



MACQUARIE BANK

Notice of General Meeting

relating to a proposed Capital Return
on Macquarie Income Securities

4:00 pm Wednesday, 18 March 2020

Macquarie's Sydney Office
Level 10, 50 Martin Place
Sydney, New South Wales

Chairman's Letter

Dear Securityholder

On 30 January 2020, Macquarie Bank Limited (**MBL**) announced that it intends to repay the Macquarie Income Securities (**MIS**) on 15 April 2020. MIS holders will receive a final payment equal to the issue price of \$100 per MIS in addition to the interest payment of \$0.6457. The interest payment remains subject to the payment conditions in the MIS terms.

The MIS, issued in 1999, consist of a fully paid preference share issued by MBL (the **Preference Share**) stapled to a debt interest issued by Macquarie Finance Limited (**MFL**) (meaning that the components of the MIS cannot be traded separately).

The repayment of MIS will occur through a reduction of capital of the Preference Share of \$99.99 (**Capital Return**) and the redemption of the Preference Share for \$0.01, for which MIS Holders will receive a single payment on 15 April 2020.

This mechanism for repayment is consistent with the MIS terms.

The last trading date on the ASX for MIS will be 25 March 2020.

If you have any questions regarding the MIS repayment you can call the information line on 1300 135 167 or +61 2 8016 2891 between the hours of 8:30 am and 6.00 pm AEDT on weekdays.

Please find enclosed a Notice of General Meeting of MBL which will be held at Macquarie's Sydney Office, Level 10, 50 Martin Place, Sydney, New South Wales on Wednesday, 18 March 2020. The meeting is scheduled to commence at 4:00 pm.

The General Meeting is being held to consider the proposed Capital Return.

Holders of MBL ordinary shares and MIS are entitled to vote on the resolution. MIS holders are entitled to vote because the resolution concerns a proposal to reduce MBL's share capital. However, the Corporations Act requires that any votes from MIS holders in favour of the resolution must be disregarded, because they will receive payment in connection with the capital reduction.

It is expected that Macquarie B.H. Pty Limited (**MBHPL**), MBL's sole ordinary shareholder and a subsidiary of Macquarie Group Limited, will vote its shares in favour of the Capital Return. As MBHPL represents more than 99% of the eligible votes, we expect the resolution to be passed.

You are welcome to attend the meeting. If you cannot attend in person, you may submit a proxy vote. If you plan to attend the meeting, please bring the enclosed proxy form to facilitate your registration which will commence at 3:45 pm.

Yours faithfully



Peter Warne

Chairman

7 February 2020

Notice of Meeting

A General Meeting of Macquarie Bank Limited (ACN 008 583 542) (MBL) will be held at Macquarie's Sydney Office, Level 10, 50 Martin Place, Sydney, New South Wales on Wednesday, 18 March 2020 at 4:00 pm. Registration will commence at 3:45 pm.

Items of business

1. Approval of Capital Return Resolution

To consider and, if thought fit, pass the following as a special resolution:

That for the purposes of Part 2J.1 of the Corporations Act 2001 (Cth), and for all other purposes, approval is given for the share capital of Macquarie Bank Limited to be reduced by an aggregate amount of \$399.96 million, to be applied on a pro rata basis to Macquarie Bank Limited's fully paid preference shares (being \$99.99 per fully paid preference share).

The Chairman of the Meeting intends to vote undirected proxies in favour of Item 1.

For further information, please refer to the attached Explanatory Memorandum. Terms having a defined meaning in the glossary to the Explanatory Memorandum have a corresponding meaning in this Notice of General Meeting.

By order of the Board



Dennis Leong

Company Secretary

7 February 2020

Notes

1. Proxies

If you cannot attend, you may appoint a proxy to attend and vote for you. A proxy need not be a securityholder of MBL. If you are entitled to cast two or more votes, you may nominate two persons to vote on your behalf at the meeting, in which case, 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.

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 or insert the number of shares or percentage of shares that you wish to vote in the appropriate box. A valid voting direction must not exceed the total number of shares held or 100 percent. If you 'Abstain' from voting, your votes will not be counted in computing the required majority on a poll.

If you receive the Notice of Meeting by post, a proxy form and a reply-paid envelope have been included with this Notice of Meeting. If you receive your Notice of Meeting by email, the email will include a link to a proxy form which can be downloaded and printed and sent to Boardroom (see Proxy Delivery below). Proxy voting instructions are provided on the proxy form.

Votes cast in favour of the resolution by MIS holders must be disregarded in accordance with Section 256C of the Corporations Act.

Notice of Meeting

Continued

2. Proxy Delivery

Completed proxies must be received by MBL's share registry, at Boardroom Pty Limited, GPO Box 3993, Sydney NSW 2001 (facsimile number +61 2 9290 9655) or via email at macquarie@boardroomlimited.com.au or at Boardroom Pty Limited, Level 12, 225 George Street, Sydney NSW 2000 or at MBL's registered office in Sydney, by no later than 4:00 pm (AEDT) on Monday, 16 March 2020.

Any revocations of proxies must be received at one of these places before the commencement of the meeting or at the registration desk at Macquarie's Sydney Office, Level 10, 50 Martin Place, Sydney, New South Wales for the General Meeting from 3:45 pm on the day of the meeting and no later than the commencement of the meeting.

3. Power of Attorney

If a Securityholder 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 Boardroom Pty Limited, at the addresses or facsimile number in Note 2 above, or at Macquarie's registered office in Sydney, by no later than 4:00 pm (AEDT) on Monday, 16 March 2020, unless the power of attorney has been previously lodged with Macquarie's share registry.

4. Corporate Representatives

If a corporate Securityholder 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.

5. Securityholders Eligible to Vote

Pursuant to regulation 7.11.37 of the Corporations Regulations 2001 (Cth), the holders of MBL's ordinary shares and MIS for the purposes of the meeting, will be those registered holders of MBL's ordinary shares and MIS at 7:00 pm (AEDT) on Monday, 16 March 2020.

6. Voting at the Meeting

Voting on the proposed resolution at this meeting will be conducted by poll.

7. Conduct of the Meeting

MBL is committed to ensuring that Securityholder meetings are conducted in a manner which provides those Securityholders (or their proxy holders) who are present at the meeting with the opportunity to participate in the business of the meeting in an orderly fashion and to ask questions about and comment on matters relevant to the business of the meeting. MBL will not allow conduct at any meeting which is discourteous to those who are present at the meeting, or which in any way disrupts or interferes with the proper conduct of the meeting. The Chairman of the Meeting will exercise his or her powers as the Chairman to ensure that the meeting is conducted in an orderly and timely fashion, in the interests of all of those attending.

Key Dates

Last time and date to lodge a proxy form for the General Meeting with MBL's share registry	4:00 pm, 16 March 2020
General Meeting	4:00 pm, 18 March 2020
Capital Return effected as part of MIS repayment	15 April 2020

Please note that all dates and times are indicative only and subject to change. The Directors reserve the right to amend these dates and times in their absolute discretion.

Unless otherwise stated all \$ amounts refer to Australian Dollars.

You should read this document carefully and in full before deciding how to vote on the Capital Return. If necessary, please consult your financial, investment, legal, taxation or other professional adviser.

Explanatory Memorandum

1. Introduction

This Notice of Meeting and Explanatory Memorandum are being provided to MBL's sole ordinary shareholder, Macquarie B.H. Pty Limited (**MBHPL**), and holders of Macquarie Income Securities (**MIS**).

On 30 January 2020, MBL announced that it intends to repay the MIS in accordance with their terms of issue.

As the repayment of the MIS involves a reduction of capital of the Preference Share component of the MIS, the Corporations Act requires approval either by a special resolution passed at a general meeting of MBL or a resolution approved by all ordinary shareholders at a general meeting.

A general meeting is to take place on 18 March 2020 to approve the Capital Return.

Subject to satisfaction of all necessary conditions (see further section 4.2 below), it is expected that the Capital Return will be implemented on 15 April 2020.

If the MIS are repaid in accordance with the announcement on 30 January 2020, MIS holders will receive for each MIS held, an interest payment of \$0.64572603 (subject to the payment conditions in the MIS terms), the Capital Return (\$99.99) followed by the amount due on the redemption of the Preference Share (\$0.01). MIS Holders will receive a single payment on 15 April 2020, \$0.01 of which will be by way of a prepayment of the redemption amount due on the Preference Share on 16 April 2020.

APRA has given approval for the MIS repayment, including the Capital Return, as is required under the MIS terms.

2. Impact of capital return on MBL

2.1 Effect on capital structure

If the Capital Return is implemented, MBL's share capital will be reduced by the aggregate amount of the Capital Return, being an amount of \$399.96 million. In conjunction with the MIS redemption as contemplated, MBL's preference share capital will be reduced by an aggregate amount of \$400 million.

As no MBL ordinary shares will be cancelled in connection with the Capital Return, the Capital Return will not affect the number of ordinary shares on issue in MBL, or the control of MBL.

2.2 Effect on financial position

In determining whether to implement the Capital Return, the Company is satisfied as to its solvency and considers that the Capital Return is fair and reasonable to MBL's shareholders as a whole and will not materially prejudice MBL's ability to pay its creditors.

The amount of the Capital Return is \$399.96 million. MBL's issued preference share capital will be reduced by that amount if the Capital Return is implemented. The Capital Return is proposed to be funded from MBL's existing liquid assets.

The repayment of MIS and associated Capital Return will reduce regulatory Tier 1 Capital for MBL by approximately \$94 million.

MBL's latest audited financial statements, being the audited statements for the financial year ended 31 March 2019, as well as the unaudited financial statements for the half year ended 30 September 2019, are available at macquarie.com/au/about/investors/reports

Explanatory Memorandum

Continued

2.3 Impact on hybrid securities

As at the date of this Notice of Meeting, MBL has on issue the following hybrid instruments:

- MIS;
- Macquarie Additional Capital Securities issued on 8 March 2017; and
- Macquarie Bank Capital Notes issued on 8 October 2014.

Further detail in relation to the hybrid instruments is contained in MBL's 2019 Annual Report and available on Macquarie's website at macquarie.com/au/about/investors/reports

The proposed Capital Return and associated MIS redemption will not result in any adjustment to the terms of the MBL hybrid securities, nor is it expected to materially affect MBL's ability to pay distributions under the terms of those instruments.

2.4 Impact on MBL's strategy

The Capital Return and associated MIS redemption is not expected to have any material impact on MBL's ability to fund new investments in its core business, or to fund new investments consistent with its current strategy.

2.5 Tax implications

Hybrid securities like MIS are complex instruments and MIS holders are advised to seek their own tax advice.

3. Rationale

3.1 Expected advantages of the Capital Return

MIS receive transitional capital treatment under APRA's prudential standards that results in a decreasing amount being recognised as regulatory capital from year to year. As a result of the reduction in the amount recognised as regulatory capital, MIS no longer represent an attractive source of capital for MBL.

MBL will continue to maintain a strong balance sheet position and a level of shareholders' equity for prudent and efficient capital management after the Capital Return.

3.2 Possible disadvantages and risks

The following are possible disadvantages and risks associated with the proposed Capital Return:

- the Capital Return and associated MIS repayment will reduce MBL's shareholders' equity and regulatory capital;
- you may believe that MBL should retain the excess capital and use it in a different way within MBL; and
- you may disagree with the conclusion that MBL will continue to maintain a strong balance sheet position and a level of shareholders' equity for prudent and efficient capital management after the Capital Return.

4. Further details of the proposed Capital Return

4.1 Method of return of capital

The Capital Return will be implemented as a reduction in respect of MBL's fully paid preference share capital for the purposes of the Corporations Act.

The resolution to approve the Capital Return, if passed, will constitute the approval of MBL's shareholders under section 256C of the Corporations Act for the proposed capital reduction under section 256B of the Corporations Act, for an aggregate amount of \$399.96 million, to be applied on a pro rata basis to the Preference Shares, being \$99.99 per Preference Share.

4.2 Statutory requirements

Under section 256B of the Corporations Act, MBL may only reduce its share capital if the Capital Return satisfies certain requirements. These are set out below together with a description of how each requirement is met in relation to the proposed Capital Return.

Explanatory Memorandum

Continued

a) The Capital Return is fair and reasonable to MBL's shareholders as a whole.

As at the date of this Explanatory Memorandum (and subject to confirmation on or prior to the Effective Date), the Company is of the view that the proposed Capital Return is fair and reasonable to MBL's shareholders as a whole as the Capital Return is being implemented in accordance with the MIS terms and because of the advantages stated in section 3.1 above.

The Company is also of the view that the proposed Capital Return is fair and reasonable to MBL's other securityholders as the Capital Return is not expected to materially affect MBL's ability to service its obligations under the terms of its other issued securities.

b) The Capital Return does not materially prejudice MBL's ability to pay its creditors.

In determining whether to implement the Capital Return, the Company is satisfied as to the solvency of MBL and considers that the Capital Return will not materially prejudice MBL's ability to pay its creditors.

c) The Capital Return is approved by MBL shareholders under section 256C of the Corporations Act.

The resolution to approve the Capital Return will be considered by Securityholders at the General Meeting convened for the purposes of complying with section 256C(2) of the Corporations Act.

MIS holders are entitled to vote on the resolution in accordance with the MIS terms. However, any votes from MIS holders in favour of the resolution must be disregarded, because they will receive payment in connection with the capital reduction.

In accordance with section 256C(2) of the Corporations Act, the resolution must either be approved by a special resolution passed at a general meeting of MBL or a resolution approved by all ordinary shareholders at a general meeting. A special resolution is a resolution that has been passed by at least 75% of the votes cast by shareholders entitled to vote on the resolution.

4.3 Other information

MBHPL, MBL's sole ordinary shareholder and a subsidiary of MGL, has confirmed that it intends to vote 100% of its ordinary shares in favour of the resolution. MIS holders are also entitled to vote on the proposed resolution because it concerns a proposal to reduce MBL's share capital. However, any votes from MIS holders in favour of the resolution must be disregarded, because they will receive payment in connection with the capital reduction. MIS holders represent less than 1% of the total number of votes eligible to be cast on the resolution. Assuming that MBHPL votes its shares in accordance with its current intention, the Capital Return resolution will be passed and the Capital Return will proceed, subject to the terms set out in this Notice of General Meeting including the Explanatory Memorandum.

In accordance with section 256C(5) of the Corporations Act, a copy of this Notice of Meeting (including the Explanatory Memorandum) has been lodged with the Australian Securities and Investments Commission.

4.4 No other material information

Other than as set out in this Notice of Meeting (including the Explanatory Memorandum), and any other information previously disclosed to the Securityholders, there is no other information that is known to MBL which may reasonably be expected to be material to the making of a decision by MBL ordinary shareholders or MIS holders whether or not to vote in favour of the Capital Return.

5. Board recommendation

The MBL Board recommends that the ordinary shareholders vote in favour of the Capital Return.

Glossary

AEDT	Australian Eastern Daylight Saving Time.
APRA	the Australian Prudential Regulation Authority.
ASX	ASX Limited (ACN 008 624 691) or the Australian Securities Exchange as appropriate.
Capital Return	the proposed capital return of MBL comprising a reduction of MBL preference share capital of \$399.96 million (being \$99.99 per Preference Share).
Corporations Act	the Corporations Act 2001 (Cth).
Directors	the board of directors of MBL.
Effective Date	the designated implementation date for the Capital Return, currently proposed to be 15 April 2020.
MBHPL	Macquarie B.H. Pty Limited ABN 86 124 071 432.
MBL	Macquarie Bank Limited ABN 46 008 583 542.
MFL	Macquarie Finance Limited ABN 54 001 214 964.
MGL	Macquarie Group Limited ABN 94 122 169 279.
MIS	Macquarie Income Securities, being ASX-listed stapled securities comprising an interest in a note, being an unsecured debt obligation issued to a trustee on behalf of the MIS holders, and a Preference Share.
Preference Shares	a fully paid preference share issued by MBL comprised in the MIS.
Securityholder	each of a holder of MBL ordinary shares and a MIS holder.

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Investor Information

Enquiries

Investors who wish to enquire about any matter relating to the General Meeting or their Macquarie Income Securities holding are invited to contact the share registry:

Boardroom Pty Limited

Level 12, 225 George Street
Sydney NSW 2000 Australia

Telephone (within Australia): 1300 554 096
Telephone (internationally): +61 2 8023 5470

Email: macquarie@boardroomlimited.com.au
Website: investorserve.com.au

All other enquiries relating to Macquarie Income Securities can be directed to:

Investor Relations

Macquarie Group Limited
Level 6, 50 Martin Place
Sydney NSW 2000 Australia

Telephone: +61 2 8232 3333
Facimile: +61 2 8232 7780

Email: macquarie.shareholders@macquarie.com
Website: macquarie.com/investors