disclosure Project.

In the year to 31 March 2013, Macquarie’s total Scope 2 and Scope 3 emissions reduced by 12 per cent on the prior year. This was the second consecutive year of absolute emissions reduction.

To offset Macquarie’s remaining Scope 2 and 3 emissions and achieve carbon neutrality for corporate offices and air travel, Macquarie purchased and retired carbon offsets for the year to 31 March 2013. It acquired a diverse portfolio of offsets, focusing on project quality and verifiable emissions reductions. The portfolio comprised 39 per cent Gold Standard and 61 per cent Voluntary Carbon Standard credits from projects in Ghana, Colombia, India and the US. These projects, supported by the sale of carbon credits on international markets, provide sustainable energy and forest conservation solutions to the countries and communities in which they operate.

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 the design, construction and fit-out of all new premises achieve high sustainability ratings.

In the year to 31 March 2014, Macquarie’s sustainable building activities will focus on the design and fit-out of the new head office at 48-50 Martin Place, Sydney. The refurbishment of this flagship building is targeting a 6 Star Green Star office design environmental rating from the Green Building Council of Australia. The 6 Star strategy will primarily focus on indoor environment quality and visual amenity optimisation, energy use and waste minimisation, water conservation including rainwater collection and reuse, and material choice.

Investments, markets and products

In the year to 31 March 2013, Macquarie continued to pursue business opportunities related to renewable energy, energy efficiency, clean technology, carbon markets and responsible investment. Examples include:

- advisory activity in the renewable energy sector
- continued partnership in energy efficiency financing with Low Carbon Australia
- ongoing specialised Socially Responsible Investment and clean technology products
- participation with industry and non-government organisation working group on sustainable agriculture
- integration of ESG policies and training in Macquarie businesses
- expanding land-based carbon investing
- tailored ESG investment portfolios.

More information

To gain a complete view of Macquarie’s ESG approach, these pages should be read in conjunction with other sections of this Annual Review and Macquarie’s 2013 Annual Financial Report. Refer to the GRI index on Macquarie’s website for additional guidance.
Diversity at Macquarie

The broad range of experiences, skills and views within Macquarie are key strengths of the business and critical to the wide range of services it delivers across the globe.

All executives, managers and employees are responsible for promoting workforce diversity and work with dedicated representatives to implement Macquarie’s global diversity agenda. Diversity committees exist within operating and service groups and within regions. 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 Our Commitment to Workforce Diversity statement available on Macquarie’s website.

Female representation metrics

The table below outlines the proportion of women employed globally at Macquarie for the years ending 31 March 2012 and 31 March 2013:

<table>
<thead>
<tr>
<th>Position</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of Directors</td>
<td>30.0 per cent</td>
<td>33.3 per cent</td>
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<tr>
<td>Executive Committee</td>
<td>18.2 per cent</td>
<td>10.0 per cent</td>
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<tr>
<td>Division Head(2)</td>
<td>11.1 per cent</td>
<td>9.9 per cent</td>
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<tr>
<td>Senior Executive(3)</td>
<td>13.8 per cent</td>
<td>12.9 per cent</td>
</tr>
<tr>
<td>Macquarie Workforce</td>
<td>36.8 per cent</td>
<td>36.9 per cent</td>
</tr>
</tbody>
</table>

(1) Excluding Division Head data which is as of 30 October 2011 and 30 November 2012.
(2) Division Head refers to critical roles across Macquarie. It typically includes executives two layers down from the CEO.
(3) Senior Executive refers to Macquarie’s combined Division Director and Executive Director population.

Diversity objectives

The Workforce Diversity Policy provides that the Board will set measurable objectives each year for achieving gender diversity.

For the financial year ending 31 March 2013, Macquarie has affirmed the gender diversity objectives communicated in last year’s Annual Financial 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 2013 are set out in the following table.
<table>
<thead>
<tr>
<th>Strategic imperative</th>
<th>Long-term outcome sought</th>
<th>Objective</th>
<th>Progress FY13</th>
</tr>
</thead>
</table>
| Diverse talent pipeline | Increase the number of women hired by Macquarie by increasing the rate of applications from women | Embark on a long-term plan to attract women to a finance career:  
• 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 women  
• 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 | There is a continued focus on influencing women to consider a career in finance. Building on the prior year’s research with undergraduates, focus groups were conducted with recent recruits to Macquarie to understand perceptions around culture and the employment experience. This research will contribute to ongoing work on Macquarie’s employment value proposition and the unique attractions of a career in finance. Relationships with female students at both university and high school level have expanded through a range of initiatives including mentoring, networking and programs offering career guidance. Talent search technology has been implemented to enable the identification and tracking of broader talent pools. |
| Inclusive workplace | Retain top talent by ensuring a workplace supportive of women’s success | Raise awareness of Macquarie’s commitment to supporting women in the development of successful careers through endorsement and delivery of a range of programs, events and policies | Macquarie’s commitment to supporting the careers of women has been further consolidated through a range of initiatives. Examples include a review of paternity leave benefits and sponsorship of diversity organisations, events and development programs. Active profiling of key role models at Group Head, Chief Operating Officer and Division Head level has also served to reinforce this commitment. |
| Robust meritocracy | 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 | The Appropriate Workplace Behaviour training program, completed by all employees globally on a recurring basis, has been redesigned to serve as an education platform for key diversity messages. Management and leadership training is evolving with a focus on inclusive leadership and leveraging diversity to drive innovation and team performance. Mentoring and sponsorship partnerships are being facilitated as a development strategy to support diversity. A commitment to objective assessment drives the continuous review and improvement of talent management processes. |
| Integration and awareness | Embedding of diversity awareness and objectives into Macquarie’s day-to-day operations to become part of the way we do business | Incorporate diversity-related messaging into newsletters, conferences and other communication forums with staff  
Equally engage male and female staff in diversity-based initiatives such as training programs and networking opportunities | Initiatives to further embed diversity into the day-to-day operations of Macquarie range from regular updates through the Women@Macquarie site and the establishment of employee network groups to more innovative strategies such as the hosting of a Diversity Week. This consisted of a program of events designed to increase diversity awareness among staff including keynote presentations, employee debates, networking and education sessions and a cultural food fair. |
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 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 Group Limited (Macquarie) is a global financial services provider and its shares are listed on the Australian Securities Exchange (ASX). As an ASX-listed company, Macquarie is 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’s corporate governance framework, which was unchanged during the year, remains consistent with the governance arrangements set out in the ASX Recommendations. Macquarie’s Corporate Governance Statement is included in the 2013 Annual Financial Report. 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 regulator, APRA, as a non-operating holding company of a licensed Australian bank, Macquarie Bank Limited (Macquarie Bank). APRA’s prudential standards include governance requirements. Macquarie also has subsidiaries that are supervised by regulators in the overseas jurisdictions in which they operate. The notes to Macquarie’s financial statements include a list of material subsidiaries of the company.

During the year, Macquarie continued to monitor regulatory and corporate governance developments and their impact on Macquarie’s businesses.

As at 31 March 2013, nine of the 10 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. Macquarie’s Corporate Governance Statement which describes the corporate governance framework and associated practices in place during the year is available on Macquarie’s website.

<table>
<thead>
<tr>
<th>Macquarie Group Independent Directors</th>
<th>Macquarie Board</th>
<th>Audit</th>
<th>Governance and Compliance</th>
<th>Nominating</th>
<th>Remuneration</th>
<th>Risk</th>
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<tr>
<td>Kevin McCann AM</td>
<td>Chairman</td>
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<td>Michael Coleman</td>
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<td>Michael Hawker AM</td>
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<td>Peter Kirby</td>
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<td>Catherine Livingstone AO</td>
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<td>John Niland AC</td>
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<td>Helen Nugent AO</td>
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<td>Peter Warne</td>
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<td>Diane Grady AM</td>
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<td>Macquarie Group MD and CEO</td>
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<td>Nicholas Moore</td>
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<td>Macquarie Bank MD and CEO</td>
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<tr>
<td>Greg Ward</td>
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* DENOTES MEMBER
Remuneration approach

During the year, Macquarie’s Board of Directors (the Board) and the Board Remuneration Committee (the BRC) have assessed whether Macquarie’s remuneration approach continues to support its objective of generating superior returns for shareholders having due regard for risk. In undertaking this assessment, the Directors of the Board (Directors) have considered factors including the degree of alignment between staff and shareholders, the evolving regulatory landscape, market developments, feedback from shareholders as well as the employment environment. Directors have also been mindful of the subdued market conditions experienced by some businesses during the year and have closely examined the resilience of the remuneration system, given the performance of each business.

Directors have concluded that Macquarie’s remuneration approach remains sound and is delivering results for shareholders while risk is being prudently managed, despite a challenging external environment.

They support this conclusion for the following reasons:

THE OBJECTIVES AND FRAMEWORK REMAIN APPROPRIATE.

The remuneration framework seeks to attract, motivate and retain high quality people, while aligning the interests of staff and shareholders. The framework, which works as an integrated whole rather than in isolation, is comprised of fixed remuneration, a profit share scheme, and for Macquarie’s most senior executives, the Executive Committee, Performance Share Units (PSUs).

Fixed remuneration for senior staff remains relatively low compared to comparable roles in other organisations, although it is sufficient to avoid inappropriate risk-taking. Moreover, it is low as a proportion of overall remuneration. In 2013, fixed remuneration for Macquarie’s 11 Executive Committee members comprised approximately 12 per cent of current year awarded remuneration. The balance remains at risk and is explicitly linked to performance.

Performance-based remuneration is aligned with shareholders’ interests. The profit share pool is determined annually using the twin measures of net profit after tax (NPAT) and return on equity (ROE), measures which are known to be drivers of returns to shareholders. A portion of Macquarie’s profit earned accrues to the profit share pool. Once the cost of equity capital is met, an additional portion of excess profit accrues to the profit share pool. No ROE component of the profit share pool was created in the financial year to 31 March 2013. However, in line with policy, the Non-Executive Directors exercised their discretion to make an upward adjustment to the quantum of the profit share pool to recognise superior performers in those businesses that overall were impacted by subdued market conditions. In the past, such discretion has been exercised both down and up. Over time, the net aggregate impact on net profit of the exercise of these discretions has been nominal. Non-Executive Directors do not consider shareholders’ long-term interests would be served by losing the services of superior contributors whose performance was not adequately recognised. Indeed, they consider that the “investment” made in these businesses is paying dividends.

Profit share is allocated to Macquarie’s businesses and, in turn, to individuals, based predominantly on performance. Performance criteria vary depending on an individual’s role including:

- contribution to NPAT and ROE
- risk management and compliance assessed through independent reports from the Chief Risk Officer (CRO), the Chief Financial Officer (CFO) and Human Resources (HR)
- people leadership
- upholding Macquarie’s Goals and Values.

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

Performance-based remuneration is delivered in ways that encourage a longer-term perspective and ensure 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. To achieve this outcome, a significant portion of performance-based remuneration is:

- retained and deferred over a long period (for example, 70 per cent of the Managing Director and Chief Executive Officer’s (Managing Director and CEO) profit share allocation is retained for up to seven years). After PSUs are taken into account, the effective deferral rate for the Managing Director and CEO is 77 per cent for this year
- delivered in equity
- subject to forfeiture in certain circumstances.

PSUs are allocated to Executive Committee members based on their performance, using criteria similar to those used for profit share. PSUs vest in equal tranches after three and four years and are exercisable subject to the achievement of two performance hurdles, with no retesting. Fifty per cent of the PSUs will become exercisable based on Macquarie’s ROE performance relative to 10 global investment banks based on a sliding scale. Fifty per cent will become exercisable above the 50th percentile and 100 per cent at the 75th percentile. The reference group has been amended going forward to exclude Australian commercial banks, instead focusing on organisations against whom Macquarie benchmarks its performance. The other 50 per cent of PSUs will become exercisable in future based on Macquarie’s compound average annual growth (CAGR) in earnings.
Remuneration approach continued

per share (EPS) on a sliding scale. Fifty per cent will become exercisable where EPS CAGR is 7.5 per cent and 100 per cent will become exercisable where it is 12 per cent or higher. The EPS CAGR hurdle range has been amended in future from the previous range of 9 –13 per cent to reflect changes in market conditions.

Other conditions apply that seek to align staff and shareholder interests, while prudently managing risk. All Executive Directors are subject to a minimum shareholding requirement which can be satisfied through the delivery of equity under the current remuneration arrangements. This aligns shareholder and staff interests and provides the strongest incentive to staff to strive continuously to maximise long-term profitability and shareholder returns.

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 (under a previous scheme).

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

In challenging circumstances, Macquarie has delivered improved results for shareholders while appropriately managing remuneration for staff. This can be demonstrated in the following ways:

The table below shows that over the past year, NPAT has increased by 17 per cent, basic EPS by 20 per cent and dividends by 43 per cent, while total staff compensation expense has decreased by eight per cent. Macquarie’s NPAT growth rate over the past year has been faster than all but one of its global peers. At the same time, the compensation expense to income ratio has declined from 47.9 per cent to 45.9 per cent, placing it in the lower range of peers. Macquarie recorded a 7.8 per cent annual ROE, which is recognised as needing improvement. Nonetheless, only four of 10 peers generated a higher ROE. In relation to Total Shareholder Return (TSR), Macquarie has outperformed all its global peers over the past year, generating a TSR for shareholders of 34.4 per cent.

<table>
<thead>
<tr>
<th>Performance measures</th>
<th>2013</th>
<th>2012</th>
<th>Increase/ (Decrease)%</th>
</tr>
</thead>
<tbody>
<tr>
<td>NPAT</td>
<td>$Am</td>
<td>851</td>
<td>730</td>
</tr>
<tr>
<td>Basic EPS</td>
<td>Cents per share</td>
<td>251.2</td>
<td>210.1</td>
</tr>
<tr>
<td>Dividends</td>
<td>Cents per share</td>
<td>200.0</td>
<td>140.0</td>
</tr>
<tr>
<td>Annual TSR(1)</td>
<td>Per cent</td>
<td>34.4</td>
<td>(16.0)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Executive remuneration measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Compensation Expense</td>
</tr>
<tr>
<td>Compensation Expense to Income ratio</td>
</tr>
<tr>
<td>Present pay – CEO(2)</td>
</tr>
<tr>
<td>Future pay – CEO(2)</td>
</tr>
<tr>
<td>Statutory remuneration – CEO(3)</td>
</tr>
<tr>
<td>Statutory remuneration – Comparable KMP(4)</td>
</tr>
</tbody>
</table>
The Board and the BRC remain committed to strong remuneration governance structures and processes. Conflicts of interest are managed proactively and assiduously. The BRC makes recommendations to the Non-Executive Directors on key decisions.

An independent remuneration review has also been obtained from an independent consultant, Pay Governance, to provide an opinion on the appropriateness of Macquarie’s remuneration arrangements. Pay Governance has provided its report free from management influence and has confirmed that Macquarie’s remuneration approach remains appropriate.

Non-Executive Director fees, as set out in the following table, take into account market rates for relevant Australian financial organisations and reflect the time commitment and responsibilities involved within the shareholder approved aggregate limit.

<table>
<thead>
<tr>
<th>Non-Executive Director Name</th>
<th>2013 Total Compensation $A</th>
<th>2012 Total Compensation $A</th>
</tr>
</thead>
<tbody>
<tr>
<td>M.J. Coleman</td>
<td>114,389</td>
<td>–</td>
</tr>
<tr>
<td>D.J. Grady</td>
<td>290,000</td>
<td>245,753</td>
</tr>
<tr>
<td>M.J. Hawker</td>
<td>322,917</td>
<td>325,000</td>
</tr>
<tr>
<td>P.M. Kirby</td>
<td>315,000</td>
<td>315,000</td>
</tr>
<tr>
<td>C.B. Livingstone</td>
<td>363,000</td>
<td>363,000</td>
</tr>
<tr>
<td>H.K. McCann</td>
<td>825,000</td>
<td>825,000</td>
</tr>
<tr>
<td>J.R. Nialand</td>
<td>347,500</td>
<td>342,083</td>
</tr>
<tr>
<td>H.M. Nugent</td>
<td>359,600</td>
<td>360,500</td>
</tr>
<tr>
<td>P.H. Warne</td>
<td>369,417</td>
<td>385,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,306,823</strong></td>
<td><strong>3,161,336</strong></td>
</tr>
</tbody>
</table>

(1) TSR represents the accumulated share price return when all cash dividends are reinvested at the ex-dividend date.

(2) Present pay is the non-deferred element of remuneration awarded in respect of the financial year, recognising that some portion of present pay may in fact be paid in the subsequent financial year. This comprises:
- current year fixed remuneration (including superannuation)
- the non-deferred component of the current year profit share allocation (30 per cent for the Managing Director and CEO)

Future pay is remuneration awarded in respect of the financial year, which is deferred for payment in future years. 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; and
- PSUs allocated in respect of the current year. PSUs vest after years three and four and are exercisable subject to the achievement of performance hurdles.

Both present pay and future pay have been prepared in line with Corporations and Markets Advisory Committee’s (CAMAC) indicative guidelines. These tables are prepared on a different basis than those required by Australian Accounting Standards and the Corporations Act 2001 (Cth), as disclosed above as statutory remuneration.

(3) Statutory remuneration is calculated in accordance with Australian Accounting Standards and the Corporations Act 2001 (Cth).

(4) Comparable KMP are Executive Key Management Personnel who were members of the Executive Committee for the full year in both the financial year ending 31 March 2013 and 31 March 2012.

In summary, the overall approach to remuneration supports the overarching objective of delivering superior value for shareholders over the long term while prudently managing risk.

## Executive Key Management Personnel Remuneration disclosure
(in accordance with Australian Accounting Standards)

<table>
<thead>
<tr>
<th>Name and position</th>
<th>Year</th>
<th>Salary (including superannuation) $A</th>
<th>Performance related remuneration(1) $A</th>
<th>Total short-term employee benefits $A</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Executive Directors</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>N.W. Moore – Managing Director and Chief Executive Officer</td>
<td>2013</td>
<td>819,347</td>
<td>2,273,804</td>
<td>3,093,151</td>
</tr>
<tr>
<td></td>
<td>2012</td>
<td>819,353</td>
<td>2,046,811</td>
<td>2,866,164</td>
</tr>
<tr>
<td><strong>Executives</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>S.D. Allen – Chief Risk Officer</td>
<td>2013</td>
<td>771,450</td>
<td>1,563,240</td>
<td>2,334,390</td>
</tr>
<tr>
<td></td>
<td>2012</td>
<td>771,156</td>
<td>1,468,777</td>
<td>2,239,933</td>
</tr>
<tr>
<td>T.C. Bishop – Group Head, Macquarie Capital</td>
<td>2013</td>
<td>722,953</td>
<td>994,789</td>
<td>1,717,742</td>
</tr>
<tr>
<td></td>
<td>2012</td>
<td>705,944</td>
<td>426,419</td>
<td>1,132,363</td>
</tr>
<tr>
<td>A.J. Downe – Group Head, Fixed Income, Currencies and Commodities Group</td>
<td>2013</td>
<td>739,178</td>
<td>2,933,599</td>
<td>3,672,777</td>
</tr>
<tr>
<td></td>
<td>2012</td>
<td>722,958</td>
<td>3,032,313</td>
<td>3,755,271</td>
</tr>
<tr>
<td>G.A. Farrell – Group Head, Corporate and Asset Finance Group</td>
<td>2013</td>
<td>722,953</td>
<td>2,368,546</td>
<td>3,091,499</td>
</tr>
<tr>
<td></td>
<td>2012</td>
<td>722,958</td>
<td>2,795,414</td>
<td>3,518,372</td>
</tr>
<tr>
<td>P.J. Maher – Group Head, Banking and Financial Services Group</td>
<td>2013</td>
<td>722,953</td>
<td>757,935</td>
<td>1,480,888</td>
</tr>
<tr>
<td></td>
<td>2012</td>
<td>722,958</td>
<td>1,516,157</td>
<td>2,239,115</td>
</tr>
<tr>
<td></td>
<td>2012</td>
<td>722,958</td>
<td>–</td>
<td>722,958</td>
</tr>
<tr>
<td>G.C. Ward – Deputy Managing Director</td>
<td>2013</td>
<td>771,150</td>
<td>1,800,095</td>
<td>2,571,245</td>
</tr>
<tr>
<td></td>
<td>2012</td>
<td>771,156</td>
<td>1,658,296</td>
<td>2,429,452</td>
</tr>
<tr>
<td>S. Wikramanayake – Group Head, Macquarie Funds Group</td>
<td>2013</td>
<td>722,953</td>
<td>3,315,964</td>
<td>4,038,917</td>
</tr>
<tr>
<td></td>
<td>2012</td>
<td>722,958</td>
<td>3,316,590</td>
<td>4,039,548</td>
</tr>
<tr>
<td><strong>Total Remuneration – Comparable Executive KMP</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2013</td>
<td>6,701,073</td>
<td>16,007,972</td>
<td>22,709,045</td>
</tr>
<tr>
<td></td>
<td>2012</td>
<td>6,682,399</td>
<td>16,260,779</td>
<td>22,943,178</td>
</tr>
<tr>
<td><strong>New Executives</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>M. McLaughlin(3) – Country Head, United States of America</td>
<td>2013</td>
<td>544,278</td>
<td>2,630,081</td>
<td>3,174,359</td>
</tr>
<tr>
<td></td>
<td>2012</td>
<td>104,885</td>
<td>116,459</td>
<td>221,344</td>
</tr>
<tr>
<td>N. Sorbara(3) – Chief Operating Officer</td>
<td>2013</td>
<td>171,277</td>
<td>174,074</td>
<td>345,351</td>
</tr>
<tr>
<td></td>
<td>2012</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Former Executives</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>M. Carapiet(9) – Former Executive Chairman, Macquarie Capital and Macquarie Securities Group</td>
<td>2013</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>2012</td>
<td>195,031</td>
<td>–</td>
<td>195,031</td>
</tr>
<tr>
<td>R.S. Laidlaw(9) – Former Group Head and Executive Chairman, Macquarie Securities Group and Macquarie Capital</td>
<td>2013</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>2012</td>
<td>541,499</td>
<td>–</td>
<td>541,499</td>
</tr>
<tr>
<td>W.R. Sheppard(9) – Former Deputy Managing Director</td>
<td>2013</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>2012</td>
<td>524,217</td>
<td>710,698</td>
<td>1,234,915</td>
</tr>
<tr>
<td><strong>Total Remuneration – (including new and former members)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2013</td>
<td>7,416,628</td>
<td>18,812,127</td>
<td>26,228,755</td>
</tr>
<tr>
<td></td>
<td>2012</td>
<td>8,048,031</td>
<td>17,087,936</td>
<td>25,135,967</td>
</tr>
</tbody>
</table>

### Notes to the statutory remuneration disclosures

1. The cash portion of each individual’s profit share allocation for the reporting period when they were an Executive KMP.
2. The amount of retained profit share which is deferred to future periods and held as a notional investment in Macquarie managed-fund equity (Post-2009 DPS Plan). For 2012 this amount also includes an adjustment for a reallocation of prior year’s profit share from restricted profit share to share based payments.
3. The earnings on prior year restricted profit share.
4. The current year amortisation for retained profit share calculated as described in Note 1(1)(i) to the Financial Statements in the 2013 Annual Financial Report.
5. The current year amortisation for PSUs calculated as described in Note 1(1)(i) to the Financial Statements in the 2013 Annual Financial Report. Adjustments were made during the current and prior year to reduce previously recognised remuneration expense where performance hurdles have not been met, have been partially met or are not expected to be met.
6. The current year amortisation for options as described in Note 1(1)(i) to the Financial Statements in the 2013 Annual Financial Report. During the current and prior year, previously recognised options expense was reversed due to performance hurdles not being met or not expected to be met.
### Long-term Employee Benefits

<table>
<thead>
<tr>
<th>Restricted profit share&lt;sup&gt;(2)&lt;/sup&gt;</th>
<th>Earnings on prior year</th>
<th>Total long-term employee benefits</th>
<th>Equity Awards including shares&lt;sup&gt;(3)&lt;/sup&gt;</th>
<th>PSUs&lt;sup&gt;(4)&lt;/sup&gt; SA</th>
<th>Options&lt;sup&gt;(4)&lt;/sup&gt; SA</th>
<th>Total share-based payments SA</th>
<th>Total remuneration SA</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,061,108</td>
<td>752,951</td>
<td>1,814,059</td>
<td>3,666,510</td>
<td>248,621</td>
<td>—</td>
<td>8,915,131</td>
<td>8,822,341</td>
</tr>
<tr>
<td>965,179</td>
<td>409,034</td>
<td>1,364,213</td>
<td>3,349,480</td>
<td>780,548</td>
<td>(570,839)</td>
<td>3,559,189</td>
<td>7,789,566</td>
</tr>
<tr>
<td>312,648</td>
<td>211,001</td>
<td>523,649</td>
<td>1,097,000</td>
<td>361,743</td>
<td>(184,638)</td>
<td>1,274,105</td>
<td>4,132,144</td>
</tr>
<tr>
<td>293,755</td>
<td>107,327</td>
<td>401,082</td>
<td>858,199</td>
<td>460,475</td>
<td>99,867</td>
<td>1,418,541</td>
<td>4,059,556</td>
</tr>
<tr>
<td>232,117</td>
<td>764,610</td>
<td>996,727</td>
<td>2,033,337</td>
<td>476,377</td>
<td>(551,506)</td>
<td>1,958,208</td>
<td>4,672,677</td>
</tr>
<tr>
<td>(2,790,542)</td>
<td>48,519</td>
<td>(2,742,023)</td>
<td>1,854,807</td>
<td>482,657</td>
<td>270,928</td>
<td>2,608,392</td>
<td>998,732</td>
</tr>
<tr>
<td>293,360</td>
<td>1,493,885</td>
<td>1,787,245</td>
<td>2,679,394</td>
<td>(126,461)</td>
<td>—</td>
<td>2,552,933</td>
<td>8,012,955</td>
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<td>303,231</td>
<td>838,300</td>
<td>1,141,531</td>
<td>2,379,454</td>
<td>387,426</td>
<td>(398,237)</td>
<td>2,368,643</td>
<td>7,265,445</td>
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<tr>
<td>236,855</td>
<td>426,511</td>
<td>663,366</td>
<td>1,541,156</td>
<td>934,450</td>
<td>(236,358)</td>
<td>2,239,246</td>
<td>5,994,113</td>
</tr>
<tr>
<td>279,541</td>
<td>411,564</td>
<td>691,105</td>
<td>1,221,236</td>
<td>843,180</td>
<td>116,446</td>
<td>2,180,862</td>
<td>6,390,339</td>
</tr>
<tr>
<td>75,793</td>
<td>89,403</td>
<td>165,196</td>
<td>1,087,043</td>
<td>(68,965)</td>
<td>—</td>
<td>1,018,078</td>
<td>2,664,162</td>
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<td>151,616</td>
<td>43,788</td>
<td>195,404</td>
<td>1,047,153</td>
<td>353,649</td>
<td>(117,214)</td>
<td>1,283,588</td>
<td>3,718,107</td>
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<tr>
<td>—</td>
<td>59,808</td>
<td>59,808</td>
<td>773,235</td>
<td>304,494</td>
<td>(220,604)</td>
<td>857,125</td>
<td>1,625,369</td>
</tr>
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<td>360,019</td>
<td>204,640</td>
<td>564,659</td>
<td>1,326,065</td>
<td>167,264</td>
<td>—</td>
<td>1,493,329</td>
<td>4,629,233</td>
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<td>331,659</td>
<td>104,567</td>
<td>436,226</td>
<td>1,185,240</td>
<td>281,280</td>
<td>(125,221)</td>
<td>1,341,299</td>
<td>4,206,977</td>
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<td>1,657,982</td>
<td>579,012</td>
<td>2,236,994</td>
<td>1,007,129</td>
<td>788,884</td>
<td>—</td>
<td>1,796,013</td>
<td>8,071,924</td>
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<tr>
<td>1,688,296</td>
<td>200,703</td>
<td>1,889,999</td>
<td>750,886</td>
<td>815,477</td>
<td>(99,945)</td>
<td>1,466,418</td>
<td>7,364,967</td>
</tr>
<tr>
<td>4,229,882</td>
<td>4,581,821</td>
<td>8,811,703</td>
<td>15,210,869</td>
<td>3,086,407</td>
<td>(1,193,106)</td>
<td>17,104,170</td>
<td>48,624,918</td>
</tr>
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<td>1,182,735</td>
<td>2,199,987</td>
<td>3,382,722</td>
<td>13,482,791</td>
<td>4,669,579</td>
<td>(725,101)</td>
<td>17,427,269</td>
<td>43,753,169</td>
</tr>
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<td>1,315,041</td>
<td>139,175</td>
<td>1,454,216</td>
<td>1,985,692</td>
<td>178,874</td>
<td>2,429</td>
<td>2,166,995</td>
<td>6,795,570</td>
</tr>
<tr>
<td>11,646</td>
<td>59,100</td>
<td>70,746</td>
<td>451,983</td>
<td>17,648</td>
<td>5,760</td>
<td>475,391</td>
<td>767,481</td>
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<tr>
<td>34,815</td>
<td>1,038</td>
<td>35,853</td>
<td>83,695</td>
<td>67,704</td>
<td>—</td>
<td>151,399</td>
<td>532,603</td>
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</tr>
<tr>
<td>1,802,495</td>
<td>498,584</td>
<td>2,301,079</td>
<td>3,559,528</td>
<td>260,738</td>
<td>(432,583)</td>
<td>3,386,683</td>
<td>5,882,793</td>
</tr>
<tr>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>—</td>
<td>66,177</td>
<td>66,177</td>
<td>5,777,621</td>
<td>2,051,060</td>
<td>(306,713)</td>
<td>7,521,968</td>
<td>8,129,644</td>
</tr>
<tr>
<td>—</td>
<td>—</td>
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<td>—</td>
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</tr>
<tr>
<td>710,698</td>
<td>14,141</td>
<td>724,839</td>
<td>2,164,837</td>
<td>917,020</td>
<td>(111,792)</td>
<td>2,970,865</td>
<td>4,929,819</td>
</tr>
<tr>
<td>5,579,738</td>
<td>4,722,034</td>
<td>10,301,772</td>
<td>17,280,256</td>
<td>3,322,985</td>
<td>(1,190,677)</td>
<td>19,422,564</td>
<td>55,953,091</td>
</tr>
<tr>
<td>3,707,574</td>
<td>2,837,989</td>
<td>6,545,563</td>
<td>25,435,760</td>
<td>7,916,045</td>
<td>(1,570,429)</td>
<td>31,781,376</td>
<td>63,462,906</td>
</tr>
</tbody>
</table>
Ten year history

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.

<table>
<thead>
<tr>
<th>Year ended 31 March</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial performance ($A million)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net operating income</td>
<td>2,823</td>
<td>4,197</td>
<td>4,832</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>(2,138)</td>
<td>(3,039)</td>
<td>(3,545)</td>
</tr>
<tr>
<td>Operating profit before income tax</td>
<td>685</td>
<td>1,158</td>
<td>1,287</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>(161)</td>
<td>(288)</td>
<td>(290)</td>
</tr>
<tr>
<td>Profit after income tax</td>
<td>524</td>
<td>870</td>
<td>997</td>
</tr>
<tr>
<td>Profit attributable to non-controlling interests</td>
<td>(30)</td>
<td>(58)</td>
<td>(81)</td>
</tr>
<tr>
<td>Profit after income tax attributable to ordinary equity holders</td>
<td>494</td>
<td>812</td>
<td>916</td>
</tr>
<tr>
<td><strong>Financial position ($A million)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total assets</td>
<td>43,771</td>
<td>67,980</td>
<td>106,211</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>(40,938)</td>
<td>(63,555)</td>
<td>(100,874)</td>
</tr>
<tr>
<td>Net assets</td>
<td>2,833</td>
<td>4,425</td>
<td>5,337</td>
</tr>
<tr>
<td>Total loan assets</td>
<td>10,777</td>
<td>28,425</td>
<td>34,999</td>
</tr>
<tr>
<td>Impaired assets (net of provisions)</td>
<td>61</td>
<td>42</td>
<td>85</td>
</tr>
<tr>
<td><strong>Share information</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash dividends per share (cents per share)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interim</td>
<td>52</td>
<td>61</td>
<td>90</td>
</tr>
<tr>
<td>Final</td>
<td>70</td>
<td>100</td>
<td>125</td>
</tr>
<tr>
<td>Special</td>
<td>—</td>
<td>40</td>
<td>—</td>
</tr>
<tr>
<td>Total</td>
<td>122</td>
<td>201</td>
<td>215</td>
</tr>
<tr>
<td>Basic earnings per share (cents per share)</td>
<td>233.0</td>
<td>369.6</td>
<td>400.3</td>
</tr>
<tr>
<td>Share price at end of period ($A)</td>
<td>35.80</td>
<td>48.03</td>
<td>64.68</td>
</tr>
<tr>
<td>Ordinary share capital (million shares)</td>
<td>215.9</td>
<td>223.7</td>
<td>232.4</td>
</tr>
<tr>
<td>Market capitalisation at end of period</td>
<td>7,729</td>
<td>10,744</td>
<td>15,032</td>
</tr>
<tr>
<td>(fully paid ordinary shares) ($A million)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net tangible assets per ordinary share ($A)</td>
<td>9.66</td>
<td>14.02</td>
<td>16.99</td>
</tr>
<tr>
<td><strong>Ratios</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return on average ordinary shareholders’ funds (%)</td>
<td>22.3</td>
<td>29.8</td>
<td>26.0</td>
</tr>
<tr>
<td>Dividend payout ratio (%)</td>
<td>53.2</td>
<td>53.2</td>
<td>54.4</td>
</tr>
<tr>
<td>Expense/income ratio (%)</td>
<td>75.7</td>
<td>72.4</td>
<td>73.4</td>
</tr>
<tr>
<td>Net loan losses/loan assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(excluding securitisation SPVs and segregated future funds) (%)</td>
<td>0.3</td>
<td>0.2</td>
<td>0.2</td>
</tr>
<tr>
<td><strong>Assets under management ($A billion)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>62.6</td>
<td>96.7</td>
<td>140.3</td>
<td></td>
</tr>
<tr>
<td><strong>Staff numbers</strong></td>
<td>5,716</td>
<td>6,556</td>
<td>8,183</td>
</tr>
<tr>
<td>Year ended 31 March</td>
<td>2004</td>
<td>2005</td>
<td>2006</td>
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<tr>
<td>---------------------</td>
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</tr>
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<td>Final</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Special — 40 — — — — — — —</td>
<td>—</td>
<td>—</td>
<td>—</td>
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<td>8,183</td>
</tr>
</tbody>
</table>
Investor information

**2013 SHAREHOLDER CALENDAR**

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>3 May</td>
<td>Full-year result announcement</td>
</tr>
<tr>
<td>17 May</td>
<td>Record date for final ordinary dividend</td>
</tr>
<tr>
<td>2 July</td>
<td>Payment date of final ordinary dividend</td>
</tr>
<tr>
<td>25 July</td>
<td>2013 Annual General Meeting</td>
</tr>
<tr>
<td>30 September</td>
<td>Financial half-year end</td>
</tr>
<tr>
<td>1 November(1)</td>
<td>Half-year result announcement</td>
</tr>
<tr>
<td>15 November(1)</td>
<td>Record date for interim ordinary dividend</td>
</tr>
<tr>
<td>12 December(1)</td>
<td>Payment date of interim ordinary dividend</td>
</tr>
</tbody>
</table>

**2013 Annual General Meeting (AGM)**

Macquarie Group’s 2013 AGM will be held at 10:30 am on Thursday, 25 July 2013 at the Grand Hyatt Melbourne (Savoy Ballroom), 123 Collins Street, Melbourne, VIC. 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 Income Securities are listed on the ASX and trade under the code MBLHB.

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 2013 dividends are as follows:

<table>
<thead>
<tr>
<th>Dividend announcement date</th>
<th>Record date</th>
<th>Proposed payment date</th>
</tr>
</thead>
<tbody>
<tr>
<td>3 May 2013</td>
<td>17 May 2013</td>
<td>2 July 2013</td>
</tr>
<tr>
<td>1 Nov 2013(1)</td>
<td>15 Nov 2013(1)</td>
<td>12 Dec 2013(1)</td>
</tr>
</tbody>
</table>

(1) These dates are subject to change.

**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 VIC 3001 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 NSW 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 Annual Review, the Interim and Annual Reports, presentations and dividend information, and to access the Investor Relations mobile site visit macquarie.com.au/investorrelations
CONTACT DETAILS

Macquarie Group Head Office
No.1 Martin Place
Sydney NSW 2000
Australia

Tel: +61 2 8232 3333

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Macquarie Group Limited
Level 7, No.1 Martin Place
Sydney NSW 2000
Australia

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Fax: +61 2 8232 4330