



Macquarie Group Limited

2008 Annual General Meeting

23 July 2008





Macquarie Group Limited

2008 Annual General Meeting

23 July 2008



David Clarke, Chairman



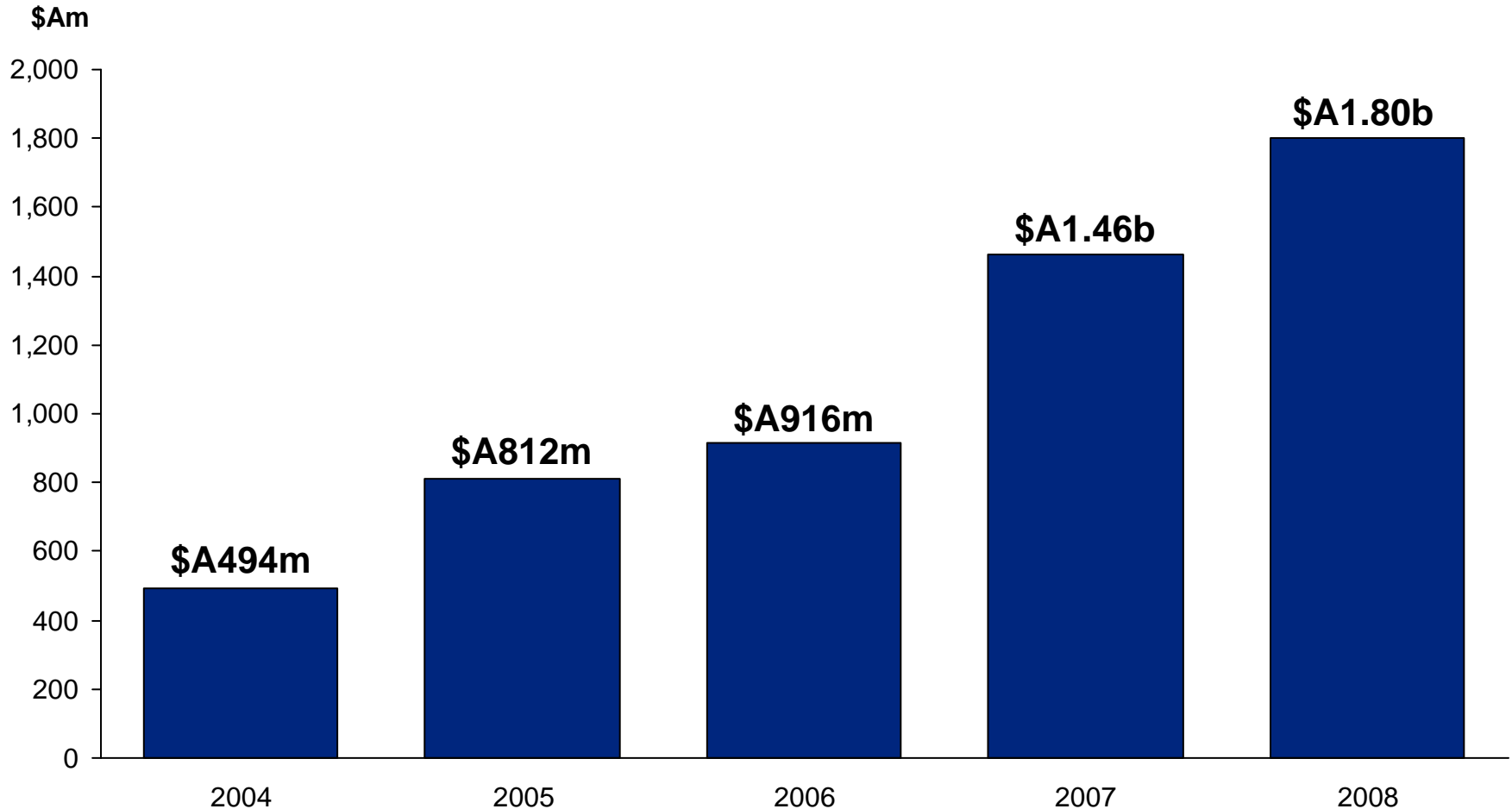
Disclaimer

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Profit of \$A1.8 billion

Consistent with guidance: 23% increase on prior year

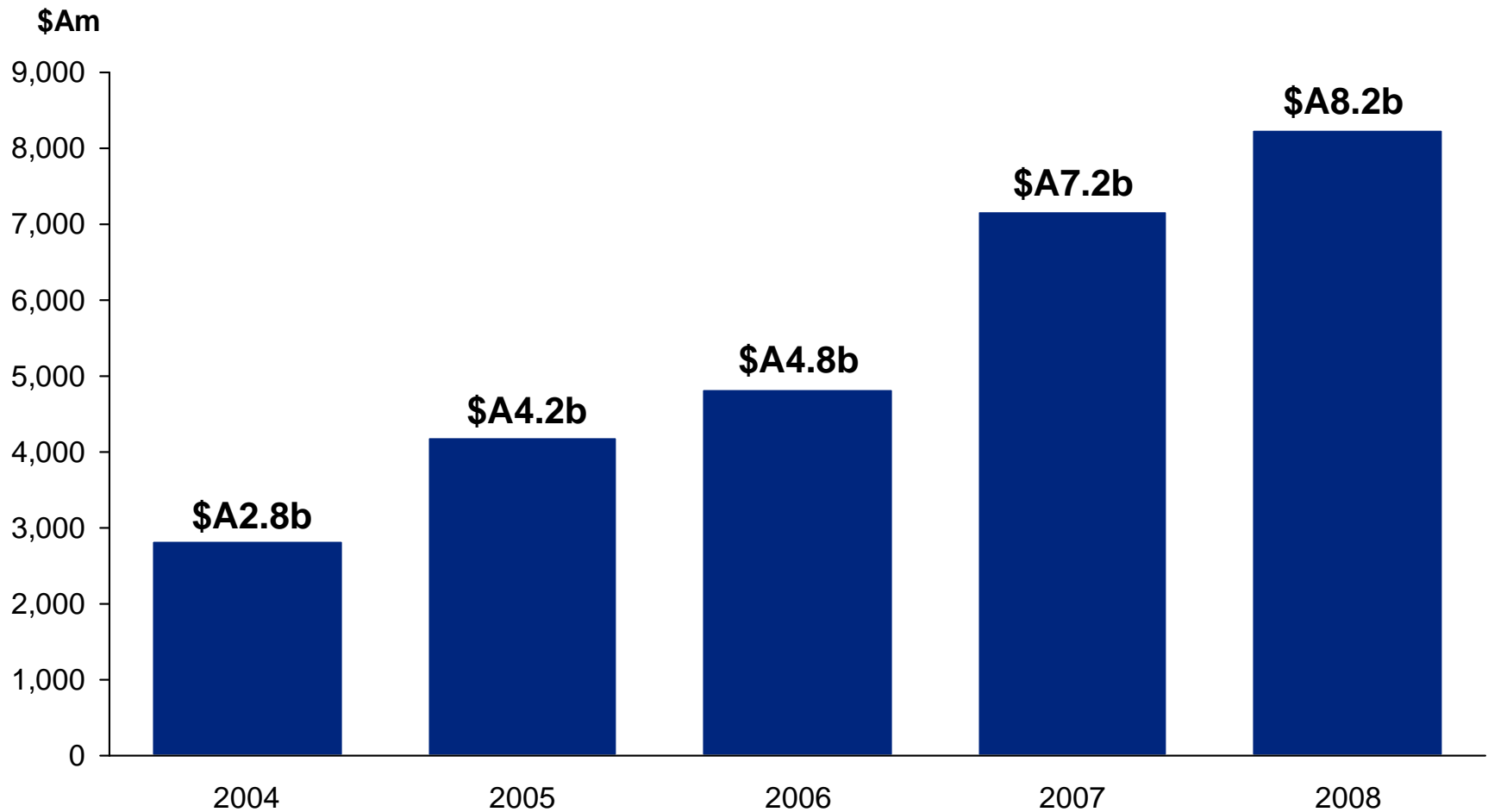


Throughout this report, periods prior to the 2005 financial year are reported under previous AGAAP, unless otherwise stated.



Operating Income of \$A8.2 billion

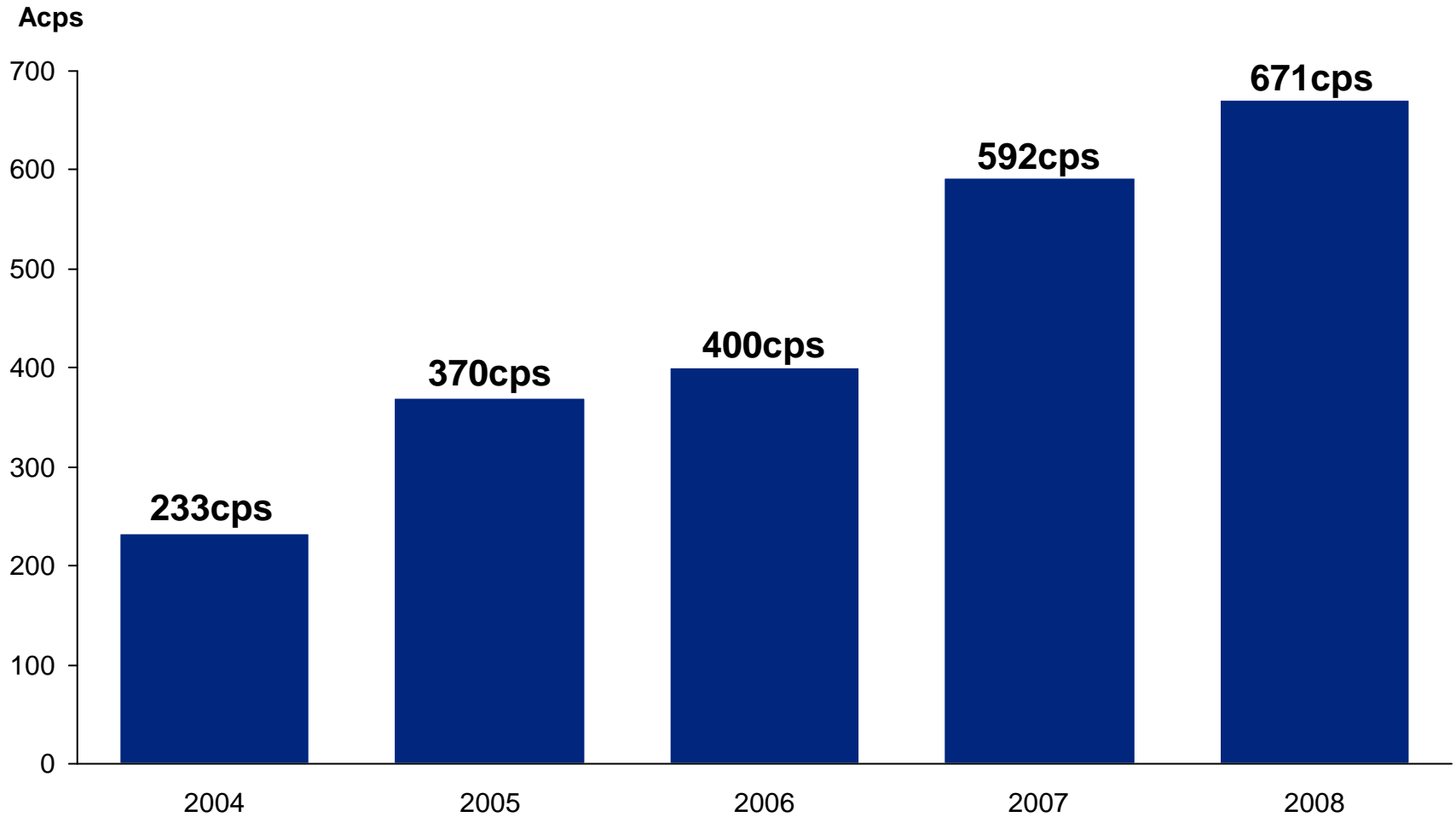
15% increase on prior year





Earnings per share of \$A6.71

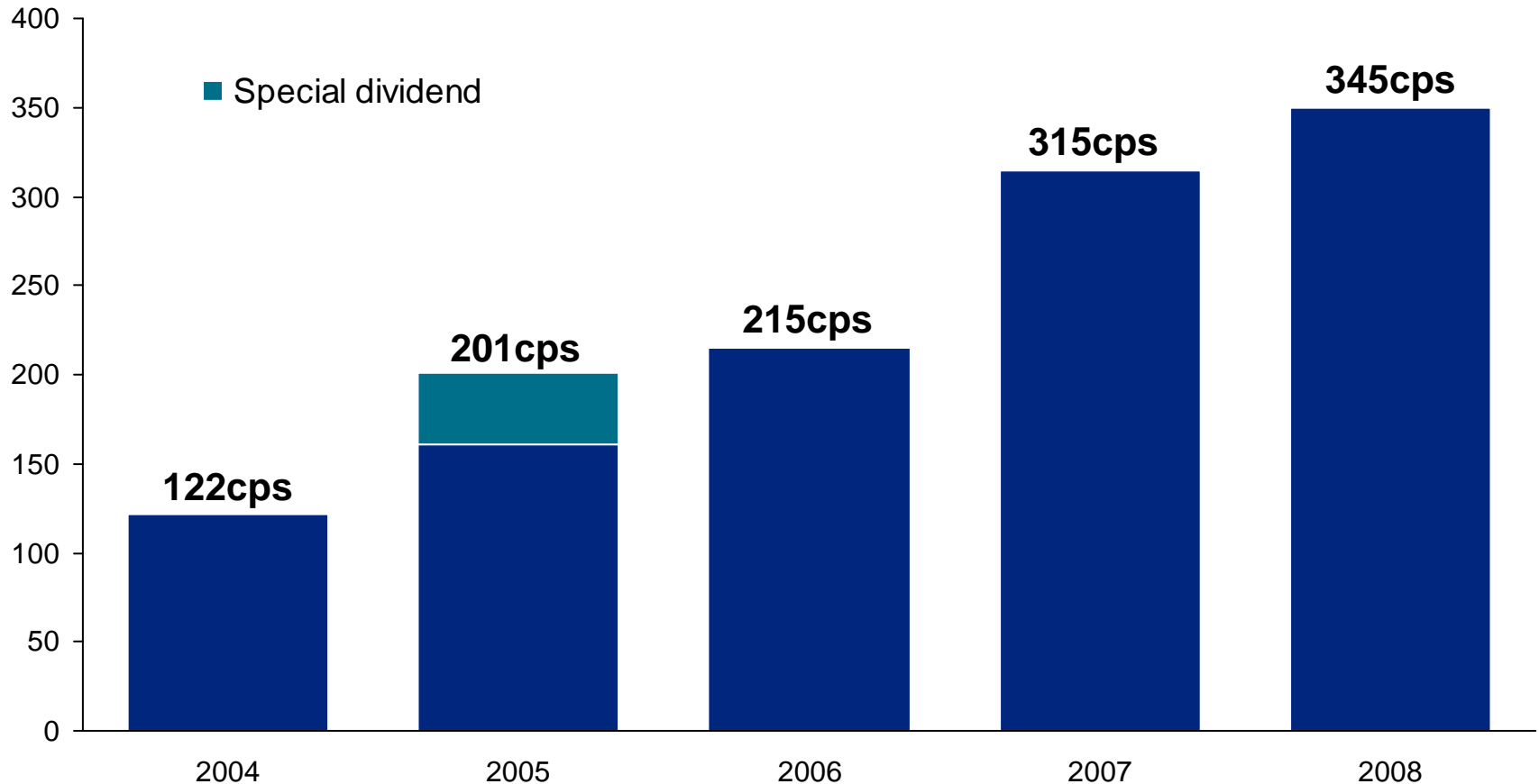
13% increase on prior year





Dividend per share of \$A3.45 10% increase on prior year

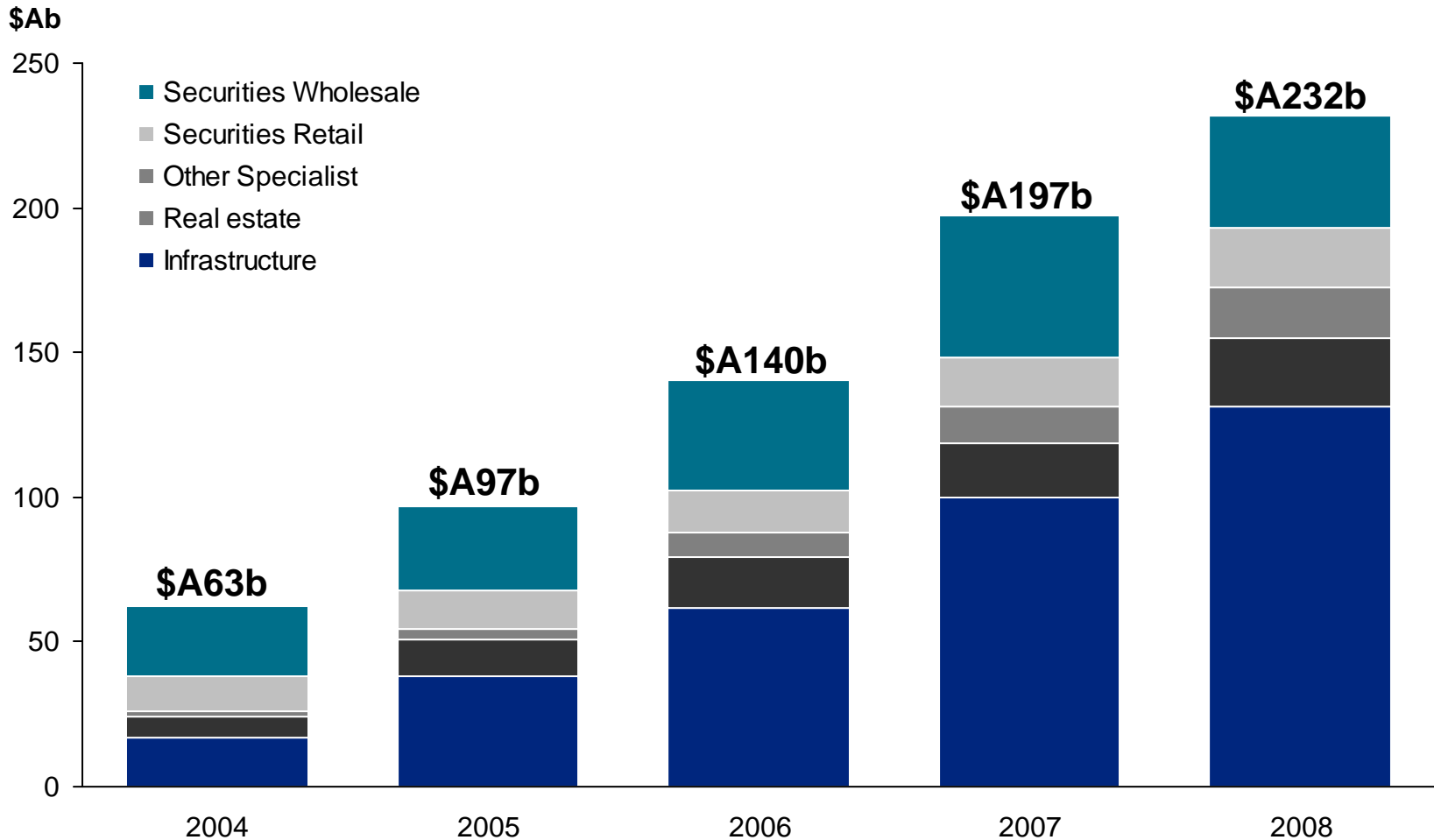
■ 52% payout ratio on total dividends for year ended 31 March 2008, 100% franked
Acps





Assets under management of \$A232 billion

18% increase on prior year



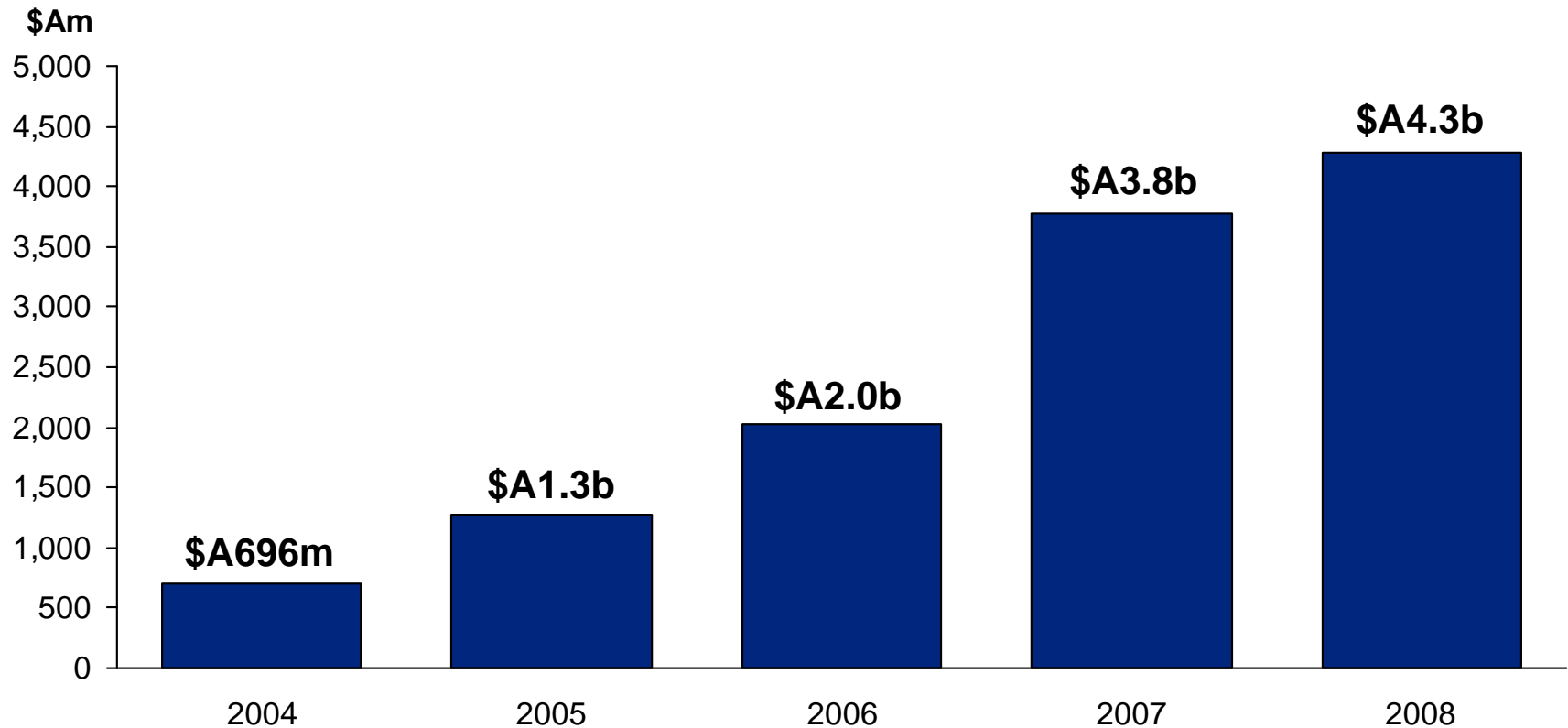
Note: Sale of Macquarie-IMM Investment Management and Macquarie ProLogis Management during year to 31 March 2008 reduced AUM by over \$A6b



International income of \$A4.3 billion

14% increase on prior year, Asia-Pacific up 71%

- 57% of operating income¹
- \$US/\$A exchange rate strengthened from \$0.60 at 1 April 2003 to \$0.91 at 31 March 2008



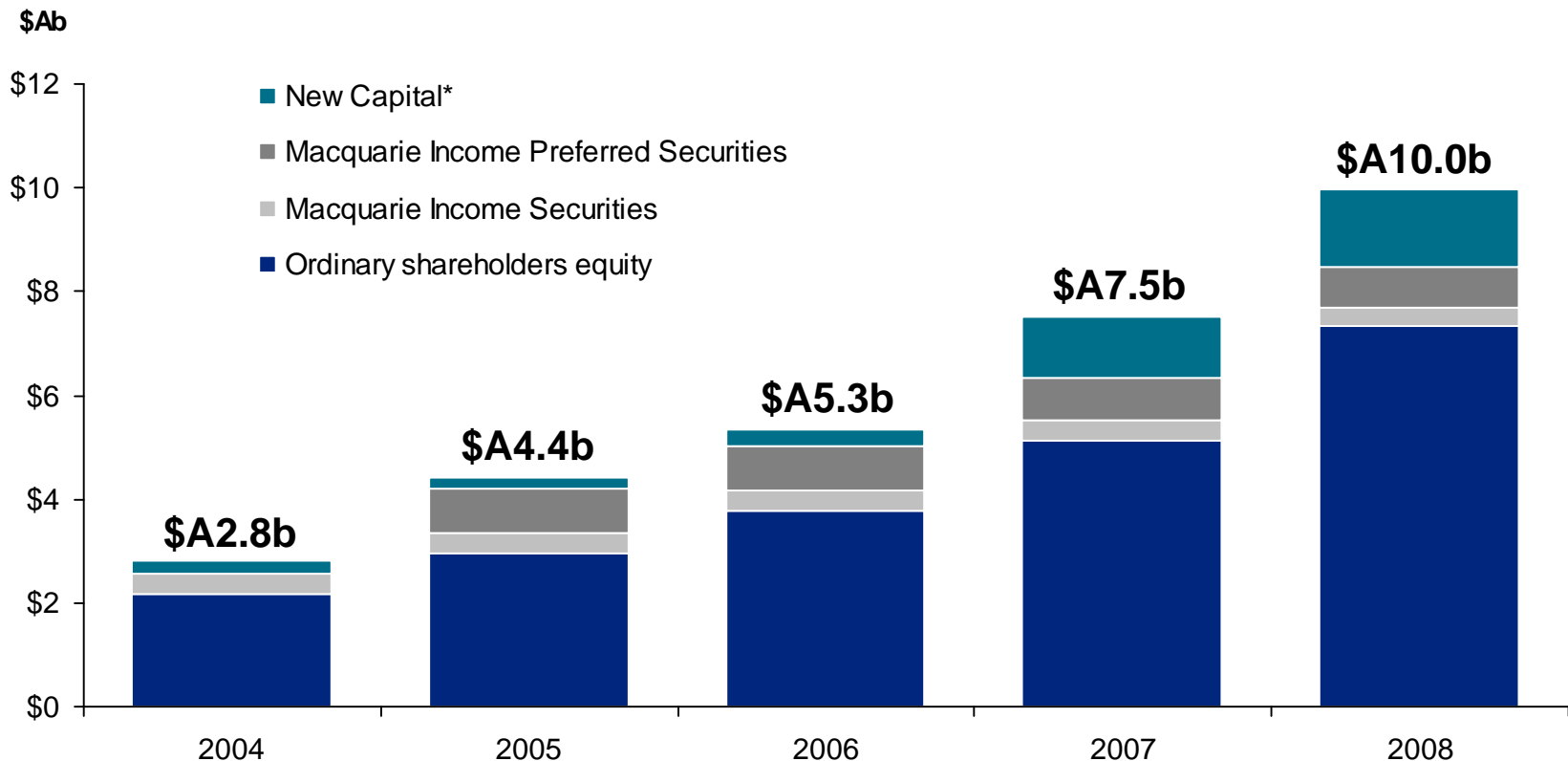
1. Excludes earnings on capital



Capital growth

Return on equity: 23.7%

- Consistently grown capital ahead of business requirements to allow for future growth



Excludes other minority interests. * New capital refers to the relevant year only and includes capital placements, share purchase plan, DRP and options exercises



Some notable events of the past year

MSCI World Diversified Financials Index





Some notable events of the past year

MSCI World Diversified Financials Index





Some notable events of the past year

**Northern Rock
shares plunge,
customers flee**

**Reuters
(Sep 2007)**

MSCI World Diversified Financials Index





Some notable events of the past year

**Bear Stearns
sold to JP
Morgan under
US Treasury
pressure**

**The Times
(Mar 2008)**

MSCI World Diversified Financials Index



**Fed announces
liquidity facility
for investment
banks**

(Mar 2008)



Some notable events of the past year

**US stocks tumble
sending Dow to
worst June since
Depression**

**Bloomberg
(Jun 2008)**

**Panic as Fannie
Mae & Freddie
Mac dive**

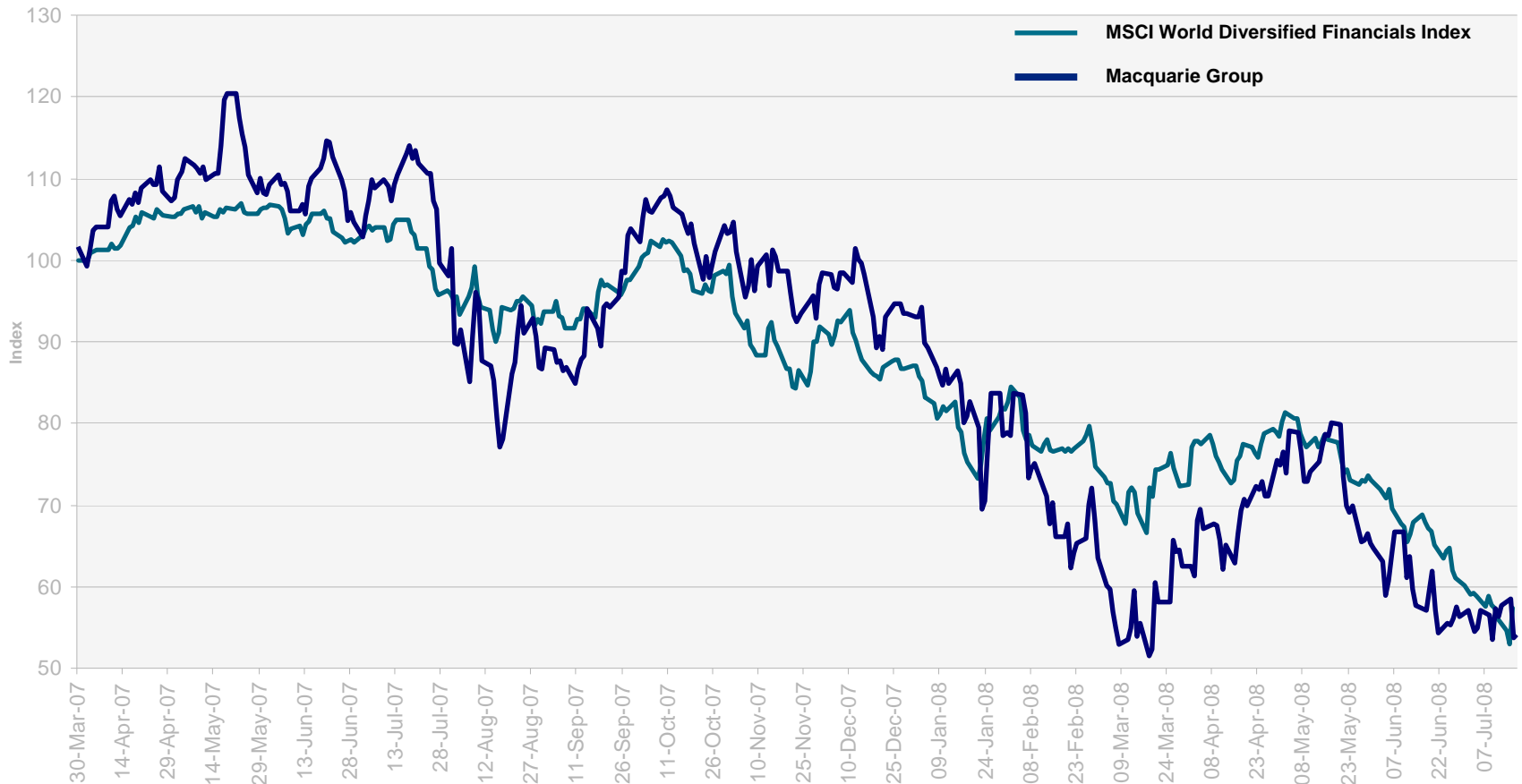
**The Times
(Jul 2008)**

MSCI World Diversified Financials Index





Notwithstanding Macquarie's good operating performance, our share price has largely reflected global financials over last 12 months





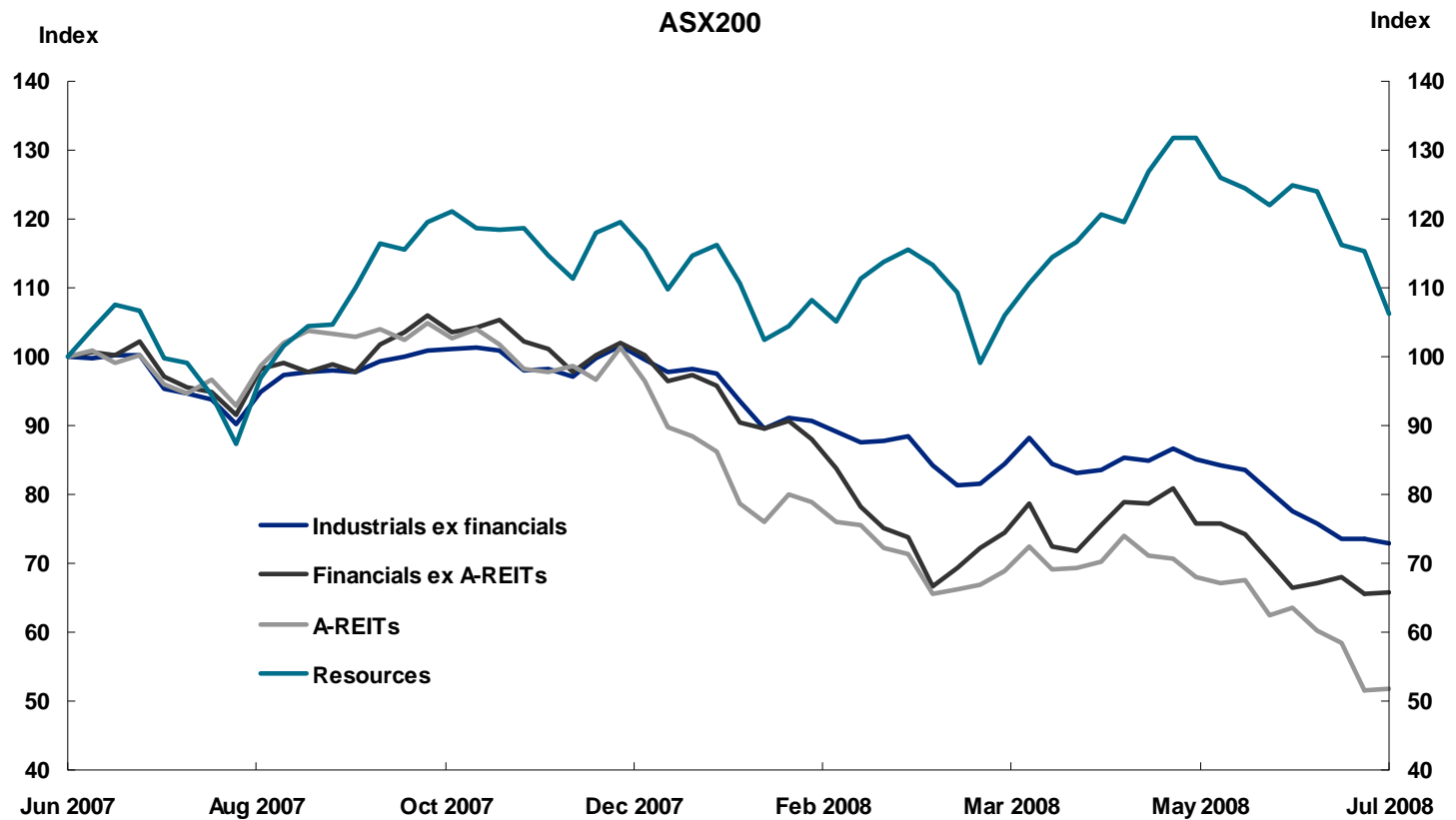
The ASX 200 has returned to July 2006 levels



Source: Macquarie Research, Datastream, July 2008



Resources stocks have outperformed





The financial services industry globally has been affected

- No financial institution immune from effect of adverse market conditions, however we have performed well relative to our peers, even in very tough market conditions, because:
 - Derive most operating income from provision of products and services to clients
 - Long-term record of successful risk management. No problem trading exposures and no material problem credit exposures.
 - Diversified by business mix and geography
 - Regulated by Australian Prudential Regulation Authority (APRA) as holding company of an Australian bank. Operations subject to over 100 regulatory agencies around the world.
 - Continually adapting to change – market downturns have typically created opportunities



Long-standing key philosophies

- Strong risk management
- Strong goals and values
- Encouraging an entrepreneurial environment
- Philosophy of *freedom within boundaries*
- Remuneration systems
 - Recognise success
 - Encourage long-term commitment
 - Aligned with shareholder interests
- Focus on delivering special value for clients
- Delivering value for communities



Very well positioned

- Macquarie remains
 - Very profitable
 - Well capitalised
 - Well funded
- No unusual trading exposures
- No unusual concerns with credit quality
- Reflects Macquarie's strong commitment to risk management
- Despite market conditions, global business platform has never been stronger



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Nicholas Moore, Chief Executive Officer



Key drivers of year to 31 March 2008

- Strong performance from equities related businesses in Asia, Australia and Europe, especially in 1H08
- Substantial investment banking deal flow – value of transactions \$A200b
- Record volumes in foreign exchange and commodity related businesses
- Record performance fees
- Assets under management up 18% on prior year to \$A232b
- Expanded capital base
- Asset realisations down
- Write-down of \$A293m on holdings in listed real estate investments – impact on NPAT approximately \$A90m
- No significant trading or credit write-downs

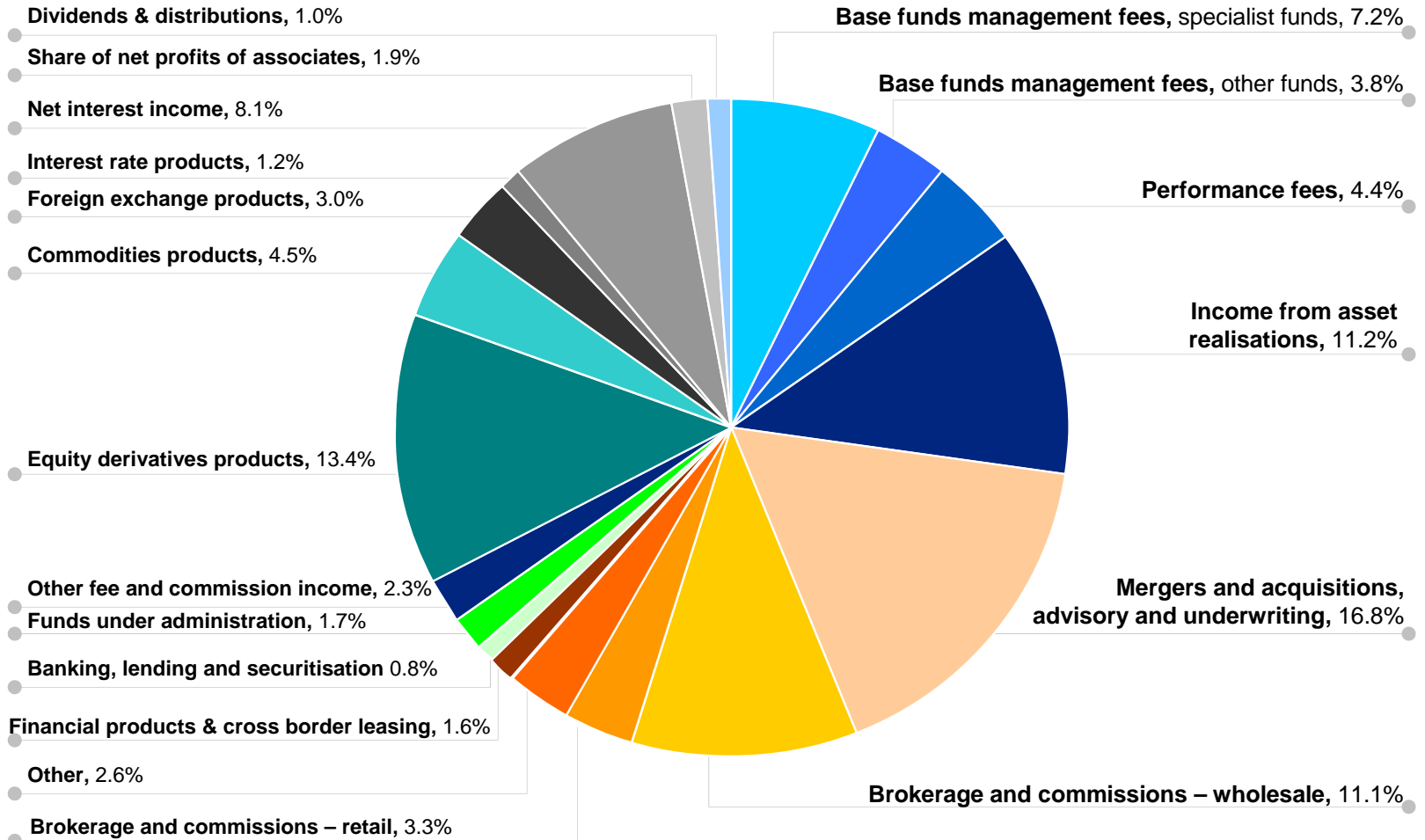


Strong broad-based growth

- Group growth driven by:
 - Previous business investment
 - Diversification by product and geography
 - Continued strong demand for Macquarie products
- Good contribution from most operating groups.
Exceptions:
 - Real Estate Group contribution impacted by write-down on holdings in listed real estate investments
 - Mortgages business operating result affected by effective closure of mortgage securitisation markets
- Continuing to selectively grow staff and focus on longer term prospects



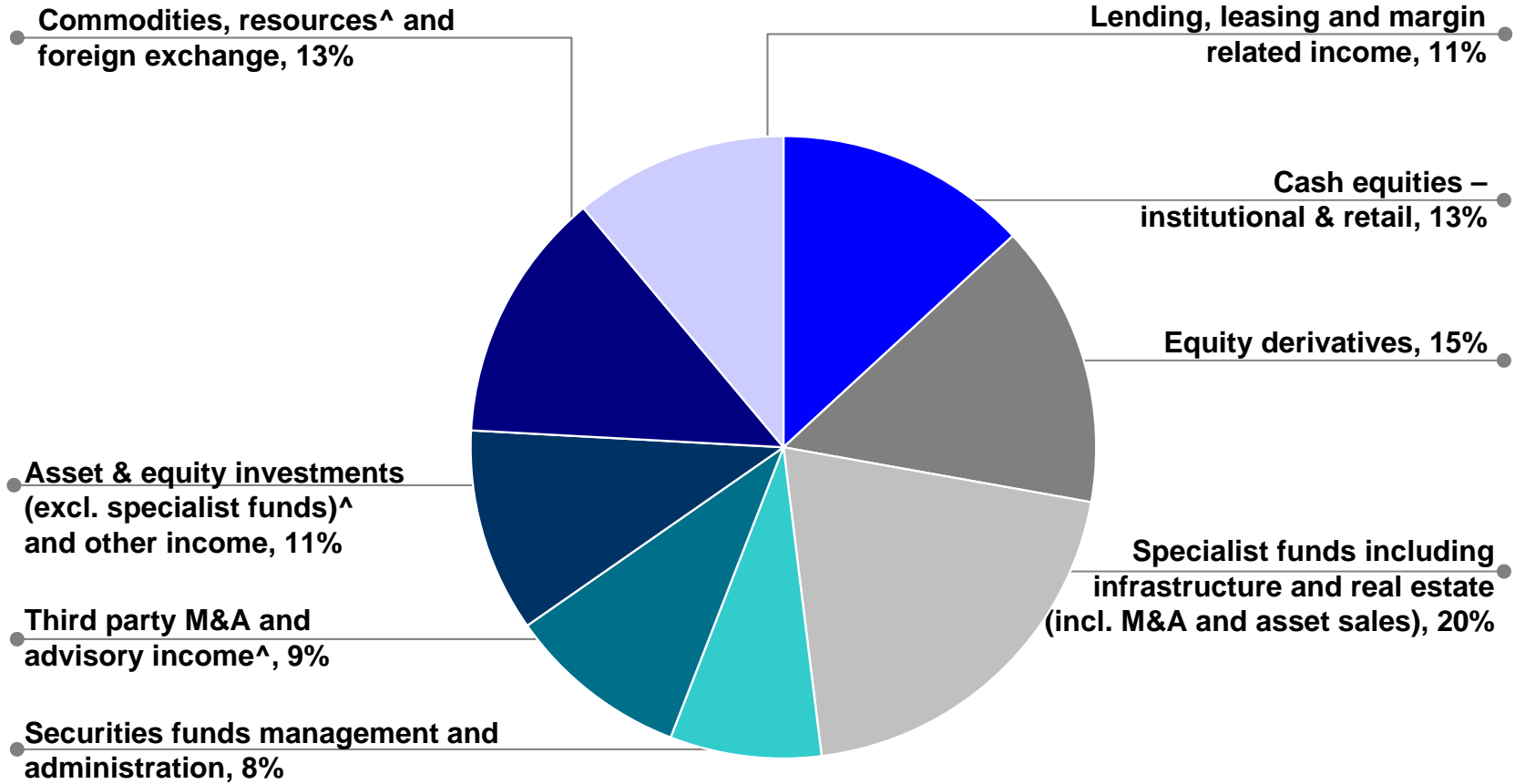
Diverse sources of income



* Operating income for the year ended 31 March 2008. Excludes net impairment charges.



Diverse sources of income



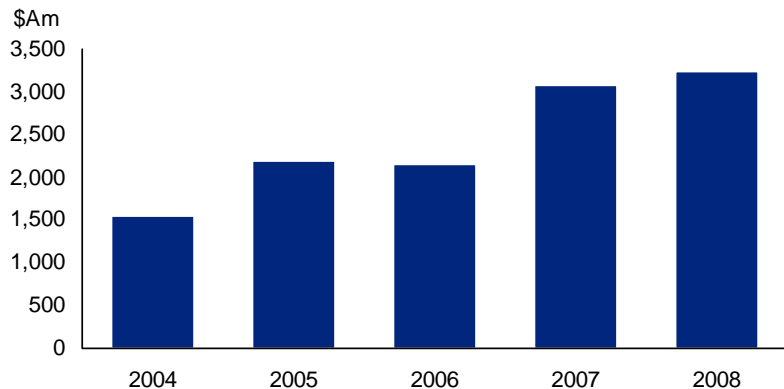
Operating income for the year ended 31 March 2008. [^]Income from clients and activities associated with the resource sector is included within "Commodities, resources and foreign exchange".



Geographically diverse sources of income

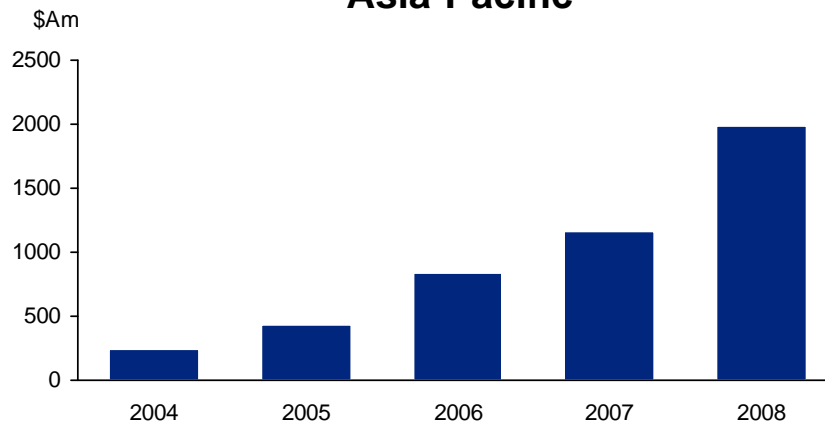
Note: Income in each region excludes earnings on capital and other corporate items

Australia



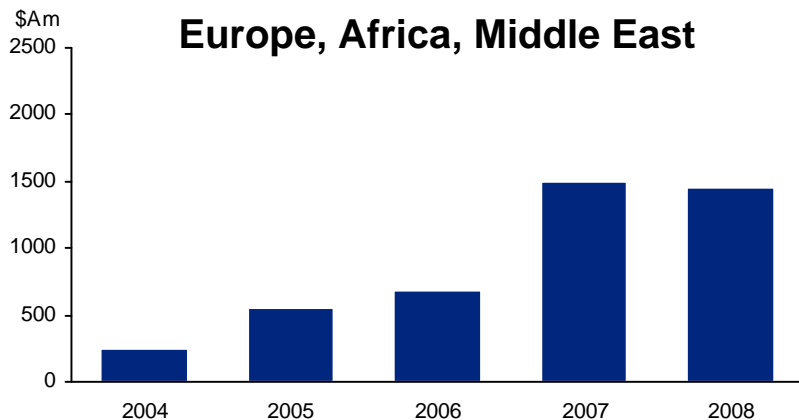
Australia: 2007 included significant income from a number of asset realisations, including Goodman Group.

Asia-Pacific



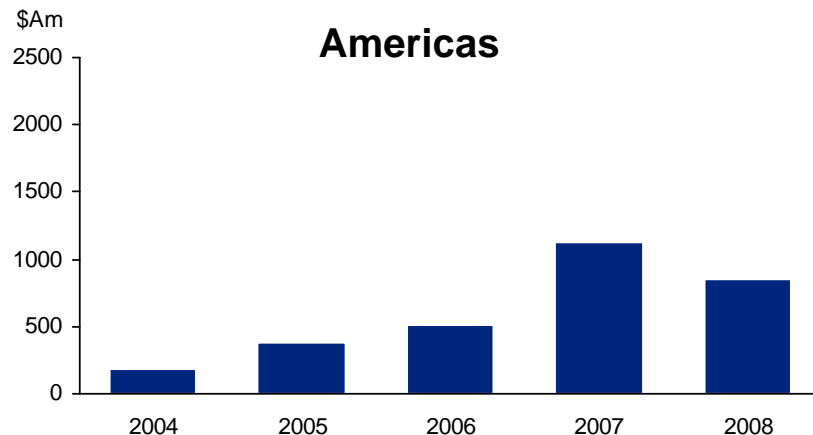
Asia-Pacific: market conditions held up well in 2008, and the region also benefited from the realisation of the investment in Macquarie-IMM.

Europe, Africa, Middle East



Europe: 2007 was a strong year for corporate finance activity and included income from a number of asset realisations.

Americas



Americas: 2007 included income from significant oil and gas in realisation; 2008 impacted by credit disruption and write-downs on investment in listed real estate trusts with US assets.



No unusual trading exposures

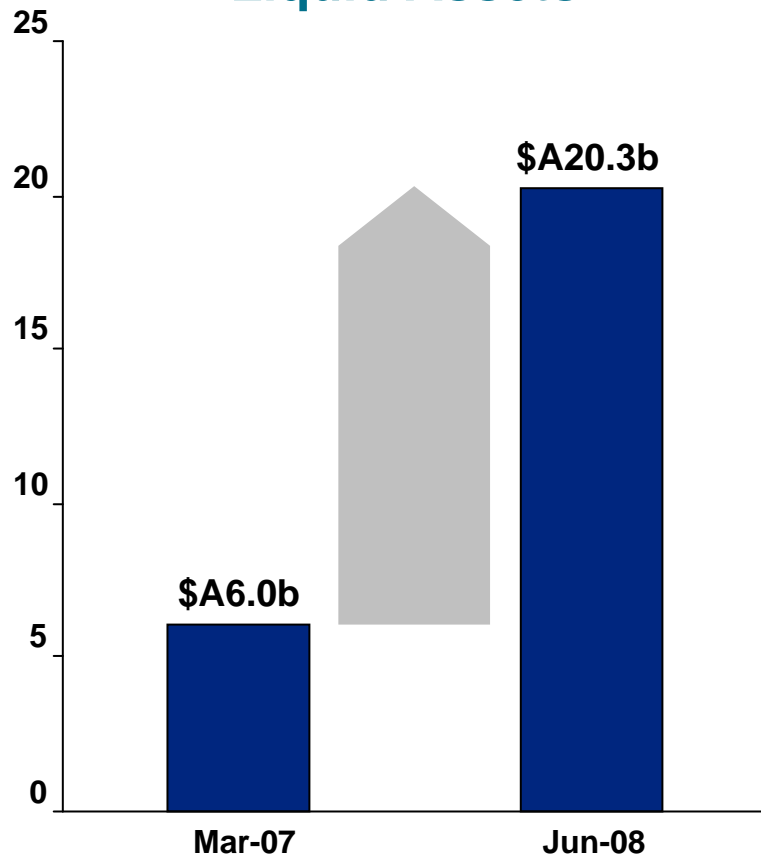
Our robust risk management has proven effective in this environment

- Main business focus is making returns by providing services to clients rather than by principal trading
- No problem trading exposures
- No material problem credit exposures
- No exposure to Structured Investment Vehicles (SIVs)
- No subprime lending
- Longstanding policy of granting very few standbys and warehouses
- No problems with debt underwritings
- Only modest holdings of highly rated debt instruments partially backed by US subprime mortgages
- No underwriting of leveraged loans
- Very little underwriting of corporate loans
- Modest credit exposures to the hedge fund industry
- No material exposures not already known to investors
- Well funded, with liquid assets of over A\$20b

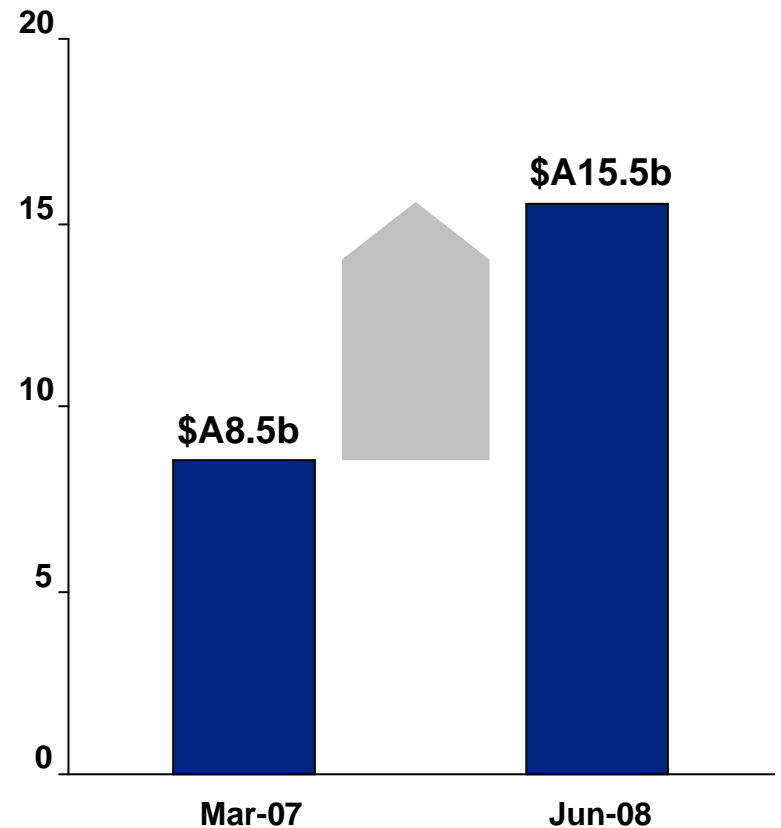


Very well funded – supporting ongoing business and growth

Liquid Assets



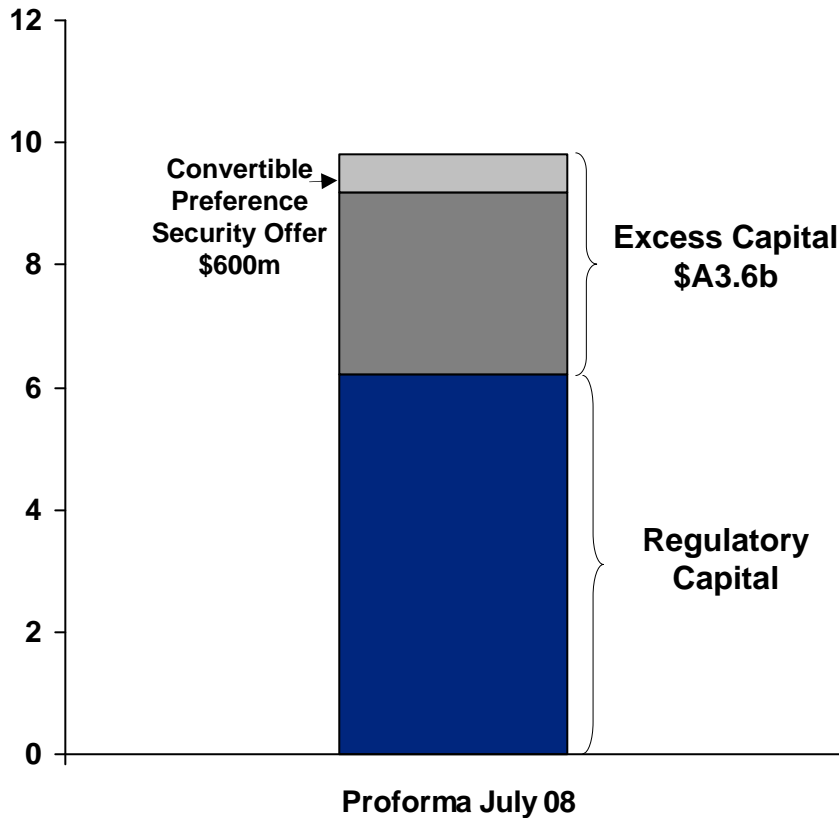
Deposits



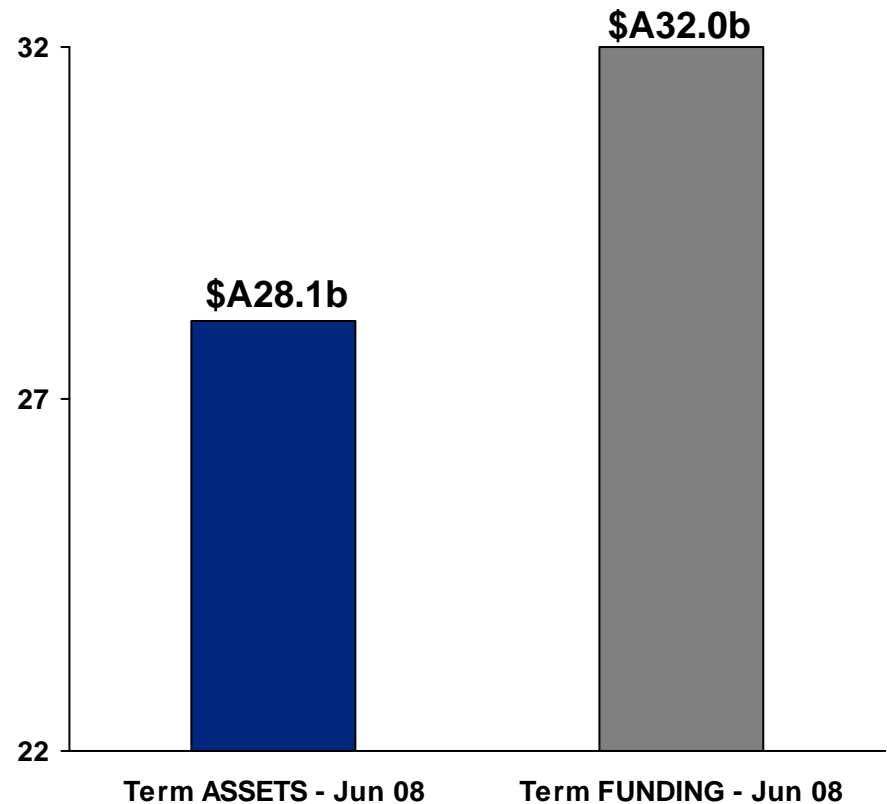


Very well funded – supporting ongoing business and growth

Excess Capital



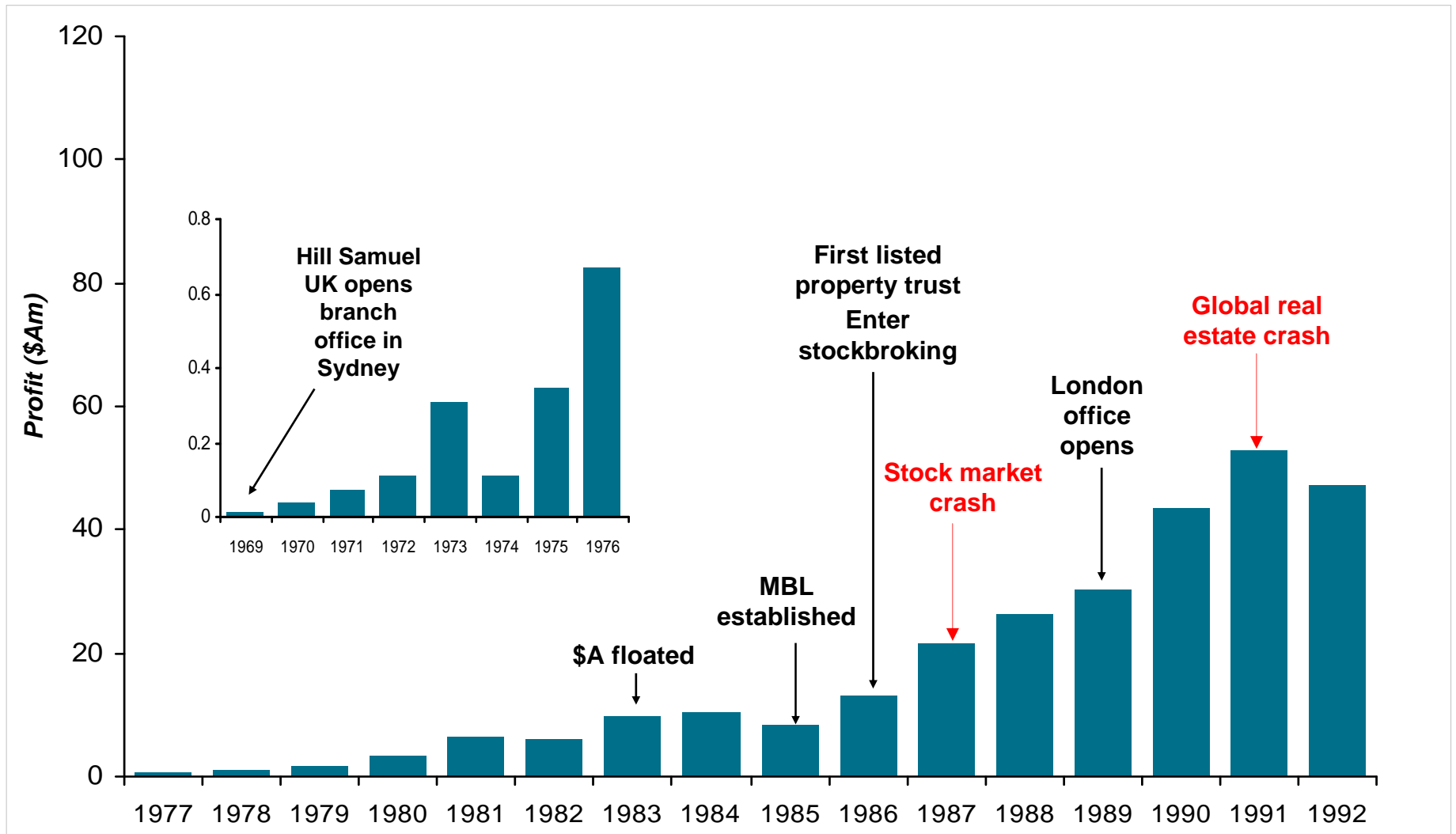
Term assets more than covered by term funding



Term assets are defined based on expected maturities used for internal liquidity management purposes. Assets included in this category include Loan assets > 1 yr, Other investment securities and Investment in Macquarie managed funds and equity investments. Term funding includes equity and undrawn committed facilities.

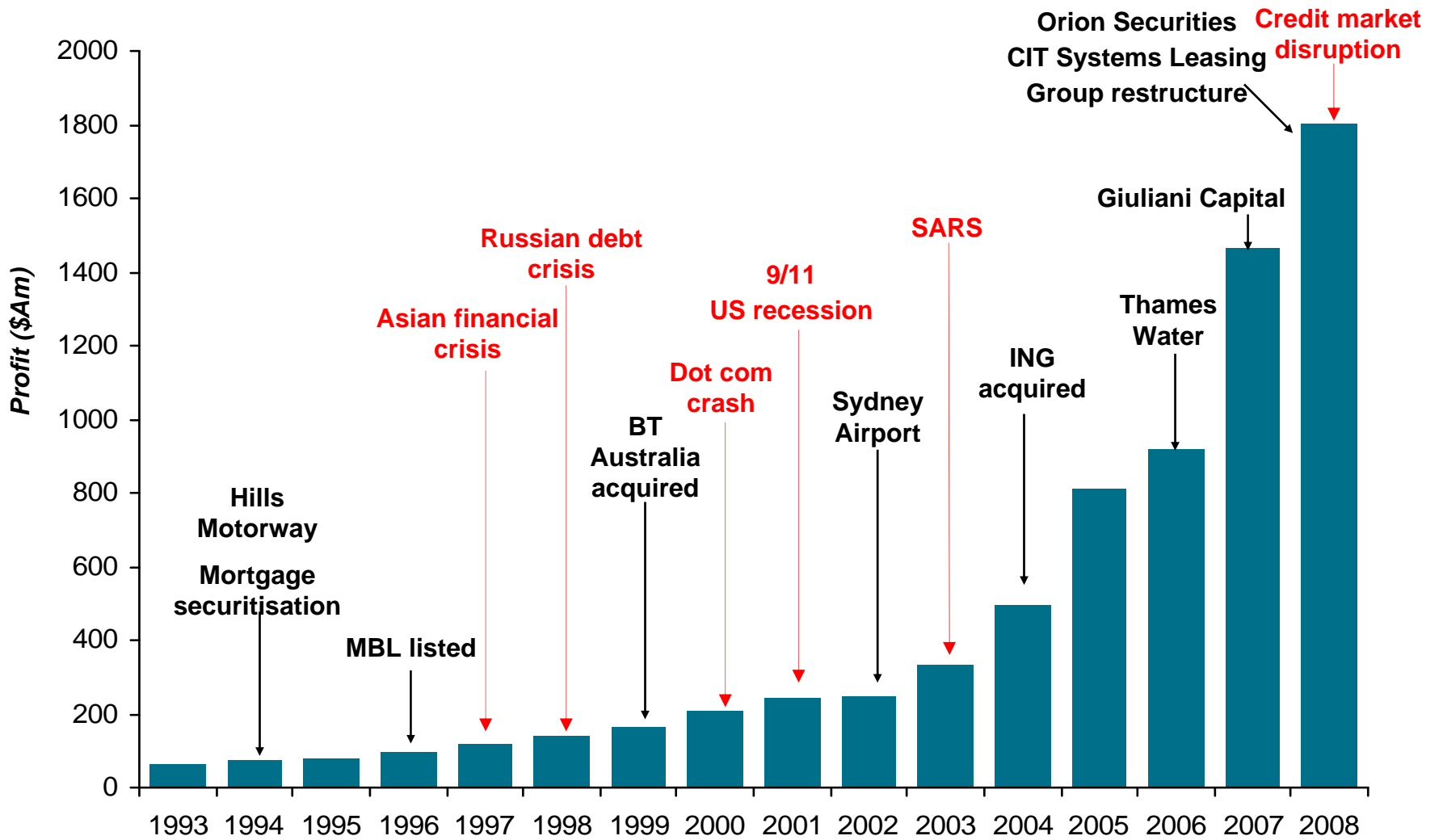


Growth through the cycle



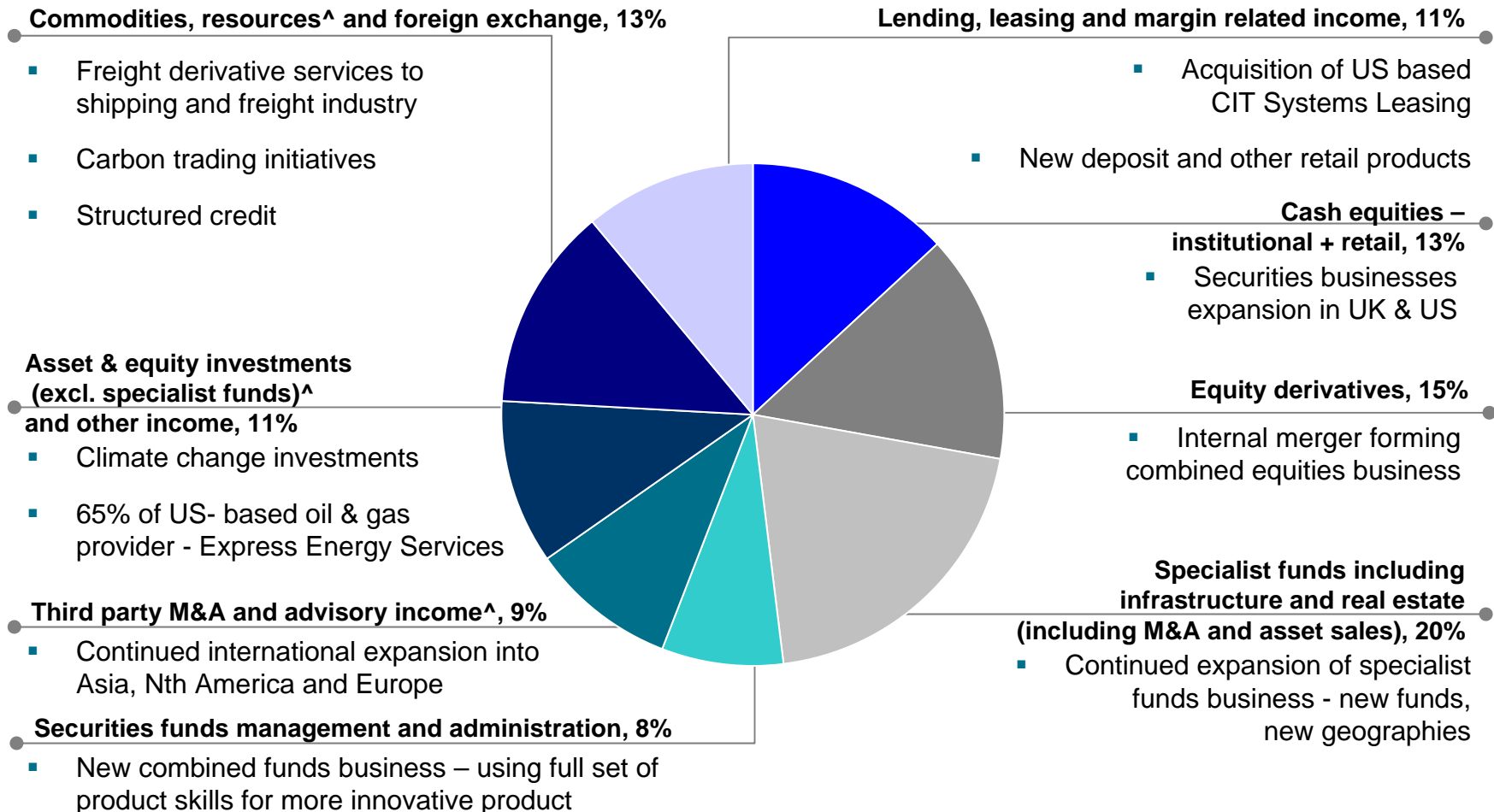


Growth through the cycle





Some new growth initiatives





Specialist funds – serving the community everyday

Macquarie is a global leader in managing businesses that provide essential services



Airports

+78 million passengers per annum

Roads

+2.3 million cars per day

Rail

+2.7 million passengers per annum

Ferries

+6.1 million passengers per annum

Buses

+290 million passengers per annum

Sea Ports

+4.2 million standard container units handled per annum

Car Parks

+390,000 car spaces



Broadcast Communications

+90 million people through television, telephone and radio infrastructure & newspaper services

Gas¹

+17.1 million households

Water¹

+7.3 million households

Electricity

+3.1 million households

Aged Care/Retirement Villages

+11,700 beds +8,100 units

Directories

+35 million 'yellow pages' distributed

Employees

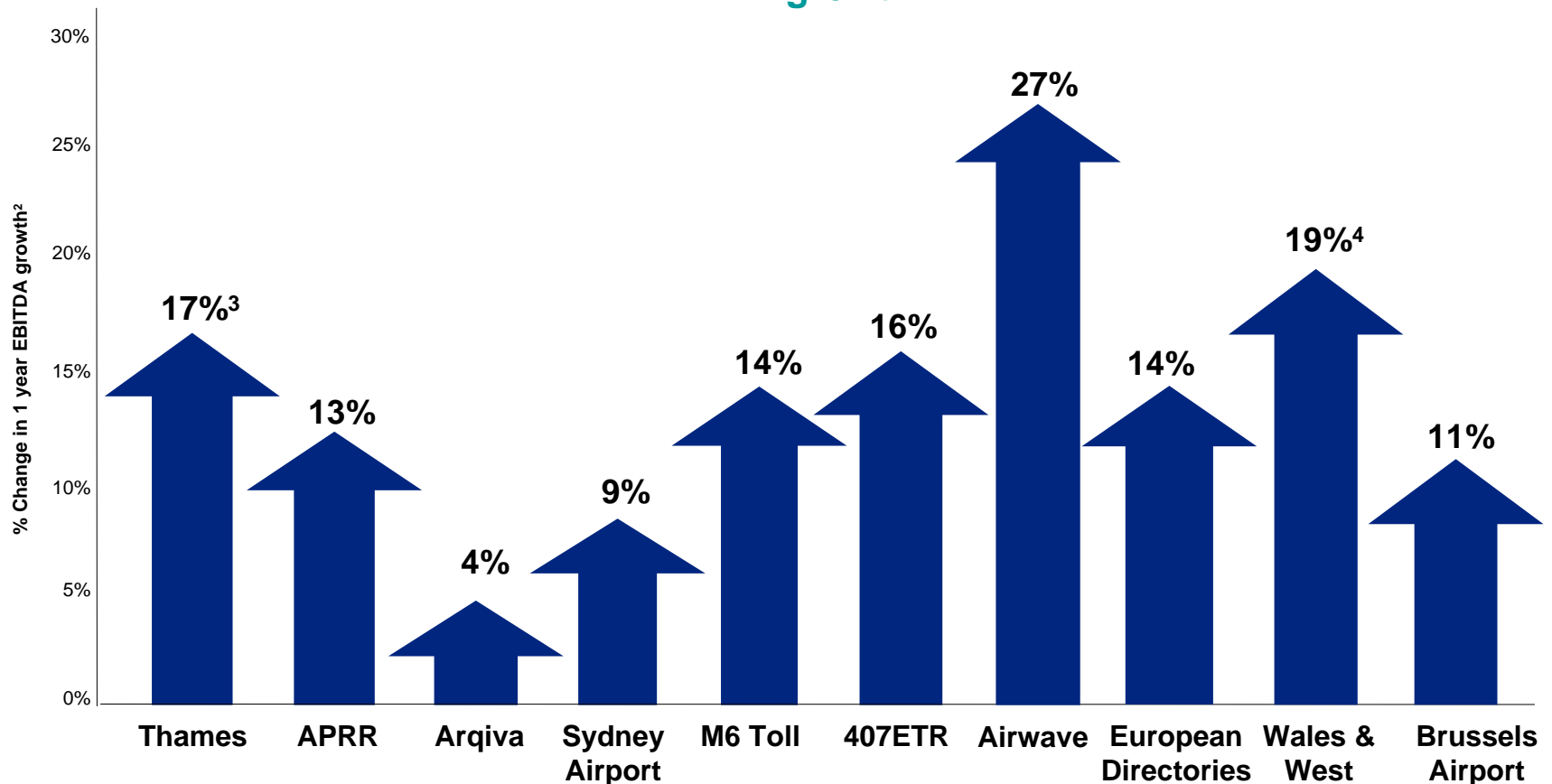
+77,000 across the businesses

1. Includes sub-metering services
As at 31 March 2008



Specialist funds – businesses performing well

Macquarie Capital Funds' largest businesses¹ have experienced continued EBITDA growth



¹ Largest businesses by Enterprise Value as at 31 December 2007, based on Macquarie-managed interest

² Annual growth in EBITDA for the most recent financial year of each business

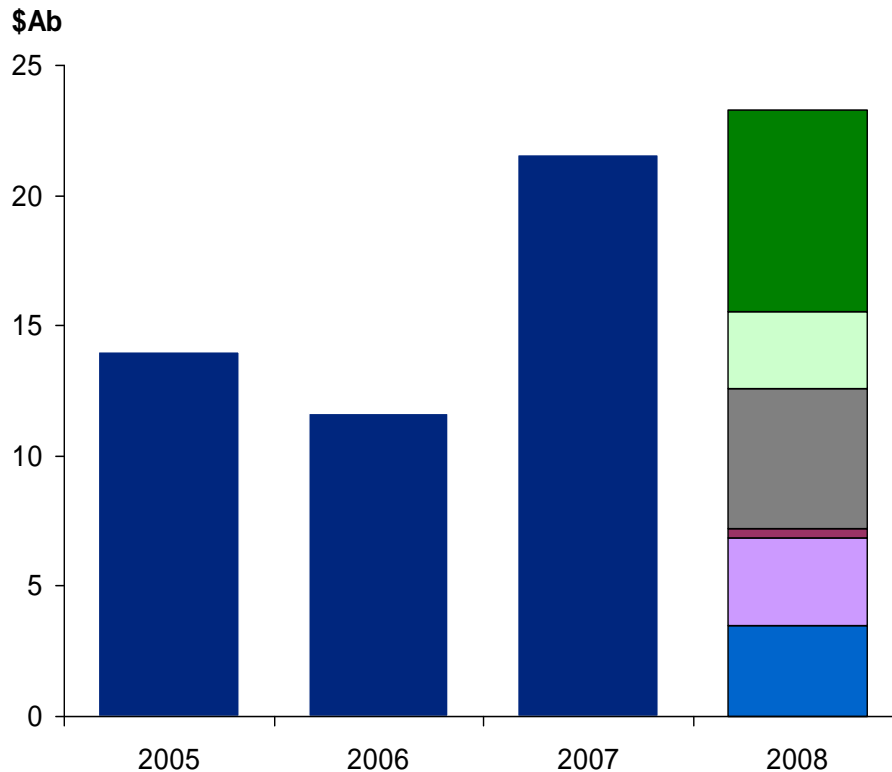
³ Compares year ended 31 March 2008 to year ended 31 December 2006, due to a change in the company's financial year end

⁴ Compound annual growth in EBITDA for 2 year period ending 31 March 2008



Specialist funds – strong investor support

- Record \$A22.4b raised over the 12 months to 31 March 2008
- 75% from international investors and 85% into unlisted funds or syndicates
- Fund raisings continue despite market conditions



Fund	Raising (\$Ab)
Unlisted Infrastructure	7.74
Listed Infrastructure	2.95
Unlisted Real Estate	5.39
Listed Real Estate	0.34
EMG Funds	2.50
Other	3.46
FY08 TOTAL	\$A22.4b

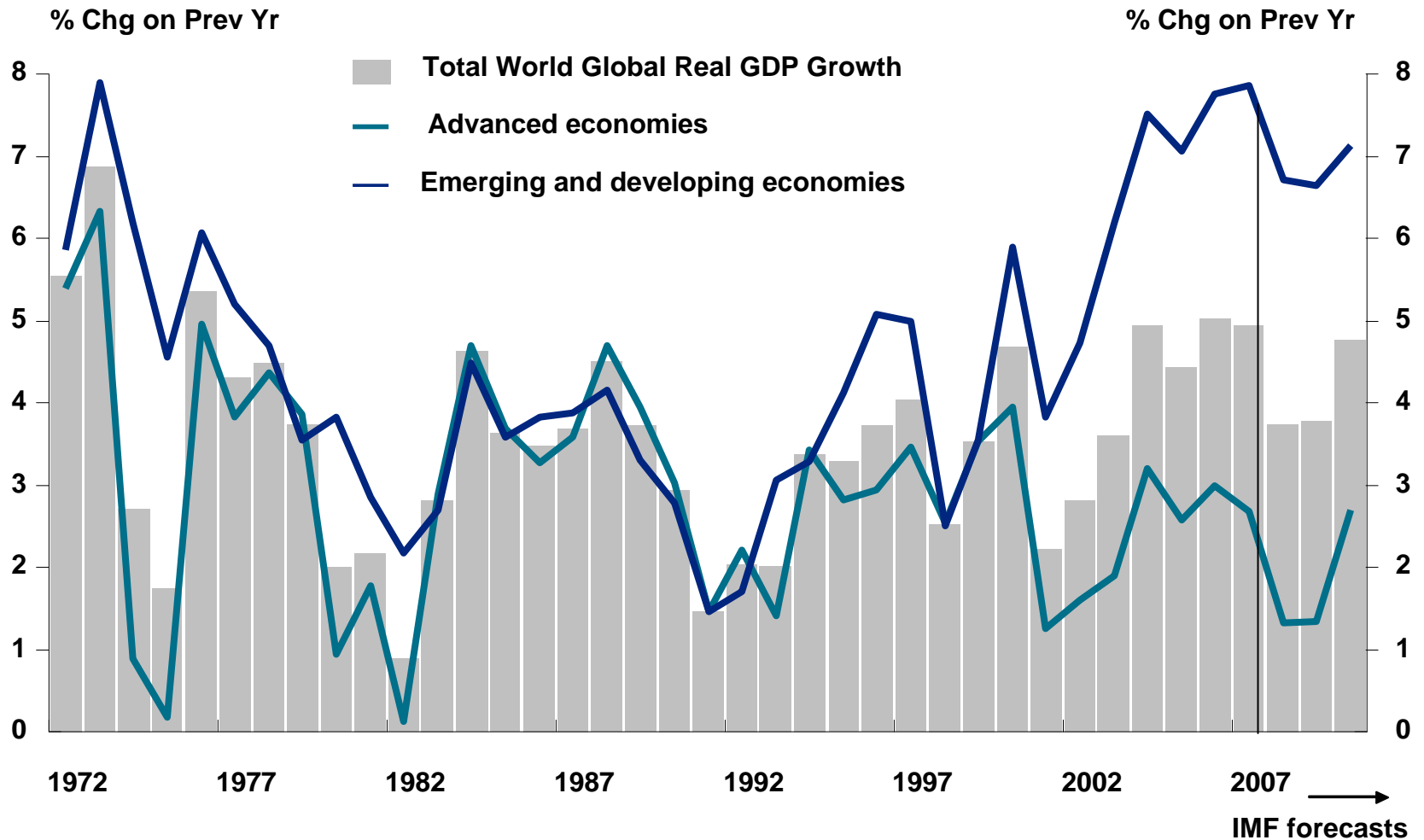


Despite poor A-REIT market performance, solid underlying asset performance

- Occupancy remains high (above 96%) with long remaining lease terms
- Positive rental growth being achieved on lease expiries
- General US property operating conditions becoming more difficult, especially in retail and financial services sectors, but rental earnings in Macquarie REITs to date have been largely unaffected
- Macquarie REITs have no significant development exposure
- Asset sale transaction volumes remain low – limited evidence of current market values
- Macquarie's strategies include:
 - Continued focus on asset performance
 - Selective asset sales
 - Debt reduction and term extension/renewal
- Some progress already announced in line with these strategies and further initiatives in progress



The global economy is running at two speeds



Source: IMF, Macquarie Research.

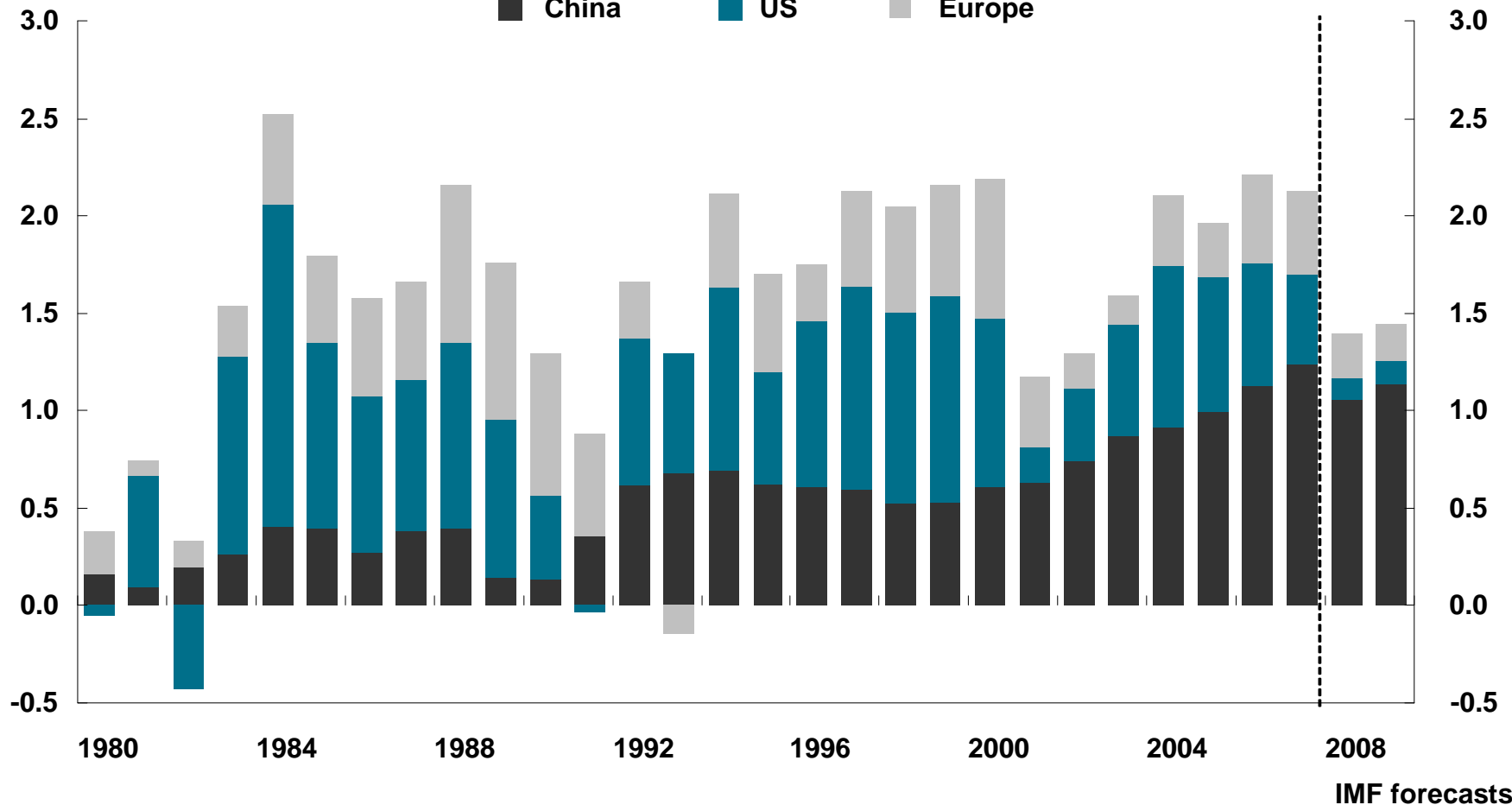


China is the engine of global growth

Contribution to global growth (%)

■ China ■ US ■ Europe

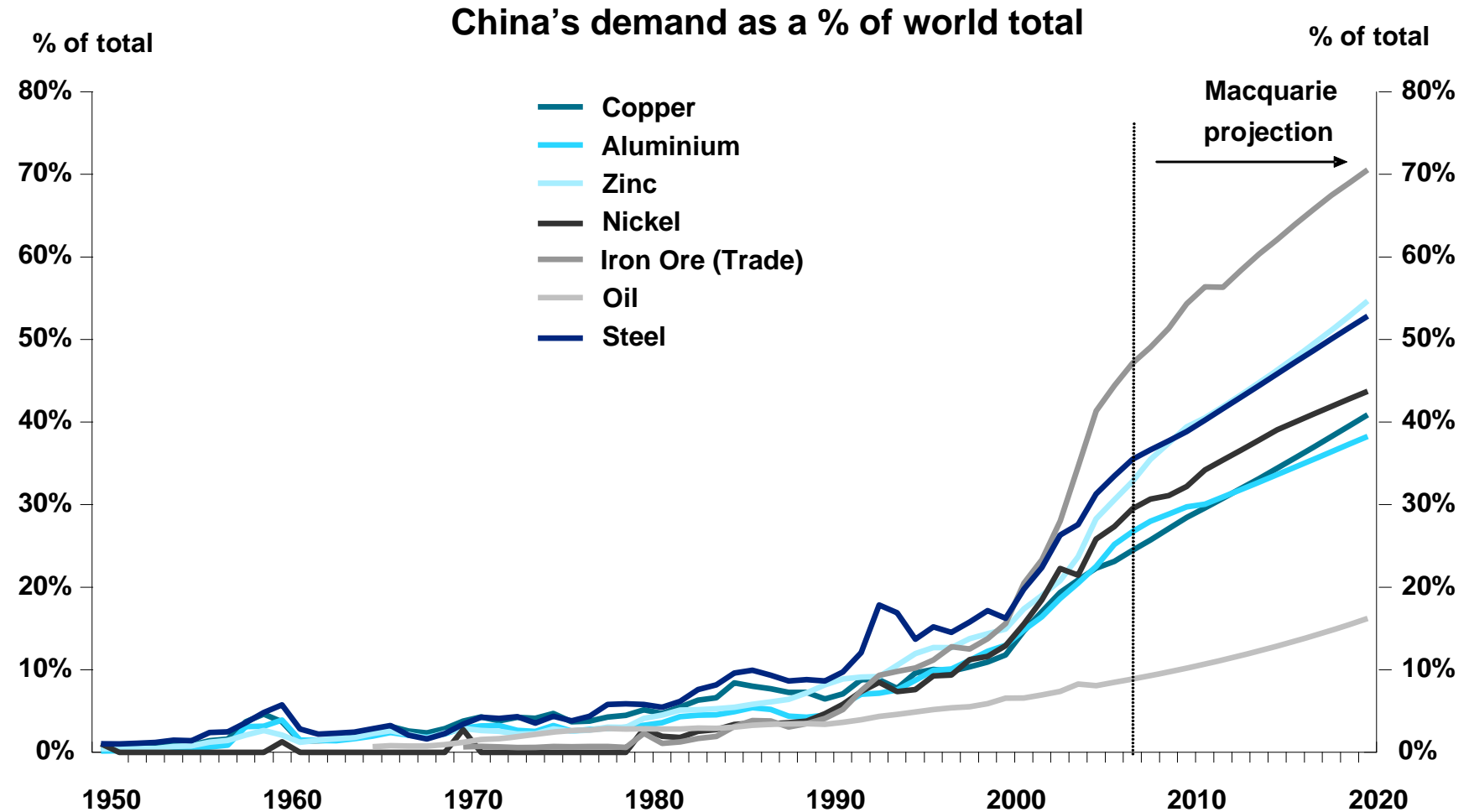
% chg on prev yr



Source: IMF, Macquarie Research, July 2008



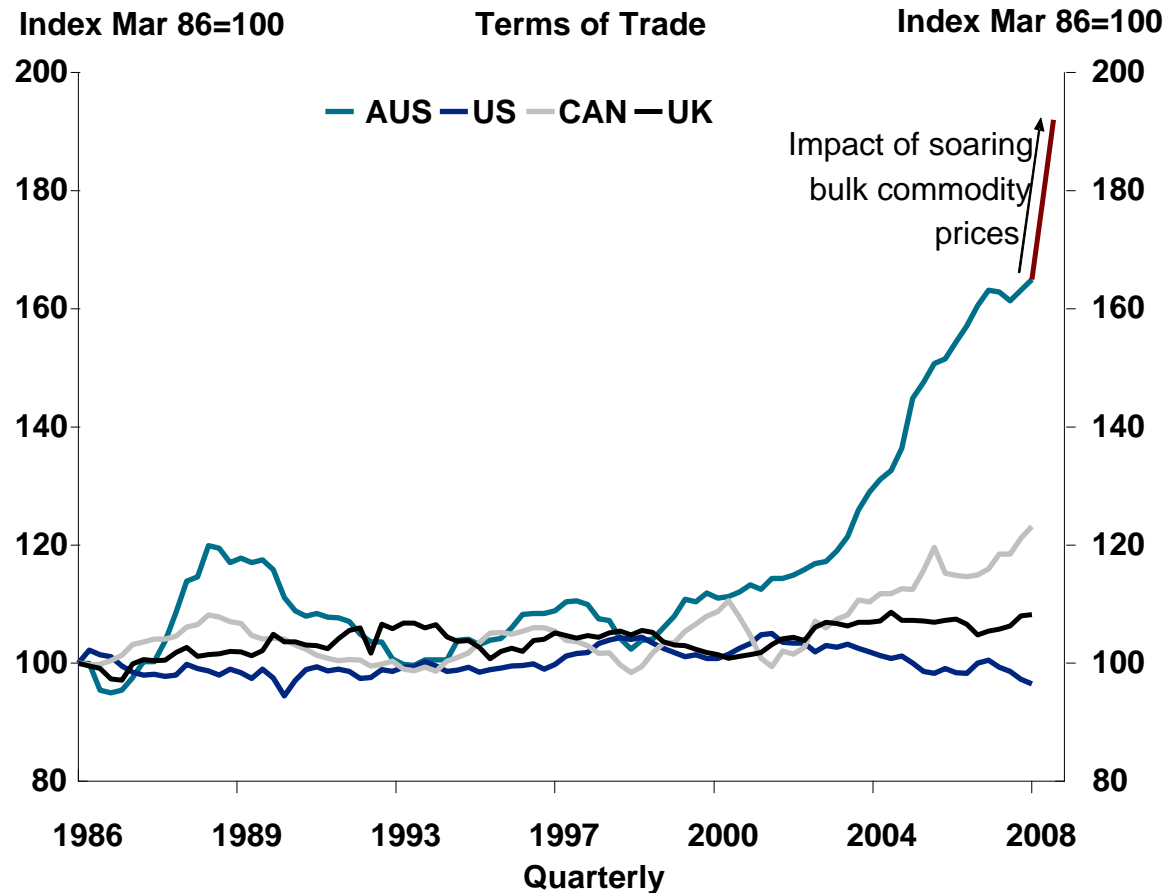
We expect to see ongoing growth in demand for commodities



Source: IMF, Macquarie Research, July 2008



This provides a significant boost to Australia's terms of trade



Treasury estimates the gains to the terms of trade this year will add:

- 9% to nominal GDP
- 20% to corporate profits
- 9% to labour income
- 200,000 jobs

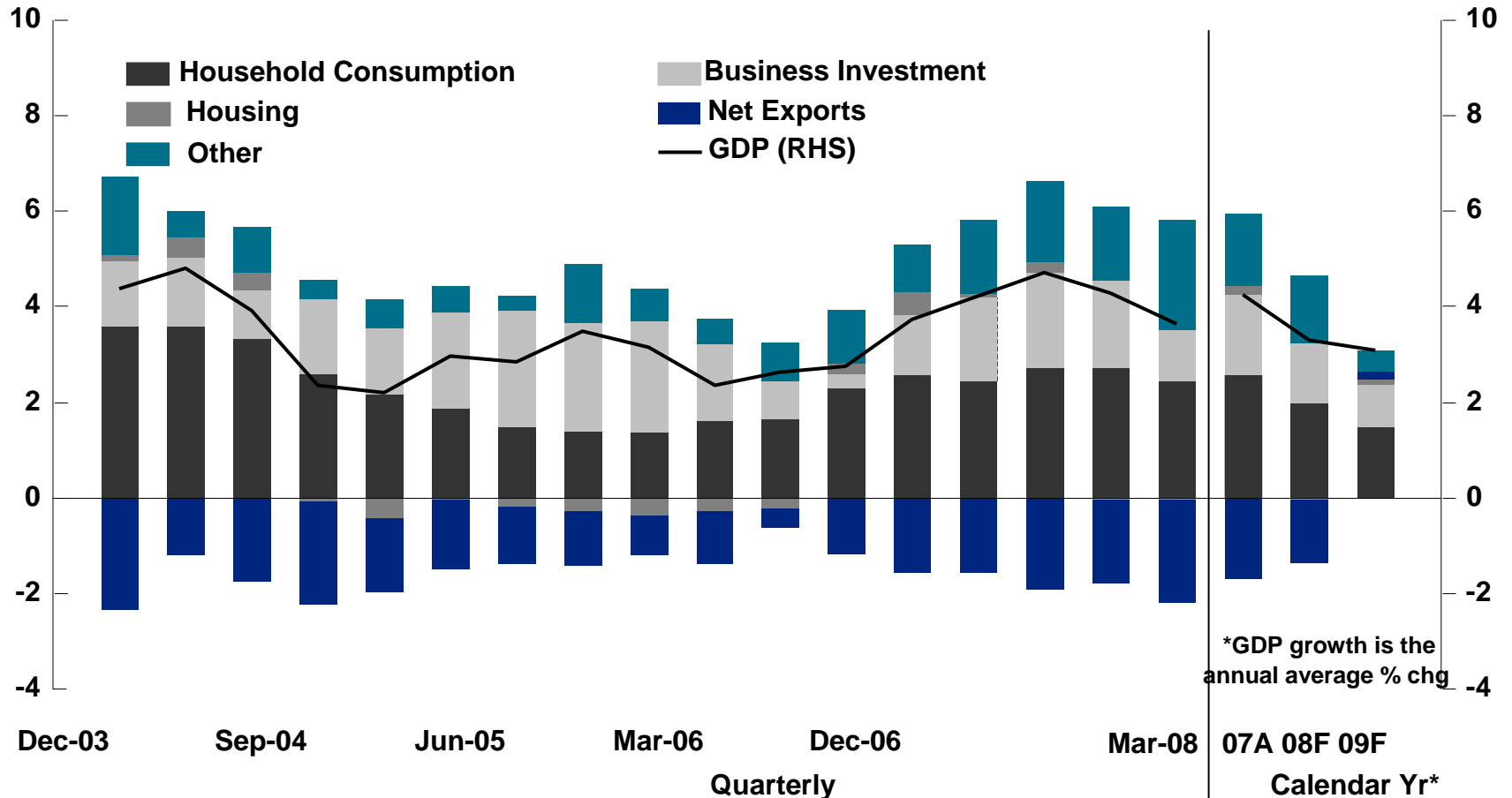


Expect Australian growth to moderate but should remain reasonable

Contribution to GDP (%)

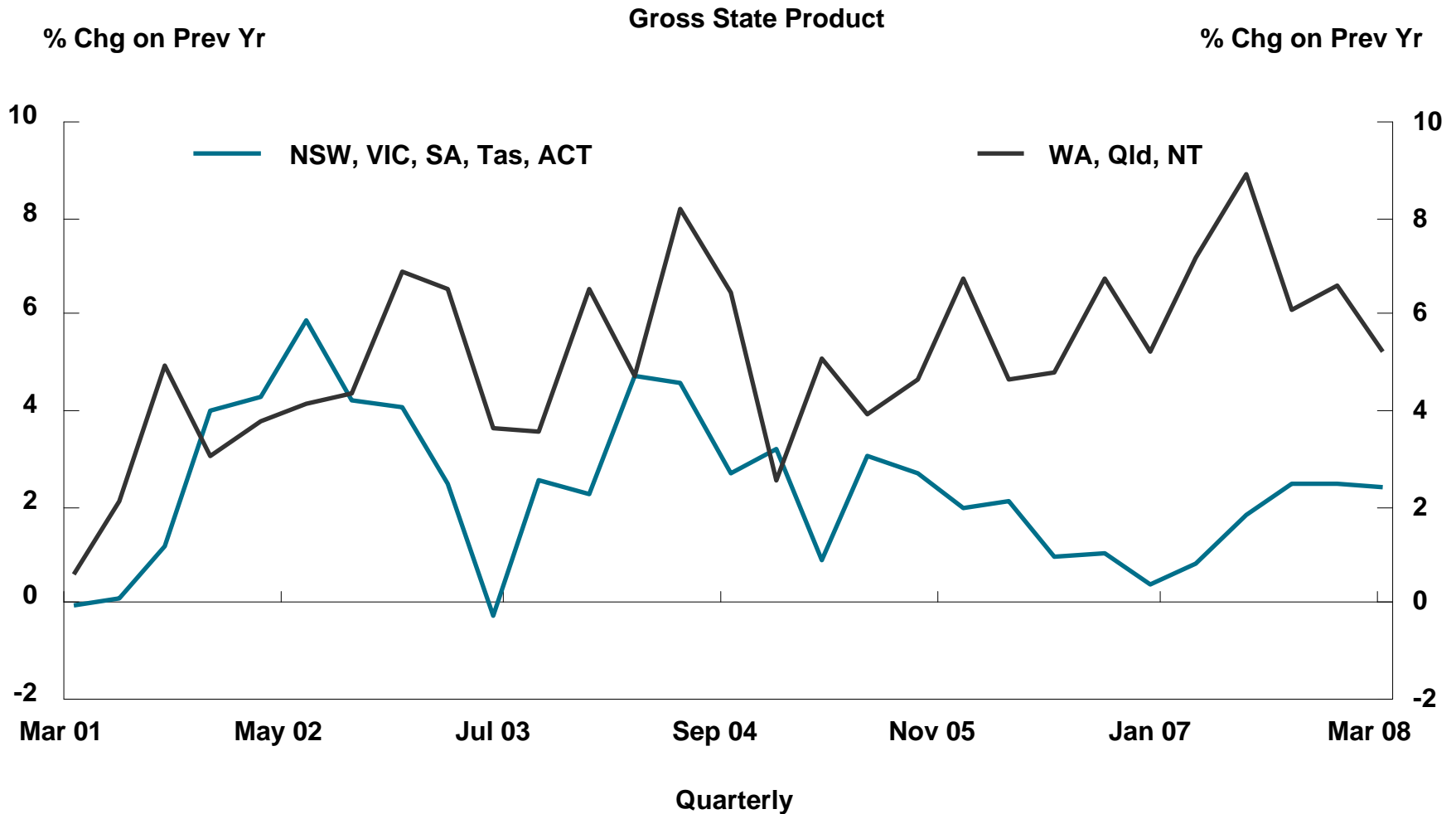
Composition of Growth

% Chg on Prev Yr





However, the Australian economy is running at two speeds





Global market conditions

■ Credit markets

- Since August 2007, credit markets have been extremely difficult and funding has been more expensive
- Funding costs at significantly higher levels than pre-August 2007

■ Equity markets

- Volumes have dropped off from very high levels of second half calendar 2007
 - Asia down 13% for 6 months to 30 June 2008 compared with second half calendar 2007
 - Australia down 9% for 6 months to 30 June 2008 compared with second half calendar 2007

■ Mergers & Acquisitions and Equity Capital Markets

- Activity levels have fallen globally although pipeline reasonable
- Good levels of activity in Australia and, to a lesser extent, Asia

■ Global real estate

- Sharp decline in all global listed real estate markets
- A-REIT price index down approximately 50% from October 2007 peak
- Investors waiting for evidence of financial and real estate market stabilisation



Solid first quarter but down on record prior corresponding period

- Conditions in many markets have deteriorated since this time last year. All groups operating profitably, but reported lower first quarter results than prior corresponding year's record first quarter
- Businesses performing relatively well in more difficult market conditions. Good contributions from:
 - Corporate finance and advisory
 - Institutional and retail broking businesses, including equity derivatives
 - Commodities related trading businesses
 - Foreign exchange
- Expanded capital base provided higher earnings
- Remuneration expenses down, including estimated profit share



Some highlights during the first quarter

- Large advisory transactions
 - BrisConnections consortium awarded 45 year concession to construct, operate & finance Brisbane Airport Link tollroad
 - Adviser to BUPA on its \$A2.4b merger with MBF
 - Takeover defence adviser to Dyno Nobel on \$A3.8b acquisition of Dyno Nobel by Incitec Pivot
 - Joint Bookrunner and Joint Lead Manager to Shandong Chenming Paper's HK\$3.2 billion H Share IPO
 - Adviser to LS Cable Ltd, Korean-headquartered wire and cable manufacturer, on agreement to acquire US-based Superior Essex Inc. for US\$1.2b. Korea's largest unsolicited acquisition of a US listed company.
 - Completed two asset-backed securitisation transactions totalling \$A1.8b – including one of largest publicly placed securitisations in Asia-Pacific region since commencement of credit disruption (SMART 2008-1E)
- Asset acquisitions/disposals
 - Sale of 100% interest in Longview Oil & Gas, US-based oil and gas producer
 - Macquarie and affiliates committed to acquire 65% interest in Express Energy Services, US-based oil and gas services provider
 - Acquired majority holding in US fixed income funds management specialist, Allegiance Investment Management LLC
- Internal business mergers – creating broader product range and improved client service
 - Macquarie Securities: Macquarie Capital Securities and Equity Markets Group merger
 - Macquarie Funds Group: Macquarie Capital Products, Equity Markets Products, Funds Management Group merger (effective 1 August 2008)
 - Banking and Financial Services Group: Financial Services Group and Banking and Securitisation Group integration



Some highlights during the first quarter

- \$A600m Convertible Preference Securities issue as part of Group funding strategy
- Continued growth of US/European broking businesses
- Macquarie Cook Power – growing involvement in US power markets
- Cash Management Trust over \$A17b; Wrap over \$A22b
- Investment Lending portfolio over \$A6b
- New funds:
 - Russian infrastructure fund (joint venture with Renaissance Capital)
 - Indian infrastructure fund (Memorandum of Understanding with State Bank of India)
 - Macquarie Special Situations Fund (co-investment opportunity fund)
 - MGPA Fund III closed with commitments of US\$5.2b; two private equity real estate funds, mandated to invest in Europe and Asia
 - St Hilliers Property (JV) closed a \$A200m open-ended wholesale development to core fund
- Other fund initiatives:
 - Real Estate: focus on managing REIT borrowings including extending and restructuring key debt facilities and selective asset sales to repay debt
 - Macquarie Private Capital Group privatisation completed
 - Macquarie Capital Alliance Group acquisition proposal by Macquarie Advanced Investment Group



Outlook – current year

- Market conditions continue to make short-term forecasting more difficult than usual
- Solid start to the year, but current state of financial markets means that to repeat last year's record performance is becoming increasingly challenging
- However, over the medium term we continue to be well placed due to:
 - Effective risk management
 - Good businesses, committed quality staff
 - Strength, diversification and global reach of our businesses
 - Benefits of ongoing organic growth initiatives
 - Continued strong global investor demand for quality assets
 - Strong capital base
 - No problem trading exposures and no material problem credit exposures
- Opportunities in current environment due to our strong capital position
- No change to longstanding Group strategy



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MACQUARIE



ITEM 2: REMUNERATION REPORT

Macquarie Group Limited
2008 Annual General Meeting



Remuneration Policy: Focussing on Appropriate Objectives

**Driving long-term
shareholder
returns**

**Aligning the
interests of staff
and shareholders**

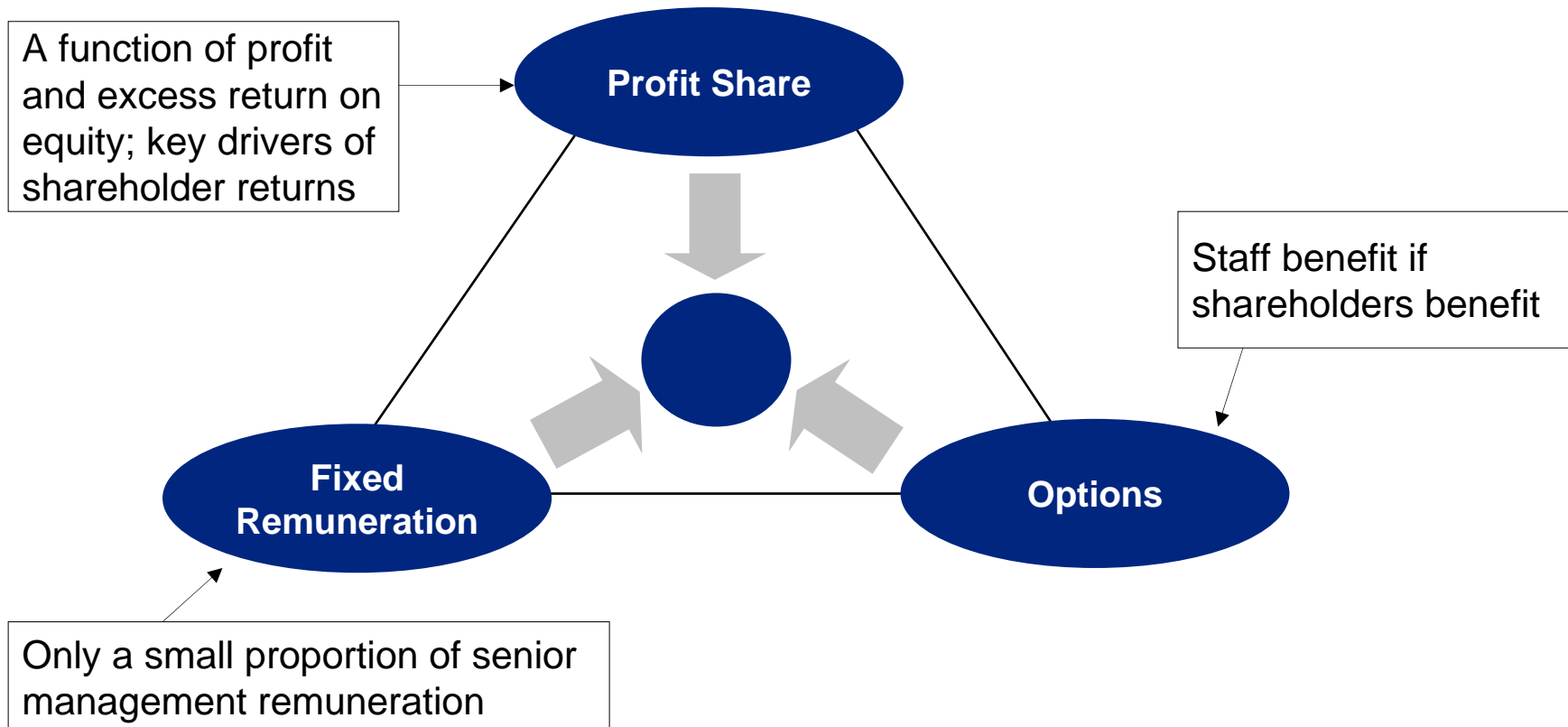
**Attracting and
retaining high
quality people**

- Emphasising performance-based remuneration
- Linking remuneration to shareholder return drivers
- Emphasising direct alignment with long-term shareholder interests:
 - Use of equity (shares, options)
 - Use of retention mechanisms
 - Consistency over time
- Providing globally competitive remuneration arrangements



Executive Director Remuneration: Emphasis on Performance-Based Remuneration

- Executive Director remuneration comprises three elements
- No special contractual termination payments





Executive Director Remuneration: Ensuring Direct Long-Term Alignment of Interests

- Significant equity and retention arrangements ensure direct long-term alignment:
 - 20% profit share retained for 10 years, linked to fund performance
 - additional profit share invested in MQG shares for Executive Committee members (2009: 35% for Managing Director, 20% for other Executive Committee members)
 - mandatory shareholding requirement
 - options vest over 2-4 years, subject to challenging performance hurdle
 - hedging prohibited in relation to shares or unvested options held under these arrangements
 - voluntary additional equity participation available via other staff share plans
- Consistency in remuneration arrangements over time creates staff confidence to take a long-term view



Board Oversight of Remuneration Approach

- Board oversees the remuneration approach, assisted by the Remuneration Committee:
 - Remuneration Committee: majority of independent directors
 - key remuneration policies fully considered by Non-Executive Directors at least annually
 - careful performance evaluation of top management
 - use of independent remuneration consultants

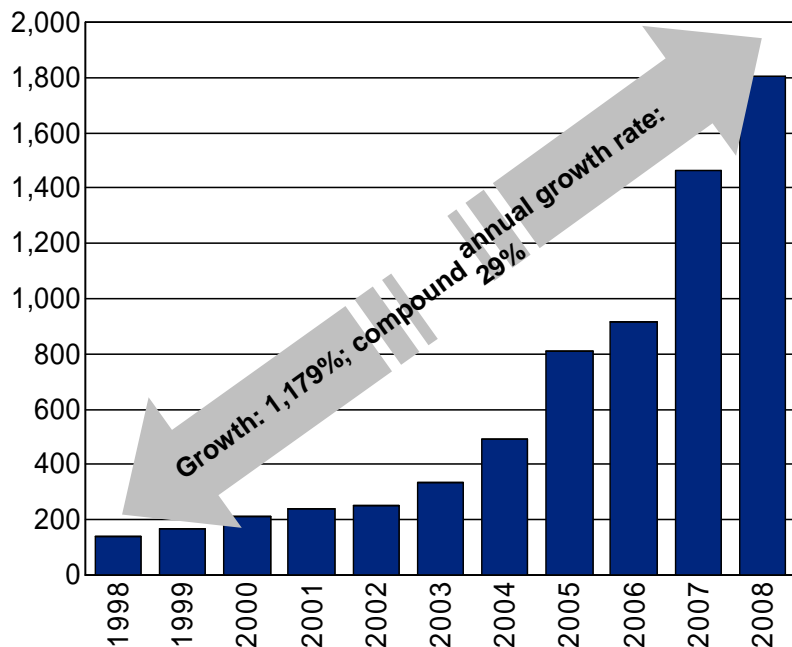


Success in Aligning the Interests of Staff and Shareholders

- Consistent profit growth and high return on equity reflect the outstanding efforts of staff

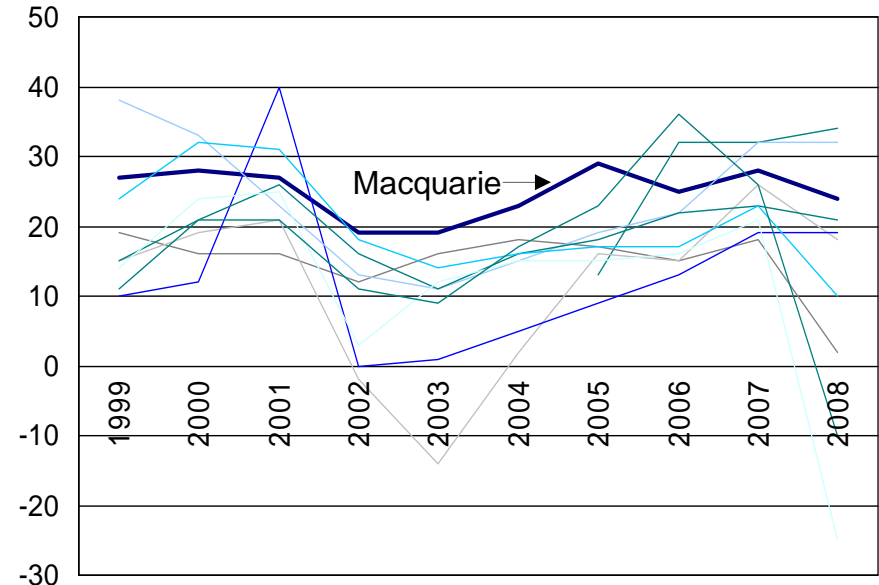
Net profit after tax attributable to ordinary equityholders

A\$ million



Return on ordinary equity

%



Source: Bloomberg. Competitors comprise Babcock & Brown, Bear Stearns, Credit Suisse, Deutsche Bank, Goldman Sachs, Lehman Brothers, Merrill Lynch, Morgan Stanley, UBS.



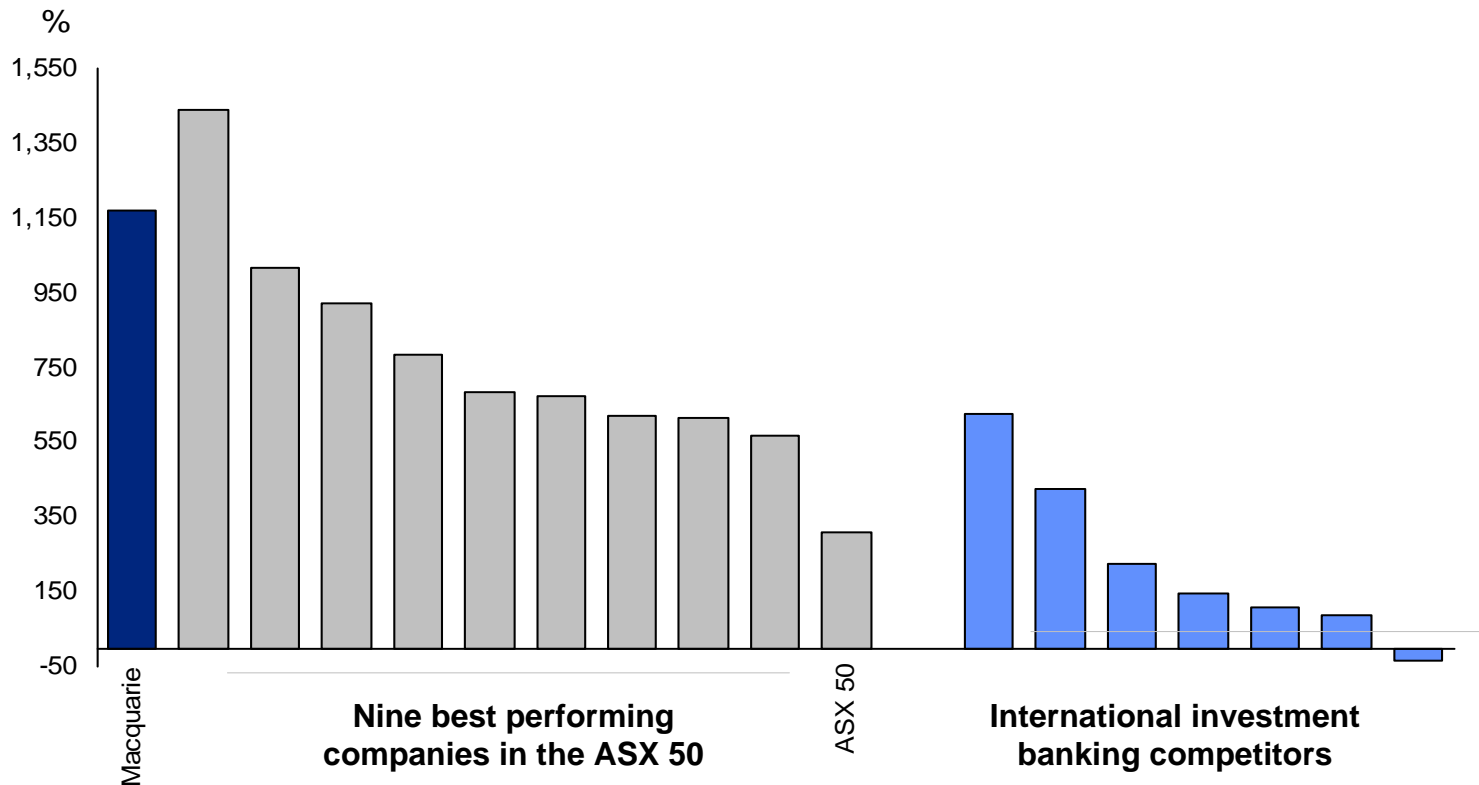
Success in Attracting and Retaining High Quality People

- Shareholders have benefited from a stable management team
- Approximately 7% voluntary turnover rate for Director level (senior 20% of staff)
 - 28% of Directors have been with the Group 5-10 years
 - 28% of Directors have been with the Group 10+ years



Success in Delivering Long-Term Shareholder Returns

- Total Shareholder Return 1,170% since July 1996 at MBL's listing
- Macquarie and the nine best performing companies in the ASX 50 at July 1996 and international investment banking competitors



Source: Macquarie Securities — Data current to 31 March 2008

*International Investment Banking Competitors comprise Bear Stearns, Credit Suisse, Deutsche Bank, Lehman Brothers, Merrill Lynch, Morgan Stanley and UBS. Competitors which have not been continuously listed between MBL's date of listing (29 July 1996) and 31 March 2008 have been excluded from this chart, ie. Babcock & Brown and Goldman Sachs.



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Glossary



\$US/USD	US Dollar
1H	First half
1H08	Half year ended 30 September 2007
ABS	Australian Bureau of Statistics
AGAAP	Australian Generally Accepted Accounting Principles
APRA	Australian Prudential Regulatory Authority
ASX	Australian Stock Exchange
AUD/\$A	Australian dollar
AUM	Assets Under Management
Chg	Change
cps	cents per share
DRP	Dividend reinvestment plan
DUET	Diversified Utility and Energy Trusts
EBITDA	Earnings before interest, tax, dividends, appreciation & amortisation
EMG	Equity Markets Group
EPS	Earnings Per Share
FY	Full Year
GDP	Gross Domestic Product
HK	Hong Kong
IMF	International Monetary Fund
IPO	Initial Public Offering



Glossary



JV	Joint Venture
M&A	Mergers and Acquisitions
MAP/MAP	Macquarie Airports
MBL	Macquarie Bank Limited
MBL	Macquarie Bank Limited
MCG	Macquarie Communications Infrastructure Group
MIC	Macquarie Infrastructure Company Trust
MIG	Macquarie Infrastructure Group
MIIF	Macquarie International Infrastructure Fund
MKIF	Macquarie Korean Infrastructure Fund
MMG	Macquarie Media Group
MPR	Macquarie ProLogis Trust
MPT	Macquarie Power Income Fund
MQG	Macquarie Group Limited (ASX listed)
NPAT	Net Profit After Tax
NYSE	New York Stock Exchange
REIT	Real Estate Investment Trust
RHS	Right hand side
SIV	Structured Investment Vehicle
UK	United Kingdom