

Notice of 2011 Annual General Meeting

MACQUARIE GROUP LIMITED

ACN 122 169 279



MACQUARIE

10:30 am on Thursday, 28 July 2011

Grand Ballroom

Hilton Sydney

488 George Street

Sydney, New South Wales

Macquarie Group Limited
ABN 94 122 169 279

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13 June 2011



Dear Shareholder

Please find enclosed notice of the 2011 Annual General Meeting of Macquarie Group Limited (Macquarie) which will be held in the Grand Ballroom, Hilton Sydney, 488 George Street, Sydney, New South Wales on Thursday, 28 July 2011. The meeting is scheduled to commence at 10:30 am and will also be webcast live on Macquarie's website at www.macquarie.com.au

The Managing Director and Chief Executive Officer, Nicholas Moore, and I will comment briefly on the performance of the Macquarie Group during the year to 31 March 2011 at the meeting and you are also referred to the comments in Macquarie's 2011 Shareholder Review and 2011 Annual Report, available on Macquarie's website, for further information.

The meeting will cover the ordinary business transacted annually, together with the following special business:

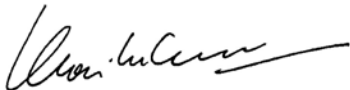
- the Managing Director's participation in the Macquarie Group Employee Retained Equity Plan.

If you are unable to attend the meeting, we invite you to appoint a proxy to attend and vote on your behalf, either online using the share registry's website at www.investorvote.com.au or using the enclosed proxy form.

Shareholders are invited to join the Board for light refreshments at the conclusion of the meeting.

If you plan to attend the meeting, please bring the enclosed proxy form to facilitate your registration which will commence at 9:30 am. I look forward to seeing you then.

Yours faithfully



H Kevin McCann, AM
Chairman

Notice of Meeting

The 2011 Annual General Meeting of Macquarie Group Limited (ACN 122 169 279) (Macquarie) will be held in the Grand Ballroom, Hilton Sydney, 488 George Street, Sydney, New South Wales on Thursday, 28 July 2011, at 10:30 am. Registration will commence at 9:30 am.

Ordinary Business

1 Financial Statements

To consider and receive the Financial Report, the Directors' Report and the Auditor's Report of Macquarie for the financial year ended 31 March 2011.

2 Re-election of Mr PM Kirby as a Voting Director

To consider and, if thought fit, pass the following as an ordinary resolution:

That Mr PM Kirby be re-elected as a Voting Director of Macquarie.

3 Re-election of Dr JR Niland as a Voting Director

To consider and, if thought fit, pass the following as an ordinary resolution:

That Dr JR Niland be re-elected as a Voting Director of Macquarie.

4 Re-election of Dr HM Nugent as a Voting Director

To consider and, if thought fit, pass the following as an ordinary resolution:

That Dr HM Nugent be re-elected as a Voting Director of Macquarie.

5 Re-election of Mr HK McCann as a Voting Director

To consider and, if thought fit, pass the following as an ordinary resolution:

That Mr HK McCann be re-elected as a Voting Director of Macquarie.

6 Election of Ms DJ Grady as a Voting Director

To consider and, if thought fit, pass the following as an ordinary resolution:

That Ms DJ Grady, having been appointed as a Voting Director since the last general meeting, be elected as a Voting Director of Macquarie.

7 Remuneration Report

To consider and, if thought fit, pass the following as an ordinary resolution:

To adopt the Remuneration Report of Macquarie for the year ended 31 March 2011.

Special Business

8 Approval of Executive Voting Director's participation in the Macquarie Group Employee Retained Equity Plan (MEREP)

To consider and, if thought fit, pass the following ordinary resolution:

That the following be approved for all purposes:

- a) *participation in the Macquarie Group Employee Retained Equity Plan (MEREP) by Mr NW Moore, Managing Director and Chief Executive Officer; and*
- b) *acquisition by Mr NW Moore of Restricted Share Units and Performance Share Units and the acquisition of shares in the Company in respect of those Restricted Share Units and Performance Share Units,*

all in accordance with the terms of the MEREP and on the basis described in the Explanatory Notes to the Notice of Meeting convening this meeting.

Voting Exclusion Statement

Macquarie will disregard any votes cast on Item 8 by any Voting Director and any associate of a Voting Director. However, Macquarie need not disregard a vote if:

- a) it is cast by a Voting Director or any associate of a Voting Director as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- b) it is cast by a Voting Director who is chairing the meeting, as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

ASX has granted a waiver allowing Macquarie to limit the application of ASX Listing Rule 14.11 to trustees of trusts in relation to which a Voting Director benefits, or is capable of benefiting (other than a trustee of a trust in which the majority of beneficiaries or potential beneficiaries are family members of the relevant Voting Director), such that:

- a) a trustee of a unit trust in which a relevant Voting Director holds less than 20 per cent of the trust units; or
- b) a trustee of a fixed trust (other than a unit trust) in which a relevant Voting Director has a beneficial interest in less than 20 per cent of the trust assets,

is not excluded from voting on Item 8.

By order of the Board



Dennis Leong
Company Secretary

Sydney
13 June 2011

Notice of Meeting

continued

Notes

1 Proxies

If you cannot attend, you may appoint a proxy to attend and vote for you. If you are entitled to cast two or more votes, you may nominate two persons to vote on your behalf at the meeting. If two proxies are appointed, each proxy may be appointed to represent a specified number or proportion of your votes. Fractions of votes will be disregarded. If no such number or proportion is specified, each proxy may exercise half your votes. For shareholders receiving the Notice of Meeting by post, a proxy form and a reply paid envelope have been included with this Notice of Meeting. Proxy voting instructions are provided on the proxy form.

A proxy need not be a shareholder. Votes may be cast 'For' or 'Against' or you may 'Abstain' from voting on a resolution. If you wish to direct a proxy how to vote on any resolution, place a mark (e.g. a cross) in the appropriate box on the proxy form and your votes may only be exercised in that manner. You may split your voting direction by inserting the number of shares or percentage of shares that you wish to vote in the appropriate box. If you place a mark in the 'Abstain' box, your votes will not be counted in computing the required majority on a poll.

2 Online Proxy Facility

You may also submit your proxy appointment online at www.investorvote.com.au

To use this online proxy facility, you will need to enter your Shareholder Reference Number (SRN) or Holder Identification Number (HIN), postcode and Control Number, as shown on your proxy form. You will be taken to have signed the proxy form if you lodge it in accordance with the instructions on the website. If you wish to use this facility, you must submit your proxy appointment through the facility by **no later than 10:30 am (Sydney time) on Tuesday, 26 July 2011**. A proxy cannot be appointed online if they

are appointed under a power of attorney or similar authority. The online proxy facility may not be suitable for some shareholders who wish to split their votes on an item of business or appoint two proxies with different voting directions. Please read the instructions for the online proxy facility carefully before you submit your proxy appointment using this facility. If you are a custodian and an Intermediary Online subscriber, you can log on to www.intermediaryonline.com

3 Proxy Delivery

Proxies given by post, fax or delivery must be received by Macquarie's share registry, Computershare Investor Services Pty Limited, at GPO Box 242, Melbourne, VIC, 3001 (facsimile number within Australia 1800 783 447 or from outside Australia +61 3 9473 2555) or at Level 4, 60 Carrington Street, Sydney, NSW, 2000 or at Macquarie's registered office in Sydney, by no later than 10:30 am (Sydney time) on Tuesday, 26 July 2011. Any revocations of proxies (including online proxy appointments) must be received at one of these places before the commencement of the meeting, or at the registration desk at the Hilton Hotel for the 2011 Annual General Meeting from 9:30 am on the day of the meeting and no later than the commencement of the meeting.

4 Power of Attorney

If a shareholder has appointed an attorney to attend and vote at the meeting, or if the proxy is signed by an attorney, the power of attorney (or a certified copy of the power of attorney) must be received by Macquarie's share registry, Computershare Investor Services Pty Limited, at the addresses or facsimile number in Note 3 above, or at Macquarie's registered office in Sydney, by **no later than 10:30 am (Sydney time) on Tuesday, 26 July 2011**, unless the power of attorney has been previously lodged with Macquarie's share registry for notation.

5 Corporate Representatives

If a corporate shareholder wishes to appoint a person to act as its representative at the meeting, that person should be provided with a letter or certificate authorising him or her as the company's representative (executed in accordance with the company's constitution) or with a copy of the resolution appointing the representative, certified by a secretary or director of the company. A form of appointment of corporate representative may be obtained from Macquarie's share registry.

6 Shareholders Eligible to Vote

Pursuant to regulation 7.11.37 of the *Corporations Regulations 2001 (Cth)*, the holders of Macquarie's ordinary shares for the purposes of the meeting, will be those registered holders of Macquarie's ordinary shares at 7:00 pm (Sydney time) on **Tuesday, 26 July 2011**.

7 Voting at the Meeting

In light of the large number of proxy votes which have been received from shareholders at previous meetings, it is intended that voting on each of the proposed resolutions at this meeting will be conducted by poll, rather than on a show of hands.

8 Definitions

The terms 'Voting Director' and 'Executive Voting Director' have the meanings given in Macquarie's Constitution.

The Voting Directors as at the date of the Notice of Meeting are: H Kevin McCann, Diane J Grady, Michael J Hawker, Peter M Kirby, Catherine B Livingstone, Nicholas W Moore, John R Niland, Helen M Nugent and Peter H Warne. Mr Moore is the only Executive Voting Director.

Explanatory Notes on Items of Business

Item 1 – Financial Statements

As required by section 317 of the *Corporations Act 2001 (Cth)* (Corporations Act), the Financial Report, Directors' Report and Auditor's Report of Macquarie Group Limited (Macquarie) and its subsidiaries (Macquarie Group) for the most recent financial year will be laid before the meeting.

Shareholders will be provided with the opportunity to ask questions about, or make comments on, the reports, management or about Macquarie Group generally but there will be no formal resolution put to the meeting.

The reports are available on Macquarie's website at www.macquarie.com.au/mqg-annualreport

Items 2, 3, 4 & 5 – Re-election of Voting Directors

Voting Directors, Mr Peter M Kirby, Dr John R Niland and Dr Helen M Nugent, retire by rotation and offer themselves for re-election. In addition, the Chairman, Mr H Kevin McCann has voluntarily submitted himself for re-election.

2 Re-election of Mr PM Kirby as a Voting Director

Peter M Kirby, BEc (Rhodes), BEc (Hons) (Natal), MA (Manch), MBA (Wits)

Independent Voting Director since August 2007 (of Macquarie Bank since June 2003)

Member of the Board Audit Committee

Member of the Board Corporate Governance Committee

Member of the Board Risk Committee

The Board has significantly benefited from the depth and breadth of Mr Kirby's considerable business and management expertise gained over 30 years in a variety of roles. Mr Kirby presided over CSR's transformation into one of the world's top ten building material groups over the five years from 1998 to March 2003, culminating in its successful demerger into two independent listed companies, Rinker Group Limited and CSR.

Prior to joining CSR, Mr Kirby was with the Imperial Chemical Industries PLC group (ICI)

for 25 years in a variety of senior management positions around the world, including Chairman/CEO of ICI Paints, responsible for the group's coatings businesses worldwide, and a member of the Executive Board of ICI PLC, with responsibility for ICI Americas and the western hemisphere.

He was also a member of the Board of the Business Council of Australia from 2001 to 2003 and received the Centenary Medal in 2003.

Mr Kirby is currently Chairman of DuluxGroup Limited. He is a former Chairman and Director of Medibank Private Limited and a former Director of Orica Limited and the Beacon Foundation.

If re-elected, Mr Kirby looks forward to continuing to make significant contributions to the Board based on his extensive operating experience.

The Board unanimously recommends that shareholders vote in favour of Mr Kirby's re-election.

3 Re-election of Dr JR Niland as a Voting Director

John R Niland, AC, BCom MCom HonDSc (UNSW), PhD (Illinois), DUniv (SCU), FAICD

Independent Voting Director since August 2007 (of Macquarie Bank since February 2003)

Chairman of the Board Corporate Governance Committee

Member of the Board Remuneration Committee

Member of the Board Risk Committee

Dr Niland brings a long and distinguished background in the academic sphere to the Board. He is a Professor Emeritus of the University of New South Wales (UNSW) and was Vice-Chancellor and President of UNSW from 1992 to 2002. Before that he was the Dean of the Faculty of Commerce and Economics. He is currently Deputy Chairman of the Board of Trustees of Singapore Management University and has previously served on the University Grants Committee of Hong Kong. He is active in providing consulting advice to government bodies and universities in the region on their globalisation strategies and governance standards.

Dr Niland has spent periods in management roles in the Australian steel industry and as CEO of the State Pollution Control Commission and Executive Chairman of the Environment Protection Authority.

Dr Niland also brings significant and wide experience as a non-executive director. He is currently Chairman of Campus Living Funds Management Limited and has previously been on the boards of the Centennial Park and Moore Park Trust, realestate.com.au Limited, St Vincent's Hospital, the Sydney Symphony Orchestra Foundation and the Sydney Olympic bid's Building Commission. He has also served on the Australian Universities Council and the Prime Minister's Science, Engineering and Innovation Council and is a former President of the National Trust of Australia (NSW).

Dr Niland, if re-elected, expects to continue to use the breadth of his experience in roles covering globalisation, environmental regulation, human resources and philanthropy as well as his extensive academic experience, to benefit the Board.

The Board unanimously recommends that shareholders vote in favour of Dr Niland's re-election.

4 Re-election of Dr HM Nugent as a Voting Director

Helen M Nugent, AO, BA (Hons) (Qld), PhD (Qld), MBA (Harv), HonDBus (Qld)

Independent Voting Director since August 2007 (of Macquarie Bank since June 1999)

Chairman of the Board Remuneration Committee

Member of the Board Nominating Committee

Member of the Board Risk Committee

Dr Nugent brings significant financial sector experience, both past and present, to the Board. Currently, she is Chairman of Funds SA, a \$17 billion investment fund of the South Australian Government. Previously, she has been Chairman of Swiss Re (Life & Health) Australia Limited and a Non-Executive Director of the State Bank of NSW and of Mercantile Mutual, now ING. From 1994 to 1999, she was Director of Strategy at

Westpac Banking Corporation, reporting to the CEO and part of the executive team that was responsible for a significant turnaround in that bank's performance. Prior to joining Westpac, as a partner of McKinsey & Company, Dr Nugent worked extensively in the financial services sector, among other industries.

Currently, Dr Nugent is a full-time company director. She is a Non-Executive Director of Origin Energy and a member of the board of Freehills. She was previously a Director of UNiTAB Limited, Carter Holt Harvey Limited and Australia Post.

Dr Nugent has been actively involved in the community, particularly in the arts and education. In the arts, she is Deputy Chairman of the National Portrait Gallery and was previously Chairman of the Major Performing Arts Board of the Australia Council, Deputy Chairman of the Australia Council and Deputy Chairman of Opera Australia. She was also Chairman of the Ministerial Inquiry into the Major Performing Arts. In education, she is currently the Chancellor of Bond University and previously has been a member of the Bradley Review into Higher Education, Professor in Management and Director of the MBA programme at the Australian Graduate School of Management and a member of the Council of Monash University.

The Board has greatly benefited from Dr Nugent's significant expertise. As an independent director with a keen interest in corporate governance, if re-elected, she looks forward to continuing to support the Board's role in adding value for shareholders.

The Board unanimously recommends that shareholders vote in favour of Dr Nugent's re-election.

Explanatory Notes on Items of Business

continued

5 Re-election of Mr HK McCann as a Voting Director

H Kevin McCann, AM, BA LLB (Hons) (Syd), LLM (Harv), FAICD

*Independent Chairman since 17 March 2011
Independent Voting Director since August 2007
(of Macquarie Bank since December 1996)
Chairman of the Board Nominating Committee
Member of the Board Risk Committee*

Mr McCann was appointed Chairman of Macquarie and Macquarie Bank on 17 March 2011 following the untimely resignation from these positions of Mr David Clarke, due to ill health. During Mr Clarke's earlier leave of absence due to illness, Mr McCann was the Acting Chairman of Macquarie and Macquarie Bank Limited, the Acting Chairman of the Board Nominating Committee and an Acting Member of the Board Remuneration Committee from 27 November 2008 to 30 August 2009.

Mr McCann has brought over 30 years' experience as a non-executive director of successful Australian companies to the Board. He is a former Partner of Allens Arthur Robinson, a leading firm of Australian lawyers. He was Chairman of the firm from 1995 to 2004. He practiced as a commercial and corporate lawyer.

He is Chairman of Origin Energy Limited, a director of BlueScope Steel Limited and a member of the Council of the National Library of Australia and the Senate of the University of Sydney. He is a board member of the Australian Institute of Company Directors (AICD) and President of the NSW Advisory Board of AICD and a member of the Evans and Partners Advisory Board.

He is also currently Chairman of ING Management Limited and will resign from that board effective 30 June 2011.

He was previously Chairman of Triako Resources Limited, Healthscope Limited, the Sydney Harbour Federation Trust and the Corporate Governance Committee of the Australian Institute of Company Directors, and is a former member of the Takeovers Panel.

Mr McCann has voluntarily submitted himself for re-election. If re-elected, a further three year term would extend Mr McCann's tenure beyond Macquarie's Board Renewal Policy tenure limit. The Board considers Mr McCann to be the most appropriate Director to be Chairman of Macquarie given his successful chairmanship of other large Australian companies and his experience as Acting Chairman when Mr Clarke was previously on leave of absence.

The Board unanimously recommends that shareholders vote in favour of Mr McCann's re-election.

Item 6 – Election of Ms DJ Grady as a Voting Director

Ms Grady, having been appointed by the Board as a Voting Director effective on 19 May 2011, offers herself for election as required by clause 9.2(b) of Macquarie’s Constitution.

Diane J Grady, AM, BA (Mills), MA (Hawaii), MBA (Harv)

*Independent Voting Director since May 2011
(of Macquarie Bank since May 2011)*

Member of the Board Risk Committee

Ms Grady has been a full time independent director since 1994. She is currently a director of BlueScope Steel Limited and has previously served as a director of Woolworths Limited (1996 to 2010), Goodman Group (1997 to 2010), and Lend Lease (1994 to 2002). She is also on the McKinsey & Company (McKinsey) advisory board.

Previously, she was a partner at McKinsey where she spent 15 years consulting to clients in a broad range of industries on strategic and operational issues. She was a worldwide leader of the firm’s Organisation and Change Management Practice and the first woman outside the US to be elected to McKinsey’s global partnership. She emigrated from the US to Australia in 1979, where she headed McKinsey’s Consumer Goods, Retailing and Marketing Practice.

Ms Grady earned an MBA from Harvard Business School and holds a Masters in Chinese Studies from the University of Hawaii. She also spent three years in Taiwan working for a Chinese-owned publications company. From 2002 to 2004, she was president of Chief Executive Women and chaired the group’s taskforce which published the *CEO Kit for Attracting and Retaining Female Talent*. Ms Grady was made a member of the Order of Australia in 2009 for her contribution to business and to the promotion of women leaders.

If elected, Ms Grady’s broad experience as a director, her international background, and her understanding of strategic and organisational issues will be of benefit to Macquarie.

The Board unanimously recommends that shareholders vote in favour of Ms Grady’s election.

Explanatory Notes on Items of Business

continued

Item 7 – Remuneration Report

As required by section 250R(2) of the Corporations Act, a resolution that Macquarie's Remuneration Report be adopted must be put to the vote.

Currently, section 250R(3) of the Corporations Act provides that the vote on the resolution is advisory. The Federal Government has proposed amendments to the Corporations Act to take effect on 1 July 2011, whereby if a company's remuneration report receives a 'no' vote of 25 per cent or more at two consecutive annual general meetings, a resolution must then be put to shareholders at the second annual general meeting as to whether another meeting should be held within 90 days at which all directors (other than the managing director) who were in office at the date of approval of the relevant directors' report must stand for re-election.

At the date of this Notice of Meeting, the amendments have yet to be passed into law and it is not known if or when the amendments may take effect or if they may take effect in a modified form.

The Remuneration Report is contained within the Directors' Report in Macquarie's 2011 Annual Report on pages 77 to 128. The Remuneration Report Executive Summary is largely included below.

Executive Summary

Through its remuneration approach, Macquarie's objective is to drive superior shareholder returns over the long term, while managing risk in a prudent fashion. Its aim is to do this by aligning the interests of staff and shareholders, while attracting, motivating and retaining high quality people. The consistency of this approach has served shareholders well over the longer term. The Board considers that, with incremental change, it continues to be the appropriate approach.

Nonetheless, over the past year, Macquarie has faced some remuneration challenges. Regulators in Australia and some overseas jurisdictions have focused on remuneration, causing adjustments to the structure of remuneration. At the same time, competition for staff has intensified. Some peers have sought to rebuild their business after the Global Financial Crisis. Other firms are not constrained by regulator pay guidelines and are able to offer attractive remuneration packages to target staff.

Macquarie has sought to address these twin and conflicting challenges by making further incremental changes to its remuneration structure within its broad overarching remuneration approach. In so doing, the focus continues to be on aligning the interests of shareholders and staff, while attracting and retaining our most valuable asset, namely our staff.

- For some staff, more profit share is being deferred and delivered in Macquarie equity, with less profit share being delivered as cash.
- 'Malus'¹ is to be introduced for some staff for FY2012 in line with regulatory requirements. Such an approach is consistent with Macquarie's existing ability to 'clawback' deferred profit share from those staff who leave and breach specific guidelines.
- For some staff, to meet regulatory guidance and market practice, a shift has occurred in the mix between fixed and variable remuneration. Such shifts are most notable in risk and finance staff, as well as in the structure of senior executive remuneration.

¹ Malus refers to the discretion of the Board (from 2012) to reduce or eliminate unvested profit share amounts where it determines that an employee's action or inaction has caused Macquarie significant reputational harm, caused a significant or unexpected financial loss or caused Macquarie to make a material financial restatement.

Notwithstanding these shifts to increased fixed remuneration, the proportion and level of fixed remuneration for senior staff remain relatively low compared to comparable roles in other Australian corporations. The Board of Directors considers this is appropriate because it encourages a performance orientation. In 2011, fixed remuneration for Macquarie's twelve Executive Committee members comprised, on average, 12 per cent of current year total remuneration. The balance of their remuneration remains at risk.

Macquarie remains committed to a **performance-based approach to remuneration** that is aligned with shareholders' interests. This is evidenced by the way the profit share pool is created using the twin measures of net profit after tax (NPAT) and return on equity (ROE), measures which are known to be drivers of returns to shareholders. For a given level of capital employed, total profit share rises or falls with NPAT. Macquarie's total profit share pool increases with performance and no maximum ceiling is imposed. This aligns shareholder and staff interests and provides the strongest incentive to staff to continuously strive to maximise long-term profitability.

Performance-based profit share is allocated to Macquarie's businesses and, in turn, to individuals based on performance. Performance is primarily assessed based on relative contribution to profits while taking into account capital usage and risk management. This results in businesses and individuals being motivated to increase earnings and to use shareholder funds efficiently, consistent with prudent risk-taking. In addition, other qualitative measures are used to assess individual performance. For the Managing Director and Chief Executive Officer (CEO) of Macquarie Group and the Managing Director and CEO of Macquarie Bank, the Non-Executive Directors annually and specifically assess each Managing Director's performance by considering a range of indicators, including risk management, governance and compliance, financial performance measures, strategic initiatives, staff and human resources indicators, reputation management and monitoring, community and social responsibility

matters and efforts in respect of diversity.

The approach adopted motivates staff to work co-operatively given that their profit share will reflect Macquarie's overall performance, the relative performance of their business and their individual contribution.

The Board and management also seek to ensure that remuneration for staff whose primary role is risk and financial control, including the Chief Risk Officer (CRO) and the Chief Financial Officer (CFO), preserves the independence of the function and maintains Macquarie's robust risk management framework.

Profit share is delivered in ways that encourage a longer-term perspective and ensures alignment with shareholders' longer-term interests and staff retention. In turn, this encourages staff to maximise profit without exposing Macquarie to risk or behaviours that jeopardise long-term profitability or reputation.

For 2011, 70 per cent of the Managing Director and CEO's annual gross profit share allocation is retained, up from 55 per cent in 2010. For Executive Committee members and Designated Executive Directors², between 50 and 70 per cent of their profit share is retained; whereas retained profit share for other Executive Directors is between 40 and 70 per cent. The 70 per cent upper limit represents an increased deferral from prior years, reflecting market conditions. After Performance Share Units (PSUs) are taken into account, the effective deferral rate for the Managing Director and CEO is 76 per cent and between 61 and 76 per cent for Executive Committee members. In addition, retention rates for staff below Executive Director have also been increased, dependent on certain thresholds.

2 Executive Directors who are members of the Operations Review Committee and others who have a significant management or risk responsibility in the organisation.

Explanatory Notes on Items of Business

continued

Retained profit share for the Managing Director and CEO, other Executive Committee members and Designated Executive Directors is released on a pro-rata basis between years three and seven. In the case of other Executive Directors, it is released on a pro-rata basis between years three and five. Retained amounts are invested in a combination of Macquarie ordinary shares and notionally in Macquarie-managed fund equity dependent on an individual executive's responsibilities. Such an approach also strengthens alignment with Macquarie shareholders and security holders in Macquarie-managed funds.

All Executive Directors are subject to a minimum shareholding requirement which is satisfied through the delivery of equity under the current remuneration arrangements.

PSUs, which are only allocated to the Managing Director and CEO and Executive Committee members, vest in three tranches after two, three and four years, but only if challenging performance hurdles are met.

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

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

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

In accordance with the 2009 shareholder approval, a departing Executive Director's unvested retained profit share is only paid out in the case of genuine retirement, redundancy or in certain other limited exceptional circumstances, and is forfeited in stages if a 'disqualifying event' occurs within two years of leaving. For example, the payment of a departing Executive Director's retained profit share will be subject to forfeiture if it is found that the individual has acted in a way that damages Macquarie, including but not limited to action or inaction that leads to a material financial restatement, a significant financial loss or any significant reputational harm to Macquarie or its businesses.

From the 2012 financial year, the Board will have discretion to agree to change, reduce or eliminate unvested profit share amounts (Malus) where it determines that an employee's action or inaction has caused Macquarie significant reputational harm, a significant unexpected financial loss or a material financial restatement. This will apply to the Executive Committee, Designated Executive Directors, Code Staff under the FSA Remuneration Code, senior risk and financial control staff and any other staff as determined by the Board Remuneration Committee (BRC).

The following table summarises the current performance-based remuneration arrangements:

Key Area	Executive Committee (including Managing Director and Chief Executive Officer) and Designated Executive Directors	Other Executive Directors	Staff other than Executive Directors
Amount of profit share retained	50-70 per cent (70 per cent for the Macquarie Group Managing Director and Chief Executive Officer) for Executive Committee members A minimum of 50 per cent up to a maximum of 70 per cent for Designated Executive Directors	A minimum of 40 per cent up to a maximum of 70 per cent	A minimum of 25 per cent up to a maximum of 70 per cent dependent on certain thresholds
How retained profit share is invested	Invested in a combination of Macquarie shares and Macquarie-managed fund equity notionally invested Investment mix will vary depending on an individual's role	Invested in a combination of Macquarie shares and Macquarie-managed fund equity notionally invested Investment mix will vary depending on an individual's role	Invested in Macquarie shares ³
Vesting and release of retained profit share	All retained amounts vest and are released from three to seven years after the year retained (see also forfeiture below)	All retained amounts vest and are released from three to five years after the year retained (see also forfeiture below)	All retained amounts vest and are released from two to four years after the year retained
Forfeiture of retained profit share while employed⁴	Board discretion to reduce or eliminate unvested profit share amounts (Malus) in certain circumstances	Board discretion to apply Malus to certain Executive Directors, as identified by the BRC	Board discretion to apply Malus to certain staff, as identified by the BRC
Forfeiture of retained profit share on leaving	Unvested amounts are forfeited except in the case of death, permanent disability, genuine retirement, redundancy and other limited exceptional circumstances Retained profit share is forfeited in stages if a 'disqualifying event' occurs within two years of leaving	Unvested amounts are forfeited except in the case of death, permanent disability, genuine retirement, redundancy and other limited exceptional circumstances Retained profit share is forfeited in stages if a 'disqualifying event' occurs within two years of leaving	Unvested amounts are forfeited except in the case of death, permanent disability, genuine retirement, redundancy and other limited exceptional circumstances
PSUs	Granted to Executive Committee members only, which vest over two to four years	N/A	N/A
Minimum Shareholding Requirement	Required to hold the deemed after-tax equivalent of 10 per cent of all of their profit share allocations over the last 10 years (five years for Designated Executive Directors) in Macquarie shares (which is satisfied by the above requirements)	Required to hold the deemed after-tax equivalent of 10 per cent of all of their profit share allocations over the last five years in Macquarie shares (which is satisfied by the above requirements)	N/A

³ Invested in a combination of Macquarie shares and Macquarie-managed fund equity for a select group of directors whose primary role relates to the management of the funds business.

⁴ Malus arrangements will take effect from 2012 in respect of profit share awards for the year ended 31 March 2012 and onwards.

Explanatory Notes on Items of Business

continued

The remuneration approach is managed via **strong governance structures and processes**. The Board aims to ensure that Macquarie's remuneration system is sound in the following ways:

- strong Board and BRC oversight. The BRC currently comprises three independent Non-Executive Directors
- assessment of risk as part of the profit share allocation process
- independent remuneration review.

Conflicts of interest are managed proactively and assiduously. The BRC makes recommendations to the Non-Executive Directors of the Board on key decisions.

Macquarie's Non-Executive Director remuneration policy ensures that Non-Executive Directors are remunerated appropriately. This is achieved by:

- setting Board and Board Committee fees in line with market rates for relevant Australian financial organisations for the time commitment and responsibilities involved
- delivering these fees in a form that is not contingent on Macquarie's performance
- not providing termination or retirement benefits other than payments relating to their accrued superannuation contributions comprising part of their remuneration.

This overall approach to remuneration has over the long haul, contributed to creating value for shareholders.

Noting that each Voting Director has a personal interest in their own remuneration from Macquarie, as described in the Remuneration Report, the Board unanimously recommends that shareholders vote in favour of adopting the Remuneration Report.

Item 8 – Approval of Executive Voting Director's Participation in the Macquarie Group Employee Retained Equity Plan (MEREP)

The approval of shareholders is sought to permit Nicholas Moore, Macquarie's Managing Director and Chief Executive Officer, to participate this year, with other executives in the MEREP.

Background

The reason this approval is being sought is because ASX Listing Rule 10.14 provides that a listed company may only permit a director of the company to acquire newly issued shares or rights to shares under an employee incentive scheme where that director's participation has been approved by an ordinary resolution of shareholders.

The Managing Director is eligible to receive Restricted Share Units (RSUs) under the MEREP. The shares required for this grant will be allocated from a reserve account in the trust established to hold shares for MEREP purposes. As no shares have been or will be issued for these RSUs, shareholder approval is not required for the grant of RSUs to the Managing Director. However, consistent with Macquarie's commitment to good corporate governance it is providing shareholders the opportunity to vote on the grant.

The Managing Director is eligible to receive Performance Share Units (PSUs) that are subject to performance hurdles. Shareholder approval under ASX Listing Rule 10.14 is being sought so that PSUs are able to be issued to the Managing Director under the MEREP. Further information on PSUs and the performance hurdles can be found in the Appendix to these Explanatory Notes.

Restricted Share Units

Approval is sought to allocate \$5.05 million of the Managing Director's retained 2011 profit share under the MEREP, in the form of RSUs.

The RSUs for which approval is sought will vest over seven years with 20 per cent of the RSUs vesting each year between years three and seven. In all other respects, the RSUs will be subject to the same terms and conditions as RSUs awarded to other Executive Directors with retained profit share allocated under the MEREP. Macquarie's

2011 Remuneration Report includes a summary of these terms and conditions.

The number of RSUs that will be allocated to the Managing Director will be determined by dividing his retained profit share amount to be invested in Macquarie shares by the average price at which Macquarie shares were acquired on-market from 9 May 2011 up to 30 June 2011 (Buying Period) for the allocation of MEREP awards to other staff with retained profit share for the financial year ended 31 March 2011. This average price is referred to as the Conversion Price. This is consistent with the methodology used for calculating the number of MEREP awards for other staff with retained profit share for the financial year ended 31 March 2011. The number of RSUs to be allocated to the Managing Director will not be known until the Conversion Price is calculated at the end of the Buying Period. Macquarie will announce to the market the Conversion Price and the number of RSUs to be allocated to the Managing Director prior to the date of the AGM.

Performance Share Units

Approval is sought to allocate Mr Moore \$2.49 million worth of PSUs vesting in three equal tranches after two, three and four years from the deemed vesting commencement date (1 July 2011), giving an average vesting period of three years. As a general rule, unvested PSUs will lapse on termination. However, the Macquarie Board or the BRC will have the authority to accelerate the vesting of the PSUs. The Managing Director's PSUs will be structured as Deferred Share Units (DSUs) with the performance hurdles described in the Appendix to these Explanatory Notes. A DSU is a right to receive on exercise of the DSU either a share held in the MEREP Trust (Trust) or a newly issued share (as determined by Macquarie in its absolute discretion) for no cash payment, subject to the vesting and forfeiture provisions of the MEREP.

The number of PSUs that will be allocated to the Managing Director will be calculated by dividing \$2.49 million by the fair valuation of a PSU at the date of grant. The maximum value of PSUs that may be acquired by the Managing Director is \$2.49 million. The determination of the number of PSUs to be allocated will be deferred until after shareholder approval is received. The fair value per PSU to be calculated at the date of grant will be determined using a Monte-Carlo option pricing framework. The Monte-Carlo option pricing framework is a valuation technique that, based on input assumptions, generates thousands of possible outcomes and assigns a value to each.

The values are then averaged and discounted to the present to arrive at the value of a PSU. This valuation methodology is also designed to take account of trading period restrictions and the vesting performance hurdles and timeframes described in the Appendix to these Explanatory Notes. The following key assumptions will be adopted in estimating the value of the proposed PSUs: a risk free interest rate⁵, volatility⁶ and a forecast dividend yield. The market price of the Macquarie shares for the purpose of this calculation will be the closing market price preceding the date of grant, which will be no later than 31 August 2011.

The table below provides an estimate of the number of PSUs to be granted at varying prices for Macquarie shares. The following assumptions were used in estimating these values: a risk free interest rate of 5.71 per cent per annum, volatility of 54.8 per cent and a forecast dividend yield of 5.20 per cent per annum.

Macquarie Share Price	Value of PSU Award	PSU Value (per unit)	PSUs to be granted
\$45	\$2,490,000	\$30.12	82,669
\$40	\$2,490,000	\$26.77	93,014
\$35	\$2,490,000	\$23.43	106,274
\$30	\$2,490,000	\$20.08	124,003

Further details regarding PSUs are set out in the Appendix to these Explanatory Notes.

5 Being the four year yield to maturity from the zero coupon yield curve derived from the inter-bank interest rate swap curve as per industry practice for a Monte-Carlo simulation.

6 Being the actual three year historical volatility of the Macquarie share price.

Explanatory Notes on Items of Business

continued

Executive Voting Director's remuneration

Full details of the Managing Director's remuneration and Macquarie share and option holdings in respect of the 2011 financial year are shown on pages 111 to 125 in the Directors' Report and in Notes 35 – 36 (Key Management Personnel disclosure and Employee equity participation) in the 2011 Annual Report.

Maximum number of RSUs and PSUs

The maximum number of RSUs for which approval is sought will be calculated as described above and will be announced to the market before the AGM, together with the Conversion Price used in the calculation.

The maximum value of PSUs that may be acquired by the Managing Director is \$2.49 million. The maximum number of PSUs that may be acquired by the Managing Director for which shareholder approval is sought will be calculated by dividing the PSU allocation amount by the fair value of a PSU on the date of grant.

Price payable on grant of Restricted Share Units

The effective aggregate price payable by the Managing Director for the RSUs for which shareholder approval is sought is approximately \$5.05 million, being the amount of Mr Moore's 2011 retained profit share to be allocated under the MEREP.

Price payable on grant of Performance Share Units

The Managing Director will not make any cash payment for the PSUs for which shareholder approval is sought. The PSUs are an incentive mechanism for future performance and subject to the performance hurdles described in the Appendix to these Explanatory Notes.

Participants under previous approvals

The Managing Director is the only person referred to in ASX Listing Rule 10.14 entitled to participate in the MEREP.

The Managing Director was granted 105,362 RSUs with a conversion price of \$43.48 per share and 108,225 PSUs for nil cash consideration following shareholder approval at the 2010 Macquarie Group Annual General Meeting.

Terms of any loan relating to the acquisition of shares

No loan is being provided to the Managing Director in relation to the acquisition of shares under the MEREP.

Date by which grants will be made

The proposed grant of RSUs and PSUs to the Managing Director will be made by no later than 31 August 2011, subject to shareholder approval of Item 8 in the Notice of Meeting.

Consequences if approval not obtained

If shareholders do not approve the proposed issue of RSUs and PSUs to the Managing Director under Item 8, the proposed grant of RSUs and issue of PSUs to him will not proceed. This may impact Macquarie's ability to incentivise the Managing Director and align his interests with those of shareholders and with the remuneration arrangements of the other Executive Directors. The Board will need to consider alternative remuneration arrangements, which are consistent with Macquarie's remuneration principles, including cash payment.

The Non-Executive Voting Directors of the Board unanimously recommend that shareholders approve Item 8 in the Notice of Meeting. Mr Moore, being the Managing Director and Chief Executive Officer, has a material personal interest in the resolution and therefore has abstained from providing a recommendation.

Appendix

Performance Share Units (PSUs)

Executive Committee members are the only group of staff eligible to receive PSUs. Since their introduction, PSUs have been structured as DSUs with performance hurdles. Holders have no right to dividend equivalent payments before the PSUs vest. In all other respects, holders of these PSUs will have the same rights as holders of DSUs.

Unlike options, there is no exercise price for PSUs.

Determination and allocation of the PSUs

The Board approves a value of PSUs to be allocated to each Executive Committee member each year as part of the annual remuneration review process. This determination has regard to Macquarie's overall performance, the extent to which the Executive Committee members have fulfilled their roles, and the long term value delivered to shareholders. The allocation to individual executives is broadly made in the same manner as annual profit share allocations i.e. it is performance-based.

Vesting Schedule

The PSUs vest in three equal tranches after two, three and four years from the deemed vesting commencement date (typically 1 July in the year of grant), giving an average vesting period of three years. As a general rule, unvested PSUs will lapse on termination. However, the Board or the BRC has the authority to accelerate the vesting of PSUs. The Board or the BRC may consider exercising this authority where, for example, a staff member dies, is totally and permanently disabled, gives notice of their intention to enter into genuine retirement or a staff member's employment ends on the grounds of redundancy, illness or in other limited exceptional circumstances, such as hardship or where business efficacy justifies exercising the discretion.

Performance hurdles for Executive Committee PSUs

PSUs issued under the MEREP are released or become exercisable upon the achievement of certain performance hurdles. There are two performance hurdles and each will apply individually to 50 per cent of the total number of PSUs awarded.

The BRC will periodically review the performance hurdles, including the reference group, and has the discretion to change the performance hurdles in line with regulatory and remuneration trends.

Description of performance hurdles:

Hurdle 1 — *50 per cent of the PSUs, based solely on the relative average annual return on ordinary equity (ROE) over the vesting period compared to a reference group of domestic and international financial institutions.* Vesting is on a sliding scale with 50 per cent vesting above the 50th percentile and 100 per cent vesting at the 75th percentile. For example, if ROE achievement is at the 60th percentile, 70 per cent of the award would vest.

The reference group comprises significant Australian financial companies within the ASX100 as well as Macquarie's major international investment banking peers with whom Macquarie competes and frequently compares its performance. The reference group comprises ANZ Group, Commonwealth Bank, National Australia Bank, Westpac, Suncorp, Bank of America, Citigroup, Credit Suisse, Deutsche Bank, Goldman Sachs, JP Morgan, Morgan Stanley and UBS.

Appendix

Performance Share Units (PSUs) continued

Hurdle 2 — *50 per cent of the PSUs, based solely on compound annual growth rate (CAGR) in earnings per share (EPS) over the vesting period.* Awards vest on a sliding scale with 50 per cent vesting at EPS CAGR of 9 per cent and 100 per cent vesting at EPS CAGR of 13 per cent. For example, if EPS CAGR was 11 per cent, 75 per cent of the award would vest.

Under both performance hurdles, the objective is examined once only, effectively at the calendar quarter end immediately before vesting. If the condition is not met when examined, the PSUs due to vest expire.

Rationale for selection of performance hurdles:

- ROE and EPS are considered appropriate measures of performance as they are regarded as the drivers of longer term shareholder returns and are broadly similar to the performance measures Macquarie uses for determining annual profit share.
 - EPS provides closer alignment with the interests of shareholders as it is a measure with which they are directly concerned. In addition, such a measure is particularly appropriate for the Executive Committee who are at a level within Macquarie where they can affect its achievement without being highly impacted by factors, including market sentiment, over which other executives have reduced control.
 - ROE and EPS can be substantiated using information that is disclosed in audited financial statements, providing confidence in the integrity of the remuneration system from the perspective of both shareholders and staff.
 - The use of a sliding vesting scale diversifies the risk of not achieving the hurdle for executives, provides rewards proportional to performance for shareholders and replaces the all-or-nothing test which some have argued could, in the current climate, promote excessive risk taking. Sliding vesting scales are also more widely used and supported by governance agencies.
- Use of a reference group of significant Australian financial companies and international peers provides an appropriate reference. This also recognises that, following the significant changes in global financial markets, regulated financial institutions will likely face increased regulatory requirements, which other companies will not. The inclusion of international peers recognises the extent of Macquarie's internationalisation. At 31 March 2011, over half of Macquarie's income and approximately half of Macquarie's staff were offshore. Also, international ownership of Macquarie's shares remains significant with non-Australian ownership averaging approximately 34 per cent over the three years to 31 March 2011.
 - The approach is consistent with that advocated by APRA in not using total shareholder return as a measure.

Performance level required to meet hurdles:

- Being two, three or four year average measures aligned with the vesting period, Macquarie's performance hurdles reward sustained strong performance and are relatively well insulated from short-term fluctuations.
- The ROE hurdle has vesting only commencing if the mid-point of peers' performance has been exceeded and 100 per cent vesting is only achieved if the 75th percentile has been reached.
- The use of an absolute EPS hurdle requires Macquarie to deliver increased business results before awards are vested, lessening the chance that awards could vest when results are negative as with the use of a relative measure.
- The chosen EPS CAGR hurdle is considered appropriate having regard to a range of factors including historical average market EPS CAGR figures. The table below shows the five year historical mean and 75th percentile EPS CAGR for some relevant market sectors.

5 year EPS CAGR (per cent per annum)¹

	S&P/ASX 100 ex Resources	S&P/ASX Banks	S&P/ASX Financials ex Property Trusts	MSCI Financials
Mean	4.7	5.9	3.0	(0.3)
75th percentile	14.0	8.9	8.9	8.5

Macquarie's EPS CAGR over the same five year period was (6.7) per cent per annum and since listing in 1996 has been 10.8 per cent per annum.

¹ Data provided by Macquarie Research Equities as at 31 March 2011. MSCI refers to the MSCI All Country World Index.

Investor information

Enquiries

Investors who wish to enquire about any matter relating to their Macquarie Group Limited shareholding are invited to contact the share registry:

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Website

The Macquarie Group Limited Annual Report can be accessed on our website at:

www.macquarie.com.au/mqg-annualreport

