



2014 Annual Review

Macquarie Group

The Holey Dollar

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

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

Macquarie Group 2014 Annual Review

Macquarie Group Limited’s 2014 Annual Report consists of two documents – the 2014 Annual Review and the 2014 Annual Financial Report.

This 2014 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 2014 financial year.

The 2014 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.

If you would like a copy of the 2014 Macquarie Group Annual Financial Report please call us on +61 2 8232 0032 or visit macquarie.com.au/investorrelations.

2014 Annual General Meeting

Macquarie Group’s 2014 Annual General Meeting will be held at 10:30am on Thursday 24 July 2014 at the Sheraton on the Park (Grand Ballroom), 161 Elizabeth Street, Sydney, NSW 2000.

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

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Overview

Full year net profit up 49 per cent on prior year

Net profit of **\$A1,265 million**

Operating income of **\$A8.1 billion**

International income **68 per cent of total**

Earnings per share of **\$A3.84**

Total ordinary dividends of **\$A2.60 per share⁽¹⁾**

Return on equity of **11.1 per cent**

Assets under management of **\$A427 billion**

Strong funding and balance sheet position

Diverse and stable funding base

Minimal reliance on short-term wholesale funding markets

Retail deposits of **\$A33.3 billion**

New term funding of **\$A17.4 billion**

Excess Group regulatory capital of **\$A2.7 billion⁽²⁾** over minimum regulatory capital requirement

⁽¹⁾ In addition, eligible shareholders benefited from the Sydney Airport distribution in January 2014, which comprised a special dividend of \$A1.16 (40 per cent franked) and a return of capital of \$A2.57 per share.

⁽²⁾ All references to Group regulatory capital surplus are on an APRA Basel III basis calculated at seven per cent Risk Weighted Assets.

Chairman and Managing Director's report

Macquarie Group recorded a profit of \$A1,265 million for the year ended 31 March 2014, an increase of \$A414 million, or 49 per cent, on the prior year.

All of Macquarie's operating groups achieved an increase in net profit contribution⁽¹⁾ as market conditions improved. Macquarie's annuity-style businesses continued their growth of recent years, while its capital markets facing businesses delivered significantly improved results.

Macquarie continues to drive benefits from the diversity of its global platform, its specialist skills and expertise across a range of products and asset classes and the strong franchise positions of each of its operating groups.

Macquarie's position is further enhanced by a strong balance sheet, significant surplus capital, a robust liquidity and funding profile and its conservative approach to risk management.

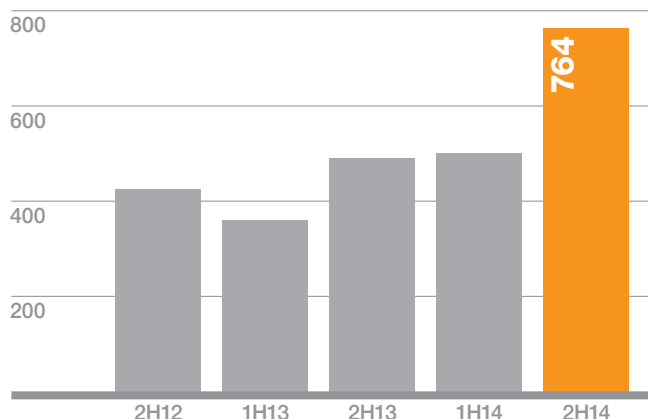
⁽¹⁾ Net profit contribution is management accounting profit before unallocated corporate costs, profit share and income tax.

	FY14	Change on FY13	2H14	Change on 1H14
Net profit	\$A1,265 million	49%	\$A764 million	52%
Operating income	\$A8.1 billion	22%	\$A4.5 billion	21%
Operating expenses	\$A6.0 billion	15%	\$A3.2 billion	10%
Effective tax rate	39.5%	Up from 38.5%	40.5%	Up from 38.0%
Earnings per share	\$A3.84	53%	\$A2.35	57%
Return on equity (annualised)	11.1%	Up from 7.8%	13.5%	Up from 8.7%
Ordinary dividends per share	\$A2.60 ⁽²⁾ (40% franked)	Up from \$A2.00	\$A1.60 ⁽²⁾ (40% franked)	Up from \$A1.00 (40% franked)
Assets under management	\$A426.9 billion	23%	\$A426.9 billion	11%

⁽²⁾ In addition, eligible shareholders benefited from the Sydney Airport distribution in January 2014, which comprised a special dividend of \$A1.16 (40 per cent franked) and a return of capital of \$A2.57 per share.

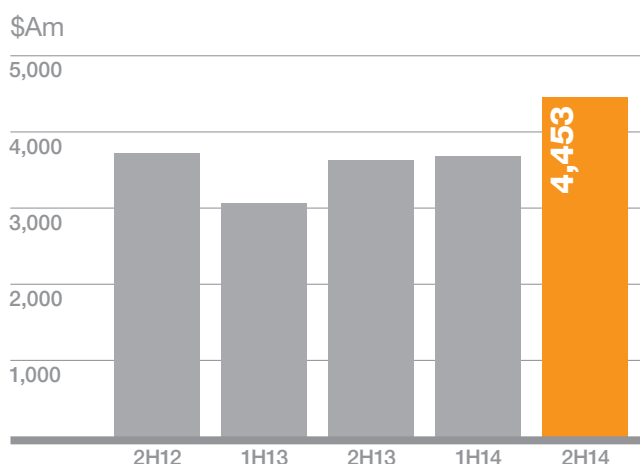
Reported net profit after tax attributable to ordinary equity holders

\$Am



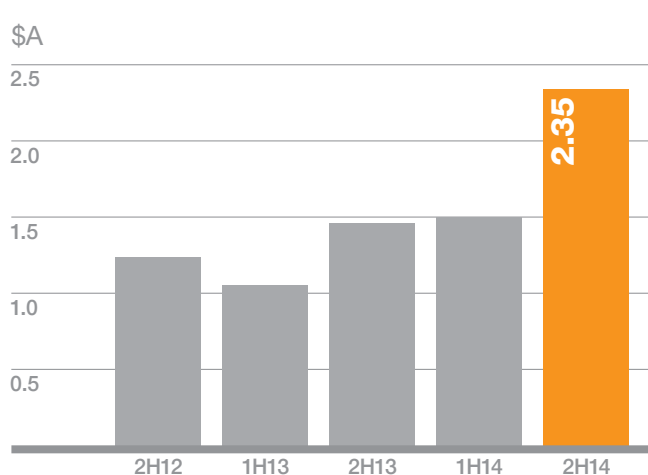
Operating income

\$Am



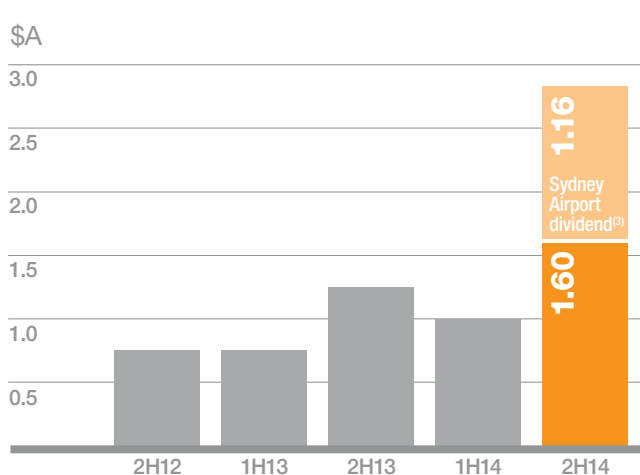
Basic earnings per share (EPS)

\$A



Dividends per share (DPS)

\$A

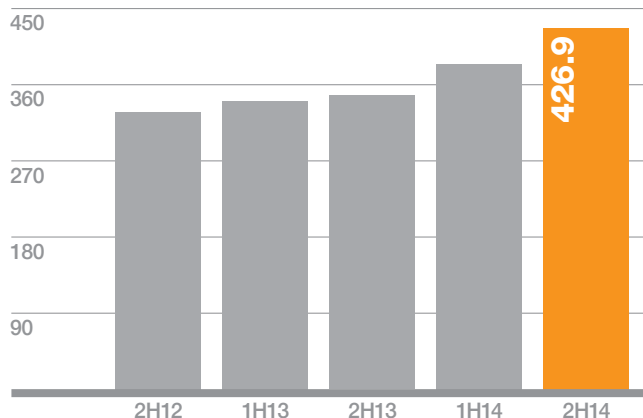


⁽³⁾ Special dividend of \$A1.16 per share from Sydney Airport distribution. Excludes return of capital component of \$A2.57 per share.

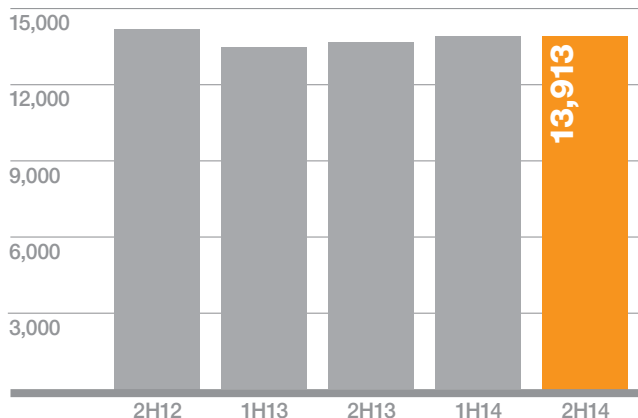
Chairman and Managing Director's report

Assets under management

\$Ab



Staff numbers



Overview

Global market conditions continued to improve in the year to 31 March 2014, contributing to a significant increase in Macquarie Group's operating income and profit.

Macquarie's annuity-style businesses continued to perform well. Macquarie Funds Group significantly increased its assets under management as it expanded its infrastructure and investment management activities. Corporate and Asset Finance Group further developed its corporate lending and asset finance portfolio, entering new business activities and extending existing operations into new markets. The Banking and Financial Services Group produced another strong result, with increases in its wrap and mortgage portfolios. These performances are a result of the investment that Macquarie has made in these businesses over many years, as well as the diversity of its global platform.

Macquarie's capital markets facing businesses achieved a significant increase in their net profit contribution⁽¹⁾ as market conditions improved. Macquarie Securities Group returned to profitability as more positive investor sentiment led to increased market volumes and equity capital markets (ECM) activity. Macquarie Capital's strong franchise position enabled it to capitalise on an improvement in mergers and acquisitions (M&A) and ECM activity. Fixed Income, Currencies and Commodities also experienced improvement in market conditions across most of its businesses during the year. These results reflect Macquarie's ongoing commitment to these businesses and their clients throughout the challenging market conditions of recent years.

Notwithstanding the growth of the Group's Australian businesses, international income accounted for 68 per cent of Macquarie's total income⁽⁴⁾ for the year. Income from the Americas accounted for 35 per cent of total income compared with 32 per cent from Australia. This reflects the favourable impact of foreign exchange

movements, organic growth of the Group's operations in the Americas, as well as a number of successful acquisitions in the region in recent years, including Delaware Investments and the Constellation Energy downstream gas business. The Americas also became Macquarie Capital's largest income contributor for the first time, exceeding its very successful Australian business.

The Group's effective tax rate of 39.5 per cent was broadly in line with the prior year.

Staff numbers were 13,913 at 31 March 2014, up from 13,663 at 31 March 2013.

Performance of operating groups

Macquarie Funds Group (MFG) generated strong annuity base fee income, as well as performance fees predominantly earned from the MWREF wholesale property fund, Macquarie Infrastructure Company, Macquarie Atlas Roads and Quant Hedge Funds. Assets under management increased by 24 per cent to \$A425 billion. Macquarie Infrastructure and Real Assets raised more than \$A5.3 billion in new equity commitments to invest in North American and Asian infrastructure, Mexican real estate, UK energy and global agriculture. It invested \$A4.0 billion of equity in portfolio assets across the globe and divested assets of over \$A6.5 billion. Macquarie Investment Management delivered strong performance across a range of asset classes, continued to build its global distribution platform and acquired ING Investment Management Korea in December 2013, a top 10 asset manager in Korea with approximately \$A24 billion⁽⁵⁾ in assets under management. Macquarie Specialised Investment Solutions grew its infrastructure debt management business with mandates awarded totalling more than \$A1.5 billion. It also launched a fund to invest in UK inflation-linked infrastructure debt for UK pension funds, targeting investor commitments of £500 million.

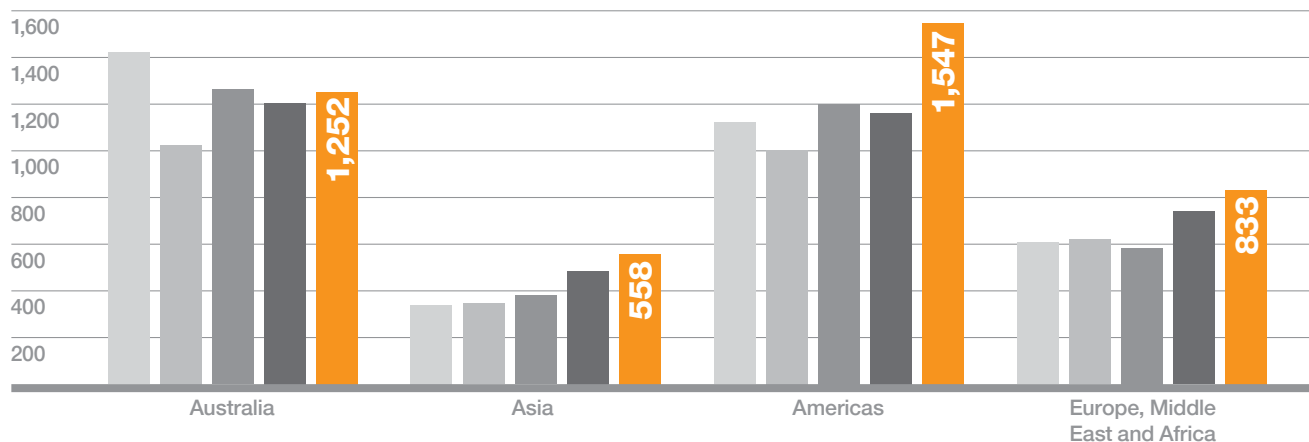
⁽⁴⁾ Net operating income excluding earnings on capital and other corporate items.

⁽⁵⁾ As at December 2013, effective date of acquisition.

Net operating income⁽⁶⁾ by region

2H12 ■ 1H13 ■ 2H13 ■ 1H14 ■ 2H14 ■

\$Am



⁽⁶⁾ Net operating income excluding earnings on capital and other corporate items.

Corporate and Asset Finance Group (CAF)

increased its asset finance and corporate lending portfolio by 14 per cent to \$A25.5 billion at 31 March 2014. CAF's corporate and real estate lending portfolio increased by 12 per cent to \$A9.0 billion, with additions of \$A3.8 billion in new primary financings and loans acquired in the secondary market. The portfolio continued to generate strong overall returns and maintained sound asset quality. CAF's asset finance portfolio increased by 14 per cent to \$A16.5 billion, driven largely by strong growth in the motor vehicle and equipment finance operations, as well as the impact of foreign exchange movements. Other activities during the year included the establishment of Macquarie Rotorcraft Leasing, a helicopter leasing business; the initiation of commercial solar energy financing in Australia; and further expansion of the UK meters portfolio and the mining equipment finance business. Securitisation activity continued with \$A2.8 billion of motor vehicle and equipment leases and loans securitised during the period.

Banking and Financial Services Group (BFS)

continued to hold a strong position in its core Australian retail businesses, while increasing its retail deposits by seven per cent to \$A33.3 billion. Its highly ranked Australian wrap platform increased its funds under administration by 50 per cent to \$A37.7 billion, following the successful migration of Perpetual's private wealth administration platform, and the Australian mortgage portfolio grew by 47 per cent to \$A17.0 billion which represents one per cent of the Australian mortgage market. Initiatives during the year included the acquisition of a 25 per cent stake in mortgage

aggregator Connective; an expansion of the mortgage product suite; the establishment of Macquarie Pacific Funding following the integration of GE Capital's Pacific Premium Funding business; and the sale of Macquarie Private Wealth Canada and BFS' 19.9 per cent stake in OzForex through an initial public offering (IPO). BFS entered a significant investment phase focused on its information technology systems and digital presence to enhance its offering to clients and position the business for future growth.

Macquarie Securities Group (MSG) returned to profitability as a result of increased market volumes and ECM activity on the prior year. The business also benefited from a lower level of losses from the wind-down of legacy businesses. Macquarie was ranked No.2 for Australian ECM transactions for calendar year 2013, completing more IPOs than any other financial institution. MSG maintained its leading position for Australian equities among institutional investors globally, sustaining or improving its market share in key regions. Subdued volatility in derivatives markets resulted in low levels of client demand. MSG continued to build on its expertise as one of the largest derivative warrant issuers in the Asia-Pacific region, holding No.1 market share for listed warrants in Singapore, No.3 in Thailand and No.6 in Hong Kong.

Chairman and Managing Director's report

Macquarie Capital maintained its leading market positions in Australia and New Zealand for M&A, public private partnerships (PPP) and capital markets activity and continued building its cross-border advisory activity into and out of Asia. Macquarie Capital advised on 450 transactions worth \$A89 billion during the year and for calendar year 2013 was ranked No.1 in Australia for announced and completed M&A transactions and No.1 in South East Asia for announced M&A transactions. During the year, Macquarie Capital advised a consortium on the Queensland Government's 32-year PPP concession to build 75 new trains and provide maintenance services, participated in the \$US1.1 billion IPO of Asian Pay Television Trust on the Singapore Exchange and completed the two largest transactions ever undertaken in the US gaming equipment sector.

Fixed Income, Currencies and Commodities (FICC) experienced continued improvement in market conditions across most of its businesses during the year. There was a significant increase in income from commodities-related activities, driven by stronger client hedging and trading opportunities from increased volatility in energy markets, coupled with falling precious metals prices, and growth in physical metals financing activities. FICC maintained its ranking as the No.4 physical gas marketer in North America. Continued subdued mining equity markets and generally lower metals and bulk commodities prices impacted the timing of asset realisations, new project financings, and resulted in further equity impairments in the Metals and Energy Capital business, albeit an improvement on the prior year. There were improved conditions for Credit Trading as concerns over rapid tapering of monetary policy in key international markets subsided in the second half. Foreign exchange and futures markets experienced improved volatility and volumes compared to the prior year.

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 APRA Basel III capital at 31 March 2014 was \$A12.9 billion, a \$A2.7 billion⁽⁷⁾ surplus to Macquarie's minimum regulatory capital requirement.

Macquarie intends to purchase approximately \$A270 million of shares on-market⁽⁸⁾ to satisfy the requirements of the Macquarie Group Employee Retained Equity Plan (MEREP). The buying period for the MEREP will commence on 14 May 2014 and is expected to be completed in late June⁽⁹⁾. The shares required for the second half Dividend Reinvestment Plan (DRP)⁽¹⁰⁾ are to be acquired on-market⁽⁸⁾.

In May 2013, the Australian Prudential Regulation Authority (APRA) issued its draft rules for Conglomerates. While the rules are yet to be finalised,

Macquarie's current assessment remains that it has sufficient capital to meet the minimum APRA capital requirements for Conglomerates, which APRA has previously stated will be effective from 1 January 2015.

Funding

Macquarie remains very well funded with diversified funding sources. Total retail deposits increased to \$A33.3 billion at 31 March 2014 from \$A31.0 billion at 31 March 2013, representing 36 per cent of the Group's total funding sources. The Group raised \$A17.4 billion of new term funding during the year.

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

Dividend

The Board resolved to pay a final ordinary dividend of \$A1.60 per share (40 per cent franked), up from \$A1.00 per share (40 per cent franked) in the first half. The total ordinary dividend payment for the year was \$A2.60 per share, up from \$A2.00 in the prior year.

In addition, eligible shareholders benefited from the Sydney Airport distribution in January 2014, comprising a special dividend of \$A1.16 (40 per cent franked) and a return of capital of \$A2.57 per share.

Risk management

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, and 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.

Environmental, Social and Governance

Macquarie's Board and management view the commitment to 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, value creation and stakeholder interest.

In the year ended 31 March 2014 Macquarie continued to embed ESG risk management across the organisation and pursue business opportunities in renewable energy, energy efficiency and ESG research. Details of Macquarie's ESG approach are included in the 2014 Annual Financial Report and later in this Annual Review.

⁽⁷⁾ Calculated at seven per cent Risk Weighted Assets.

⁽⁸⁾ Shares may be issued if purchasing becomes impractical or inadvisable.

⁽⁹⁾ Actual buying may be completed sooner or later. Buying for the MEREP will be suspended during the DRP pricing period (22 May 2014 to 3 June 2014).

⁽¹⁰⁾ The rules of the DRP have been amended to allow DRP elections to be made up to and including the business day following the record date for the relevant dividend. This change was necessary due to changes to the ASX Listing Rules for dividend reinvestment plans.

Board and management

As previously advised, Catherine Livingstone retired from the Macquarie Group and Macquarie Bank Boards after the July 2013 Annual General Meeting. John Niland retired from the Boards on 31 December 2013. Gary Banks and Patricia Cross joined the Boards on 1 and 7 August 2013 respectively.

Nicola Wakefield Evans was appointed to the Boards of Macquarie Group and Macquarie Bank in February 2014. Nicola is a director of Lend Lease Corporation Limited, Toll Holdings Limited and BUPA Australia & New Zealand Group. She has extensive experience as a corporate finance lawyer at King & Wood Mallesons where she was a partner for more than 20 years.

The Macquarie Group Limited and Macquarie Bank Limited Boards have determined that their Chairman Kevin McCann will remain as Chairman of both entities. Mr McCann will stand for re-election at the Group's next Annual General Meeting in July 2014. The decision ensures continuity for the Boards following the retirements and the appointments noted above.

Mary Reemst has been appointed Managing Director and Chief Executive Officer (CEO) of Macquarie Bank effective 1 July 2014. Ms Reemst is currently Macquarie's Head of Credit within the Risk Management Group having served in that role for the past 11 years and with Macquarie for approximately 15 years. As Head of Credit, Ms Reemst's key responsibility was oversight of the Group's wholesale and retail exposures including lending and leasing businesses, trading activities, equity investments and exposure to new products. Tim Whitehead, an Executive Director in the Credit Division who joined Macquarie in 2008, will succeed Ms Reemst as Macquarie's Head of Credit.

Macquarie Bank's current Managing Director and CEO, Greg Ward, will remain the Group's Deputy Managing Director, Head of BFS and a member of Macquarie's Executive Committee. Mr Ward was appointed Managing Director and CEO of Macquarie Bank in October 2011 and was subsequently appointed Head of BFS in May 2013. Ms Reemst's appointment allows Mr Ward to continue to lead and build on opportunities he sees for Macquarie's retail franchise over the medium term. Ms Reemst will replace Mr Ward on the Macquarie Bank Board and will join Macquarie's Executive Committee.

Patrick Upfold, Chief Financial Officer (CFO) of Macquarie Group and Head of the Financial Management Group, will join Macquarie's Executive Committee, effective 1 July 2014. Mr Upfold joined Macquarie in 1997 and became Group Treasurer in June 2011 before he was appointed CFO of the Group in December 2011.

Ben Brazil, Co-Head of CAF, will join Macquarie's Executive Committee, effective 1 July 2014. Mr Brazil joined Macquarie in 1994 and is currently Head of CAF Lending.

Outlook

While the impact of future market conditions makes forecasting difficult, it is currently expected that the combined net profit contribution from operating groups for the year ending 31 March 2015 will be up on the year ended 31 March 2014, broadly offsetting the gain relating to the Sydney Airport distribution realised in the year ended 31 March 2014.

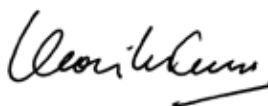
The tax rate for the year ending 31 March 2015 is currently expected to be broadly in line with the year ended 31 March 2014.

Accordingly, the result for the Group for the year ending 31 March 2015 is currently expected to be broadly in line with the year ended 31 March 2014, with the potential for a better result if market conditions continue to improve.

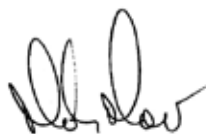
Macquarie's short term outlook remains subject to a range of challenges including market conditions, the impact of foreign exchange, the cost of Macquarie's continued conservative approach to funding and capital, and potential regulatory changes and tax uncertainties.

Macquarie remains well positioned to deliver superior performance in the medium term due to its deep expertise in major markets, strength in diversity and 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
2 May 2014

Balancing opportunity with accountability

Throughout its history, Macquarie has encouraged its staff and businesses to pursue opportunities, while operating within a strong risk management framework.

This balance between opportunity and accountability is a unique feature of Macquarie's success and a key factor in its 45-year record of unbroken profitability.

It is based on an understanding of the organisation's responsibility to its clients, shareholders and people, as well as the industry, markets and communities in which it operates around the world.

Macquarie recognises the value of ideas and innovation and, just as importantly, the ability to successfully execute them.

To this end, Macquarie's teams have spent decades developing expertise in key areas, while the Group has consistently maintained a strong risk culture and strong funding and capital to support growth initiatives.

Macquarie differentiates itself by focusing on new opportunities, progressively building expertise in these disciplines and expanding into associated activities.

In this way, Macquarie has evolved a uniquely diversified global business with specialist expertise in resources, agriculture and commodities, energy, infrastructure and the Asia-Pacific region, as well as niche expertise in other areas.

Its activities vary across different locations, highlighting the Group's responsiveness to client needs in any given location or market environment and its ability to deliver tailored initiatives.

This diversity has also ensured the Group's resilience in the challenging global markets of recent years. The stability of Macquarie's income differentiates it from many of its peers.

In recent years, Macquarie has strongly developed its annuity-style businesses, providing steady returns to the business and Macquarie shareholders and certainty to clients.

In addition, Macquarie's strong risk management framework, embedded across all operating groups, equips the business for unanticipated disruptions.

Macquarie's approach, balancing opportunity with accountability, is reflected across each of its six operating groups.

Macquarie Funds Group (MFG) is a top 50 global asset manager, with \$A425 billion in assets under management. It is recognised as the world's largest infrastructure investor and manager, operating more than 50 funds globally, with investments in 120 businesses, approximately 300 properties and approximately 3.6 million hectares of farmland. MFG also has a global presence in securities investment management, managing \$A311 billion in around 25 investment strategies.

Twenty years ago, Macquarie recognised the opportunity that existed in infrastructure as an asset class. It pioneered an investment model to give pension funds and other institutions access to infrastructure investment and the predictable return it can deliver relative to some other investments. Through a range of infrastructure funds, Macquarie has raised billions of dollars to invest in infrastructure assets in Australia, Asia, Europe, North America, the Middle East and Africa. A Macquarie fund is part of a consortium which will replace Goethals Bridge, the first new Port Authority bridge in New York in 80 years. In the UK, Macquarie recently acquired a portfolio of merchant gas-fired power stations, after recognising the near-term contraction in the level of UK electricity generation capacity.

As the demand for quality infrastructure increases globally, Macquarie has taken its infrastructure fund management expertise to a number of emerging markets including Mexico, Russia, India, Africa, the Philippines and China. Macquarie is uniquely placed to advise governments on the appropriate platforms to attract long-term capital to bring critical national infrastructure to fruition. Appointed manager of a Philippines national infrastructure fund, Macquarie is bringing international best practice to the public private partnership (PPP) projects it is involved in and implementing best-in-class environmental, social, and governance management systems at its portfolio companies.

Macquarie has also established an infrastructure debt management business, providing an avenue for pension funds and insurance companies to invest in long-term, investment grade debt. This initiative has also opened access to a new source of debt capital to borrowers in the sector. This new business has received investor allocations exceeding \$A1.5 billion to date.

The success of Macquarie's securities investment management is demonstrated by the performance of its funds, which have consistently outperformed their benchmarks over three years. Macquarie won eight 2014 Lipper Awards across the US and Europe in recognition of the outstanding risk-adjusted performance of a number of funds relative to peers. During the year, Macquarie acquired ING Investment Management Korea, a top 10 asset manager in Korea with approximately \$A24 billion⁽¹⁾ in assets under management, to become the largest foreign asset manager in Korea by assets under management.

⁽¹⁾ As at December 2013, effective date of acquisition.

Corporate and Asset Finance Group (CAF) manages an asset finance and corporate lending portfolio of \$A25.5 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 substantially in recent years to provide a strong source of annuity-style income, while providing clients with flexible financing alternatives in managing their business.

CAF is one of the largest providers of motor vehicle finance in Australia and is North America's largest, fully independent technology lessor. It operates a \$A1.2 billion rail portfolio in North America and Europe and a growing global mining equipment finance business which complements Macquarie's existing resources and commodities capabilities.

As the world's energy landscape continues to change, CAF has provided the opportunity to invest in renewable energy and energy efficiency, building on Macquarie's specialist expertise in global energy markets. CAF is the largest provider of traditional and smart meters in the UK, with more than 6.8 million meters, and recently started financing commercial solar energy assets in Australia. Through its energy leasing business, Macquarie is assisting carbon emission reduction efforts in these markets.

The Macquarie AirFinance business headquartered in Ireland leases 137 jet aircraft to 70 operators in 43 countries, while the newly established Macquarie Rotorcraft Leasing aims to accommodate the growing worldwide demand for commercial helicopters in industries such as offshore oil and gas, medical transport, search and rescue, utility and executive transport.

CAF's lending business – which has dedicated investing and lending professionals based in London, New York, Chicago and Sydney – is differentiated by its bespoke offering. It works closely with clients to understand every facet of their credit structure and provide customised financial solutions. The lending portfolio continues to generate strong overall returns.

Banking and Financial Services Group (BFS) is a leading provider of personal banking, wealth management and business banking products and services, with approximately one million clients in Australia and retail deposits of \$A33.3 billion. BFS is one of Australia's leading full-service retail stockbrokers, with a highly ranked Australian wrap platform and growing mortgage and insurance businesses.

BFS' business is focused on the Australian market, building on expertise developed over more than 30 years. Its services include mortgages, credit cards, wealth management and full-service retail broking, private banking, specialist business banking, insurance, deposits, superannuation and platforms, which it provides to clients through institutional and intermediary relationships, white label arrangements and direct offerings.

Macquarie's retail business is driven by an understanding of its responsibility to individuals in helping them manage and grow their wealth, and to small and medium enterprises to support them in building and evolving sustainable businesses. BFS seeks to pioneer new products and services designed to meet the needs of clients in varying market environments.

Having introduced Australia's first cash management trust in 1980, which delivered retail clients the opportunity to invest in a diversified portfolio of quality Australian bank short-term paper, securities and bills, BFS continues to drive product innovation. Recent initiatives include a new online application process enabling financial advisers and accountants to more quickly open cash accounts for their clients and the launch of Macquarie Invoice Express, streamlining accounts payable for business banking clients. BFS' life insurance business has introduced a number of Australian firsts, including Macquarie Life Active, which allows multiple claims under the same policy for the first time. BFS is currently making a significant investment in its information technology and digital presence to further enhance its client offering.

BFS is also pursuing product development opportunities through strategic partnerships. In the past year, BFS completed the migration of Perpetual's private wealth administration platform, one of Australia's largest platform outsourcing arrangements; launched Macquarie Bank Flyer Home Loans in collaboration with Qantas, enabling borrowers to earn Qantas points on their mortgage; and through its premium funding joint venture with Steadfast, which is Australia's largest network of insurance brokers, formed Macquarie Pacific Funding.

In recent years, BFS has significantly grown its retail deposit base, further enhancing Macquarie's funding position in a period of sustained market volatility.

Balancing opportunity with accountability

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. Its key specialties lie in the sectors including infrastructure and utilities; telecommunications, media, entertainment and technology (TMET); resources (mining and energy); industrials; and financial institutions.

MSG provides a full-service cash equities offering in Australia, Asia, South Africa and Canada, with specialised offerings in the US and Europe and specialised derivatives offerings in key locations globally. Its global research coverage totals more than 2,200 listed companies, highlighting the extent of its market and industry knowledge. MSG is ranked No.1 for research and sales strength in Australian equities by institutional investors in Australia, Asia, Europe and the US.

A leading Asia-Pacific (ex-Australia) specialist, particularly since the acquisition of ING's Asian cash equities business in 2004, MSG operates in 12 Asia-Pacific countries, with one of the largest equities sales teams in the region and research coverage of more than 950 stocks. It has been the No.1 ranked Asian broker for execution quality for three consecutive years and is a leading issued warrants provider in Singapore, Thailand and Hong Kong.

In the challenging market conditions of recent years, MSG has maintained its client commitment, research effort and strong corporate and institutional relationships. It continues to provide a significant link between listed companies and institutional investors through its corporate access program, which has been running for more than 15 years. Through this initiative, MSG conducts more than 3,000 events and activities a year, enabling companies to present to institutional audiences globally.

The improvement in MSG's net profit contribution⁽²⁾ over the past year highlights the strength of its securities franchise, which has enabled it to capitalise on improving market conditions.

Macquarie Capital has built a global corporate finance capability with a focus on the sectors including infrastructure; utilities and renewables; resources; real estate; TMET; industrials; and financial institutions.

Macquarie Capital has one of the largest infrastructure advisory teams globally, a global presence in resources and a growing focus on the renewable energy sector. The real estate advisory and private capital teams are market leaders in their field, while the financial institutions, industrials and TMET teams continue to provide innovative solutions for their clients.

In Australia and New Zealand, Macquarie Capital maintains leading market positions for mergers and acquisitions (M&A), PPP and capital markets activity. It was ranked No.1 in Australia for the number of announced and completed M&A transactions by Thomson Financial in the 2013 calendar year. Macquarie Capital was ranked No.1 in Australia for initial public offerings (IPOs) by Dealogic and No.2 for Australian equity, equity linked and rights issuance by Thomson Financial.

The Americas became Macquarie Capital's largest income contributor for the first time, exceeding its very successful Australian business. The appointment as developer and exclusive financial adviser on the \$US1.2 billion Goethals Bridge replacement project, the first PPP by the Port Authority of New York and New Jersey and its first new bridge project in 80 years, highlights Macquarie Capital's ability to deliver transactions that benefit clients and the wider community.

In Asia, Macquarie has worked on some of the region's most significant transactions, including the \$US1.1 billion Asian Pay Television Trust IPO on the Singapore Exchange and the pre-IPO investment of up to \$US750 million by Brookfield into China Xintiandi, a wholly owned subsidiary of Shui On Land. Macquarie Capital's deep knowledge of the region has also facilitated a number of cross-border transactions, connecting international clients with the world's major growth region and Asian clients with the rest of the world.

In Europe, Middle East and Africa, Macquarie Capital has a strong position in the infrastructure and renewable energy sectors as evidenced by the closing of the £600 million Mersey Gateway PPP project and the forming of a joint venture with the solar PV developer Low Carbon to invest in a portfolio of UK ground mounted PV solar projects.

Macquarie Capital has maintained its strong client relationships and market expertise during the downturn in M&A and equity capital markets activity over recent years. This sustained commitment has enabled Macquarie Capital to identify and pursue opportunities for clients as they re-engage with the markets.

⁽²⁾ Net profit contribution is management accounting profit before unallocated corporate costs, profit share and income tax.

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.

FICC's global business has been built on a deep and continuous market commitment, with expertise developed over more than 35 years. Macquarie has one of the longest track records globally for a financial institution in metals markets, and has also been an important source of finance to junior mining and energy companies, providing finance of more than \$US8 billion to projects over the past 10 years in more than 40 jurisdictions.

It is the longest standing provider of trading and risk management services to agricultural producers, consumers and market participants. It pioneered the over-the-counter market in agricultural derivatives in the early 1980s.

Macquarie has been in energy markets for more than 10 years, playing an active risk management role across the global energy sector from physical supply and trading to transport, storage and asset management. It is ranked by Platts as the fourth largest trader of natural gas in North America and is the highest ranked non-producer.

FICC offers structured trade finance to commodity producers and consumers as well as commodity-based index products to institutional investors.

FICC's experience in financial markets includes more than 30 years commitment to the futures market. With a global network of desk and electronic execution platforms, Macquarie provides 24-hour execution and clearing coverage of all major markets.

FICC is a specialist in Australian, New Zealand and Asian currencies and provides execution and risk management solutions in all major currency pairs. FICC has been active in foreign exchange markets for more than 20 years and its Singapore-based foreign exchange strategy team was ranked best major currency forecaster by Bloomberg for the four quarters to 31 December 2013. It also provides asset finance and securitisation solutions in both the public and private markets.

FICC has been active in US credit markets since 2008 and as of 31 March 2014, the Credit Sales and Trading desks have traded, agented or provided financing of \$US38 billion in transactions with over 2,000 counterparties in over 1,000 issues.

Balancing opportunity with accountability has been a long-standing feature of Macquarie's approach. It has enabled the Group to build a secure foundation based on its expertise and financial strength and effectively execute opportunities for its clients.

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.

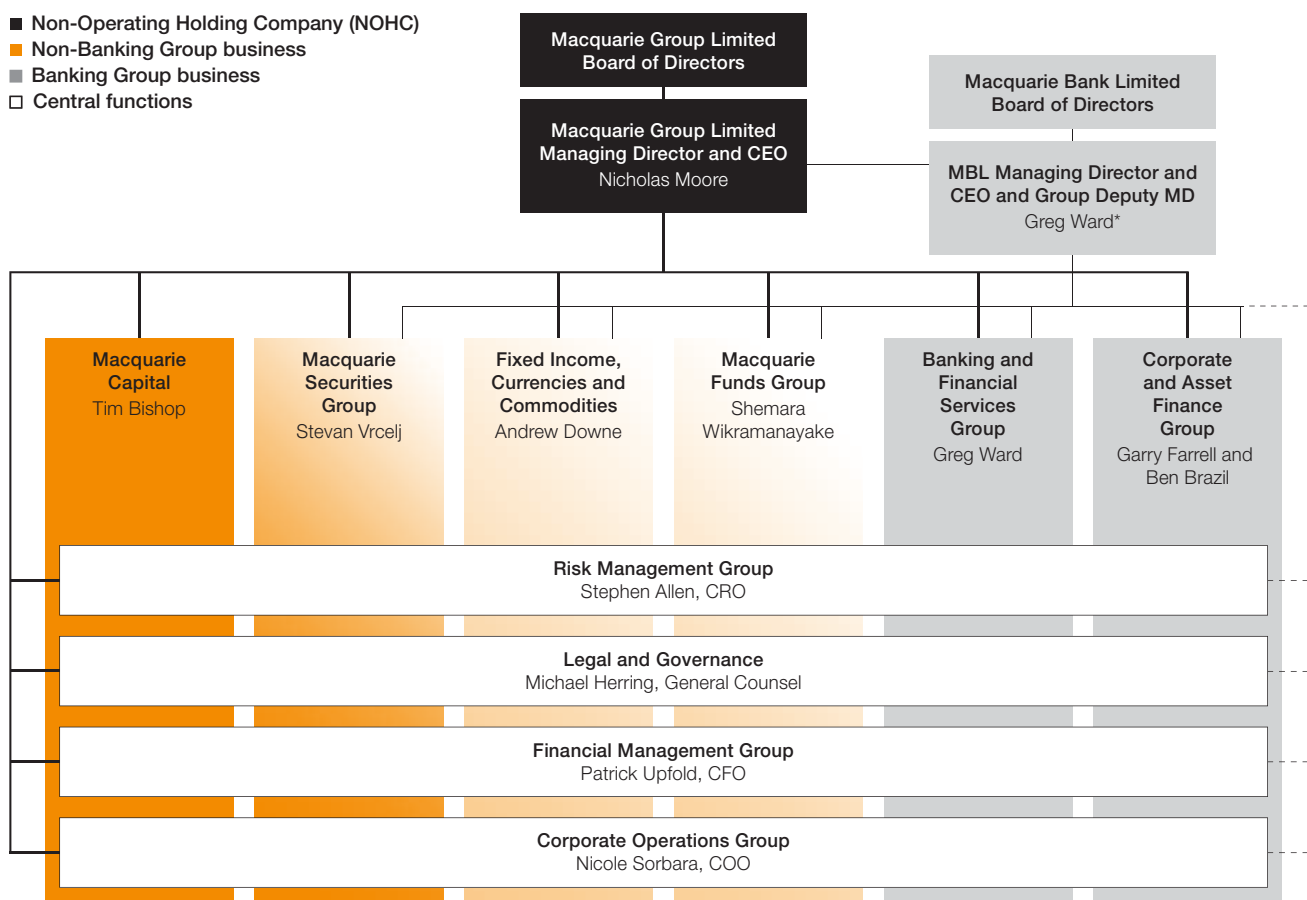
Macquarie has built a uniquely diversified business. It has established leading market positions as a global specialist in a wide range of sectors, including resources, agriculture and commodities, energy and infrastructure, and has a deep knowledge of Asia-Pacific financial markets.

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 13,900 people in 28 countries. At 31 March 2014, Macquarie had assets under management of \$A427 billion.



As at 2 May 2014

*Mary Reemst has been appointed Managing Director and CEO of Macquarie Bank effective 1 July 2014. Ms Reemst is currently Macquarie's Head of Credit within the Risk Management Group. Macquarie Bank's current Managing Director and CEO, Greg Ward, will remain Macquarie Group's Deputy Managing Director and Head of the Banking and Financial Services Group.

Key services

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

- Alternative asset management
 - Infrastructure
 - Real estate
 - Energy
 - Agriculture
- Securities investment management
 - Fixed interest and currencies
 - Equities, including infrastructure securities
 - Hedge funds
 - Multi-asset allocation solutions
 - 'Best of breed' external managers
- Tailored investment solutions over funds and listed equities
 - Capital protected investments
 - Fund-linked products
 - Hedge fund incubation platform
 - Infrastructure debt funds management
 - Restructuring solutions
 - Agriculture investment solutions

Corporate and Asset Finance Group specialises in corporate debt and asset financing across aircraft, motor vehicles, technology, healthcare, manufacturing, industrial, energy, rail and mining equipment. Services include:

- Corporate and asset-backed lending
- Real estate lending
- Asset finance
- Specialised asset financing
- Asset lifecycle management services
- Equipment trading and remarketing

Banking and Financial Services Group provides a diverse range of personal banking, wealth management and business banking products and services to retail clients, advisers, brokers and business clients. Services include:

- Wealth management and private banking
- Mortgages and credit cards
- Cash management services
- Full-service and online broking
- Wealth products including wrap and life insurance
- Business banking

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
- 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

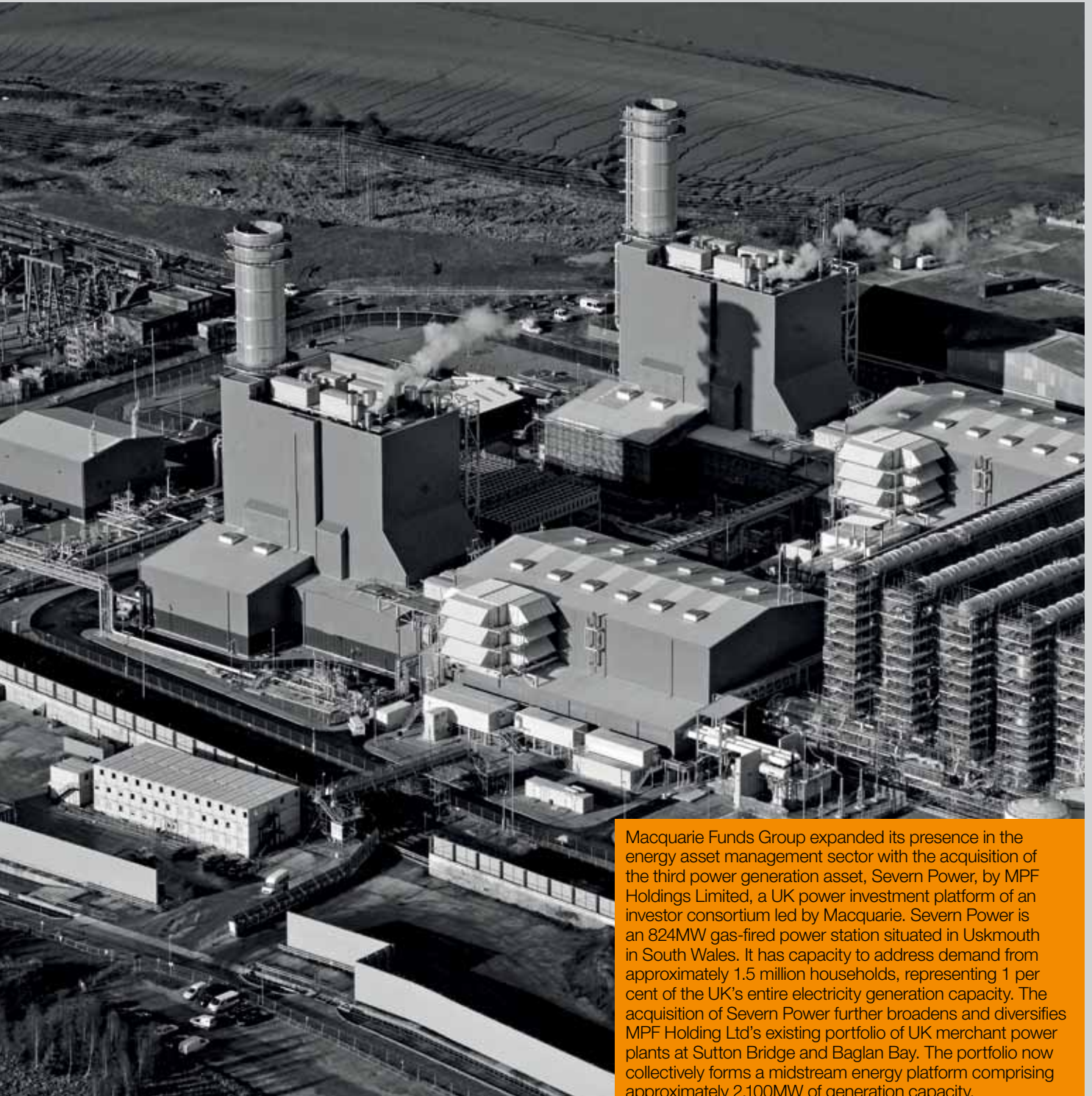
Operating Groups

Macquarie Funds Group

Top 50 global asset manager with \$A425 billion of assets under management

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

Key specialties: infrastructure and other real asset management, securities investment management and tailored investment solutions over funds and listed equities



Macquarie Funds Group expanded its presence in the energy asset management sector with the acquisition of the third power generation asset, Severn Power, by MPF Holdings Limited, a UK power investment platform of an investor consortium led by Macquarie. Severn Power is an 824MW gas-fired power station situated in Uskmouth in South Wales. It has capacity to address demand from approximately 1.5 million households, representing 1 per cent of the UK's entire electricity generation capacity. The acquisition of Severn Power further broadens and diversifies MPF Holding Ltd's existing portfolio of UK merchant power plants at Sutton Bridge and Baglan Bay. The portfolio now collectively forms a midstream energy platform comprising approximately 2,100MW of generation capacity.

Macquarie Funds Group (MFG) contributed \$A1.1 billion to Macquarie's total profit from operating groups for the year ended 31 March 2014, an increase of 39 per cent on the prior year. It generated net operating income of \$A1.9 billion, an increase of 27 per cent on the prior year. The result was driven by strong growth in annuity-style base fee income from higher assets and equity under management, increased performance fee income, and higher equity accounted gains from infrastructure and real estate funds in which Macquarie has investments. These were partially offset by higher expenses resulting from increased business activity and business reorganisations. The depreciation of the Australian dollar relative to the prior year impacted both revenue and expenses and had an overall favourable impact on the net profit contribution⁽¹⁾ of MFG.

MFG had \$A425 billion in assets under management at 31 March 2014, an increase of 24 per cent on the prior year.

Macquarie Infrastructure and Real Assets (MIRA) raised more than \$A5.3 billion in new equity commitments for North American and Asian infrastructure, Mexican real estate, UK energy and global agriculture. MIRA's fourth unlisted North American fund, Macquarie Infrastructure Partners III, experienced strong investor interest, raising \$US2.2 billion to date.

MIRA invested \$A4.0 billion of equity in assets during the year, including infrastructure in the US, Mexico, Philippines, China, Africa, India and Korea, a third power station in the UK, real estate in China and Mexico and agriculture in Australia and Brazil. Divestments totalling \$A6.5 billion included the sale of Global Towers Partners in the US and the sale of Taiwan Broadband Communications to a Singapore Exchange listed fund. MIRA base fees continued to grow with equity under management, while performance fees were earned predominantly from the MWREF wholesale property fund, Macquarie Infrastructure Company and Macquarie Atlas Roads.

Macquarie Investment Management (MIM) delivered strong investment performance across a range of asset classes, with the majority of funds outperforming their benchmarks over three years, continued to build its global distribution platform, generated record net wholesale inflows in Australia, launched several new funds and increased cross-border assets under management to more than \$A17.5 billion. MIM acquired ING Investment Management Korea, a top 10 asset manager in Korea with approximately \$A24 billion⁽²⁾ in assets under management which completed in December 2013. Base fees increased due to market movements, positive net flows, particularly into higher margin products, and the Korean acquisition in December 2013.

Macquarie Specialised Investment Solutions (MSIS) successfully disposed of its first hedge fund seeded in the fund incubation business. MSIS continued to grow its infrastructure debt management business awarding mandates of more than \$A1.5 billion. It also launched a fund to invest in UK inflation-linked infrastructure debt for UK pension funds, targeting £500 million.

Outlook

Subject to market conditions, MFG currently expects its result for the year ending 31 March 2015 to be broadly in line with the year ended 31 March 2014, 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 leader in alternative asset management worldwide, specialising in infrastructure, real estate, agriculture and energy via public and private funds, co-investments, partnerships and separately managed accounts. Investing regionally with expert local investment and asset management teams, its client base is primarily institutional investors, including global pension and superannuation funds, other institutions and governments. The division is recognised for its expertise over the investment lifecycle, with strong capabilities in investment sourcing, investment management and investor relationships.

Macquarie Investment Management offers securities investment management capabilities across a number of asset classes including fixed interest, currencies, equities, infrastructure securities, hedge funds and multi-asset allocation solutions. Macquarie Investment Management also partners with select 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 tailored investment solutions over funds and listed equities including fund-linked products, capital protected investments, a hedge fund incubation platform, infrastructure debt funds management, restructuring solutions and agriculture investment solutions.

⁽¹⁾ Net profit contribution is management accounting profit before unallocated corporate costs, profit share and income tax.

⁽²⁾ As at December 2013, effective date of acquisition.

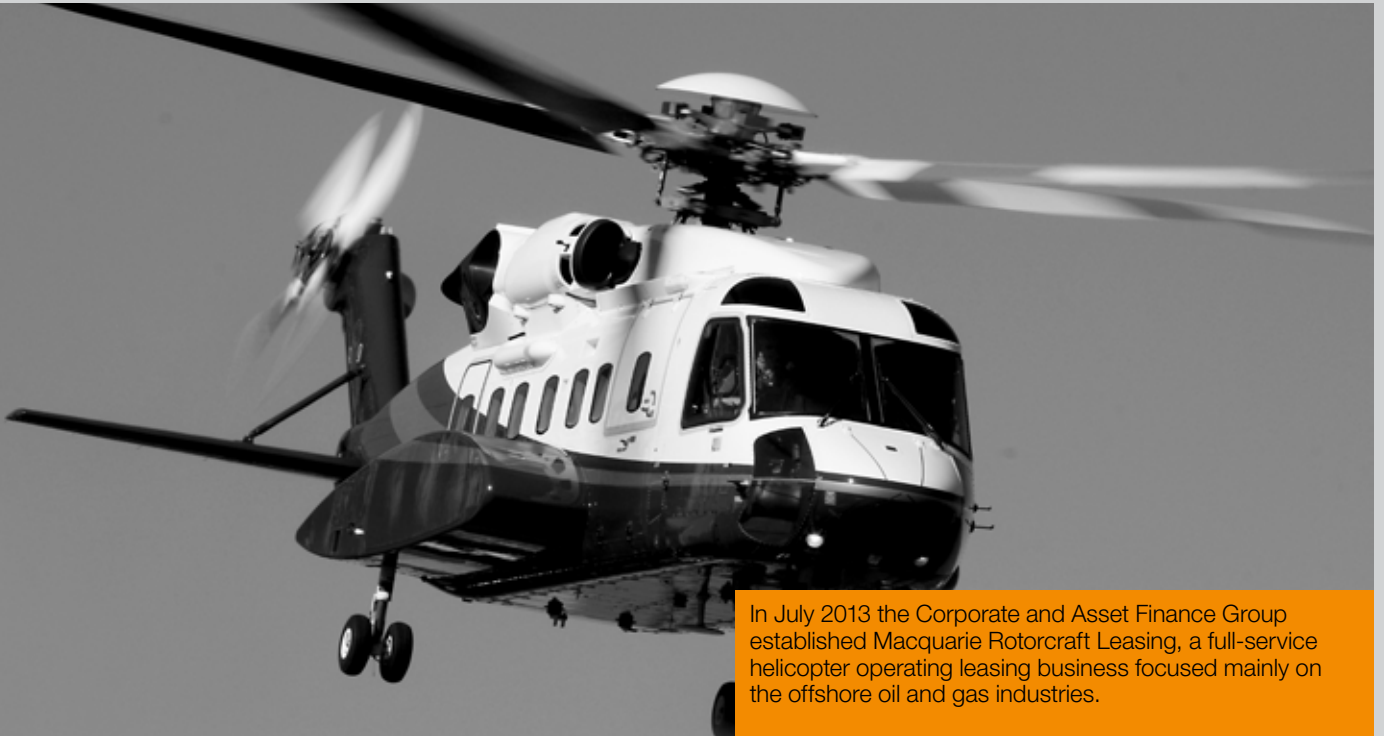
Operating Groups

Corporate and Asset Finance Group

Provider of specialist finance and asset management solutions, with \$A25.5 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 July 2013 the Corporate and Asset Finance Group established Macquarie Rotorcraft Leasing, a full-service helicopter operating leasing business focused mainly on the offshore oil and gas industries.



In August 2013 the Corporate and Asset Finance Group's lending business completed a refinancing and capital restructure of Energetics, a UK provider of utility connections.

Corporate and Asset Finance Group (CAF)

contributed \$A826 million to Macquarie's total profit from operating groups for the year ended 31 March 2014, up 19 per cent on the prior year. The group generated net operating income of \$A1.2 billion, up 15 per cent on the prior year. At 31 March 2014, CAF managed a lease and loan portfolio of \$A25.5 billion, an increase of 14 per cent on the prior year.

Lending's funded loan portfolio totalled \$A9.0 billion at 31 March 2014, up 12 per cent on the prior year. Portfolio additions of \$A3.8 billion for the year comprised:

- \$A2.5 billion of new primary financings across corporate and real estate, weighted towards bespoke originations
- \$A1.3 billion of corporate and commercial real estate loans acquired in the secondary market.

Notable transactions included the refinancing and capital restructure of Energetics, a UK provider of utility connections, and provision of a total of £270 million across two unitranche financings of UK hospitality portfolios.

Asset quality within the lending portfolio remained sound and the portfolio continued to generate strong overall returns. Significant prepayment and realisation income arose from the sale of Sunseeker, a UK manufacturer of luxury yachts, and refinancing of Tank & Rast, a German motorway services operator.

CAF's asset finance portfolio of \$A16.5 billion was up 14 per cent on the prior year – eight per cent excluding the impact of foreign exchange movements – driven largely by the growth of the motor vehicle and equipment finance businesses.

The European Rail leasing business acquired in January 2013 continued to perform well during the year, while CAF extended its aircraft leasing activities into helicopters through Macquarie Rotorcraft Leasing. There was ongoing expansion of the mining equipment finance business.

The energy leasing business continued to grow its smart meter portfolio in the UK, and entered the commercial solar energy market in Australia. The business is the largest deregulated traditional and smart meter provider in the UK with more than 6.8 million meters.

Strong securitisation activity continued, with the group securitising \$A2.8 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 2015 to be broadly in line with the year ended 31 March 2014.

About Corporate and Asset Finance Group

CAF's corporate and real estate lending business

provides primary financing to clients weighted towards bespoke lending where it is a leading market participant. It is also a niche acquirer of loans and other credit assets in secondary markets 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 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. Products include finance leases, novated lease agreements and commercial hire purchases for motor vehicles and other income producing plant and equipment. The business also has a presence in the UK.

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 meters and newer 'smart' meters. Clients are mainly major UK energy providers and the business recently started financing commercial solar energy assets in Australia.

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.

Macquarie Rotorcraft Leasing is a start-up full service helicopter operating leasing business focused on industries such as offshore oil and gas, medical transport, search and rescue, utility and executive transport.

Operating Groups

Banking and Financial Services Group

Leading provider of personal banking, wealth management and business banking products

Includes mortgages, credit cards, full service retail broking, insurance, deposits and wrap

Specialist business banking to small to medium enterprises

Serves clients through intermediary relationships, white-label arrangements and direct offerings



The Banking and Financial Services Group has a long and successful history of providing banking products to help its partners unlock the potential of their brands and customer relationships. BFS is currently working with mortgage intermediaries such as Aussie, Mortgage Choice, Homeloans and Yellow Brick Road, financial services intermediaries such as Perpetual, insurance broking network Steadfast, and major retail brands such as Qantas.

Banking and Financial Services Group (BFS)

contributed \$A260 million to Macquarie's total profit from operating groups for the year ended 31 March 2014, an increase of seven per cent on the prior year. Factors that contributed to the result included strong growth in mortgages, retail deposits and wrap funds under administration. BFS generated net operating income of \$A1.3 billion, up two per cent on the prior year.

BFS maintained its strong market position in its core Australian retail businesses, with one million Australian clients at 31 March 2014.

The Australian mortgage portfolio continued its strong growth, increasing 47 per cent during the year to \$A17.0 billion at 31 March 2014, representing one per cent of the Australian mortgage market. Macquarie continued its strategy of investing in core distribution partners, portfolios, new products and an expanded sales network. The business was awarded Lender of the Year (Tier 2) at the Mortgage and Finance Association of Australia 11th Excellence Awards.

Macquarie Wrap funds under administration grew strongly to \$A37.7 billion at 31 March 2014 from \$A25.1 billion at 31 March 2013, driven by 20 per cent organic growth and markets movements, as well as the migration of Perpetual's private wealth administration platform which was completed in April 2013.

During the year, the Macquarie Life inforce book increased 23 per cent. The business was awarded five-star status in Beaton Benchmarks 2013 – Life Insurance Intermediaries Study for the sixth consecutive year, currently the only five-star rated insurer in the market.

BFS' operating results for the year were impacted by the exiting of a number of businesses including Macquarie Private Wealth Canada in November 2013, COIN in August 2012 and the transfer of the Macquarie Professional Series to Macquarie Funds Group from 1 October 2012. BFS also sold its 19.9 per cent interest in OzForex through an IPO during the year.

BFS entered a significant investment phase during the year, focusing on its information technology systems and digital presence to enhance the service experience for clients and drive internal efficiencies.

Retail deposits increased seven per cent to \$A33.3 billion at 31 March 2014 from \$A31.0 billion at 31 March 2013.

Macquarie Business Banking grew its total lending and deposit book by 21 per cent to \$A12.0 billion at 31 March 2014. It expanded into supporting new professional services industries, including medical, architecture and engineering.

Macquarie completed the integration of GE Capital's Pacific Premium Funding business, creating Macquarie Pacific Funding, with the capability to provide the insurance broking industry with a complete suite of financial services and products.

Outlook

Subject to market conditions, BFS currently expects its result for the year ending 31 March 2015 to be up on the year ended 31 March 2014. This will be supported by the continued growth in its core businesses, including mortgages, wrap, business banking, insurance and cash products. The group will continue to invest in its information technology systems and digital presence, while focusing on regulatory requirements to ensure its businesses continue to operate effectively in the changing financial services environment.

About Banking and Financial Services Group

BFS comprises Macquarie's retail banking and financial services businesses, providing a diverse range of personal banking, wealth management and business banking products and services to retail clients, advisers, brokers and business clients.

Personal Banking provides retail financial products such as mortgages, credit cards and deposits. It serves personal banking clients through mortgage intermediary relationships and white-label arrangements, as well as Macquarie branded offerings.

Wealth Management provides superannuation and insurance products, as well as stockbroking, financial advice, private banking, cash management and wrap platform services. It delivers products and services through institutional relationships, virtual adviser networks and dedicated direct relationships with our clients.

Business Banking provides a full range of deposit, lending and payment solutions, as well as tailored services to business clients, ranging from sole practitioners to corporate professional firms, through a variety of channels including dedicated relationship managers.

Operating Groups

Macquarie Securities Group

Innovative specialist leveraging Asia-Pacific insights to the world

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 the 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



In 2013, Macquarie's Hong Kong website for equity warrants and callable bull bear certificates recorded a total of more than 237 million hits, an increase of over 300 per cent from 2012. In excess of 1.7 million unique visitors accessed the site which offers investors useful trading tools such as warrant search, stock quotes, a pricing calculator, daily warrant commentaries and videos. Macquarie is a market leader in investor education and was the first issuer to launch mobile applications for iPhone, Android and a Facebook site catering to retail investors in Hong Kong.

Macquarie Securities Group (MSG) reported a net profit of \$A107 million for the year ended 31 March 2014, an improvement on the prior year loss of \$A50 million. It generated net operating income of \$A865 million, up 30 per cent on the prior year.

The improved result was driven by increased market volumes and equity capital markets (ECM) activity, up from subdued levels in the prior year, as well as reduced losses from the wind down of its legacy businesses. Operating expenses, excluding brokerage and commission and trading-related expenses of \$A628 million, were up eight per cent on the prior year, largely due to the impact of the depreciation of the Australian dollar on MSG's international cost base.

The Cash Division experienced improving levels of activity as investor confidence returned in the first half of the year. However, there was mixed activity in the second half, with improving conditions in Europe and the US, albeit weaker volumes across many Asia-Pacific markets. MSG 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.1 by Australian and Asian institutional investors in the Peter Lee surveys.

ECM activity improved significantly on prior years, with stronger levels of primary issuance and increased total market capital raised across most regions. The division maintained or improved its market shares, ranked No.2 in Bloomberg league tables for Australian equity, equity linked and rights, completing more IPOs than any other financial institution, No.10 in Asia-Pacific (ex-Japan) for equity, equity linked and rights, and No.13 in Canadian equity and equity linked tables in the 2013 calendar year.

Revenues in the Derivatives Division benefited from improved trading conditions and reduced losses from legacy businesses. However, market volatility remains subdued overall, resulting in low levels of institutional and retail client demand.

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. MSG currently holds No.1 market share in listed warrants in Singapore, No.3 in Thailand and No.6 in Hong Kong.

MSG continues to be a significant participant in trading and execution of American and global depository receipts in Asia-Pacific, with No.1 market share in global depository receipts in Taiwan and No.2 in India and Indonesia.

Macquarie Bank Limited was awarded an additional \$US200 million of QFII quota by China's State Administration for Foreign Exchange during the year, bringing its total approved quota to \$US400 million. This important development gives MSG the opportunity to continue growing its investment footprint in China's mainland yuan-denominated securities markets.

Outlook

Subject to market conditions, MSG currently expects its result for the year ending 31 March 2015 to be up on the year ended 31 March 2014. 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



A Macquarie-led consortium won the contract to design, build, finance and maintain a replacement of the Goethals Bridge in New York. The project, comprising the construction of a new cable-stayed bridge linking Staten Island, New York, and Elizabeth, New Jersey – will be developed under a \$US1.5 billion public private partnership with the Port Authority of New York and New Jersey. Macquarie Infrastructure Partners III is a 90 per cent equity investor and Macquarie Capital was the exclusive Financial Adviser for the deal which has since received numerous awards.

Macquarie Capital contributed \$A280 million to Macquarie's total profit from operating groups for the year ended 31 March 2014, an increase of 87 per cent on the prior year. It generated net operating income of \$A817 million, an increase of 23 per cent on the prior year. Macquarie Capital participated in 450 transactions valued at \$A89 billion.

In Australia and New Zealand, Macquarie Capital consolidated its leading market position in mergers and acquisitions (M&A), advisory, public private partnerships (PPPs) and capital markets activity across all industry sectors.

In the 2013 calendar year, Macquarie Capital was ranked No.1 in Australia for number of announced and completed M&A transactions by Thomson Financial. Notable transactions for the region include:

- Adviser to a consortium comprising Bombardier Transportation, John Laing, ITOCHU Corporation and Uberior on the Queensland Government's 32-year PPP concession to build 75 new six-car trains and provide maintenance services, with a total contract value of \$A4.4 billion
- Adviser to Canada Pension Plan Investment Board on its \$A3.9 billion joint takeover (with DEXUS Property Group) of Commonwealth Property Office Fund⁽¹⁾.

Macquarie was ranked No.1 in Australia for initial public offerings (IPOs) in the calendar year 2013 by Dealogic and also ranked No.2 for Australian equity, equity linked and rights issuance by Thomson Financial.

In Asia, Macquarie Capital's broad regional capability and ability to lead cross-border advisory activity into and out of the region was reflected in notable transactions including:

- Joint issue manager, global coordinator, bookrunner and underwriter for the \$US1.1 billion IPO of Asian Pay Television Trust on the Singapore Exchange
- Joint adviser to China's State Grid on the acquisitions of SPI (Australia) Assets Pty Ltd and SP AusNet Group.

The Americas became Macquarie Capital's largest income contributor for the first time, exceeding its very successful Australian business. Notable transactions for the Americas include:

- Adviser to WMS Industries on its \$US1.5 billion sale to Scientific Games and SHFL Entertainment on its \$US1.3 billion sale to Bally Technologies, the two largest ever transactions in the gaming equipment sector

- Adviser to Kelso & Company on the sale of PSAV Presentation Services to Goldman Sachs and Olympus Partners and joint lead arranger and joint bookrunner on the debt financing package. Macquarie's preferred equity investment was divested as part of this transaction
- Adviser to Surge Energy on five deals totalling approximately \$C642 million and led three equity financings raising \$C391 million.

In Europe, the Middle East and Africa, Macquarie Capital maintained its strong position in the infrastructure and renewable energy sectors. Notable transactions include:

- Lead equity sponsor, financial adviser and debt arranger, mezzanine debt provider, construction liquidity facility provider, interest rate swap provider and insurance captive provider for the successful closing of the £600 million Mersey Gateway PPP project in the UK
- Adviser and co-investor with Aquiline Capital Partners on the acquisition of Equity Red Star, the UK subsidiary of Insurance Australia Group.

Outlook

Subject to market conditions, Macquarie Capital currently expects its result for the year ending 31 March 2015 to be up on the year ended 31 March 2014.

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); real estate; TMET; industrials and financial institutions.

⁽¹⁾ Completion occurred in April 2014.

Operating Groups

Fixed Income, Currencies and Commodities

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, the Middle East and Africa

Key specialties: commodities, Asian and emerging markets, high yield and distressed debt



Fixed Income, Currencies and Commodities (FICC) has participated in wholesale energy markets for more than 10 years and plays an active risk management role across the global energy sector from physical supply and trading to transport, storage and asset management. FICC's Energy Markets Division provides these services across the energy spectrum, including natural gas, liquefied natural gas, natural gas liquids, power, oil and coal, with more than 220 staff in 11 offices and major centres in Houston, Singapore and London. Macquarie Energy is the fourth largest physical gas marketer in North America and the highest ranked non-producer, supplying customers with 9.9 billion cubic feet per day.⁽¹⁾

⁽¹⁾ Platts Q4, 2013.

Fixed Income, Currencies and Commodities

(FICC) contributed \$A726 million to Macquarie's total profit from operating groups for the year ended 31 March 2014, an increase of 29 per cent on the prior year. It generated net operating income of \$A1.7 billion, also an increase of 29 per cent on the prior year.

The improved result reflected a 58 per cent increase in income from commodities related activities, primarily driven by increased volatility in energy markets and growth in physical metals financing activities. The credit environment was mixed for a large portion of the year, while volatility and volumes improved in foreign exchange and futures markets compared to the prior year.

Energy Markets was a significant contributor to the overall result with revenues generated across the global energy platform due to strong customer flow and trading opportunities, particularly in US gas, US power and global oil. The mature physical trading platform enabled the energy business to leverage volatility and service client opportunities.

Metals and Energy Capital continued to be affected by subdued mining equity markets and generally lower metals and bulk commodities prices which impacted the timing of asset realisations and new project financings. This also resulted in further impairments on some equity holdings, however investor sentiment stabilised during the second half of the year resulting in significantly lower impairments compared to the first half. Client hedging and trading activity was up on the prior year due to increased volatility and falling precious metals prices.

Metals & Agriculture Sales and Trading benefited from growth in physical metals financing activities. However, agriculture and base metals markets experienced low levels of volatility, dampening trading results and client hedging activity.

Credit Trading benefited from increased volatility during the fourth quarter which resulted in improved opportunities for trading in US credit markets. Concerns over rapid tapering of monetary policy in key international markets subsided in the second half with credit investors re-engaging with the markets.

Fixed Income and Currencies experienced some improvement in volatility and volumes in foreign exchange markets as well as improved credit conditions which drove increased execution, trading activity and pipeline growth for the securitisation businesses in the UK, Europe and Australia.

Futures volumes increased in all key markets as the client base continued to diversify by product and region.

Outlook

Subject to market conditions, FICC currently expects its result for the year ending 31 March 2015 to be broadly in line with the year ended 31 March 2014.

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)** brings together specialist support services including workplace, 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 advice and expertise to Macquarie and its related entities. It helps them achieve growth and operational effectiveness, and 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 and sourcing and vendor management.

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 also provides independent middle and back office transaction support to Macquarie's capital markets businesses and services across the Group.

Technology provides business-aligned account management, software development and manages Macquarie's enterprise-wide technology.

The **Financial Management Group (FMG)** provides financial, tax and treasury services to all areas of Macquarie.

The group is focused on managing Macquarie's funding and capital, while providing strategic analysis and advice to Macquarie's businesses and senior management. It 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. It also manages Macquarie's liquid asset portfolio and is responsible for managing debt investor, rating agency and banking relationships.

Legal and Governance consists of two divisions: Group Legal and the Company Secretarial Division.

Group Legal brings together lawyers from across Macquarie with a range of different disciplines and expertise, 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 are able to 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 **Company Secretarial Division** has responsibility for providing services to the Macquarie Group Board, the Board Committees and the Executive Committee, and administering Macquarie Group's subsidiaries, ASX listing rule compliance, employee equity schemes, general and professional risk insurances and Group-wide corporate governance matters.

The **Corporate Communications and Investor Relations Division** actively engages with a wide range of stakeholders. These stakeholders include shareholders, investment analysts, governments, media, staff and the wider community. The division also includes the activities of the Macquarie Group Foundation, Macquarie Group Collection, Macquarie Sports and the Sustainability and Environment Office.

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.

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 2014 Annual Financial Report, which is available on Macquarie's website at macquarie.com.au.

The role of RMG **Credit** is to assess and minimise the risk of loss arising from:

- the failure by counterparties to repay loans or honour contracts
- equity investments
- equity underwritings
- investments in funds
- investments in leased or traded assets.

Prudential, Capital and Markets (PCM) confirms 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 monitors aggregate risks across all risk types relative to 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 confirms 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 derivatives pricing models used within Macquarie's trading systems. In addition, it works with the 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 establishes uniform data standards which 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.

Macquarie Group Foundation

As one of Australia's oldest and largest corporate benefactors, the Macquarie Group Foundation (Foundation) reached a major milestone in the year to 31 March 2014, passing \$A200 million in donations to community organisations since inception. During the year, the Foundation and Macquarie staff contributed \$A24.7 million⁽¹⁾ to more than 1,500 community organisations around the world and provided approximately 32,000 hours of voluntary community service.



The BIG Alliance (Businesses for Islington Giving) was established in 2012, with seed funding from the Macquarie Group Foundation, to facilitate business volunteering with local charities and schools in the London district. As part of the BIG Alliance mentoring program, 13 Macquarie staff worked with 14 students from Elizabeth Garrett Anderson School during 2013, building on a long-term relationship with the school.



Macquarie's Beijing office held its inaugural Community Day in 2013, with 11 staff undertaking maintenance work at Children's Hope orphanage, which assists children visiting Beijing for medical treatment or other care. The Macquarie staff also donated funds to cover some of the orphanage's running expenses.

The Macquarie Group Foundation's

(Foundation) support of the not-for-profit sector is underpinned by its 'engaged philanthropy' model, which comprises both financial and skilled support. A number of principles distinguish this 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 at an individual, team and office level, with financial support extended to the charities involved.

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 global staff competition was held to mark the \$A200 million community contribution made by the Foundation and Macquarie staff since the Foundation's inception in 1985. In recognition of the thousands of initiatives undertaken by Macquarie staff in their local communities, staff were invited to submit photos and details of their chosen community activity. Prizes totalling \$A20,000 were distributed among four winners chosen from each of Macquarie's major regions, and the top photographs were showcased at a client and community function in Sydney in November 2013.

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 and provide development opportunities for Macquarie staff.

During the year, the CoRe program in the UK provided tailored pro bono business planning and strategic advice to local community organisations, while workshops in risk management, human resources and media management were offered in Australia and the US to help not-for-profits more effectively address their objectives.

Social innovation

Throughout its 29-year history, the Foundation has sought to pioneer new approaches to corporate philanthropy. Initiatives during the year included:

- establishing the Macquarie 200/200 Opportunity Award, recognising the social impact a not-for-profit has made on Australian society since first receiving Foundation support. This was awarded to the Cerebral Palsy Alliance for its proposal to establish a research officer position to further build on global research and foster collaboration, in partnership with the Macquarie Group Foundation Chair of Cerebral Palsy
- founding support for The Funding Network (TFN) Australia, which provides an innovative funding and skilled support model to early-stage social entrepreneurs. The Foundation hosted a number of pilot meetings for TFN around Australia during 2013.

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:

- The Prince's Trust – the Foundation has supported the UK's leading charity for young people since 2003 via entrepreneurship programs and annual surveys highlighting key youth issues
- Social Ventures Australia (SVA) – the Foundation has partnered with SVA since 2004, including founding support for its non-profit consultancy service, SVA Consulting
- ReachOut.com by Inspire Foundation – the Foundation has supported Inspire's online youth mental health service since 2006. Most recently, Macquarie provided a collaborative funding grant to the Inspire Foundation, the Young and Well Centre, Inspire Ireland and the Brain and Mind Research Institute to advance the development and evaluation of a technology-based self-help program.

⁽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 environment, social and governance (ESG) performance as part of their broader responsibility to clients, shareholders and the communities in which Macquarie operates.

Macquarie's ESG approach is structured around priorities considered to be material to the business. Underpinned by Macquarie's *Goals and Values* and *Code of Conduct*, these ESG priorities reflect the risks and opportunities identified by the business and the issues of interest to our stakeholders including:

- managing ESG risks in business activities
- advancing environmental management
- pursuing investments, markets and products with an ESG focus
- valuing our people and workplace.

In the year to 31 March 2014, Macquarie continued to embed ESG within its diverse activities and drive new business opportunities. Highlights included:

- formalising the Group-wide approach to environmental and social risk in decision-making
- implementing new work health and safety management system for operating assets in which Macquarie has an interest
- top ranking for Renewable Energy Research in Europe
- \$A200 million milestone achieved by Macquarie Group Foundation since inception
- reducing total Scope 2 emissions by 11 per cent compared to the prior year and 17 per cent compared to baseline
- maintaining carbon neutrality across premises' energy use and corporate air travel
- continuing to build business in renewable energy, energy efficiency and clean technology
- contributing to public policy reviews
- ongoing investment in staff training and development.

Macquarie's Annual Financial Report contains more detailed information on Macquarie's ESG approach, progress and performance and includes an independent assurance statement. A Global Reporting Initiative (GRI) index is available on Macquarie's website.

ESG governance and risk management

Overall responsibility for ESG resides with Macquarie's Board and Management who 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 Risk Management Group and Sustainability and Environment Office (SEO). The SEO coordinates a diverse range of sustainability and ESG activities, including developing and implementing ESG policies with businesses, providing advice on ESG risks and opportunities and facilitating training.

Macquarie views management of material ESG risks as an important component of broader risk management. Macquarie has well established ESG-related policies and practices that apply across all Macquarie's divisions and entities and include:

- corporate governance
- identification and management of environmental and social 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
- safeguarding the privacy of personal information
- ensuring disclosure and marketing materials are appropriate and accurately and fairly describe the product in question
- sustainable management of Macquarie's 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.

Advancing environmental management

Macquarie seeks to integrate resource efficiency and sustainability into the day-to-day operations of Macquarie's offices and corporate operations through the implementation of Macquarie's Environmental Management Plan (EMP). The EMP areas of focus are:

- reducing emissions from energy use
- maintaining carbon neutrality
- supporting sustainable buildings
- improving resource efficiency
- sustainable procurement.

Reducing emissions and carbon neutrality

In the year to 31 March 2014, Macquarie's total Scope 2 and Scope 3 emissions reduced by 18 per cent on the prior year. This is the third consecutive year of absolute emission reductions. The reduction in Scope 2 emissions is the result of consolidation of Macquarie's offices, updates to emission factors and a continued focus on energy use in Macquarie premises globally. The reduction in Macquarie's Scope 3 emissions relates largely to updates in emission factors as actual air miles travelled increased by nine per cent in this period. Macquarie continues to encourage the use of video conferencing, the use of which increased by more than 35 per cent during the year.

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.

Supporting sustainable buildings

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

During the year, Macquarie's sustainable building activities continued to focus on the new head office at 50 Martin Place in Sydney. The new office is targeting a 6 Star Green Star design rating from the Green Building Council of Australia and an operational energy efficiency rating of 5 star NABERS energy. The key sustainable design elements of the new building are:

- state-of-the art indoor environmental quality and energy performance whilst maintaining the heritage features of the building
- roof rainwater collection for grey-water use with any surplus water treated before discharge using a new Jellyfish filter technology
- glass-domed enlarged atrium and high performance glazing to provide superior thermal comfort, ample daylight and views to all occupants.

Investments, markets and products

While Macquarie's overarching approach aims to embed ESG as part of normal business practice, Macquarie businesses also offer investments and products with an ESG focus. In the year to 31 March 2014, Macquarie continued to pursue opportunities relating to renewable energy, energy efficiency, clean technology, carbon markets and responsible investment. Examples include:

- advisory and investment activity in the renewable energy sector
- carbon and environmental product trading across multiple jurisdictions
- energy efficiency and solar photovoltaic asset financing
- on-going participation with industry and non-government organisation working group on sustainable agriculture
- specialist ESG and alternative energy research
- sponsorship of industry research into impact investing for the Australian Superannuation industry
- tailored ESG investment portfolios.

More information

To gain a complete view of Macquarie's approach to ESG issues, these pages should be read in conjunction with other sections of this Annual Review and Macquarie's 2014 Annual Financial Report. Refer to the GRI index on Macquarie's website for additional guidance.

Diversity at Macquarie

As a company which operates globally, the diversity of Macquarie's people is fundamental to its success. Macquarie's ongoing commitment to workforce diversity ensures its business remains innovative, sustainable and continues to meet the evolving needs of its clients. Macquarie's broad range of experiences, skills and views are key strengths and critical to the wide range of services the Group delivers across the globe.

Macquarie is committed to:

- attracting a broad range of candidates
- applying fair and robust selection processes
- providing a workplace that is inclusive of all individuals
- providing the relevant structures and work environment to best support our people to reach their full potential in our workplace
- allocating pay and advancement opportunities in a fair and equitable way with a view to both merit and the markets and business environments in which it operate.

All executives, managers and employees are responsible for promoting workforce diversity and inclusion. Each region is supported by dedicated Diversity representatives who, together with the regional Diversity committees, implement the organisation's global objectives while responding to 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 the *Workforce Diversity Policy* are incorporated in the public *Our Commitment to Workforce Diversity* statement available on Macquarie's website.

Composition of workforce and female representation

The table below outlines the proportion of women employed globally at Macquarie for each year ending 31 March⁽¹⁾:

	2011 (%)	2012 (%)	2013 (%)	2014 (%)
Board of Directors	25	33.3	30	36.4
Executive Committee	8.3	10	18.2	20
Division Head ⁽²⁾		9.9	11.1	14.4
Senior Executive ⁽³⁾	12.5	12.9	13.8	13.6
Macquarie Workforce	37.3	36.9	36.8	37.0

At 31 March 2014, Macquarie's permanent workforce comprised approximately 45.0 per cent located in Australia and New Zealand, 20.0 per cent located in the Americas, 26.2 per cent located in Asia and 8.8 per cent located in Europe, the Middle East and Africa. Flexible work is accommodated where possible and all part-time and full-time employees have eligibility for the same types of benefits, unless there is a local legal or regulatory requirement to restrict eligibility on that basis.

Diversity objectives

The *Workforce Diversity Policy* provides that each year the Board will set measurable objectives for achieving gender diversity. Since 2011, the Diversity strategy has been structured around four pillars:

- Diverse talent pipeline
- Inclusive workplace
- Robust meritocracy
- Integration and awareness.

For the year ending 31 March 2014, Macquarie has revised the desired long term outcomes and objectives communicated in the 2013 Annual Financial Report with an emphasis towards more measurable objectives and to expand the focus beyond gender.

Diversity initiatives

Refer to the 2014 Annual Financial Report for information on the extensive range of programs and initiatives that Macquarie has implemented over the past year to support the achievement of its diversity objectives.

⁽¹⁾ Excluding Division Head data which is as of 30 October 2011, 30 November 2012 and 30 November 2013.

⁽²⁾ Division Head refers to critical roles across Macquarie. It typically includes executives two layers down from the CEO. Note female representation at Division Head was not reported on in 2011.

⁽³⁾ Senior Executive refers to Macquarie's combined Division Director and Executive Director population.

The Board has endorsed the new Diversity objectives for 2014 as set out in the following table.

Gender Diversity objectives

Strategic imperative	Long-term outcome sought	Objective
Diverse workforce	Increase the representation of women at Macquarie at all levels.	— Increase female representation at senior leadership levels: — Board of Directors — Executive Committee — Division Head — Senior Executive — Expand efforts to promote finance careers to female secondary school and university students — Ensure female representation on all recruitment shortlists, and ask 'if not, why not?' — Improve gender balance on Intern and Graduate programs — Ensure female lateral hires are recruited at least in proportion to the underlying female candidate pool
Inclusive workplace	Ensure an inclusive and flexible workplace, underpinned by policies that support individuals to reach their full potential.	— Provide technology and maintain policies to support flexible work arrangements — Provide leave benefits and maintain policies to support parental leave — Provide parents and carers support prior to, during and upon return from leave — Continue to participate in and sponsor networking and development programs targeting women and other traditionally under-represented groups in areas such as race/ethnicity and disability
Robust meritocracy	Embed equity and transparency in all people practices and processes including remuneration, promotion, succession, retention, performance and development.	— Continue to ensure pay equity for like roles and performance — Continue to ensure equality for men and women in promotion decisions — Ensure participation in development and leadership programs is representative of the underlying workforce demographics — Retain women in same proportion as men — Maintain high return to work rates for staff on parental leave — Maintain high retention of staff returning from parental leave
Integration and awareness	Further integrate and build awareness of diversity and inclusion objectives into the day-to-day operations of the organisation to become part of the way we do business.	— Embed the principles of diversity and inclusion into all Human Resources related policies, processes and programs to ensure the highest and fair standards in how Macquarie hires, develops, pays and promotes staff — Measure and assess diversity statistics in relation to these activities and decisions, holding management accountable for inclusive practices

Macquarie's approach to Corporate Governance

Macquarie's approach to governance, which has remained largely consistent over time, is to:

- promote the long term profitability of Macquarie while prudently managing risk
- drive superior and sustainable shareholder value over the long term through the alignment of the interests of shareholders and staff
- meet 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*.

As an Australian Securities Exchange (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 remains consistent with the governance arrangements set out in the ASX Recommendations. Macquarie's Corporate Governance Statement is included in the 2014 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, as a non-operating holding company of a licensed Australian bank, Macquarie Bank Limited (Macquarie Bank), is regulated by the Australian Prudential Regulation Authority (APRA). APRA's prudential standards also 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.

Macquarie's corporate governance framework continues to evolve to respond to regulatory changes and market developments in the global markets in which it operates. 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.

At 31 March 2014, 10 of the 11 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.

Board Committees

	Macquarie Board	Audit	Governance and Compliance	Nominating	Remuneration	Risk
Macquarie Independent Directors						
Kevin McCann AM	Chairman			Chairman	Member	Member
Gary Banks AO	Member	Member				Member
Michael Coleman	Member	Chairman	Member			Member
Patricia Cross	Member	Member			Member	Chairman
Diane Grady AM	Member		Member		Member	Member
Michael Hawker AM	Member	Member	Chairman	Member		Member
Peter Kirby	Member	Member	Member			Member
Helen Nugent AO	Member			Member	Chairman	Member
Nicola Wakefield Evans	Member		Member			Member
Peter Warne	Member			Member	Member	Member
Macquarie Managing Director and Chief Executive Officer						
Nicholas Moore	Member					Member
Macquarie Bank Managing Director and Chief Executive Officer						
Greg Ward						Member

Remuneration approach

During the year, Macquarie's Board of Directors (the Board) and the Board Remuneration Committee (the BRC) have reviewed Macquarie's remuneration framework to ensure it continues to meet its overriding objective of generating superior shareholder returns, while 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
- the employment environment and
- Macquarie's performance during the year and the performance of each business.

Directors have concluded that Macquarie's remuneration approach remains appropriate and creates a strong alignment of staff and shareholders' interests, while prudently managing risk.

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 relative 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 2014, fixed remuneration for Macquarie's 10 Executive Committee members comprised approximately 10 per cent of total remuneration. The balance remains at risk and is explicitly linked to performance.

Performance-based remuneration in the form of **profit share** 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 ordinary 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 is accrued to the profit share pool. This year, the Non-Executive Directors have not exercised their discretion to make any adjustment to the quantum of the profit share pool. Over time, the net aggregate impact on net profit of the exercise of these discretions has been nominal.

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, the standard retention rate for the Managing Director and Chief Executive Officer's (CEO) profit share allocation is 70 per cent, retained for up to seven years). After PSUs and other deferrals are taken into account, the effective deferral rate for the CEO is 79 per cent for this year
- delivered in equity
- subject to forfeiture in certain circumstances.

This year, the Non-Executive Directors have exercised their discretion in relation to certain employees, to amend their retention rates to reflect specific business and market conditions, taking into account both the percentage retained as well as the period for which it is retained.

Performance-based remuneration in the form of **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 a group of 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 other 50 per cent of PSUs will become exercisable in the future based on Macquarie's compound average annual growth (CAGR) in earnings 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.

Remuneration approach continued

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.

Remuneration outcomes are aligned to business results and shareholder returns.

Macquarie has delivered strong financial results for shareholders while appropriately managing remuneration for staff. Directors are of the view that the remuneration outcomes for senior executives are appropriately aligned to their businesses' performance, Macquarie's performance and the interests of shareholders.

While NPAT, EPS and dividends have all significantly increased compared to the prior financial year, total compensation does not reflect the same rate of growth. The compensation expense to income ratio has declined from 46.1 per cent to 43.1 per cent, placing it in the lower half of peers.

To demonstrate the link between pay and performance, a comparison of performance measures and executive remuneration outcomes allows shareholders to see how the remuneration for Executive Key Management Personnel (KMP) is aligned with performance. Whilst remuneration outcomes for Executive KMP varied according to their individual performance and the performance of their business, the analysis shows that for both the CEO and Comparable KMP, remuneration, both including and excluding earnings on retained profit share amounts, has not increased to the same extent as NPAT, EPS, TSR and total dividends. This reflects the way performance takes a range of factors into consideration.

Comparison of performance measures and executive remuneration outcomes

		2014	2013	Increase/ (Decrease)%
Performance measures				
NPAT	\$Am	1,265	851	49
Basic EPS	Cents per share	383.6	251.2	53
Ordinary Dividends	Cents per share	260.0	200.0	30
Total dividends ⁽¹⁾	Cents per share	376.0	200.0	88
Annual TSR ⁽²⁾	Per cent	66.0	34.4	
Executive remuneration measures				
Total Compensation Expense	\$Am	3,505	3,072	14
Compensation Expense to Income ratio	Per cent	43.1	46.1	
Statutory Remuneration – CEO ⁽³⁾	\$Am	13.08	8.82	48
Statutory Remuneration less earnings on restricted profit share ⁽⁴⁾ – CEO	\$Am	11.72	8.07	45
Statutory Remuneration – Comparable KMP ⁽⁵⁾	\$Am	72.77	52.76	38
Statutory Remuneration less earnings on restricted profit share – Comparable KMP	\$Am	64.66	48.12	34

⁽¹⁾ Includes the special dividend component of 116 cents per share in relation to the SYD distribution in January 2014.

⁽²⁾ TSR represents the accumulated share price return when all cash dividends are reinvested at the ex-dividend date.

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

⁽⁴⁾ Earnings on restricted profit share reflect the investment performance of the assets in the Macquarie-managed funds in which prior year retained profit share has been notionally invested.

⁽⁵⁾ Comparable KMP are Executive KMP who were members of the Executive Committee for the full year in both the current and the prior financial year.

Strong remuneration governance continues to be exercised.

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

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.

Non-Executive Director remuneration, as set out in the following table, takes into account market rates for relevant Australian financial organisations and reflects the time commitment and responsibilities involved. The remuneration is within the shareholder approved aggregate limit of \$4.0 million.

	2014 Total Compensation \$A	2013 Total Compensation \$A
G.R. Banks ⁽¹⁾	193,333	–
M.J. Coleman ⁽²⁾	340,628	114,389
P.A. Cross ⁽³⁾	222,473	–
D.J. Grady	304,583	290,000
M.J. Hawker	328,587	322,917
P.M. Kirby	315,000	315,000
C.B. Livingstone ⁽⁴⁾	115,145	363,000
H.K. McCann	825,000	825,000
J.R. Niland ⁽⁵⁾	260,625	347,500
H.M. Nugent	376,500	359,600
N.M. Wakefield Evans ⁽⁶⁾	40,774	–
P.H. Warne	331,667	369,417
Total	3,654,315	3,306,823

⁽¹⁾ Mr Banks joined the Board on 1 August 2013.

⁽²⁾ Mr Coleman joined the Board on 9 November 2012.

⁽³⁾ Mrs Cross joined the Board on 7 August 2013.

⁽⁴⁾ Ms Livingstone retired from the Board on 25 July 2013.

⁽⁵⁾ Dr Niland retired from the Board on 31 December 2013.

⁽⁶⁾ Ms Wakefield Evans joined the Board on 7 February 2014.

For further information on Macquarie's remuneration policies and practices refer to the **Remuneration Report** contained within the Directors' Report in the **Macquarie Group Limited 2014 Annual Financial Report**. This document is available on Macquarie's website at macquarie.com.au

Remuneration approach continued

Executive Remuneration

Name and position	Year	Short-term Employee Benefits		
		Salary (including superannuation)	Performance related remuneration ⁽¹⁾	Total short-term employee benefits
		\$	\$	\$
Executive Directors				
N.W. Moore - Managing Director and Chief Executive Officer	2014	818,731	2,995,900	3,814,631
	2013	819,347	2,273,804	3,093,151
Executives				
S.D. Allen - Chief Risk Officer	2014	770,571	1,690,987	2,461,558
	2013	771,150	1,563,240	2,334,390
T.C. Bishop - Group Head, Macquarie Capital	2014	722,410	1,350,454	2,072,864
	2013	722,953	994,789	1,717,742
A.J. Downe ⁽⁷⁾ - Group Head, Fixed Income, Currencies and Commodities Group	2014	831,520	4,047,673	4,879,193
	2013	739,178	2,933,599	3,672,777
G.A. Farrell - Co-Group Head, Corporate and Asset Finance Group	2014	722,410	2,569,494	3,291,904
	2013	722,953	2,368,546	3,091,499
M. McLaughlin ⁽⁷⁾ - Country Head, United States of America	2014	644,045	1,913,885	2,557,930
	2013	544,278	2,630,081	3,174,359
S. Vrcelj - Group Head, Macquarie Securities Group	2014	722,410	683,624	1,406,034
	2013	708,436	-	708,436
G.C. Ward - Deputy Managing Director, Group Head of Banking and Financial Services Group	2014	770,571	1,801,623	2,572,194
	2013	771,150	1,800,095	2,571,245
S. Wikramanayake - Group Head, Macquarie Funds Group	2014	722,410	4,777,592	5,500,002
	2013	722,953	3,315,964	4,038,917
Total Remuneration - Comparable Executive KMP	2014	6,725,078	21,831,232	28,556,310
	2013	6,522,398	17,880,118	24,402,516
New Executives				
N. Sorbara ⁽⁸⁾ - Chief Operating Officer	2014	698,651	1,129,705	1,828,356
	2013	171,277	174,074	345,351
Former Executives				
P.J. Maher ⁽⁹⁾ - Former Group Head, Banking and Financial Services Group	2014	65,967	58,599	124,566
	2013	722,953	757,935	1,480,888
Total Remuneration - Executive KMP (including new and former members)	2014	7,489,696	23,019,536	30,509,232
	2013	7,416,628	18,812,127	26,228,755

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).

⁽³⁾ The earnings on profit share which was retained and notionally invested in the Post-2009 DPS Plan.

⁽⁴⁾ The current year amortisation for retained profit share calculated as described in Note 1(xxi) to the Financial Statements in the 2014 Annual Financial Report.

⁽⁵⁾ The current year amortisation for PSUs calculated as described in Note 1(xxi) to the Financial Statements in the 2014 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.

Long-term Employee Benefits			Share-based payments				Total remuneration
Restricted profit share ⁽²⁾	Earnings on prior year restricted profit share ⁽³⁾	Total long-term employee benefits	Equity Awards including shares ⁽⁴⁾	PSUs ⁽⁵⁾	Options ⁽⁶⁾	Total share- based payments	
\$	\$	\$	\$	\$	\$	\$	
1,398,087	1,358,788	2,756,875	4,733,125	1,775,801	-	6,508,926	13,080,432
1,061,108	752,951	1,814,059	3,666,510	248,621	-	3,915,131	8,822,341
338,197	388,834	727,031	1,478,068	843,770	-	2,321,838	5,510,427
312,648	211,001	523,649	1,097,000	361,743	(184,638)	1,274,105	4,132,144
202,568	1,310,573	1,513,141	2,183,282	1,042,387	-	3,225,669	6,811,674
232,117	764,610	996,727	2,033,337	476,377	(551,506)	1,958,208	4,672,677
404,767	2,667,755	3,072,522	3,186,866	1,187,740	-	4,374,606	12,326,321
293,360	1,493,885	1,787,245	2,679,394	(126,461)	-	2,552,933	8,012,955
256,949	560,092	817,041	1,954,739	1,672,512	-	3,627,251	7,736,196
236,855	426,511	663,366	1,541,156	934,450	(236,358)	2,239,248	5,994,113
956,943	172,969	1,129,912	2,042,615	344,311	-	2,386,926	6,074,768
1,315,041	139,175	1,454,216	1,985,692	178,874	2,429	2,166,995	6,795,570
102,544	98,341	200,885	867,314	799,441	-	1,666,755	3,273,674
-	59,808	59,808	773,235	304,494	(220,604)	857,125	1,625,369
360,325	379,934	740,259	1,516,382	1,054,302	-	2,570,684	5,883,137
360,019	204,640	564,659	1,326,065	167,264	-	1,493,329	4,629,233
2,388,797	1,163,498	3,552,295	1,389,298	1,627,001	-	3,016,299	12,068,596
1,657,982	579,012	2,236,994	1,007,129	788,884	-	1,796,013	8,071,924
6,409,177	8,100,784	14,509,961	19,351,689	10,347,265	-	29,698,954	72,765,225
5,469,130	4,631,593	10,100,723	16,109,518	3,334,246	(1,190,677)	18,253,087	52,756,326
225,941	40,654	266,595	493,978	695,132	-	1,189,110	3,284,061
34,815	1,038	35,853	83,695	67,704	-	151,399	532,603
5,860	14,534	20,394	87,401	8,732	-	96,133	241,093
75,793	89,403	165,196	1,087,043	(68,965)	-	1,018,078	2,664,162
6,640,978	8,155,972	14,796,950	19,933,068	11,051,129	-	30,984,197	76,290,379
5,579,738	4,722,034	10,301,772	17,280,256	3,332,985	(1,190,677)	19,422,564	55,953,091

⁽⁶⁾ The prior year amortisation for options as described in Note 1(xxi) to the Financial Statements in the 2014 Annual Financial Report. During the prior year, previously recognised options expense was reversed due to performance hurdles not being met or not expected to be met.

Notes on individuals

⁽⁷⁾ Mr Downe and Mr McLaughlin are paid in \$SG and \$US respectively. They have not received a base remuneration increase during the year. The base salary for FY2014 differs to FY2013 due to exchange rate movements.

⁽⁸⁾ Mrs Sorbara was appointed to the Executive Committee on 1 January 2013. Disclosed remuneration reflects Mrs Sorbara's time as KMP.

⁽⁹⁾ Mr Maher ceased to be a member of the Executive Committee on 3 May 2013. Disclosed remuneration reflects Mr Maher's time as KMP.

Ten year history

Year ended 31 March	2005	2006	2007
Financial performance (\$A million)			
Net operating income ⁽¹⁾	4,197	4,832	7,181
Total operating expenses ⁽¹⁾	(3,039)	(3,545)	(5,253)
Operating profit before income tax	1,158	1,287	1,928
Income tax expense	(288)	(290)	(377)
Profit after income tax	870	997	1,551
Profit attributable to non-controlling interests	(58)	(81)	(88)
Profit after income tax attributable to ordinary equity holders	812	916	1,463
Financial position (\$A million)			
Total assets ⁽²⁾	67,980	106,211	136,389
Total liabilities ⁽²⁾	(63,555)	(100,874)	(128,870)
Net assets ⁽²⁾	4,425	5,337	7,519
Total loan assets ⁽³⁾	28,425	35,126	45,939
Impaired assets (net of provisions)	42	85	46
Share information⁽⁴⁾			
Cash dividends per share (cents per share)			
Interim	61	90	125
Final	100	125	190
Special ⁽⁵⁾	40	–	–
Total	201	215	315
Basic earnings per share (cents per share)	369.6	400.3	591.6
Share price at end of period (\$A)	48.03	64.68	82.75
Ordinary share capital (million shares)	223.7	232.4	253.9
Market capitalisation at end of period (fully paid ordinary shares) (\$A million)	10,744	15,032	21,010
Net tangible assets per ordinary share (\$A)	14.02	16.99	24.35
Ratios			
Return on average ordinary shareholders' funds (%)	29.8	26	28.1
Dividend payout ratio (%)	53.2	54.4	54.3
Expense/income ratio (%)	72.4	73.4	73.2
Net loan losses/loan assets (excluding securitisation SPVs and segregated future funds) (%)	0.2	0.2	0.1
Assets under management (\$A billion)	96.7	140.3	197.2
Staff numbers	6,556	8,183	10,023

⁽¹⁾ The balances for the year ended 31 March 2013 have been restated for better presentation of fees and commission income and brokerage expense for certain trades.

⁽²⁾ The balances as at 31 March 2013 have been restated for the effect of applying AASB 10 Consolidated Financial Statements.

⁽³⁾ The balances for the full years ended 31 March 2005-2014 have been restated for the effect of reclassification of margin moneys from receivables from financial institutions to loan assets held at amortised cost.

2008	2009	2010	2011	2012	2013	2014
8,248	5,526	6,638	7,665	6,963	6,657	8,132
(6,043)	(4,537)	(5,344)	(6,394)	(5,914)	(5,252)	(6,026)
2,205	989	1,294	1,271	1,049	1,405	2,106
(317)	(15)	(201)	(282)	(287)	(533)	(827)
1,888	974	1,093	989	762	872	1,279
(85)	(103)	(43)	(33)	(32)	(21)	(14)
1,803	871	1,050	956	730	851	1,265
167,250	149,144	145,940	157,568	153,626	144,748	153,904
(157,189)	(139,584)	(134,171)	(145,636)	(141,894)	(132,793)	(141,990)
10,061	9,560	11,769	11,932	11,732	11,955	11,914
53,213	47,080	45,660	47,222	46,380	50,793	58,712
121	916	551	340	357	368	365
145	145	86	86	65	75	100
200	40	100	100	75	125	160
–	–	–	–	–	–	116
345	185	186	186	140	200	376
670.6	309.6	320.2	282.5	210.1	251.2	383.6
52.82	27.05	47.25	36.6	29.08	37.15	57.93
274.6	283.4	344.2	346.8	348.6	339.5	321.1
14,504	7,666	16,266	12,693	10,137	12,613	18,600
30.35	27.89	28.4	28.91	28.12	29.94	31.71
23.7	9.9	10.1	8.8	6.8	7.8	11.1
52.2	60.2	60.4	67.3	66.4	79	66.8⁽⁶⁾
73.3	82.1	80.5	83.4	84.9	78.9	74.1
0.3	1.9	0.8	0.4	0.5	0.4	0.4
232	243.1	325.7	309.8	326.9	347.4	426.9
13,107	12,716	14,657	15,556	14,202	13,663	13,913

⁽⁴⁾ The MBL (now MGL) ordinary shares were quoted on the Australian Stock Exchange (now Australian Securities Exchange) on 29 July 1996.

⁽⁵⁾ The special dividend for the year ended 31 March 2014 represented the special dividend component of the SYD Distribution in January 2014. The total distribution including return on capital was 373 cents per share.

⁽⁶⁾ Excludes the special dividend on 116 cents per share arising from the SYD distribution in January 2014.

2014 Shareholder calendar

Date	Event
2 May	2014 Full-year result announcement
16 May	Record date for final ordinary dividend
2 July	Payment date of final ordinary dividend
24 July	2014 Annual General Meeting
30 September	2015 Financial half-year end
31 October ⁽¹⁾	2015 Half-year result announcement
14 November ⁽¹⁾	Record date for interim ordinary dividend
16 December ⁽¹⁾	Payment date of interim ordinary dividend

2014 Annual General Meeting

Macquarie Group's 2014 Annual General Meeting will be held at 10:30am on Thursday, 24 July 2014 at the Sheraton on the Park (Grand Ballroom), 161 Elizabeth Street, Sydney, NSW 2000.

Details of the business of the meeting will be contained in the Notice of Annual General Meeting, to be sent 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 Group Capital Notes are listed on the ASX and trade under the code MQGPA.

Macquarie Income Securities are listed on the ASX and trade under the code MBLHB.

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 2014 dividends are as follows:

Dividend announcement date	Record date	Proposed payment date
2 May 2014	16 May 2014	2 July 2014
31 Oct 2014 ⁽¹⁾	14 Nov 2014 ⁽¹⁾	16 Dec 2014 ⁽¹⁾

⁽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 8060 Australia
Telephone (within Australia): 1300 554 096
Telephone (international) +61 3 9415 4137
Facsimile: +61 3 9473 2500
Website: www.investorcentre.com/contact

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

Investor Relations

Macquarie Group Limited
Level 7, No.1 Martin Place
Sydney NSW 2000 Australia
Telephone: +61 2 8232 3333
Facsimile: +61 2 8232 7780
Email: macquarie.shareholders@macquarie.com
Website: macquarie.com.au/investorrelations

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

Website

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



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Paper stock

Monza Recycled is Certified Carbon Neutral by The Carbon Reduction Institute (CRI) in accordance with the global Greenhouse Gas Protocol and ISO 14040 framework. Monza Recycled contains 55 per cent recycled fibre (25 per cent post consumer and 30 per cent pre consumer) and is FSC Mix Certified, which ensures that all virgin pulp is derived from well-managed forests and controlled sources. It is manufactured by an ISO 14001 certified mill.

