

Notice of Annual General Meeting

31 July 2003

MACQUARIE BANK LIMITED
ACN 008 583 542



MACQUARIE
BANK

10.30 am, The Grand Ballroom, Lower Level, The Westin Sydney,
No.1 Martin Place, Sydney, NSW.

Macquarie Bank Limited
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12 June 2003



Dear Shareholder

The 2003 Annual General Meeting of Macquarie Bank Limited will be held in The Grand Ballroom, Lower Level, The Westin Sydney, No. 1 Martin Place, Sydney, New South Wales on Thursday, 31 July 2003, at 10.30 am.

The Managing Director and I will comment briefly on the Bank's performance during the year to 31 March 2003 at the meeting and you are also referred to the comments in the Bank's 2003 Annual Review for further information.

The meeting will cover the ordinary business transacted annually and the special business of a proposed increase in the maximum aggregate remuneration for non-executive voting directors.

Shareholders are invited to join the Board for light refreshments at the conclusion of the meeting. If you plan to attend please bring the enclosed proxy form to facilitate your registration. I look forward to seeing you then.

Yours faithfully



David S Clarke
Chairman

NOTICE OF MEETING

Notice is hereby given that the 2003 Annual General Meeting of Macquarie Bank Limited, ACN 008 583 542, will be held in The Grand Ballroom, Lower Level, The Westin Sydney, No. 1 Martin Place, Sydney, New South Wales on Thursday, 31 July 2003, at 10.30 am. Registration will open at 9.30 am.

Ordinary Business

1. Financial Statements

To consider and receive the Financial Report, the Report of the Voting Directors and the Auditor's Report for the year ended 31 March 2003.

2. Re-election of Mr BR Martin as a Voting Director

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

That Mr BR Martin be re-elected as a Voting Director of the Company.

3. Re-election of Mr HK McCann as a Voting Director

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

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

4. Re-election of Mr LG Cox as a Voting Director

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

That Mr LG Cox be re-elected as a Voting Director of the Company.

5. Election of Professor JR Niland as a Voting Director

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

That Professor JR Niland, having been appointed as a Voting Director since the last general meeting, be elected as a Voting Director of the Company.

6. Election of Mr PM Kirby as a Voting Director

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

That Mr PM Kirby, having been appointed as a Voting Director since the last general meeting, be elected as a Voting Director of the Company.

Special Business

7. Increase in Voting Directors' Maximum Aggregate Remuneration for acting as Voting Directors

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

That the remuneration of the Voting Directors for acting as Voting Directors, for the years from and including the year commencing on 1 July 2003, be increased by \$400,000 per annum from \$1,200,000 per annum to such annual sum, not exceeding \$1,600,000 per annum as the Voting Directors determine, to be divided in accordance with the Company's Constitution.

Voting Exclusion Statement

The Company will disregard any votes cast on Item 7 by any Voting Director and any associate of those Voting Directors. However, the Bank need not disregard a vote if:

- (a) it is cast by 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.

By order of the Board



Dennis Leong
Company Secretary
Sydney, 12 June 2003

Notes

1. A member entitled to attend and vote is entitled to appoint not more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified number of shares or proportion of the member's voting rights. A proxy form and a reply paid envelope have been included for members with this Notice of Meeting. Proxy voting instructions are provided on the back of the proxy form.

A proxy need not be a member. If you wish to direct a proxy how to vote on any resolution place a mark (eg a cross) in the appropriate box on the proxy form and your total shareholding will be voted 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.

2. Proxies must be received by the Company's share registry, Computershare Investor Services Pty Limited, Level 3, 60 Carrington Street, Sydney NSW 2000 (facsimile number (02) 8235 8220), or at the Company's registered office in the ACT, not less than 48 hours before the meeting. Any revocations of proxies must also be received at one of these places before the commencement of the meeting.
3. Pursuant to Regulation 7.11.37 of the Corporations Regulations 2001, the holders of the Company's ordinary shares for the purposes of the meeting, will be those registered holders of the Company's ordinary shares at 7.00 pm (Sydney time) on Tuesday, 29 July 2003.
4. This Notice is being sent to holders of the Company's Converting Preference Shares and holders of Macquarie Income Securities. Holders of these securities may attend the Annual General Meeting but are not entitled to vote on any of the proposed resolutions.

EXPLANATORY NOTES ON ITEMS OF BUSINESS

Item 1: Reports and Accounts

As required by section 317 of the Corporations Act 2001, the Financial Report, Directors' Report and Auditor's Report of Macquarie Bank Limited (the "Bank") for the most recent financial year will be laid before the meeting. There is no requirement for a formal resolution on this item.

Items 2, 3 and 4: Re-Election of Voting Directors Retiring by Rotation

Voting Directors, Barrie Martin, Kevin McCann and Laurie Cox retire by rotation and offer themselves for re-election.

Barrie Martin, BEc, ANZIIF (Fellow), joined the Board as a Non-Executive Voting Director in August 1993 and is considered by the Bank to be an independent director (see pages 32 and 33 of the Bank's 2003 Annual Review for the Bank's definition of independent directors). He is 67 years of age.

He is a member of the Board Audit and Compliance Committee, the Board Corporate Governance Committee, the Board Nominating Committee and, like all Board members, the Board Risk Committee. He is also a member of the Compliance Committee of two Bank subsidiaries, Macquarie Investment Management Limited and Macquarie Investment Services Limited.

Mr Martin was Non-Executive Chairman of Prudential Corporation Australia Limited from 1994 to 1997 and was Managing Director for the Prudential Group in Australia and New Zealand from July 1984 to December 1994. He held various management positions in the Prudential Group, having joined it in 1968.

He was Chairman of the Life Insurance Federation of Australia from May 1990 to May 1992 and was Chairman of the Insurance Employers Industrial Association from 1990 to 1992. He stepped down from the position of Deputy President of the State Chamber of Commerce (NSW) in 1991 and was President of the Council of the Australian Insurance Institute in 1994/1995.

Mr Martin brings to the Board 35 years of experience in financial services. His experience as the chief executive of a significant Australasian financial services group which had interests in life insurance, superannuation and wholesale and retail funds management is particularly relevant to his role

as a member of the Bank's Board. His insurance background has also been beneficial to the development of Macquarie Life Limited, the Bank's life insurance subsidiary, from whose Board he recently resigned.

He also has significant experience as a non-executive director. He is currently the Chairman of Brazin Limited, the Barkworth Group and a Director of BHP SVC Pty Limited and SciGen Limited. He is also Chairman of the Compliance Committee of Allianz Dresdner Asset Management Limited. He previously chaired three other listed public companies, Alpha Healthcare Limited from 1993 to 2001, Homemaker Retail Management Limited from 1999 to 2001 and Sundowner Motor Inns Limited from 1999 to 2001.

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

Kevin McCann, BA LLB (Hons) (Syd) LLM (Harv) FAICD, joined the Board in December 1996 as a Non-Executive Voting Director of the Bank and is considered to be an independent director by the Bank. He is 62 years of age.

Mr McCann is Chairman of Partners, Allens Arthur Robinson, one of Australia's leading legal firms, having been admitted as a Partner in 1970. He practices as a commercial lawyer specialising in Mergers and Acquisitions, Mineral and Resources Law and Capital Markets Transactions. He is also a member of the Australian Takeovers Panel.

His extensive and current legal experience means that the Board has a member with strong and up-to-date legal expertise. He has practiced in many areas of commercial law and is well qualified to be the Chairman of the Bank's Board Corporate Governance Committee, which was formed in October 2002. He is also a member of the Board Audit and Compliance Committee and a member of the Board Risk Committee.

Mr McCann has extensive experience as a non-executive director of listed public and other companies. He is currently Chairman of Healthscope Limited, Origin Energy Limited, Triako Resources Limited and the Sydney Harbour Federation Trust and a director of BHP Steel Limited.

He was a Director of Pioneer International Limited from 1976 to 2000, of Ampol Limited from 1985 to 1994, of Ampplex Limited from

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1987 to 1992 and of The Hospitals Contributions Fund of Australia Limited from 1989 to 1996. He was a Member of the Board of the State Rail Authority of New South Wales from 1989 to 1995.

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

Laurie Cox AO, BCom, FCPA, FSIA, FAICD, joined the Board as a Non-Executive Director and as Joint Chairman of Macquarie Corporate Finance Limited in January 1996. He remains Joint Chairman of and a consultant to the Bank's Corporate Finance Division and is a member of the Board Risk Committee. He is 64 years of age.

He brings to the Board, long experience in, and a first-hand knowledge of, investment markets and related businesses in Australia and overseas.

Prior to joining the Board, Mr Cox spent 35 years with the Potter Warburg group of companies, one of Australia's leading stockbroking and investment banking groups. He was Executive Chairman of the group and a Director of S G Warburg Securities of London.

Mr Cox is the immediate past Chairman of Australian Stock Exchange Limited ("ASX"), holding this office from 1989 to 1994. He was a Director of ASX from its inception in 1987, a Director of Securities Exchanges Guarantee Corporation from 1987 to 1995 and a member of the Executive Committee of the Internationale Bourses des Valeurs from 1990 to 1992. He is an affiliate of ASX and is a former member of the International Markets Advisory Board of NASD, the regulator of The NASDAQ Stock Market (USA).

Mr Cox maintains close contact with domestic and international financial markets as an integral part of his ongoing role with the Corporate Finance Division. This contact also enables him to make contemporary contributions to Board discussions.

He also has considerable non-executive director experience, being Chairman of Transurban Group, SMS Management & Technology Limited and the Murdoch Childrens Research Institute and a Director of Smorgon Steel Group Limited. He is also a member of the Executive Committee of the Australia Japan Business Co-operation Committee.

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

Items 5 and 6: Election of Voting Directors Appointed since the Last General Meeting

John Niland and Peter Kirby, having been appointed by the Board as Voting Directors since the last general meeting of the Bank, offer themselves for election.

John Niland, AC, BCom, MCom, HonDSc (UNSW), PhD (Illinois), DUniv (SCU), FAICD was appointed as a Non-Executive Voting Director on 27 February 2003 and is considered by the Bank to be an independent director. He is 62 years of age.

Professor Niland brings to the Board significant management expertise in a variety of roles covering science and technology, philanthropy and environmental regulation as well as extensive academic experience both in Australia and internationally.

Following the completion of a ten year term as Vice-Chancellor and President of the University of New South Wales ("UNSW") in July 2002, he became Professor Emeritus of UNSW and now serves as Chairman of a range of bodies including the UNSW Foundation Limited, Research Australia Limited, the Australian Peace Scholarships Trust, realestate.com.au Limited and the Centennial Park Trust. He also serves on the Board of Trustees of Singapore Management University and is a member of the University Grants Committee of Hong Kong.

Prior to becoming Vice-Chancellor at UNSW, Professor Niland served as Head of the School of Economics, Dean of the Faculty of Commerce and Economics and was the University's foundation Professor of Economics and Industrial Relations. He has held academic positions at Cornell University, the University of Illinois and the Australian National University.

Professor Niland has spent periods in management roles in the Australian steel industry, as the Chief Executive of the State Pollution Control Commission and as the Executive Chairman of the Environmental Protection Authority. He has served on the Australian Universities Council, the Technical and Further Education Council of Australia, the Boards of St Vincent's Hospital and the Sydney Symphony Orchestra Foundation and the

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successful Sydney Olympic bid's Building Commission.

The Board unanimously recommends that shareholders vote in favour of John Niland's election.

Peter Kirby, BEc (Rhodes) BEc (Hons) (Natal) MA (Manchester) MBA (Witwatersrand), was appointed on 29 May 2003 as a Non-Executive Voting Director of the Bank and as a member of the Board Risk Committee, to be effective 28 June 2003. He meets the Bank's definition of an independent director. He is 55 years of age.

Mr Kirby will bring to the Board considerable depth and breadth of business and management expertise gained over 30 years in a variety of roles, in Australia and overseas.

Until the end of March this year, he was the Managing Director and Chief Executive Officer of CSR Limited, positions which he had held since 1998. In that time, he presided over CSR's transformation into one of the world's top ten building material groups, culminating in its successful demerger into two independent listed companies. With the demerger completed, he will leave CSR shortly.

CSR's transformation included 47 transactions valued at \$4.3 billion (including divesting 22 businesses) and followed reviews of corporate strategy and senior management. During this period, CSR's earnings per share, return on equity and share price all increased significantly.

Prior to joining CSR, Mr Kirby was with Imperial Chemical Industries PLC ("ICI") for 25 years in a variety of senior management positions around the world, including CEO of ICI Paints, responsible for the group's coatings businesses worldwide, and a member of the Executive Board of ICI, with responsibility for ICI Americas and the western hemisphere.

The Board unanimously recommends that shareholders vote in favour of Peter Kirby's election.

Item 7: Increase in Maximum Aggregate Voting Directors' Remuneration for acting as Voting Directors

It is proposed to increase the maximum aggregate remuneration of the Board for acting as Voting Directors ("Remuneration Cap") from \$1.2 million per annum to \$1.6 million per annum. No Executive Director receives fees for acting as a Voting Director.

The proposed increase will:

- allow for some growth in Board remuneration over time to reflect market movements and changed responsibilities; and
- provide the Board with the flexibility to appoint an additional independent Non-Executive Voting Director ("NED") in future, which is currently under consideration.

Shareholder approval is sought both under Article 52 of the Bank's Constitution and Australian Stock Exchange Limited ("ASX") Listing Rule 10.17.

The Board's policy is to remunerate NEDs at market rates for comparable companies for the time commitment and responsibilities involved. Where considered appropriate, external advice on market rates is taken.

During the year, the Board obtained external advice on movements in non-executive director remuneration for comparable companies in Australia since 2000. Board fees were increased to reflect these market movements and the increased time commitment required of NEDs serving on some Board committees. Payments were also made to NEDs during the year in respect of the 2001/2002 year, to reflect market movements and that there was no increase in Board fees that year. These payments were within the Remuneration Cap.

Following this review, the base remuneration for a NED is \$100,000 p.a. Remuneration is also payable to NEDs for Board Committee duties, as follows:

- Chairman of the Board Audit and Compliance Committee \$50,000 p.a.
- Member of the Board Audit and Compliance Committee \$25,000 p.a.
- Chairman of the Board Remuneration Committee \$25,000 p.a.
- Member of the Board Remuneration Committee \$12,500 p.a.

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- Chairman of the Board Corporate Governance Committee \$25,000 p.a.
- Member of the Board Corporate Governance Committee \$12,500 p.a.
- Member of the Board Nominating Committee \$4,400 p.a.

These rates are planned to be reviewed again with effect from 1 July 2003.

NEDs may elect to be paid this remuneration, in part, in the form of superannuation contributions and, following approval at the Bank's 1999 Annual General Meeting, in the form of fully paid ordinary shares in the Bank acquired under the Macquarie Bank Non-Executive Director Share Acquisition Plan ("NEDSAP"). Such shares are acquired on-market at prevailing market prices.

In order to encourage long-term commitment and more closely align the interests of the Board with shareholders, the Board has a minimum shareholding requirement for its NEDs. They are required to compile and maintain a minimum shareholding in the Bank, currently set at 4,000 fully paid ordinary shares. This minimum holding may be accumulated over three years and may be contributed to via participation in the NEDSAP.

Shareholders approved at the Bank's 2000 Annual General Meeting, the Macquarie Bank Non-Executive Director Option Plan ("NEDOP"), under which the Bank's NEDs could be invited to apply for five year options over fully paid shares in the Bank, in 2000, 2001 and 2002, valued at the time of determination at no more than 20% of the then base NED annual remuneration, provided the Bank met pre-determined performance benchmarks.

Before the grant of the 2002 options, the Board agreed to suspend the operation of the NEDOP and replace it with contingent additional remuneration equal in value to 20% of the annual base NED remuneration, conditional on the Bank meeting a pre-agreed performance benchmark in the relevant financial year, which would be offered to each NED only in the form of the Bank's fully paid ordinary shares acquired for the NED under the NEDSAP. The performance benchmark is that the Bank's average annual return on ordinary equity for the three previous financial years is at or above the 65th percentile of the corresponding figures for all companies in the then S&P/ASX 300 Industrials Index.

The objective of these contingent payments is to assist in the recruitment, reward and retention of NEDs. The contingent payments have been taken into account when comparing NEDs'

remuneration with market rates. The Bank has been granted an ASX listing rule waiver to make the payments.

Board members, John Allpass and Barrie Martin, also act as the Chairman and as a member, respectively, of the Compliance Committees of two Bank subsidiaries, Macquarie Investment Management Limited and Macquarie Investment Services Limited, for which the aggregate remuneration is currently \$37,500 p.a. and \$25,000 p.a., respectively. This remuneration is paid by these Bank subsidiaries. The payments do not come within the Remuneration Cap under the Bank's Constitution. However, ASX has advised that it considers these payments to be within the scope of the cap on "directors' fees" for the purposes of ASX Listing Rule 10.17.

The maximum aggregate remuneration was last increased at the Bank's 2000 Annual General Meeting ("AGM"). Since then the Bank has grown significantly:

- annual profit after tax attributable to ordinary shareholders from \$210 million to \$333 million;
- basic annual earnings per share from \$1.24 to \$1.65;
- net assets from about \$1.2 billion to over \$2.5 billion;
- total assets from about \$23 billion to over \$32 billion;
- funds under management from about \$26 billion to about \$52 billion; and
- permanent staff numbers from approximately 4,070 to about 4,800.

In addition, since 2000, there have been increasing demands on directors of listed companies under the law, by regulators and through community expectations.

Partly in response to these demands and in accordance with movements in best practice corporate governance, the responsibilities and time commitment of NEDs have grown considerably over this time.

Board meetings are now generally longer than they were in 2000, Board Committee meetings are longer with more matters being discussed, and there has been a significant increase in the number of Committee meetings.

In 1999/2000 and in 2000/2001, there were 12 Board Committee meetings held. In 2001/2002 there were 17 Board Committee meetings. In 2002/03, there were 21 Board Committee meetings - eight meetings of the Audit and Compliance Committee, eight meetings of the

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Remuneration Committee, three of the new Corporate Governance Committee, one of the Nominating Committee and one of the new Risk Committee.

The Board Corporate Governance Committee and the Board Risk Committee will meet at least four times per year going forward.

At current remuneration levels, the aggregate NED remuneration is close to the existing Remuneration Cap of \$1.2 million per annum.

As noted above, Board remuneration is scheduled for review again with effect from 1 July 2003. The proposed increase will:

- allow for some growth in Board remuneration over time to reflect market movements and changed responsibilities; and
- provide the Board with the flexibility to appoint an additional independent NED in future, which is currently under consideration.

The Bank considers it essential that it has the resources available to attract and retain the highest quality candidates for Board positions.

With NEDs noting their interests in the matter, the Board unanimously recommends that shareholders approve the increase in the maximum aggregate Board remuneration.