

CHAIRMAN'S ADDRESS

MACQUARIE BANK LIMITED AGM

29 JULY 2009

LEVEL 3, NO. 1 MARTIN PLACE, SYDNEY

CHECK AGAINST DELIVERY

Good afternoon ladies and gentlemen and welcome to Macquarie Bank's 2009 Annual General Meeting.

I'm Kevin McCann, the Acting Chairman of Macquarie Bank and I'll be chairing today's meeting.

The Company Secretary has confirmed that a quorum is present, so I formally declare the meeting open.

With me today are Richard Sheppard, the Bank's Managing Director, and next to him Greg Ward, our Chief Financial Officer, and Dennis Leong, the Company Secretary.

Shortly, I will ask Richard to give a brief outline of the Bank's performance and key events for the year.

We will then move to consider the formal items of business set out in the Notice of Meeting.

I would like to advise that recording devices, photographic equipment and mobile phones may not be used during this meeting.

I will now hand over to Richard.

MANAGING DIRECTOR'S ADDRESS

MACQUARIE BANK LIMITED AGM

29 JULY 2009

LEVEL 3, NO. 1 MARTIN PLACE, SYDNEY

Thank you, Kevin.

Today I will provide a brief update on the activities of Macquarie Bank Limited, which, following the restructure undertaken in November 2007, became the banking subsidiary of Macquarie Group Limited.

The Bank's operating results were broadly covered at the Macquarie Group AGM held earlier today and published in releases to the ASX. I will therefore be relatively brief in outlining the results of Macquarie Bank. Macquarie Income Securityholders have been invited to this Macquarie Bank AGM to give them an opportunity to ask questions.

PROFIT

For the financial year to 31 March 2009, Macquarie Bank reported a profit of \$576 million, a decrease of 14 per cent on the previous year after adjusting for discontinued operations. Operating income from continuing operations was down 26 per cent to \$3.1 billion.

This result was achieved despite the extremely challenging global markets and economic environment.

HIGHLIGHTS

Treasury & Commodities Group

The Treasury & Commodities Group recorded a profit that was slightly down on a strong prior year result.

The group's contribution benefited from record results by both the Energy Markets and Foreign Exchange Divisions. This was offset by some weakness in other trading areas. Overall, this was an excellent result given the challenging market conditions.

A significant initiative for this group during the year has been the growth of our power trading business in North America. The acquisition and integration of the Constellation Energy physical and financial gas trading business into Macquarie's existing gas business, Macquarie Cook Energy, will provide us with a strong platform for growth in this area.

Banking and Financial Services Group

The Banking and Financial Services Group recorded a loss for the year. This result was principally affected by \$248 million in one-off costs associated with the sale of the Italian Mortgages business. Retail deposits, however, grew strongly, up 103 per cent on the prior year and there were also strong inflows into life insurance products.

Our Private Wealth business, while impacted by market conditions, continues to maintain its strong market share.

Macquarie Funds Group and Macquarie Securities Group

The contributions of the Macquarie Funds Group and Macquarie Securities Group were well down on the prior year, as both businesses were impacted by the highly disrupted market conditions.

Real Estate Banking Division

The Real Estate Banking Division reported a significant loss for the year due to realised losses on sale of investments and recognition of asset impairment charges.

Corporate and Asset Finance Division

Corporate and Asset Finance Division made a good contribution in its first year of operation within Macquarie Bank. The Division was transferred from Macquarie Capital in September 2008. Its business is to provide capital finance and related services to clients in Australia and selected international markets.

Finally, I should note that the Bank's overall result was marked by a number of one-off items including profits on revaluation of subordinated debt and profits from refinancing some of our hybrid securities.

In addition, the Bank's operating expenses were down 27 per cent on the prior year, driven by a 56 per cent decline in employment expenses due to lower performance related profit share.

BANK FUNDING AND LIQUIDITY

Throughout the year, we have exceeded our capital adequacy requirements and maintained an extremely strong balance sheet.

Macquarie Bank's liquidity risk management framework operated effectively throughout the year ensuring funding requirements were met and sufficient liquidity was maintained, despite challenging credit market conditions.

In October 2008, the Australian Government announced that it would guarantee the wholesale term and short-term funding of eligible Authorised Deposit-taking Institutions in return for the payment of a guarantee fee. It also announced guarantee arrangements for deposits in eligible Authorised Deposit-taking Institutions. These announcements followed the introduction of similar initiatives in many other countries.

As at 31 March 2009, the Bank had obtained government guarantees on deposits of \$14.1 billion and debt issued at an amortised cost of \$17.6 billion.

The Bank remains conservatively capitalised with a Tier One capital ratio of 11.4 per cent at 31 March 2009. The Bank is also well funded with diverse sources of funding and a conservative maturity structure. Cash and liquid

assets increased from \$19 billion at 31 March 2008 to \$26 billion at 31 March 2009.

Overall, despite the difficult market conditions, the Bank remained profitable with a strong capital and funding position.

That concludes my remarks.