

CHAIRMAN'S ADDRESS

MACQUARIE GROUP LIMITED AGM

23 JULY 2008

PALLADIUM AT CROWN, MELBOURNE

CHECK AGAINST DELIVERY

GOOD MORNING LADIES AND GENTLEMEN AND WELCOME TO
MACQUARIE GROUP'S 2008 ANNUAL GENERAL MEETING.

I'M DAVID CLARKE, THE CHAIRMAN OF THE MACQUARIE GROUP AND
I'LL BE CHAIRING TODAY'S MEETING.

THE COMPANY SECRETARY HAS CONFIRMED THAT A QUORUM IS
PRESENT, SO I FORMALLY DECLARE THE MEETING OPEN.

AS WELL AS THOSE SHAREHOLDERS PRESENT IN PERSON, THE
HOLDERS OF 161 MILLION SHARES, OR APPROXIMATELY 58 PER
CENT OF THE GROUP'S ORDINARY SHARE CAPITAL, ARE
REPRESENTED BY PROXIES.

BEFORE WE GET UNDERWAY, I WOULD LIKE TO INTRODUCE OUR
DIRECTORS AND SOME OF OUR SENIOR EXECUTIVES.

ON MY LEFT IS YOUR CHIEF EXECUTIVE OFFICER NICHOLAS MOORE.

NEXT TO HIM IS THE GROUP'S CHIEF FINANCIAL OFFICER GREG WARD, THEN NON-EXECUTIVE DIRECTORS JOHN NILAND, KEVIN MCCANN AND CATHERINE LIVINGSTONE, AND EXECUTIVE DIRECTOR LAURIE COX .

ON MY RIGHT IS OUR COMPANY SECRETARY, DENNIS LEONG.

NEXT TO HIM ARE NON-EXECUTIVE DIRECTORS HELEN NUGENT, PETER KIRBY AND PETER WARNE.

THERE ARE THREE MAJOR COMPONENTS TO THIS MORNING'S MEETING.

FIRST, I WILL PRESENT A BROAD OVERVIEW OF OUR RESULTS FOR THE PAST FINANCIAL YEAR.

I WILL THEN HAND OVER TO NICHOLAS TO DISCUSS THE RESULTS IN GREATER DETAIL, COVER OUR FIRST QUARTER PERFORMANCE THIS YEAR AND PROVIDE AN ASSESSMENT OF THE OUTLOOK FOR THE REMAINDER OF THE YEAR.

WE WILL THEN CONSIDER THE FORMAL RESOLUTIONS SET OUT IN THE NOTICE OF MEETING.

PLEASE BE ADVISED THAT RECORDING DEVICES, PHOTOGRAPHIC EQUIPMENT AND MOBILE PHONES MAY NOT BE USED DURING THE MEETING.

AT THE END OF THE MEETING, YOU ARE INVITED TO JOIN US FOR REFRESHMENTS IN THE FOYER.

PROFIT

LET ME NOW TURN TO THE RESULTS.

MACQUARIE REPORTED ANOTHER EXCELLENT RESULT FOR THE YEAR TO 31 MARCH 2008.

OUR PROFIT OF \$1.8 BILLION WAS UP 23 PER CENT ON THE PREVIOUS YEAR, MARKING OUR SIXTEENTH CONSECUTIVE YEAR OF RECORD PROFIT.

THE RESULT IS EVEN MORE GRATIFYING IN LIGHT OF THE CHALLENGING MARKET CONDITIONS THAT WE EXPERIENCED IN THE SECOND HALF OF THE YEAR.

OPERATING INCOME

OUR OPERATING INCOME CONTINUED TO GROW STRONGLY, UP FROM \$7.2 BILLION TO \$8.2 BILLION, AN INCREASE OF 15 PER CENT ON THE PREVIOUS YEAR.

EPS

THIS HELPED US ACHIEVE A 13 PER CENT INCREASE IN EARNINGS PER SHARE, FROM \$5.92 TO \$6.71 PER SHARE.

DIVIDENDS AND FRANKING

DIVIDENDS ALSO ROSE, WITH SHAREHOLDERS RECEIVING \$3.45 PER SHARE FULLY FRANKED FOR THE YEAR, AN INCREASE OF 10 PER CENT.

SHAREHOLDERS WILL BE AWARE THAT AN INCREASING PROPORTION OF OUR INCOME IS DERIVED OFFSHORE AND, HENCE, A DECREASING PROPORTION IS SUBJECT TO AUSTRALIAN INCOME TAX.

AS WE EXPECT THIS TREND TO CONTINUE, THE FRANKING RATE ON FUTURE DIVIDENDS IS EXPECTED TO FALL TO 80 PER CENT FOR THE INTERIM DIVIDEND TO BE PAID IN DECEMBER.

FRANKING BEYOND THE DECEMBER DIVIDEND WILL DEPEND ON THE FUTURE COMPOSITION OF INCOME, BUT, SHOULD THE TREND OBSERVED IN THE 2008 YEAR CONTINUE, IT IS LIKELY FRANKING LEVELS WILL HAVE TO BE FURTHER REDUCED GOING FORWARD.

ASSETS UNDER MANAGEMENT

DURING THE YEAR, WE INCREASED OUR ASSETS UNDER MANAGEMENT BY 18 PER CENT TO \$232 BILLION.

THESE ASSETS ARE LOCATED THROUGHOUT THE WORLD AND SPREAD ACROSS A LARGE NUMBER OF ASSET CLASSES, INCLUDING INFRASTRUCTURE, REAL ESTATE AND SECURITIES.

THIS REFLECTS OUR FOCUS ON BUSINESS DIVERSITY, A KEY FACTOR IN OUR ABILITY TO DELIVER CONSISTENTLY STRONG RESULTS.

INTERNATIONAL INCOME

THE TRULY GLOBAL NATURE OF OUR BUSINESS IS DEMONSTRATED BY THE CONTINUED GROWTH OF OUR INTERNATIONAL INCOME, WHICH ROSE 14 PER CENT TO \$4.3 BILLION.

INTERNATIONAL INCOME NOW CONSTITUTES 57 PER CENT OF OUR TOTAL INCOME, UP FROM 55 PER CENT IN THE PREVIOUS YEAR.

MORE THAN 5600 STAFF – OVER 40 PER CENT OF THE TOTAL – ARE NOW BASED OUTSIDE AUSTRALIA.

THE ASIA-PACIFIC REGION WAS A HIGHLIGHT OF OUR INTERNATIONAL PERFORMANCE, REPORTING A 71 PER CENT INCREASE IN INCOME.

CAPITAL GROWTH

AS PART OF OUR LONG-TERM APPROACH, WE HAVE CONSISTENTLY GROWN CAPITAL AHEAD OF OUR BUSINESS REQUIREMENTS IN ORDER TO FACILITATE FUTURE GROWTH.

OUR CAPITAL ROSE 33 PER CENT DURING THE YEAR TO \$10 BILLION AND HAS ALMOST QUADRUPLD OVER THE PAST FOUR YEARS.

AT 31 MARCH, WE MAINTAINED A BUFFER OF \$3 BILLION OF CAPITAL IN EXCESS OF OUR MINIMUM CAPITAL REQUIREMENTS AND THIS BUFFER HAS SINCE INCREASED.

WE BELIEVE THAT THIS IS PRUDENT IN THE CURRENT ECONOMIC CLIMATE.

SIGNIFICANTLY, OUR RETURN ON AVERAGE ORDINARY SHAREHOLDERS' FUNDS WAS 23.7 PER CENT FOR THE YEAR.

NOTABLE EVENTS OF THE PAST YEAR

WE WOULD BE PLEASED WITH THE RESULTS I HAVE OUTLINED IN ANY ENVIRONMENT, BUT WE ARE PARTICULARLY SO IN THE CHALLENGING CONDITIONS OF THE PAST YEAR.

IT IS FITTING AT THIS POINT TO REVISIT SOME OF THE KEY EVENTS THAT AFFECTED GLOBAL MARKETS OVER THAT PERIOD.

AS THE GROUP'S FINANCIAL YEAR DREW TO A CLOSE IN 2007, GLOBAL MARKETS WERE PERFORMING STRONGLY.

HOWEVER, THE FIRST INDICATIONS OF THE DIFFICULTIES AHEAD WERE BEGINNING TO EMERGE.

IN PARTICULAR, THERE WAS GROWING CONCERN ABOUT THE MAGNITUDE OF THE SUB-PRIME CRISIS IN THE US.

BY AUGUST, LIQUIDITY IN FUNDING MARKETS HAD VIRTUALLY DRIED UP AS BANKS STOPPED LENDING, BOTH TO EACH OTHER AND TO THE CORPORATE SECTOR.

CENTRAL BANKS IN EUROPE AND THE US INJECTED MORE THAN \$US300 BILLION INTO THE SYSTEM IN A MATTER OF DAYS, THE LARGEST INJECTION SINCE THE SEPTEMBER 11 INCIDENTS IN 2001.

WHILE THIS RESTORED SOME CONFIDENCE TO FINANCIAL MARKETS, IT DID LITTLE TO RESOLVE THE PROBLEMS IN THE FINANCIAL SERVICES SECTOR.

IN SEPTEMBER, NORTHERN ROCK, BRITAIN'S FIFTH LARGEST MORTGAGE LENDER, WAS NEAR COLLAPSE, UNABLE TO SOURCE FUNDING.

SIX MONTHS LATER, THE US FEDERAL RESERVE HAD TO STEP IN TO RESCUE BEAR STEARNS FROM ITS LIQUIDITY CRISIS.

BY NOW, THE SUB-PRIME ISSUE HAD DEVELOPED A CONTAGION EFFECT, IMPACTING A WIDE RANGE OF FINANCIAL INSTITUTIONS, PROPERTY COMPANIES, MONOLINE INSURERS, SOME CORPORATES AND, OF COURSE, THE EQUITY MARKET OVERALL.

THIS WAS CONFIRMED AS US INVESTMENT BANKS REPORTED LARGE WRITEDOWNS AND THE WALL ST STOCK MARKET RECORDED ITS WORST JUNE PERFORMANCE SINCE THE DEPRESSION.

JUST WEEKS AGO, SHARES IN FANNIE MAE AND FREDDIE MAC, WHICH GUARANTEE ALMOST HALF OF AMERICA'S HOME MORTGAGE DEBT, LOST HALF OF THEIR VALUE, WHILE ANOTHER LENDER, INDYMAC, WAS TAKEN OVER BY FEDERAL REGULATORS.

RELATIVE PERFORMANCE

DURING THIS TIME, MACQUARIE GROUP'S SHARE PRICE HAS CLOSELY TRACKED THAT OF OTHER GLOBAL FINANCIAL INSTITUTIONS.

THIS IS DESPITE THE VERY STRONG OPERATING PERFORMANCE WE HAVE ACHIEVED RELATIVE TO OUR GLOBAL PEERS.

ASX PERFORMANCE

THE AUSTRALIAN SHAREMARKET HAS ALSO CLEARLY REFLECTED THE GLOBAL VOLATILITY.

IN EFFECT, THE GLOBAL CREDIT CRISIS AND RESULTING MARKET TURBULENCE HAS WIPED OUT THE RETURNS OF THE PAST TWO YEARS IN AUSTRALIA'S LEADING STOCKS.

REGRETTABLY, MANY OF YOU WILL HAVE FELT THE IMPACT OF THIS.

RESOURCES STOCKS HAVE OUTPERFORMED

OVERALL LOSSES WOULD HAVE BEEN EVEN LARGER WERE IT NOT FOR THE VERY STRONG PERFORMANCE OF THE RESOURCES SECTOR.

ON THE CHART YOU CAN SEE THE EXTENT TO WHICH RESOURCE STOCKS HAVE OUTPERFORMED THE REST OF THE MARKET OVER 12 MONTHS.

BY CONTRAST, FINANCIAL STOCKS HAVE HAD A PARTICULARLY DIFFICULT YEAR.

WHY MACQUARIE HAS PERFORMED WELL RELATIVE TO PEERS

WHILE NO FINANCIAL INSTITUTION IS IMMUNE FROM THE EFFECT OF ADVERSE MARKET CONDITIONS, THERE ARE SEVERAL REASONS WHY MACQUARIE HAS PERFORMED WELL RELATIVE TO ITS PEERS EVEN IN VERY TOUGH MARKET CONDITIONS.

FIRSTLY, WE DERIVE MOST OF OUR OPERATING INCOME FROM THE PROVISION OF PRODUCTS AND SERVICES TO CLIENTS.

UNDERSCORING A SECURE CAPITAL AND FUNDING POSITION IS OUR LONG STANDING RISK MANAGEMENT FRAMEWORK, AS A RESULT OF

WHICH WE HAVE NO PROBLEM TRADING EXPOSURES AND NO MATERIAL PROBLEM CREDIT EXPOSURES.

AS I MENTIONED EARLIER, ONE OF OUR GREAT STRENGTHS IS THE DIVERSITY OF OUR BUSINESS.

WE ARE REGULATED BOTH AS A BANK AND AS THE HOLDING COMPANY OF A BANK, WITH ASPECTS OF OUR OPERATIONS SUPERVISED BY MORE THAN 100 AUTHORITIES AROUND THE WORLD.

WE CONTINUALLY ADAPT TO CHANGE AND, IN THE PAST, MARKET DOWNTURNS HAVE CREATED OPPORTUNITIES FOR MACQUARIE.

WE ARE THEREFORE CONFIDENT THAT WE WILL CONTINUE TO PERFORM WELL RELATIVE TO OUR PEERS EVEN IN VERY TOUGH MARKET CONDITIONS.

LONG-STANDING KEY PHILOSOPHIES

WE ALSO HAVE SOME LONG-STANDING KEY PHILOSOPHIES THAT HAVE GUIDED OUR BUSINESS SINCE INCEPTION AND THESE ARE WORTH REPEATING.

WE HAVE SIX CORE GOALS AND VALUES, WHICH DIRECT THE WAY WE DO BUSINESS.

WE WORK HARD TO DELIVER VALUE TO OUR CLIENTS, WE AIM TO ACT WITH THE HIGHEST STANDARDS AND WITH INTEGRITY IN ALL SITUATIONS, WE ENCOURAGE TEAMWORK AMONG OUR PEOPLE, WE STRIVE FOR PROFITABILITY AND WE ASPIRE TO PROVIDE FULFILMENT TO OUR STAFF.

WE ENCOURAGE OUR STAFF TO USE THEIR ENTREPRENEURIAL SKILLS, WITHIN THE FRAMEWORK OF PRUDENT RISK MANAGEMENT.

FREEDOM WITHIN BOUNDARIES, AS WE CALL IT, IS AN IMPORTANT FEATURE OF MACQUARIE'S SUCCESS.

SO TOO IS OUR REMUNERATION SYSTEM WHICH REWARDS OUR STAFF FOR THEIR SUCCESS, ENCOURAGES LONG-TERM COMMITMENT AND SEEKS TO ENSURE ALIGNMENT OF INTERESTS BETWEEN STAFF AND SHAREHOLDERS.

THIS REMUNERATION SYSTEM ENABLES US TO ATTRACT AND RETAIN THE HIGHEST QUALITY STAFF AND IS THEREFORE A KEY DRIVER OF SHAREHOLDER RETURNS.

I WILL PRESENT THE REMUNERATION REPORT LATER IN THE MEETING.

AS WELL AS DELIVERING VALUE TO CLIENTS AND SHAREHOLDERS,
WE ALSO WORK TO DELIVER VALUE TO THE COMMUNITIES IN WHICH
WE OPERATE.

VERY WELL-POSITIONED

ALL OF THESE FACTORS I BELIEVE MEAN MACQUARIE IS WELL
POSITIONED, NOTWITHSTANDING THE CHALLENGING CONDITIONS IN
WHICH WE CURRENTLY OPERATE.

WE BELIEVE OUR GLOBAL PLATFORM HAS NEVER BEEN STRONGER
AND WE ARE CONFIDENT WE CAN CONTINUE TO PERFORM WELL.

ALLAN MOSS

AS YOU KNOW, ALLAN MOSS RETIRED IN MAY AFTER 15 YEARS AS
CHIEF EXECUTIVE OFFICER AND AN OUTSTANDING CAREER WITH
MACQUARIE SPANNING MORE THAN 30 YEARS.

WE ARE TRULY GRATEFUL TO ALLAN FOR HIS IMMENSE
CONTRIBUTION AND WE WISH HIM WELL IN HIS RETIREMENT.

NICHOLAS MOORE HAS BEEN APPOINTED AS YOUR NEW CHIEF
EXECUTIVE OFFICER AND THE BOARD CONSIDERS HIM TO BE AN
OUTSTANDING CHOICE FOR THIS ROLE.

NICHOLAS HAS GIVEN 22 YEARS OF EXCELLENT SERVICE TO THE GROUP, PRINCIPALLY AS THE LEADER OF THE MACQUARIE CAPITAL BUSINESS WHICH HAS PROVIDED MORE THAN 60% OF MACQUARIE'S PROFITS AND OPERATING INCOME OVER THE PAST SEVEN YEARS.

HE IS RECOGNISED AS A WORLD-CLASS INVESTMENT BANKER, AND I NOW INVITE HIM TO SPEAK TO YOU.