

## **CHAIRMAN'S ADDRESS**

### **MACQUARIE BANK SCHEME AND GENERAL MEETINGS**

**25 OCTOBER 2007**

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GOOD AFTERNOON LADIES AND GENTLEMEN AND WELCOME TO THESE IMPORTANT MEETINGS OF SECURITYHOLDERS AND OPTIONHOLDERS.

I'M DAVID CLARKE, THE CHAIRMAN OF MACQUARIE BANK AND I'LL BE CHAIRING THE THREE MEETINGS THAT ARE TAKING PLACE TODAY IN RELATION TO MACQUARIE'S PROPOSED RESTRUCTURE.

THE FIRST MEETING WILL CONSIDER AND VOTE ON A RESOLUTION TO APPROVE THE EXCHANGE OF SHARES IN MACQUARIE BANK LIMITED FOR SHARES IN THE NEW MACQUARIE GROUP LIMITED ON A ONE-FOR-ONE BASIS.

THIS RESOLUTION MUST BE APPROVED BY A MAJORITY OF SHAREHOLDERS ACTUALLY PARTICIPATING IN THE VOTE AND ALSO BY AT LEAST A 75 PER CENT MAJORITY OF VOTES CAST.

AT THE CONCLUSION OF THE FIRST MEETING THERE WILL BE A GENERAL MEETING WHICH WILL VOTE ON A RESOLUTION TO REDUCE THE CAPITAL OF MACQUARIE BANK LIMITED BY \$A3 BILLION, TO BE PAID TO MACQUARIE GROUP LIMITED AFTER THE RESTRUCTURE IMPLEMENTATION DATE.

THIS RESOLUTION MUST BE APPROVED BY MORE THAN 50% OF VOTES CAST.

FOLLOWING THE GENERAL MEETING THERE WILL BE AN OPTION SCHEME MEETING WHICH WILL VOTE ON A RESOLUTION TO APPROVE THE CANCELLATION OF OPTIONS IN MACQUARIE BANK

LIMITED AND THE ISSUE OF NEW OPTIONS IN MACQUARIE GROUP LIMITED ON A ONE-FOR-ONE BASIS.

THIS RESOLUTION MUST BE PASSED BY A MAJORITY OF OPTIONHOLDERS ACTUALLY PARTICIPATING IN THE VOTE AND ALSO BY A MAJORITY OF AT LEAST 75 PER CENT OF THE VALUE OF OPTIONS FOR WHICH VOTES ARE CAST.

RELEVANT SECURITYHOLDERS WILL BE PROVIDED WITH AN OPPORTUNITY TO ASK QUESTIONS OR MAKE COMMENTS ON THE PROPOSED RESOLUTIONS.

PLEASE NOTE THAT ONLY QUESTIONS OR COMMENTS RELEVANT TO THE PURPOSE OF TODAY'S MEETING, NAMELY THE RESTRUCTURE OF MBL WILL BE ALLOWED.

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

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

ON MY LEFT IS DEPUTY MANAGING DIRECTOR RICHARD SHEPPARD, THEN THE BANK'S CHIEF FINANCIAL OFFICER GREG WARD, MANAGING DIRECTOR ALLAN MOSS, THEN NON-EXECUTIVE DIRECTORS JOHN NILAND, HELEN NUGENT AND PETER WARNE.

ON MY RIGHT IS THE BANK'S COMPANY SECRETARY DENNIS LEONG, THEN NON-EXECUTIVE DIRECTORS CATHERINE LIVINGSTONE, KEVIN MCCANN AND PETER KIRBY AND THEN EXECUTIVE DIRECTOR LAURIE COX.

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

AS PART OF THIS MEETING, I WILL PROVIDE A BRIEF OVERVIEW OF THE PROPOSED RESTRUCTURE AND ITS IMPLICATIONS FOR SHAREHOLDERS.

RICHARD SHEPPARD, WHO HAS LED THE RESTRUCTURE PROCESS, WILL THEN PROVIDE MORE DETAIL ON SOME OF THE KEY POINTS.

I SHOULD NOTE THAT IT IS INTENDED THAT RICHARD WILL BE THE MANAGING DIRECTOR OF THE BANKING GROUP IF THE RESTRUCTURE PROCEEDS.

#### **RATIONALE FOR THE RESTRUCTURE**

AS OUTLINED IN THE EXPLANATORY MEMORANDUM, WE ARE PROPOSING TO RESTRUCTURE THE MACQUARIE BANK GROUP INTO A NON-OPERATING HOLDING COMPANY COMPRISING SEPARATE BANKING AND NON-BANKING GROUPS.

THE PROPOSED RESTRUCTURE HAS TWO KEY OBJECTIVES.

FIRSTLY, IT WILL POSITION MACQUARIE TO CONTINUE PURSUING THE STRATEGIES WHICH HAVE DRIVEN OUR STRONG GROWTH TO DATE.

AT THE SAME TIME, IT WILL ASSIST US IN MEETING OUR OBLIGATIONS TO THE AUSTRALIAN PRUDENTIAL REGULATION AUTHORITY.

THE NEED FOR THE RESTRUCTURE HAS ARISEN PRIMARILY BECAUSE OF THE BANK'S GROWTH IN RECENT YEARS.

MUCH OF THIS GROWTH HAS BEEN GENERATED BY OUR OFFSHORE EXPANSION AND BY OUR DIVERSIFICATION, ESPECIALLY IN ACTIVITIES THAT ARE NOT NORMALLY REGARDED AS TRADITIONAL BANKING.

CURRENTLY, MACQUARIE IS REGULATED AS A LICENCED AUSTRALIAN BANK BY THE AUSTRALIAN PRUDENTIAL REGULATION AUTHORITY (“APRA”).

HOWEVER, OUR SIGNIFICANT NON-BANKING ACTIVITIES ARE NOT ALWAYS READILY ACCOMMODATED BY APRA’S BANKING RULES.

IN PARTICULAR, APRA’S RULES RESTRICT A BANK’S DEALINGS WITH CERTAIN SUBSIDIARIES, SUCH AS THOSE UNDERTAKING STOCKBROKING, INVESTMENT BANKING FUNDS MANAGEMENT AND PRINCIPAL INVESTING ACTIVITIES.

THESE RULES WILL CONSTRAIN THE GROUP’S GROWTH IF WE REMAIN UNDER THE EXISTING STRUCTURE.

THE BOARD HAS THEREFORE ASSESSED A NUMBER OF OPTIONS AND CONSIDERS THE PROPOSED RESTRUCTURE TO BE THE MOST APPROPRIATE SOLUTION.

## **IMPLICATIONS FOR SHAREHOLDERS**

IF APPROVED, SHAREHOLDERS WILL RECEIVE ONE SHARE IN THE NON-OPERATING HOLDING COMPANY FOR EVERY MACQUARIE BANK SHARE WHICH THEY CURRENTLY HOLD.

WE HAVE OBTAINED ALL NECESSARY APPROVALS FOR THE RESTRUCTURE, APART FROM, FIRSTLY, THE SHAREHOLDER AND OPTIONHOLDER APPROVALS THAT WE ARE SEEKING TODAY AND, SECONDLY, THE SUBSEQUENT COURT APPROVAL.

FURTHERMORE, THE RESTRUCTURE WILL NOT RESULT IN A TAXABLE EVENT FOR MOST SHAREHOLDERS.

## **PROPOSED NEW STRUCTURE**

THE PROPOSED NEW NON-OPERATING HOLDING COMPANY WILL BE CALLED MACQUARIE GROUP LIMITED AND WILL BE LISTED ON THE AUSTRALIAN STOCK EXCHANGE UNDER THE CODE MQG.

IT WILL COMPRISE TWO SEPARATE GROUPS; A BANKING GROUP AND A NON-BANKING GROUP.

## **EFFECT ON MACQUARIE**

THUS, THE NEW MACQUARIE GROUP WILL BE ADOPTING A STRUCTURE SIMILAR TO THAT EMPLOYED BY A SIGNIFICANT NUMBER OF OUR INTERNATIONAL PEERS AND COMPETITORS.

AT THE SAME TIME, THE KEY FACTORS THAT HAVE LED TO OUR SUCCESS WILL REMAIN LARGELY UNCHANGED.

FOR EXAMPLE, WE DO NOT INTEND TO MAKE ANY SIGNIFICANT CHANGES TO OUR BUSINESS MODEL, BUSINESS APPROACH, CULTURE OR SENIOR MANAGEMENT TEAM UNDER THE RESTRUCTURE.

OUR CORPORATE GOVERNANCE FRAMEWORK WILL REMAIN LARGELY UNCHANGED, WHILE THE FIRM-WIDE RISK MANAGEMENT FRAMEWORK THAT HAS BEEN A FEATURE OF OUR SUCCESS WILL CONTINUE TO APPLY ACROSS THE ENTIRE GROUP.

ADDITIONALLY, THE GROUP WILL MAINTAIN ITS EXISTING DIVIDEND AND FRANKING POLICIES.

AS A FURTHER POINT OF CLARIFICATION, I SHOULD POINT OUT THAT THERE IS NOT EXPECTED TO BE ANY RETURN OF CAPITAL TO INVESTORS AS A RESULT OF THE RESTRUCTURE.

## **RECOMMENDATIONS**

THE PROPOSED RESTRUCTURE HAS BEEN INDEPENDENTLY ASSESSED, BY KPMG, WHICH CONCLUDED IT IS IN THE BEST INTERESTS OF SHAREHOLDERS AND OPTIONHOLDERS.

THE MACQUARIE BANK BOARD HAS ALSO CONCLUDED THAT THIS PROPOSAL IS IN THE BEST INTERESTS OF SHAREHOLDERS AND OPTIONHOLDERS AND UNANIMOUSLY RECOMMENDS THAT YOU VOTE IN FAVOUR OF EACH RESOLUTION.

THAT CONCLUDES MY REMARKS AND I WILL NOW HAND OVER TO RICHARD SHEPPARD TO DISCUSS SOME FURTHER KEY POINTS OF THE RESTRUCTURE.