

**MACQUARIE BANK AGM  
CHAIRMAN'S ADDRESS  
THURSDAY 29 JULY 2004  
WESTIN HOTEL, SYDNEY**

**(CHECK AGAINST DELIVERY)**

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GOOD MORNING LADIES AND GENTLEMEN.

I'M DAVID CLARKE, THE CHAIRMAN OF MACQUARIE BANK AND I WILL BE CHAIRING YOUR MEETING TODAY.

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

I WOULD LIKE TO START BY WELCOMING ALL OF YOU TO THE 2004 ANNUAL GENERAL MEETING.

AS WELL AS THOSE SHAREHOLDERS PRESENT IN PERSON, THE HOLDERS OF 149 MILLION SHARES, OR APPROXIMATELY 69 PER CENT OF THE BANK'S ORDINARY SHARE CAPITAL, ARE REPRESENTED BY PROXIES.

BEFORE WE GET UNDERWAY WITH THE FORMAL BUSINESS, I WOULD ALSO LIKE TO INTRODUCE OUR DIRECTORS AND SOME OF OUR SENIOR EXECUTIVES.

ON MY LEFT IS YOUR MANAGING DIRECTOR ALLAN MOSS.

NEXT TO HIM IS THE BANK'S CHIEF FINANCIAL OFFICER GREG WARD, THEN NON-EXECUTIVE DIRECTORS JOHN ALLPASS, CATHERINE LIVINGSTONE, JOHN NILAND AND BARRIE MARTIN.

ON MY RIGHT IS OUR COMPANY SECRETARY, DENNIS LEONG. NEXT TO HIM, IS THE DEPUTY CHAIRMAN MARK JOHNSON AND NON-EXECUTIVE DIRECTORS KEVIN MCCANN, HELEN NUGENT AND PETER KIRBY.

I'D PARTICULARLY LIKE TO WELCOME CATHERINE LIVINGSTONE, WHO JOINED THE MACQUARIE BANK BOARD LAST NOVEMBER.

AS CHAIRMAN OF THE CSIRO AND A FORMER MANAGING DIRECTOR OF COCHLEAR, CATHERINE HAS PROVEN MANAGEMENT EXPERTISE AND WE ARE DELIGHTED TO HAVE HER JOIN US AS A DIRECTOR.

I WOULD ALSO LIKE TO RECORD AN APOLOGY FROM BOARD MEMBER LAURIE COX, WHO IS IN MELBOURNE RECOVERING FROM A SERIOUS ILLNESS.

LAURIE IS NOW FIRMLY BACK ON THE ROAD TO RECOVERY AND WE WISH HIM WELL, ESPECIALLY DURING THE NEXT FEW WEEKS.

THERE ARE THREE MAJOR PARTS TO THIS MORNING'S MEETING.

FIRST, I WILL PRESENT AN OVERVIEW OF OUR RESULTS FOR THE PAST FINANCIAL YEAR, IN THE CONTEXT OF OUR LONG-TERM STRATEGY AND THE GLOBAL ECONOMIC CONDITIONS DURING THAT PERIOD.

THEN ALLAN MOSS WILL DISCUSS THE RESULTS IN GREATER DETAIL, WITH REFERENCE TO THE BANK'S VARIOUS BUSINESSES.

ALLAN WILL ALSO OUTLINE DEVELOPMENTS SINCE BALANCE DATE AND PROVIDE AN OUTLOOK STATEMENT FOR THE REMAINDER OF THE CURRENT FINANCIAL YEAR AND BEYOND.

FOLLOWING THESE ADDRESSES, WE WILL MOVE TO CONSIDER, DISCUSS AND VOTE ON THE RESOLUTIONS SET OUT IN THE NOTICE OF MEETING.

I WOULD ASK THAT YOU SAVE ANY QUESTIONS AND COMMENTS UNTIL THE COMPLETION OF THE FORMAL ADDRESSES.

I WOULD ALSO LIKE TO ADVISE YOU THAT THE USE OF RECORDING DEVICES, PHOTOGRAPHIC EQUIPMENT AND MOBILE PHONES IS NOT PERMITTED DURING THE MEETING.

AT THE END OF THE FORMAL PART OF THE MEETING, ALL SHAREHOLDERS ARE INVITED TO JOIN US FOR A CUP OF TEA OR COFFEE AND SANDWICHES IN THE FOYER OUTSIDE.

## **PROFIT**

TURNING NOW TO THE RESULTS, MACQUARIE BANK REPORTED AN AFTER TAX PROFIT OF \$494 MILLION IN THE YEAR TO 31 MARCH 2004, A 48 PER CENT INCREASE OVER THE PREVIOUS YEAR.

TO PUT THIS FIGURE IN CONTEXT, IT IS ALMOST DOUBLE THE RESULT WE ACHIEVED JUST TWO YEARS AGO AND MARKS OUR TWELFTH SUCCESSIVE YEAR OF PROFIT GROWTH.

THIS IS AN OUTSTANDING ACHIEVEMENT THAT DEMONSTRATES OUR ABILITY TO PERFORM IN ALL MARKET CONDITIONS.

## **EPS GROWTH**

EARNINGS PER SHARE INCREASED BY 41 PER CENT TO \$2.33 AND HAVE RISEN BY MORE THAN 300 PER CENT OVER THE PAST DECADE, FROM 50 CENTS PER SHARE TO CURRENT LEVELS.

THIS AGAIN SHOWS OUR ABILITY TO GENERATE LONG-TERM GROWTH.

## **DIVIDEND GROWTH**

OVER THAT SAME 10-YEAR PERIOD, ORDINARY DIVIDENDS HAVE INCREASED BY MORE THAN 400 PER CENT, SHOWING A CLEAR CORRELATION BETWEEN THE BANK'S EARNINGS GROWTH AND SHAREHOLDER RETURNS.

THE ORDINARY DIVIDEND FOR THE YEAR TO 31 MARCH INCREASED BY 31 PER CENT TO \$1.22, FRANKED AT 90 PER CENT.

AROUND 53 PER CENT OF NET EARNINGS WERE RETURNED TO SHAREHOLDERS IN DIVIDENDS, CONSISTENT WITH OUR TARGET PAYOUT RATIO OF BETWEEN 50 AND 60 PER CENT.

## **KEY DRIVERS**

THERE WERE THREE KEY DRIVERS OF THE RESULT THAT I HAVE JUST OUTLINED.

FIRST OF ALL, GLOBAL MARKETS PERFORMED EXTREMELY WELL, IN STARK CONTRAST TO THE CONDITIONS THAT PREVAILED IN THE PREVIOUS FINANCIAL YEAR.

RISING EQUITY MARKETS GENERATED GOOD LEVELS OF BROKING ACTIVITY AND, COUPLED WITH HIGHER LEVELS OF CORPORATE CONFIDENCE, LED TO AN INCREASE IN INITIAL PUBLIC OFFERINGS.

THIS WAS PARTICULARLY SO IN AUSTRALIA, WHERE THERE WAS A SHARP REBOUND IN THE IPO MARKET OVER THE COURSE OF THE YEAR.

IMPROVING ECONOMIC CONDITIONS AND THE CONTINUANCE OF GOOD CREDIT QUALITY ASSISTED GLOBAL PROPERTY MARKETS, WHILE THE VOLATILITY OF THE AUSTRALIAN DOLLAR GENERATED STRONG FOREIGN EXCHANGE ACTIVITY.

SECONDLY, MACQUARIE BANK'S POLICY OF INVESTING IN OUR BUSINESSES, IN BOTH GOOD AND DIFFICULT TIMES, MEANT THAT WE WERE WELL PLACED TO CAPITALISE ON THESE IMPROVED MARKET CONDITIONS.

ASSET REALISATIONS CONTRIBUTED \$128 MILLION TO THE RESULT.

THESE REALISATIONS INCLUDED EAST AFRICA GOLD MINES, INNOFIN, SHARES IN SYDNEY FUTURES EXCHANGE AND A NUMBER OF INVESTMENTS HELD BY THE DIRECT INVESTMENTS BUSINESS SUCH AS REPCO, TOWER TECHNOLOGY AND JB HI FI.

SOME OF THESE INVESTMENTS DATE BACK AS FAR AS TWELVE YEARS AND REFLECT THE TIME AND EXPERTISE TAKEN TO DEVELOP THE BUSINESSES FULLY.

THIRDLY, NO STRATEGY, NO MATTER HOW SOUND, CAN BE REALISED WITHOUT THE EFFORTS OF A TALENTED AND DEDICATED STAFF.

IN THIS CONTEXT, I WOULD LIKE TO ACKNOWLEDGE THE CONSIDERABLE EFFORTS OF MACQUARIE'S STAFF AROUND THE GLOBE, AS WELL AS IN AUSTRALIA, WHO HAVE DELIVERED THE RESULTS WHICH SHAREHOLDERS ENJOY TODAY.

### **INTERNATIONAL ACTIVITY**

AS MACQUARIE SEARCHES FOR GROWTH OPPORTUNITIES, OUR FOCUS INEVITABLY TURNS OFFSHORE AND LAST YEAR WAS OUR MOST ACTIVE PERIOD IN THE INTERNATIONAL ARENA.

IT IS IMPOSSIBLE TO HIGHLIGHT ALL OF OUR INTERNATIONAL ACHIEVEMENTS, SO I WILL MENTION JUST A FEW KEY MILESTONES.

THE DEVELOPMENT OF OUR SPECIALIST INFRASTRUCTURE FUNDS CONTINUED TO PLAY A MAJOR ROLE IN OUR GROWTH.

DURING THE YEAR, WE ESTABLISHED THREE NEW INTERNATIONAL FUNDS, INVESTING IN UTILITIES AND INFRASTRUCTURE ASSETS IN AFRICA AND NORTH AMERICA. POST BALANCE DATE, NEW FUNDS HAVE BEEN LAUNCHED IN EUROPE AND CANADA.

WE ALSO DEVELOPED INFRASTRUCTURE FUND INITIATIVES IN JAPAN, SOUTH KOREA, EUROPE AND AUSTRALIA, BUILDING OUR GLOBAL INFRASTRUCTURE NETWORK.

MACQUARIE IS NOW THE THIRD LARGEST FUND MANAGER IN AUSTRALIA, LARGELY AS A RESULT OF OUR GLOBAL INFRASTRUCTURE EXPERTISE.

OUR INCREASED PRESENCE IN THIS SECTOR HAS ALSO RESULTED IN SIGNIFICANT INFRASTRUCTURE-RELATED MANDATES FOR OUR CORPORATE ADVISORY BUSINESS.

OTHER ARMS OF THE BANK ALSO INCREASED THEIR GLOBAL REACH.

A NEW BUSINESS, BASED IN HOUSTON, TEXAS, FOCUSING ON FINANCING OPPORTUNITIES IN THE OIL AND GAS SECTOR, SHOWS GOOD PROMISE.

OUR EQUITY DERIVATIVES BUSINESS TURNED IN STRONG RESULTS, PARTICULARLY IN HONG KONG, WHILE INCREASING ITS PROFILE IN SOUTH AFRICA, SOUTH KOREA AND BRAZIL.

AND OUR US MORTGAGES BUSINESS CLOSED ALMOST \$1 BILLION IN LOANS DURING THE YEAR.

THESE EXAMPLES DEMONSTRATE THE CAPABILITIES MACQUARIE BRINGS TO A RANGE OF WELL-ESTABLISHED AND SOPHISTICATED INTERNATIONAL MARKETS.

ONE OF OUR MAJOR INTERNATIONAL ACHIEVEMENTS WAS THE ACQUISITION OF ING'S ASIAN STOCKBROKING BUSINESS, WHICH WE EXPECT TO COMPLETE IN THE NEXT FEW DAYS.

THIS BUSINESS – WHICH WILL BE NAMED MACQUARIE SECURITIES ASIA – ADDS AROUND 450 NEW STAFF ACROSS 10 ASIAN LOCATIONS, SIGNIFICANTLY BUILDING OUR REGIONAL PRESENCE.

IT ALSO PROVIDES A PLATFORM FOR MACQUARIE TO BUILD ITS INSTITUTIONAL STOCKBROKING AND INVESTMENT BANKING CAPABILITIES IN THE REGION.

## **INTERNATIONAL INCOME**

AS A RESULT OF THESE INITIATIVES AND IN SPITE OF THE WEAKNESS IN THE US DOLLAR, OUR INTERNATIONAL INCOME INCREASED BY 61 PER CENT TO ALMOST \$700 MILLION.

THESE INTERNATIONAL ACTIVITIES NOW ACCOUNT FOR 31 PER CENT OF THE BANK'S TOTAL INCOME.

AS THE EXAMPLES I HAVE OUTLINED SHOW, THERE IS GREAT DIVERSITY IN OUR INTERNATIONAL PROFILE, BOTH GEOGRAPHICALLY AND IN TERMS OF THE PRODUCTS AND SERVICES WE OFFER.

THE FACT THAT WE ARE NOT DEPENDENT ON ANY SINGLE MARKET OR ANY SINGLE PRODUCT LINE HIGHLIGHTS THE APPROACH WE HAVE TAKEN IN BUILDING OUR INTERNATIONAL BUSINESS.

## **INTERNATIONAL STAFF**

WE HAVE ALSO EMPLOYED MORE STAFF OFFSHORE TO MANAGE OUR EXPANDING BUSINESS INTERESTS.

INTERNATIONAL STAFF NUMBERS GREW BY 72 PER CENT TO ALMOST 1400 LAST YEAR AND NOW REPRESENT ALMOST A QUARTER OF OUR TOTAL STAFF NUMBERS.

A SIGNIFICANT AMOUNT OF THIS STAFF GROWTH WAS IN ASIA AND ABOUT THREE-QUARTERS CAN BE ATTRIBUTED TO THE ING ACQUISITION.

IT IS WORTH REMEMBERING THAT WHEN MACQUARIE BANK WAS PUBLICLY LISTED JUST EIGHT YEARS AGO, WE ONLY HAD AROUND 100 OVERSEAS STAFF AND OUR INTERNATIONAL INCOME WAS LESS THAN \$35 MILLION PER ANNUM.

### **NOW IN EVERY MAJOR FINANCIAL CENTRE**

WE NOW HAVE A PRESENCE IN EVERY MAJOR FINANCIAL CENTRE IN THE WORLD, WITH MORE THAN 5700 EMPLOYEES IN 23 COUNTRIES.

THE BULK OF OUR STAFF CONTINUE TO BE BASED IN AUSTRALIA, REFLECTING THE FULL-SERVICE NATURE OF OUR BUSINESS IN THE DOMESTIC MARKET.

WE NOW OPERATE IN 12 NORTH AMERICAN CITIES, WITH 320 STAFF COVERING THE GAMUT OF SERVICES FROM INSTITUTIONAL STOCKBROKING TO GOLF COURSE DEVELOPMENT.

OUR EUROPEAN ACTIVITIES EMPLOY 287 STAFF ACROSS GERMANY, AUSTRIA, SWITZERLAND, FRANCE, THE UNITED KINGDOM AND IRELAND AND COVER AN EQUALLY DIVERSE RANGE OF SERVICES.

ASIA REFLECTS THE AREA OF GREATEST INTERNATIONAL GROWTH OVER THE PAST YEAR AND IS NOW OUR SECOND LARGEST REGION OF EMPLOYMENT.

### **STRONG ASIAN GROWTH**

THERE ARE COMPELLING REASONS FOR THE INVESTMENTS WE HAVE MADE IN THE ASIAN REGION.

OVER THE PAST 30 YEARS, THE EMERGING ECONOMIES OF ASIA HAVE GROWN AT A RATE OF 7 PER CENT PER ANNUM, MORE THAN DOUBLE THE OECD AVERAGE.

AT THE SAME TIME, ASIA'S SHARE OF WORLD GDP HAS INCREASED FROM 9 PER CENT TO 25 PER CENT.

AS ASIA HAS GROWN, EMERGING ECONOMIES SUCH AS CHINA, TAIWAN, SOUTH KOREA AND THAILAND HAVE BECOME MAJOR PARTICIPANTS IN GLOBAL TRADE.

IN ADDITION, MANY OF THESE ECONOMIES ARE NOW UNDERTAKING STRUCTURAL REFORM, AIMED AT STRENGTHENING FINANCIAL MARKETS, IMPROVING GOVERNANCE REGIMES AND INCREASING COMPETITION.

THESE REFORMS WILL PROVIDE FURTHER RESILIENCE TO ASIA'S ECONOMIC GROWTH, HELPING THE REGION TO BECOME A MAJOR ENGINE FOR THE GLOBAL ECONOMY.

FOR THESE REASONS, WE BELIEVE ASIA WILL CONTINUE TO PROVIDE US WITH A STRONG PLATFORM FOR GROWTH AND WE ARE INVESTING IN THE REGION ACCORDINGLY.

## **GLOBAL STOCKMARKETS**

AS I MENTIONED EARLIER, FAVOURABLE WORLD ECONOMIC AND MARKET CONDITIONS WERE KEY CONTRIBUTORS TO THE OUTSTANDING RESULTS THAT WE ACHIEVED IN THE LAST YEAR.

I NOW WANT TO TAKE A CLOSER LOOK AT SOME OF THOSE MARKETS TO PLACE OUR RESULTS IN CONTEXT.

LOOKING AT GLOBAL STOCKMARKETS FIRST. THERE WERE STRONG RECOVERIES IN 2003, FOLLOWING THREE SUCCESSIVE YEARS OF DECLINE.

IN AUSTRALIA, FOR EXAMPLE, THE STOCKMARKET ROSE BY 16.3 PER CENT DURING THE LAST FINANCIAL YEAR.

THE REBOUND IN GLOBAL SHARE PRICES WAS DRIVEN BY AN IMPROVED GROWTH AND CORPORATE EARNINGS OUTLOOK, STRONGER CORPORATE BALANCE SHEETS AND RECORD LOW SHORT-TERM INTEREST RATES.

### **PORTFOLIO INVESTMENT IN AUSTRALIA**

THE STRONG PERFORMANCE OF THE AUSTRALIAN MARKET HAS OCCURRED AGAINST A BACKDROP OF HISTORICALLY HIGH LEVELS OF PORTFOLIO INVESTMENT, A SIGN THAT AUSTRALIA HAS NO DIFFICULTY IN ATTRACTING GLOBAL INVESTORS.

PORTFOLIO INVESTMENT INTO AUSTRALIA – WHICH REFLECTS INTERNATIONAL INVESTMENT IN AUSTRALIAN EQUITIES, BONDS, OPTIONS AND FUTURES – IS NOW RUNNING AT ALMOST 10 PER CENT OF GDP, WHERE IT HAD NOT PREVIOUSLY EXCEEDED 4 PER CENT AT ANY TIME DURING THE PAST SIX YEARS.

FOR MACQUARIE, IT HAS BEEN A FACTOR IN INCREASED CAPITAL MARKETS ACTIVITY AND DEMAND ON OUR FOREIGN EXCHANGE SERVICES.

WHILE WE EXPECT PORTFOLIO INVESTMENT TO REMAIN AT HIGH LEVELS, THERE ARE QUESTIONS AS TO WHETHER IT CAN BE SUSTAINED AT THESE LEVELS IN THE CURRENT YEAR.

### **\$A/\$US YIELD CURVE**

NEVERTHELESS, WE ARE NOT UNDULY CONCERNED ABOUT THE OVERALL MARKET OUTLOOK, PARTICULARLY GIVEN THE LOW PROBABILITY OF LARGE INTEREST RATE INCREASES IN AUSTRALIA.

LOOKING AT RELATIVE YIELD CURVES, WE CAN SEE THAT AUSTRALIAN INTEREST RATES ARE WELL ABOVE THOSE OF THE UNITED STATES, PARTICULARLY FOR SHORT-TERM MATURITIES.

WHILE THE US FEDERAL RESERVE HAS RECENTLY MOVED TO INCREASE SHORT-TERM INTEREST RATES, WITH FURTHER RISES ANTICIPATED, THERE ARE NO COMPELLING ARGUMENTS FOR SIMILAR INCREASES HERE.

THUS, WE EXPECT THE DIFFERENTIAL BETWEEN AUSTRALIAN AND US INTEREST RATES TO DO NO MORE THAN STEADILY NARROW OVER THE REMAINDER OF THIS YEAR.

## **OUR STRATEGY**

WHILE IT IS CLEAR THAT MARKET CONDITIONS HAD A MAJOR BEARING ON OUR PROFIT RESULTS LAST YEAR, IT WOULD BE WRONG TO ASSUME OUR PERFORMANCE WAS MERELY A REFLECTION OF THE MARKETS.

WITH A LONG HISTORY OF SUSTAINED PROFIT GROWTH, WE HAVE DEMONSTRATED A PROVEN ABILITY TO PERFORM WELL IN ALL MARKET CONDITIONS.

WE ATTRIBUTE THIS TO THE STRATEGY THAT HAS GUIDED THE BANK FOR MORE THAN 30 YEARS.

IMPORTANTLY, WE HAVE FOLLOWED A CONSISTENT APPROACH, NO MATTER HOW DIVERSE OUR ACTIVITIES.

FIRSTLY, OUR VISION IS ENSHRINED IN SIX CORE GOALS AND VALUES.

WE STRIVE FOR PROFITABILITY, WE WORK HARD TO DELIVER VALUE TO OUR CLIENTS, WE AIM TO OBSERVE THE HIGHEST STANDARDS, WE ACT WITH INTEGRITY, WE ENCOURAGE TEAMWORK AMONGST OUR PEOPLE AND WE ASPIRE TO PROVIDE FULFILMENT TO ALL OUR STAFF.

SECONDLY, WE STRIKE AN APPROPRIATE BALANCE BETWEEN ENTREPRENEURIAL ENDEAVOUR AND PRUDENT RISK MANAGEMENT.

WHILE WE ENCOURAGE INNOVATION AND ALLOW OUR STAFF TO PURSUE BUSINESS OPPORTUNITIES, WE ENSURE THAT WE HAVE SAFETY NETS IN PLACE.

THIS IS A DIFFICULT BALANCE TO ACHIEVE AND A UNIQUE FEATURE OF MACQUARIE'S SUCCESS.

THIRDLY, WE HAVE PUT IN PLACE REMUNERATION SYSTEMS THAT REWARD SUCCESS AND ENCOURAGE LONG-TERM COMMITMENT FROM OUR STAFF AND WHICH ALIGN THEIR INTERESTS WITH THOSE OF OUR SHAREHOLDERS.

THIS STRATEGY HAS HELPED US DELIVER CONSISTENTLY STRONG RETURNS FOR OUR CLIENTS, OUR SHAREHOLDERS AND OUR STAFF.

## **RISK MANAGEMENT**

I WOULD NOW LIKE TO FOCUS ON OUR RISK MANAGEMENT AND REMUNERATION PROCESSES IN MORE DETAIL.

INVESTMENT BANKING IS A FIERCELY COMPETITIVE INDUSTRY AND INNOVATION IS ONE OF THE KEYS TO SURVIVAL.

MACQUARIE IS IN BUSINESSES TODAY THAT WERE UNHEARD OF TEN YEARS AGO, WHILE MUCH OF OUR INCOME TOMORROW WILL BE DERIVED FROM PRODUCTS NOT YET INVENTED.

IN A BUSINESS THAT IS SO FLUID, STRONG RISK MANAGEMENT SYSTEMS ARE VITAL TO SUCCESSFULLY NAVIGATE OUR WAY THROUGH THE MULTITUDE OF OPPORTUNITIES.

THERE ARE THREE MAJOR COMPONENTS OF OUR RISK MANAGEMENT POLICY.

FIRSTLY, WE AIM TO UNDERSTAND THE RISKS INVOLVED IN ANY BUSINESS OPPORTUNITY.

WE CONSIDER, FOR INSTANCE, THE POSSIBLE IMPACT OF A DETERIORATION IN MARKETS GENERALLY, AS WELL AS THE

RAMIFICATIONS OF A SPECIFIC TRANSACTION NOT GOING AS WE WOULD WISH.

SECONDLY, WE ONLY TAKE RISKS THAT ARE APPROPRIATE TO THE OPPORTUNITIES WE ARE PURSUING.

WHILE THERE ARE RISKS ASSOCIATED WITH ANY TRANSACTION, WE SEEK TO ENSURE THAT OURS ARE TRULY CALCULATED ONES.

AND THIRDLY, WE AIM TO MANAGE OUR RISK WITHOUT STIFLING THE ABILITY OF OUR BUSINESSES TO DEVELOP.

WE RECOGNISE THAT IT IS NOT POSSIBLE TO GUARD AGAINST ALL MISTAKES BUT, WITH THE SYSTEMS WE HAVE IN PLACE, WE ARE CONFIDENT THEY CAN BE CONTAINED.

AT THE SAME TIME, WE TAKE ANY BREACHES OF LIMITS VERY SERIOUSLY, REGARDLESS OF THEIR IMPACT ON PROFIT.

OVERSEEING THESE PRACTICES IS AN EXPERIENCED RISK MANAGEMENT TEAM, WHICH IS GROWING AT A RATE SLIGHTLY FASTER THAN THE REST OF THE BANK.

AT ALL LEVELS OF THE BUSINESS, OUR MANAGERS TREAT RISK MANAGEMENT AS A TOP PRIORITY.

## **REMUNERATION**

LET ME NOW TURN TO REMUNERATION.

AS A DIVERSIFIED FINANCIAL SERVICES PROVIDER, OUR PERFORMANCE DEPENDS, MORE THAN ANYTHING ELSE, ON THE SKILL, EXPERIENCE AND CALIBRE OF OUR STAFF.

IT IS OUR STAFF WHO DEVELOP THE SERVICES, ESTABLISH THE MARKETS AND BUILD THE BUSINESSES ON WHICH OUR GROWTH IS BASED.

THEY DRIVE THE INNOVATION FOR WHICH MACQUARIE IS KNOWN AND ARE FUNDAMENTAL TO THE RETURNS WE DELIVER TO OUR SHAREHOLDERS.

INDEED, MANY OF OUR GOALS AND VALUES – SUCH AS STRIVING FOR PROFITABILITY AND DELIVERING FOR CLIENTS – ARE TOTALLY CONTINGENT ON THE QUALITY OF OUR STAFF.

WE THEREFORE PAY CLOSE ATTENTION TO ATTRACTING AND RETAINING THE BEST PEOPLE.

TO DO THAT, WE HAVE TO COMPETE IN A GLOBAL EMPLOYMENT MARKET WITH INTERNATIONAL INVESTMENT BANKS.

WE HAVE DEVELOPED OUR REMUNERATION SYSTEMS ACCORDINGLY, TO REWARD OUR STAFF AND ENABLE THEM TO SHARE IN THE PROFITS THEY CREATE FOR OUR SHAREHOLDERS.

WE HAVE ALSO BUILT INTO THESE SYSTEMS COMPONENTS WHICH ENCOURAGE THEIR LONG-TERM COMMITMENT.

THIS BASIC STRUCTURE HAS BEEN IN PLACE FOR MORE THAN 30 YEARS AND HAS BEEN INTEGRAL TO MACQUARIE'S SUCCESS.

IT IS A RESPONSIBLE STRUCTURE THAT DELIVERS LEVELS OF REMUNERATION WHICH ARE IN LINE WITH OUR INTERNATIONAL PEERS.

## **HELPING COMMUNITIES**

MACQUARIE'S RANGE OF STAKEHOLDERS OBVIOUSLY EXTENDS TO THE COMMUNITIES IN WHICH WE OPERATE.

AS ONE OF THE PIONEERS OF CORPORATE PHILANTHROPY, THE MACQUARIE BANK FOUNDATION HAS GIVEN SUPPORT TO COMMUNITY PROGRAMS FOR MORE THAN 30 YEARS.

WE ACTIVELY ENCOURAGE OUR STAFF TO BECOME INVOLVED IN COMMUNITY ACTIVITIES, HELPING THEM TO DONATE THEIR TIME AND EXPERTISE, BACKED UP BY FINANCIAL SUPPORT FROM THE BANK.

OUR INFORMATION SERVICES DIVISION, FOR EXAMPLE, PROVIDES TECHNICAL SUPPORT FOR A RANGE OF COMMUNITY ORGANISATIONS ON A PRO BONO BASIS.

IT HAS JUST COMPLETED A NINE-MONTH PROJECT DEVELOPING AN ONLINE CEREBRAL PALSY REGISTER FOR THE SPASTIC CENTRE OF NSW, TO BUILD A DATABASE OF PEOPLE WITH THE CONDITION AND TO HELP WITH ONGOING RESEARCH.

A GROUP FROM OUR INVESTMENT BANKING TEAM SPENDS PART OF EVERY WEDNESDAY AFTERNOON HELPING LOCAL PRIMARY SCHOOL CHILDREN WITH THEIR READING.

### **MISSION AUSTRALIA**

MACQUARIE'S PARTNERSHIP WITH MISSION AUSTRALIA ALSO DEMONSTRATES OUR MULTI-FACETED APPROACH TO CORPORATE PHILANTHROPY.

LAST YEAR, THE MACQUARIE BANK FOUNDATION AGREED TO FUND MISSION AUSTRALIA'S SOCIAL RESEARCH EFFORT FOR THE NEXT THREE YEARS, AT A COST OF \$750,000.

THIS RESEARCH HELPS MISSION AUSTRALIA DEVELOP ITS EMPLOYMENT AND COMMUNITY PROGRAMS, RAISES AWARENESS OF KEY SOCIAL ISSUES AND CONTRIBUTES TO PUBLIC POLICY.

AS PART OF THIS PARTNERSHIP, OUR FINANCIAL SERVICES GROUP HAS AGREED TO ADOPT A MISSION AUSTRALIA SERVICE IN EACH STATE, PROVIDING A RANGE OF VOLUNTEER, PRO BONO AND FUNDRAISING SERVICES.

RECENTLY, MEMBERS OF OUR FUNDS MANAGEMENT TEAM PAINTED AND REPAIRED BUILDINGS AT TRIPLE CARE FARM IN THE SOUTHERN HIGHLANDS.

### **HELPING INTERNATIONAL COMMUNITIES**

OUR ACTIVITIES EXTEND TO THE INTERNATIONAL COMMUNITIES IN WHICH WE OPERATE, WHERE STAFF OFTEN ENCOUNTER AN ENTIRELY DIFFERENT LEVEL OF SOCIAL NEED.

RECENTLY, MACQUARIE BANK SPORTS ARRANGED FOR RETIRED WALLABY BEN DARWIN TO VISIT CAPE TOWN TO GIVE RUGBY COACHING TO DISADVANTAGED CHILDREN.

STAFF IN SAO PAULO AND JOHANNESBURG HELP CHILDREN AND FAMILIES FROM THE VERY POOREST AREAS OF THOSE CITIES.

THESE ARE JUST A FEW OF THE MANY EXAMPLES OF MACQUARIE STAFF WORKING IN THEIR COMMUNITIES.

### **TOTAL SHAREHOLDER RETURNS**

MACQUARIE AIMS TO DELIVER FOR SHAREHOLDERS, STAFF, CLIENTS AND THE COMMUNITY AS A WHOLE.

FOR ALL OF THESE STAKEHOLDERS I BELIEVE THAT WE HAVE DEMONSTRATED OUR CAPABILITIES OVER THE LONG TERM.

PERHAPS THE MOST COMPELLING EXAMPLE OF THIS IS THE TOTAL SHAREHOLDER RETURNS THAT WE HAVE DELIVERED SINCE LISTING IN 1996.

THAT RETURN, 574 PER CENT OVER 8 YEARS MAKES MACQUARIE THE TOP PERFORMING STOCK ON THE AUSTRALIAN STOCK

EXCHANGE OUT OF THE TOP 50 THAT WERE LISTED WHEN WE FIRST CAME TO THE ASX BOARDS.

## **CONTINUING THE STRATEGY**

OUR TASK NOW IS TO KEEP DELIVERING THE RETURNS YOU HAVE COME TO EXPECT OF US.

TO ACHIEVE THIS, WE WILL REMAIN FOCUSED ON THE STRATEGY WHICH HAS SERVED US WELL IN THE PAST.

WE WILL CONTINUE TO BE A FULL-SERVICE INVESTMENT BANK IN AUSTRALIA, WHILE INTERNATIONALLY WE WILL FOCUS ON KEY MARKETS WHERE WE CAN MAKE A DIFFERENCE.

WE WILL EMBARK ON ENTREPRENEURIAL ENDEAVOURS WITH A STRONG FOCUS ON RISK MANAGEMENT.

AND WE WILL MAINTAIN OUR COMMITMENT TO INVEST IN OUR BUSINESSES THROUGHOUT THE VARYING MARKET AND ECONOMIC CYCLES.

WE REMAIN, AS ALWAYS, COMMITTED TO THE MARKETS IN WHICH WE OPERATE, THE CLIENTS WE SERVE AND THE COMMUNITIES OF WHICH WE ARE A PART.

I WILL NOW HAND OVER TO ALLAN MOSS.