



MACQUARIE
BANK

Macquarie Bank Limited Operational Briefing

Presentation to
Shareholders and Analysts
13 February 2003



Speakers

<u>Time</u>	<u>Group</u>	<u>Presenter</u>
9.35 – 10.05	Chief Executive Officer	Allan Moss
10.05 – 10.35	Equity Markets	Ottmar Weiss
10.35 – 11.05	Banking & Property	Bill Moss
11.05 – 11.25	Break	
11.25 – 11.55	Financial Services	Peter Maher
11.55 – 12.35	Investment Banking	Nicholas Moore



Macquarie Bank Limited Operational Briefing

Chief Executive Officer &
Managing Director

Allan Moss



Performance since the interim result

- Generally on track as foreshadowed at Interim announcement
 - Investment Banking – benefiting from good pipeline of deals & improved market performance of funds
 - Treasury & Commodities, Banking & Property – strong results expected, but down on first half as foreshadowed
 - Equity Markets & Funds Management – performances broadly in line with first half
 - Financial Services – on track to achieve profitability year ending 31 March 2003



Major deals & initiatives since the interim result

- Westlink Consortium - preferred tenderer status on Western Sydney Orbital
- Advising Goldman Fielder in relation to the A\$2.4b hostile takeover bid by Burns Philp
- Korean Road Infrastructure Fund established – A\$370m raised, further commitments expected by mid 2003
- MOU signed for Korean equity derivatives alliance with Woori Bank
- Advising Constellation Brands in relation to the US\$1.4b proposed merger with BRL Hardy
- Financial Services Group commences major advertising campaign



Key governance initiatives

- Macquarie Board
 - Corporate Governance Committee established
 - All Board Committees have majority of independent directors
 - Audit & Compliance Committee comprises only independents
 - Corporate Governance & Remuneration Committee chaired by independents
- Specialist funds
 - Boards to comprise majority independent directors
 - Related party transactions clearly identified, at arms length and subject to review by third party
 - Enhanced separation between funds and other parts of the Bank

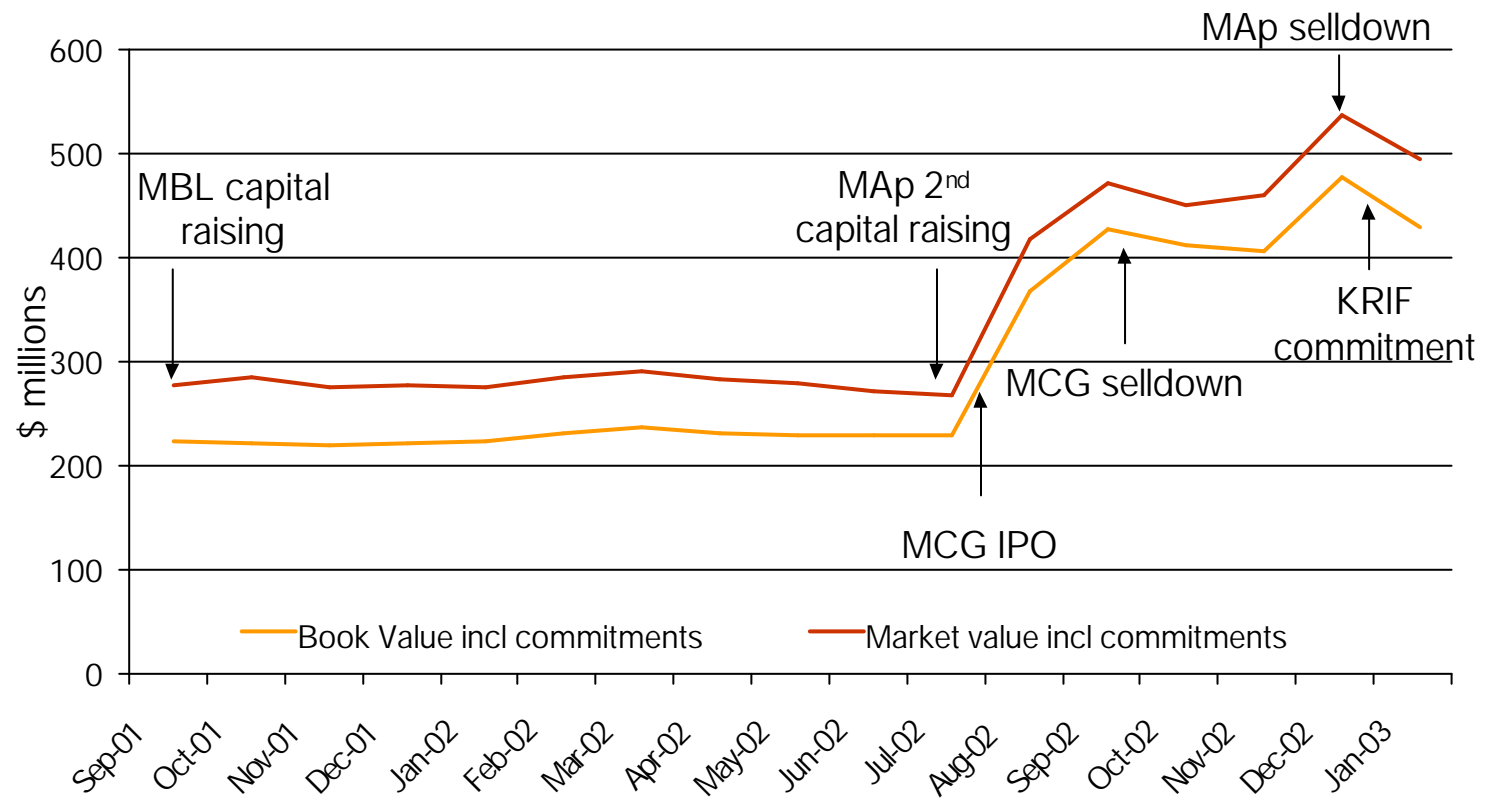


Developments associated with Macquarie listed funds

- MCG has outperformed index by over 25% since listing
- Macquarie ProLogis outperformed index by 14% in first operating period
- Revenue on MIG's key operating toll roads rose by weighted average of 26% during calendar 2002
- Macquarie ProLogis - Australia's "Overall Best New Listed Company" - AsiaMoney
- Macquarie Goodman Management - No 2 Australia's "Best Small Company" - AsiaMoney
- Disposal of 58m MAp securities as required by Australian Securities and Investments Commission



Commitment to Macquarie funds



* Unlisted funds are reported at book value



Commitment to Macquarie funds

	Book value (A\$m)	Market Value (A\$m)
	31 Jan 2003	31 Jan 2003
MCG	100.9	115.9
MAG*	99.4	99.4
KRIF*	43.9	43.9
MAP	40.2	40.2
MIG	31.2	80.4
Property Funds*	51.1	51.3
Direct Investment*	46.5	46.5
Other*	11.0	11.0
Total	424.0	488.5

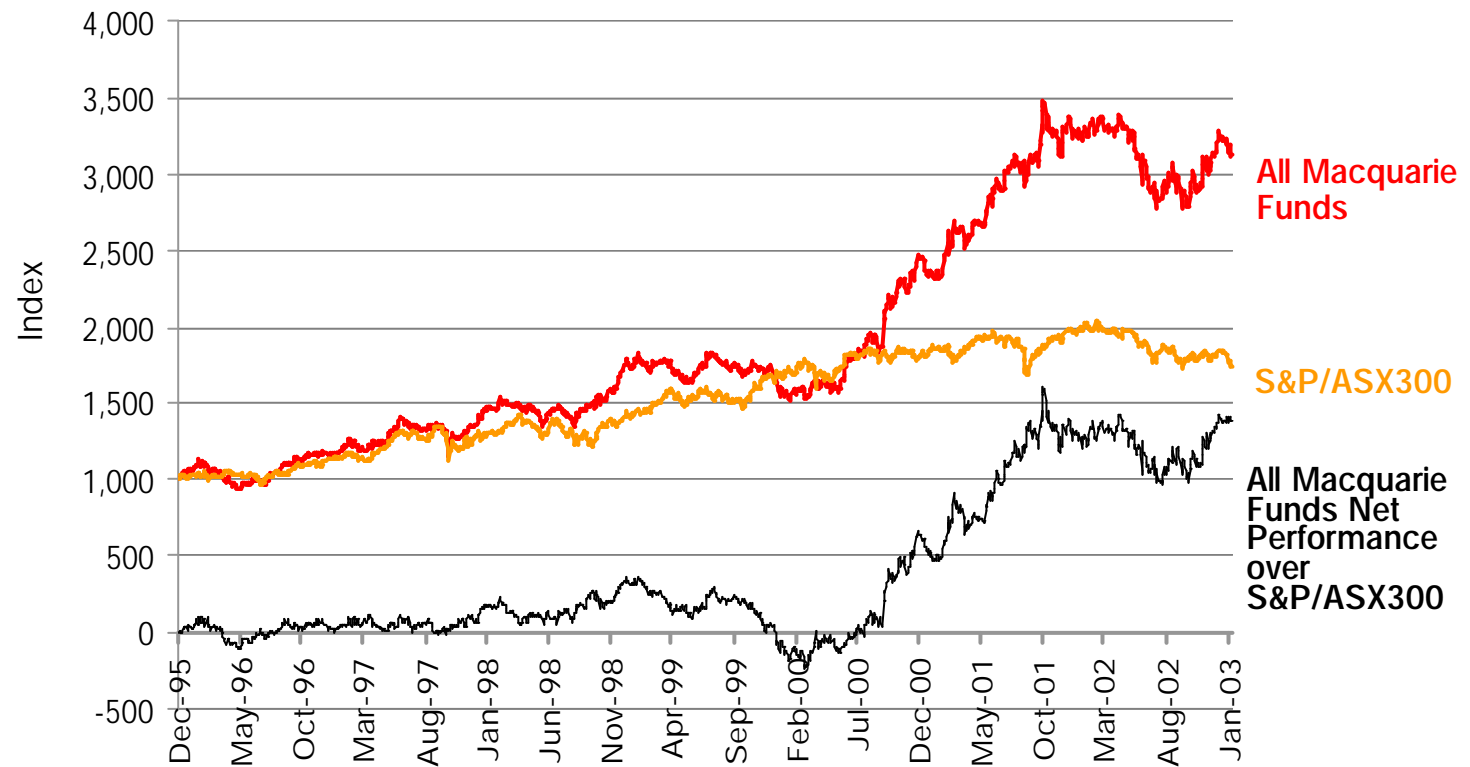
* Unlisted funds are reported at book value



Macquarie listed funds

Significant outperformance
over the long haul

Performance Since 1996





Generally improving market shares

→ Investment Banking

- No 1 in both completed and announced 2002 Australian Mergers & Acquisitions transactions by value – Thomson Financial
- No 2 Equity Capital Market house for 3rd year – Thomson Financial
- No 2 globally for project finance advisory services – Thomson Financial
- Continuing healthy deal pipeline



Generally improving market shares

→ Treasury & Commodities

- Debt Markets – Top Lead Manager of Domestic Australian Dollar Bonds 2002 – Thomson Financial
- Futures – No 2 in execution in 2002, increase in number of contracts of 14% to 8.1m – Sydney Futures Exchange
- 2002 Foreign Exchange turnover up 23% on pcp
- Base and precious metals markets - transaction volumes either flat or higher compared to pcp
- Houston mezzanine energy finance and London energy trading businesses up, running and generating revenue



Generally improving market shares

→ Banking & Property

- Now 4th largest Australian listed property trust manager
- Macquarie Goodman Industrial Trust and Macquarie Office Trust – No 1 in accumulated performance over 5 years
- Funds under management (including associates) over \$6.5b, up 5% from \$6.2b at the interim

→ Equity Markets

- 50% share of Australian instalment warrant market
- Leading warrant issuer by value in 2002 - 37% market share
- European operations remain difficult



Generally improving market shares

→ Financial Services

- Strongest Wrap growth in Australia for last two quarters – Assirt. \$6.1b at Dec 2002 (up from \$2.55b in Dec 2001)
- Total retail FUM around \$11.5b at Jan 2003 (up \$0.5b since Mar 2002)
- Total client base up approximately 30% to over 550,000 since inception in March 2000

→ Funds Management

- 10% increase in total FUM and 90% increase in international FUM over past 12 months despite overall market contraction
- "Best All Round Fund Manager" by mandate wins - Investor Weekly
- Australian Enhanced Fixed Interest Fund - Inflows of over \$550m in 2002, total FUM \$1 billion Dec 2002
- Alpha Plus Fund - 3.6% above index since Feb 2001, A rating - van Eyk, Jan 2003



Market conditions

- Corporate Deals
 - International markets subdued but reasonable activity in Australia
- Trading
 - Generally satisfactory except in global equity markets
- Employment
 - Generally still competitive for good people
 - Investment banking industry remuneration varies with profitability but little structural change
- Funding
 - Given current market conditions, the Bank will maintain, and where appropriate, reinforce its conservative capital position
 - In this context the Bank this week increased its levels of subordinated debt and may consider further increases



On track for the full year

- On track to achieve good earnings growth for full year 2003
- Continuing to source good deals - domestic & international
- Generally businesses have continued to perform in line with expectations



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Equity Markets Group

Ottmar Weiss

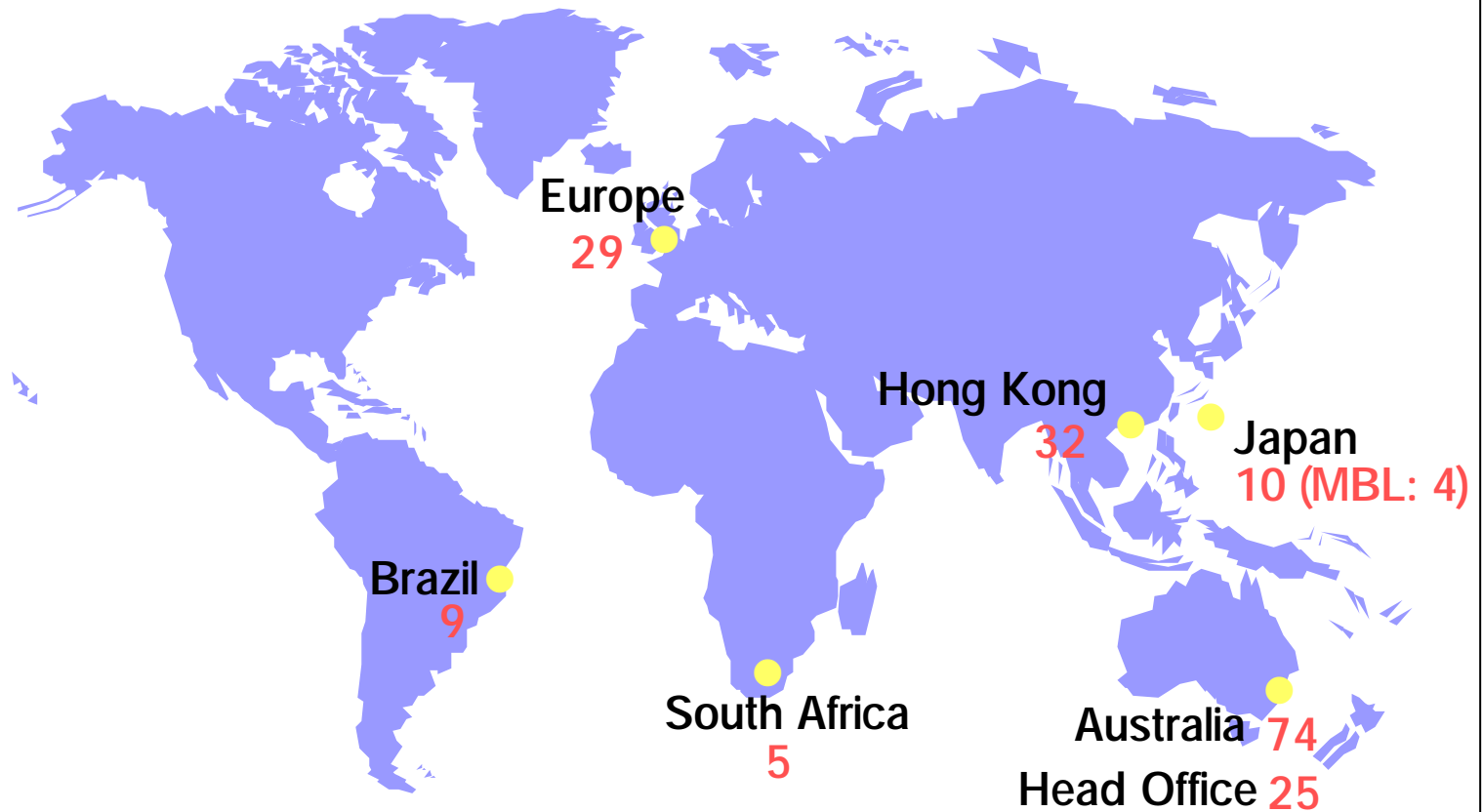


Equity Markets Group - business rationale

- Equity Markets operates a margin-based equity derivatives business
- Diversify earnings by operating in an increasing number of geographies and market segments
- Maximise ROE and minimise capital usage
- Key profit drivers are margins and product volumes



Equity Markets Group - staff numbers by location



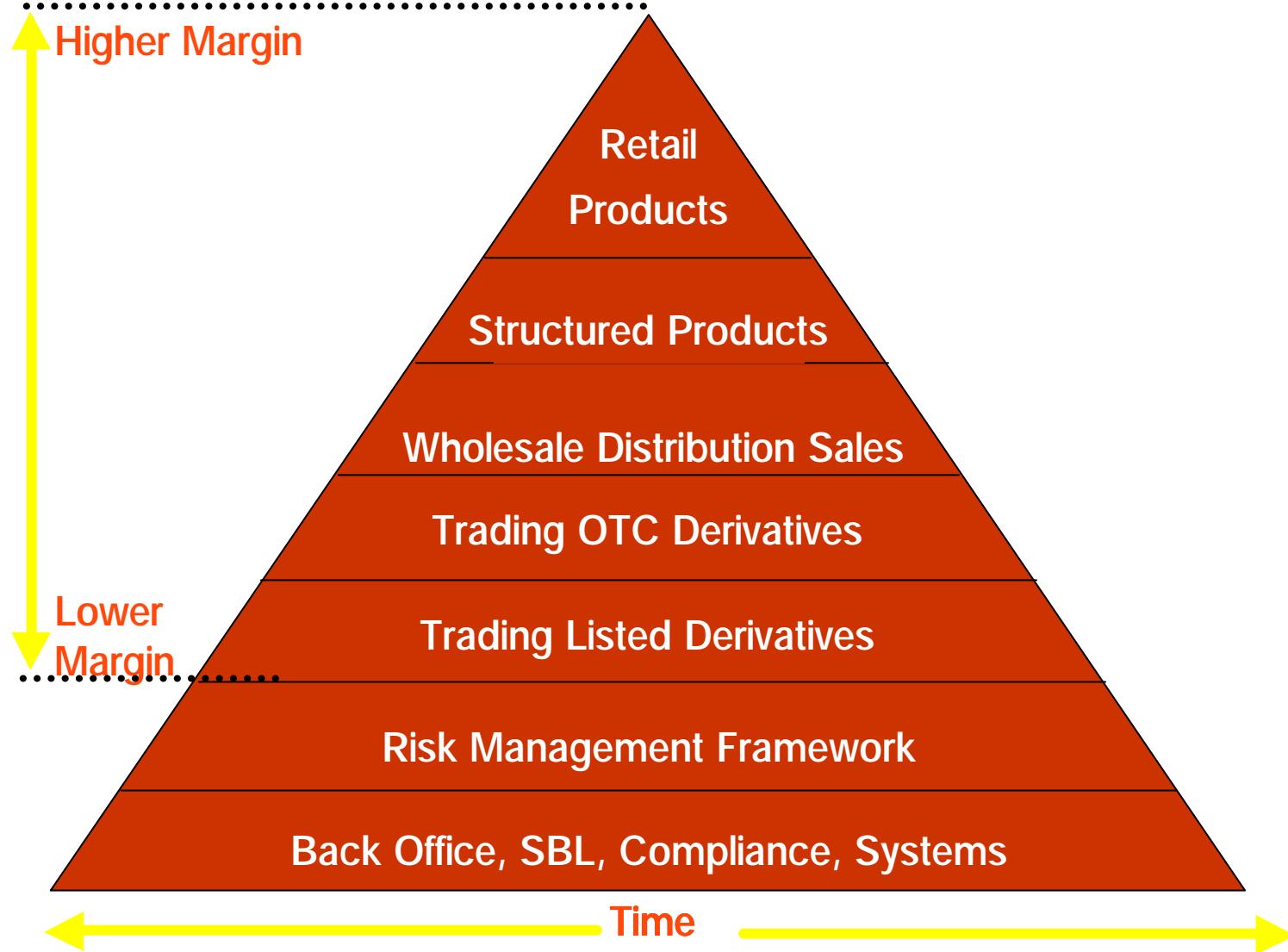


Equity Markets Group - margins

- Business fundamentally arbitrage-based
- Capture market mispricings including:
 - Volatility arbitrage (options)
 - Cash arbitrage (dual-listed securities)
 - Index arbitrage (share baskets vs index futures)
- Use structuring team to generate new “value-added” products and transactions with bigger margins and hedge risk to capture margin
- Use sales team to generate wholesale and retail customer flows (warrants, ELNs)
- Minimal delta trading, flow trading or strategic position taking
- Revenue mix – 90% customer, 10% proprietary



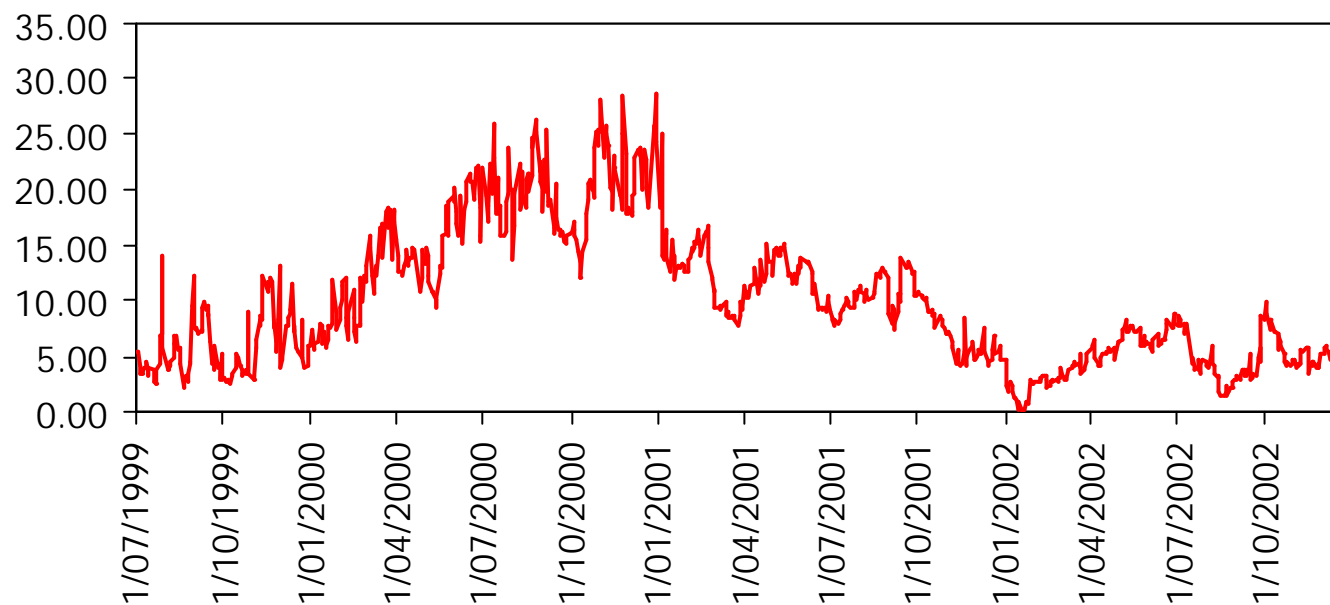
Equity Markets Group - business model





Equity Markets Group - VAR trends

10 Day 99% Correlated Equity VAR





Equity Markets Group - ROE and capital usage

- EMG's business model is not capital intensive
- EMG's average ROE over time has exceeded the MBL average
- EMG's RWA < 5% of Total MBL RWA



Equity Markets Group - performance review

- **Overall** – improved net income vs. PCP
- **Australia** – strong franchise on the back of resilient retail demand and dominant instalment and vanilla warrant market share. Successfully diversifying product range

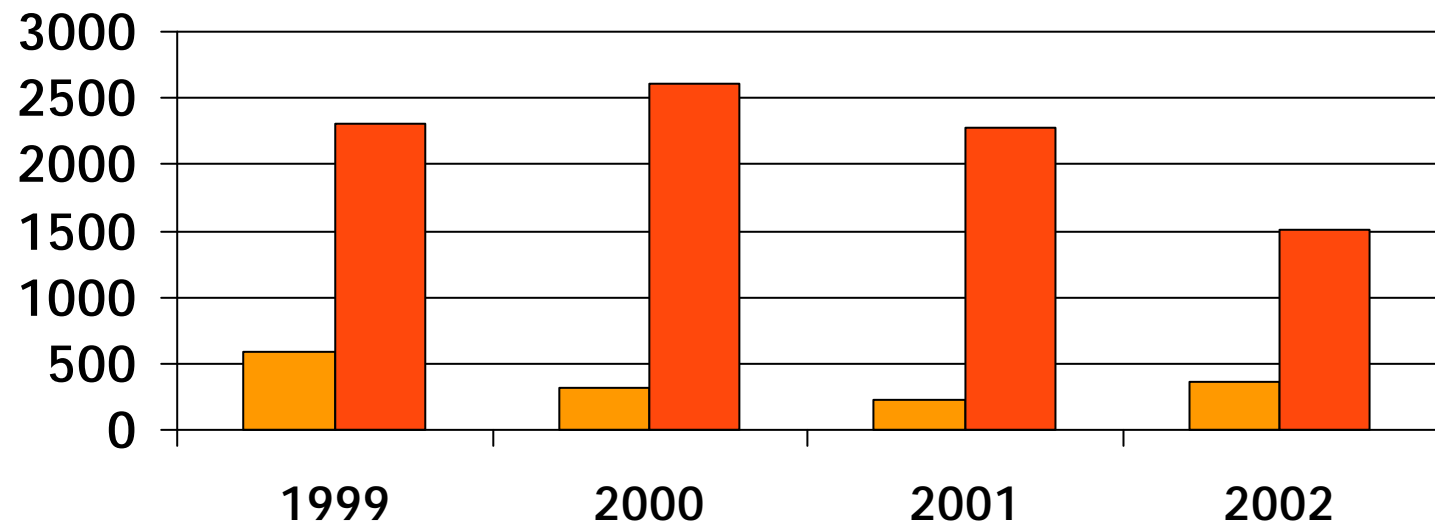


Equity Markets Group - performance review

Australian Trading Warrant Market Share by Value

Millions

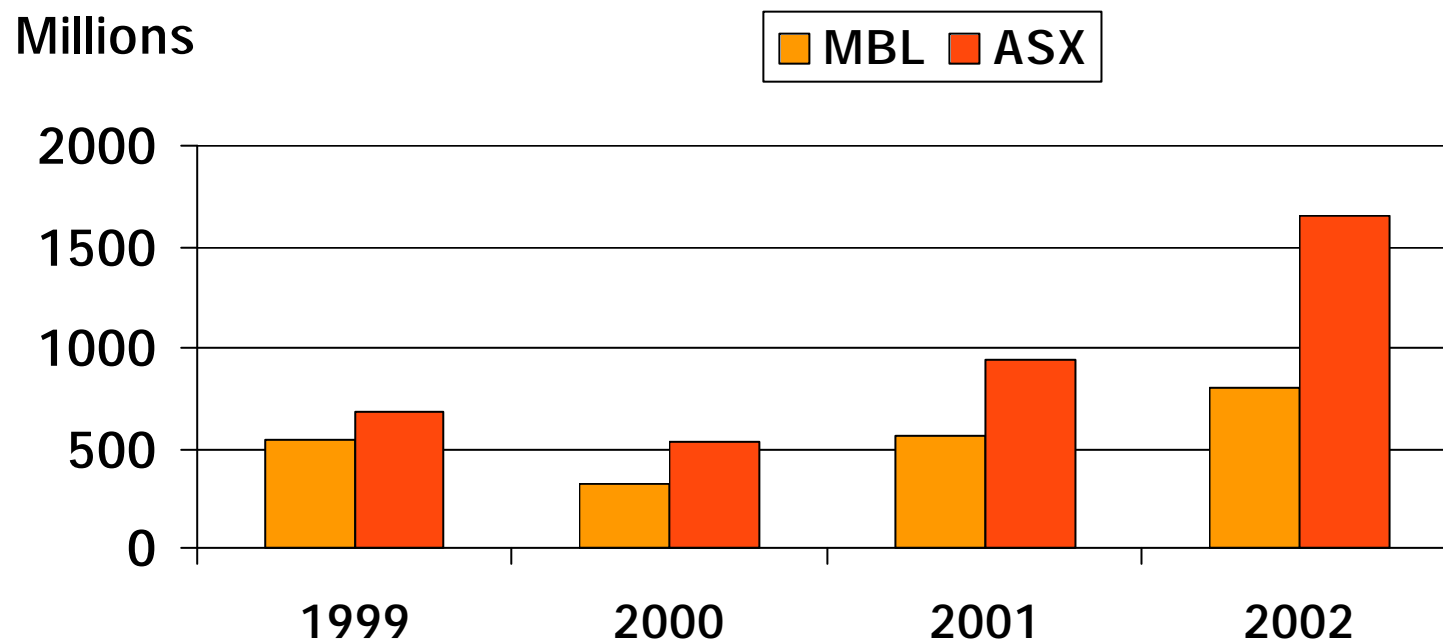
■ MBL ■ ASX





Equity Markets Group - performance review

Australian Instalment Warrants Market Share by Value





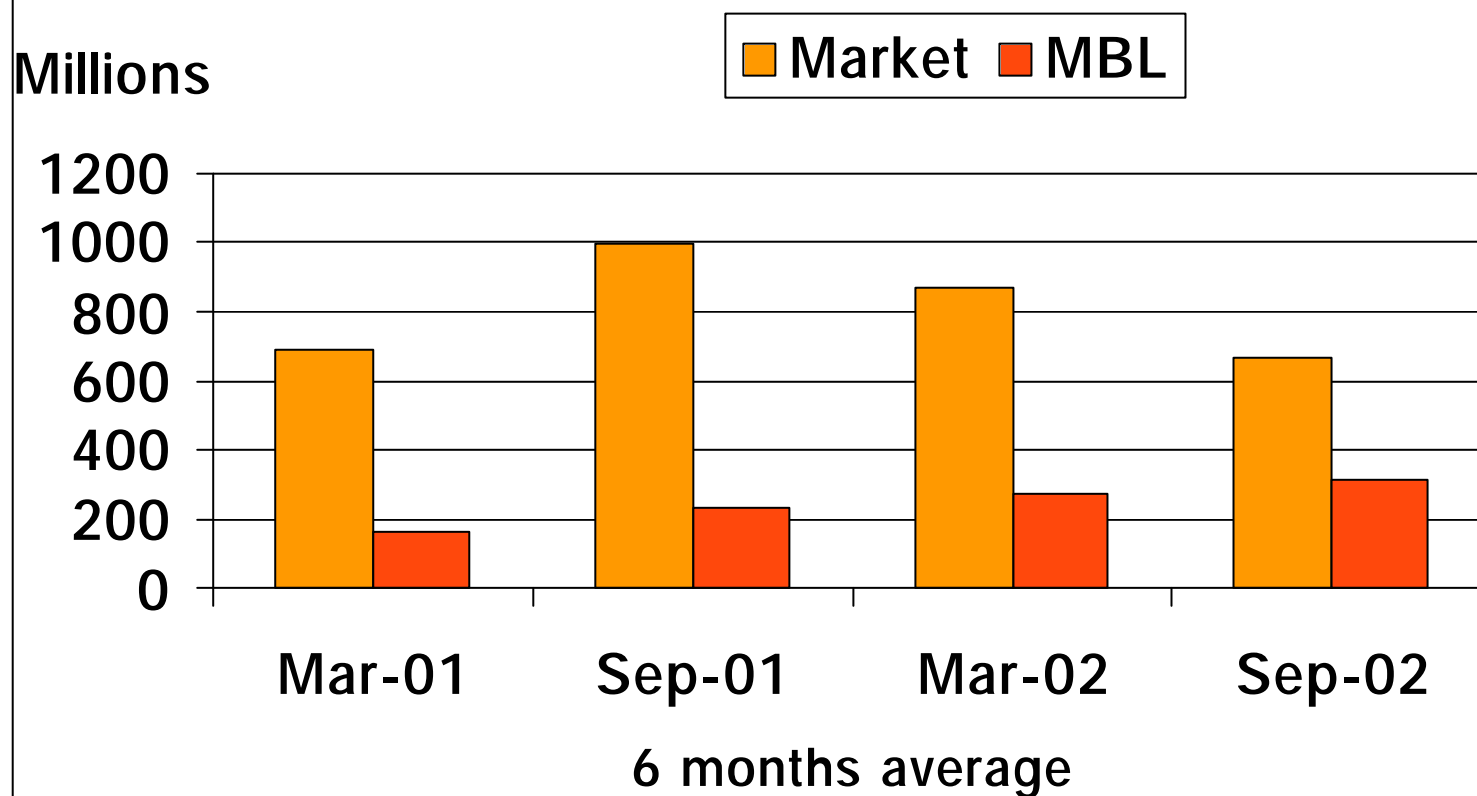
Equity Markets Group - performance review

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- Australia – strong franchise on the back of resilient retail demand and dominant instalment and vanilla warrant market share. Successfully diversifying product range
- **South Africa** – another good year – JV with Standard Bank expired as contracted. Currently well advanced with negotiations for another JV



Equity Markets Group - performance review

South Africa Warrants Market Share





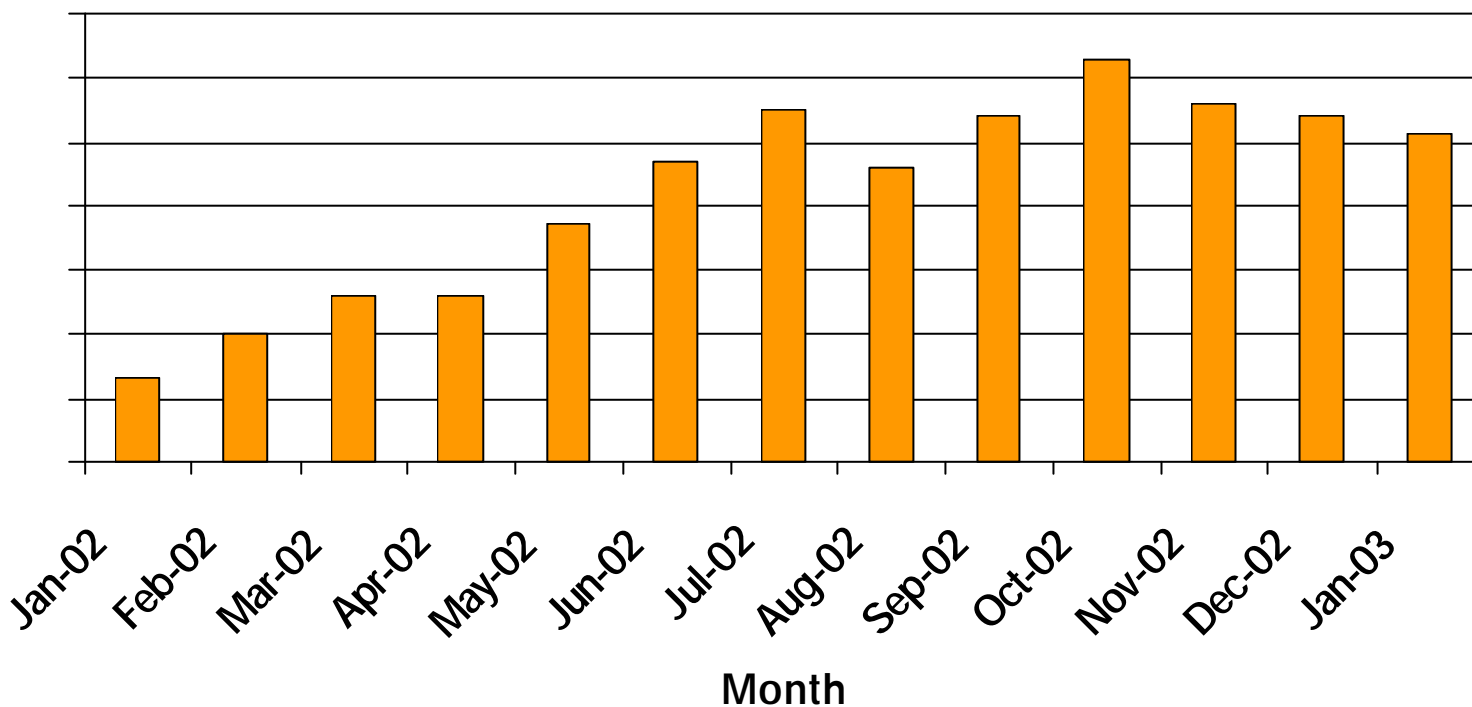
Equity Markets Group - performance review

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- South Africa – another good year – JV with Standard Bank expired as contracted. Currently well advanced with negotiations for another JV
- **Hong Kong** – profitable. Much improved market standing with strong market share despite continued patchy retail warrant volumes. New products proving successful. Well leveraged to an upturn in market conditions



Equity Markets Group - performance review

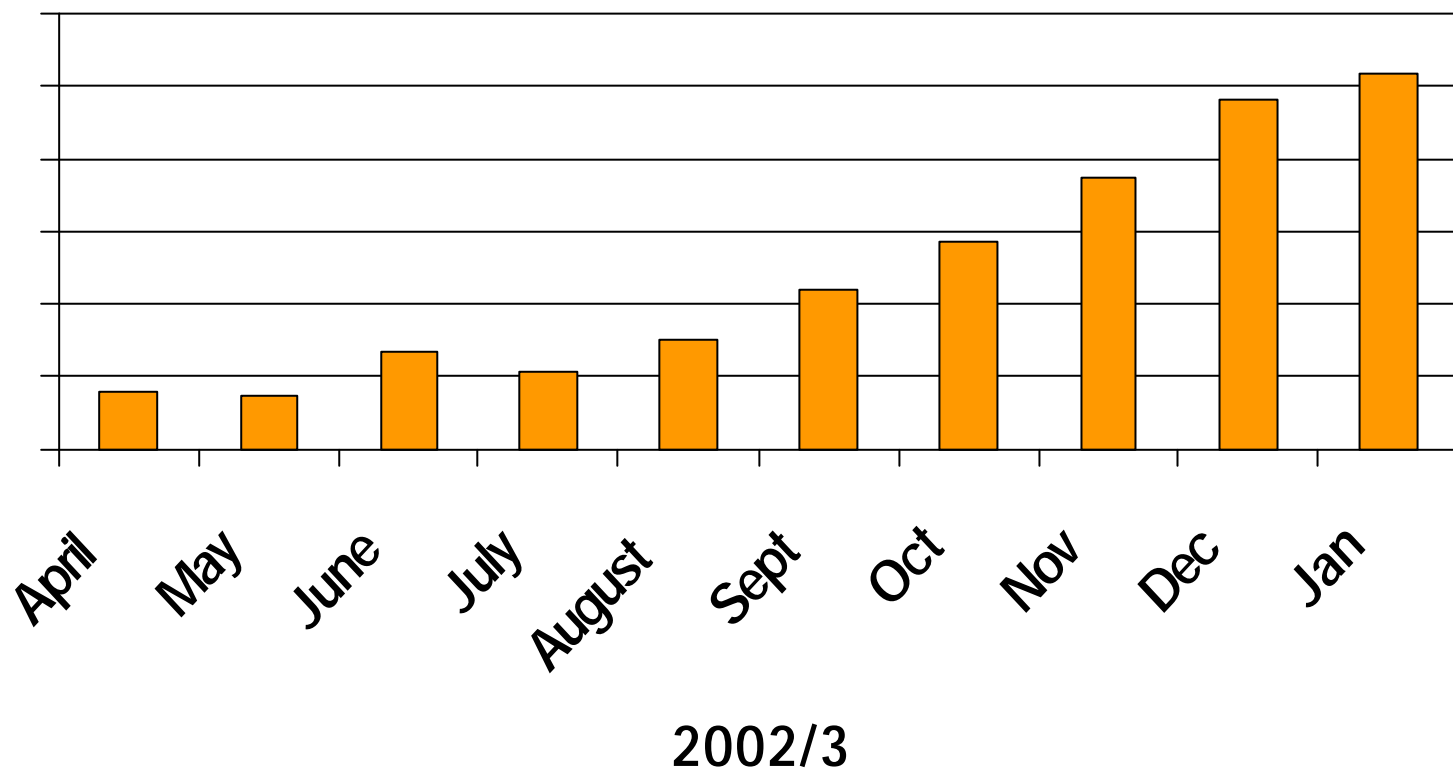
MBL's Hong Kong Warrant Sales Volumes





Equity Markets Group - performance review

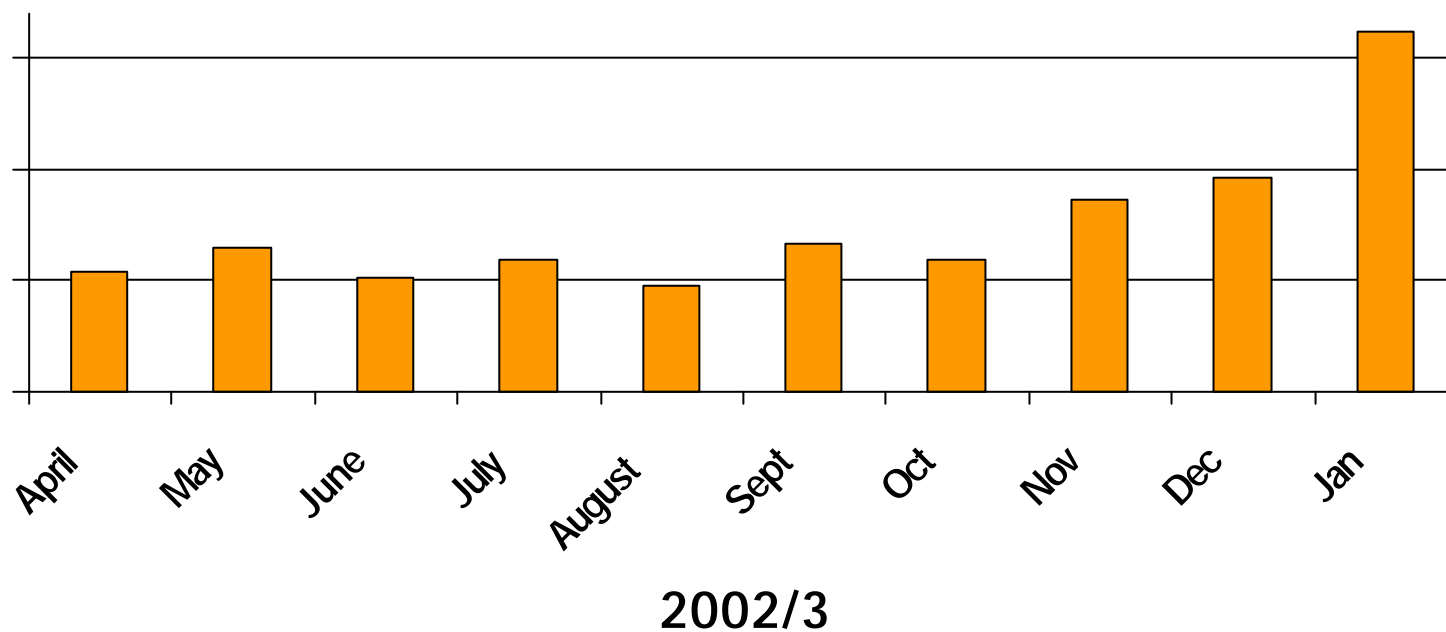
MBL's Hong Kong OTC Trading Volumes





Equity Markets Group - performance review

MBL's HK Retail ELN Trading Volumes





Equity Markets Group - performance review

- **Japan** – continued poor market conditions, but slowly improving opportunities
- **Brazil** – continued small profits in second year of operation despite volatile financial markets due to Presidential election last October. Strong fundamentals, focusing on local pension funds
- **Korea** – Memorandum of Understanding for an equity derivatives JV with Woori Bank. Korean market is fundamentally very attractive. Trading expected to commence in Q3
- **Europe** – revenue positive - very poor market conditions. Reduce high operating and infrastructure costs (refer following slide)



Equity Markets Group - Europe

- Revenue positive but high cost base
- Original business model focussed on participation in retail markets
- Smaller German warrants market
- Delays and then different UK warrants
- Over-scaled infrastructure
- Revenue streams retained and expanded
- Infrastructure and trading being re-located to Sydney to achieve economics of scale



Equity Markets Group - new businesses

South Africa

→ replacement JV under negotiation

Korea

→ JV MOU with Woori Bank signed in January 2003

→ Korea – a fundamentally attractive opportunity

→ KOSPI the most liquid futures contract in the world

→ 70% retail participation, 90% internet execution

→ Banks now allowed to undertake equity OTC's

→ Pre-Christmas announcement that warrants and ELNs will be introduced in 2003

→ Corporates retain many large cross shareholdings



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Banking & Property Group

Bill Moss



What we do - our business

Property	Property Funds Management	4 th largest listed property funds manager* in Australia with assets under management in Australia, USA & NZ
	Property Finance	Selective risk participation development - sharing the profit & risk in USA & Australia
	Property Investment Banking	Real estate advisor and structurer of the largest transactions in Sydney & Melbourne Promotes & manages unlisted closed-end development & enhanced return funds in Australia & Asia Major shareholder in Macquarie Capital Partners

*based on market capitalisation of trusts under management at 31 January 2003



What we do - our business

Golf & Leisure

**Medallist
Leisure Trust**

Joint venture with Greg Norman developing 10 communities in Australia, USA & Mexico

Banking

**Deposits
Professional & Business Banking**

Specialising in deposits and lending for niche professional businesses

Securitised Lending

Mortgages

1st major securitiser of mortgages in Australia now also operating USA & China

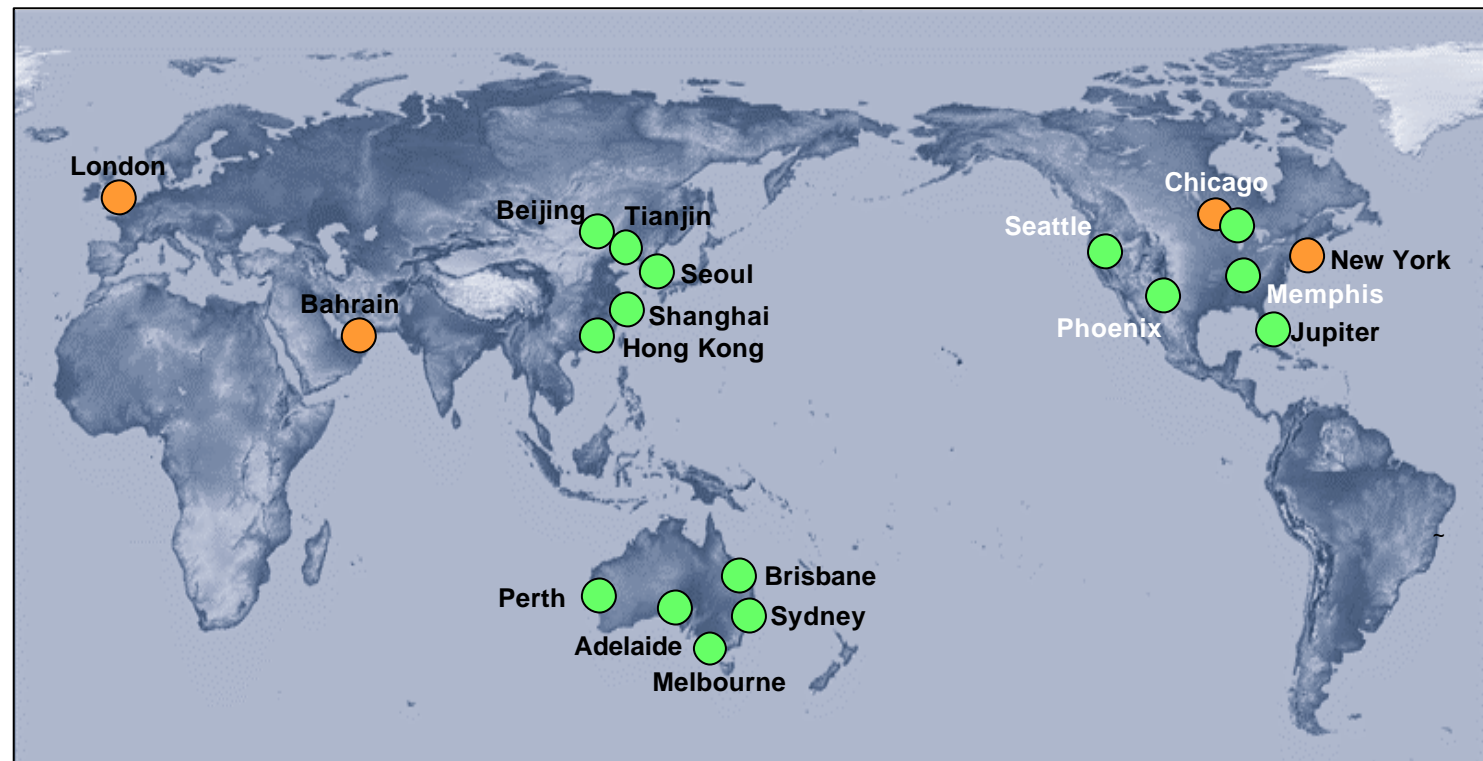
Margin Lending

3rd largest provider of funds for geared equities operating in Australia & New Zealand



Where do we do it?

→ Over 900 staff in 19 offices in seven countries (Australia, China, Hong Kong, Korea, USA, UK, Bahrain) including associates and partners



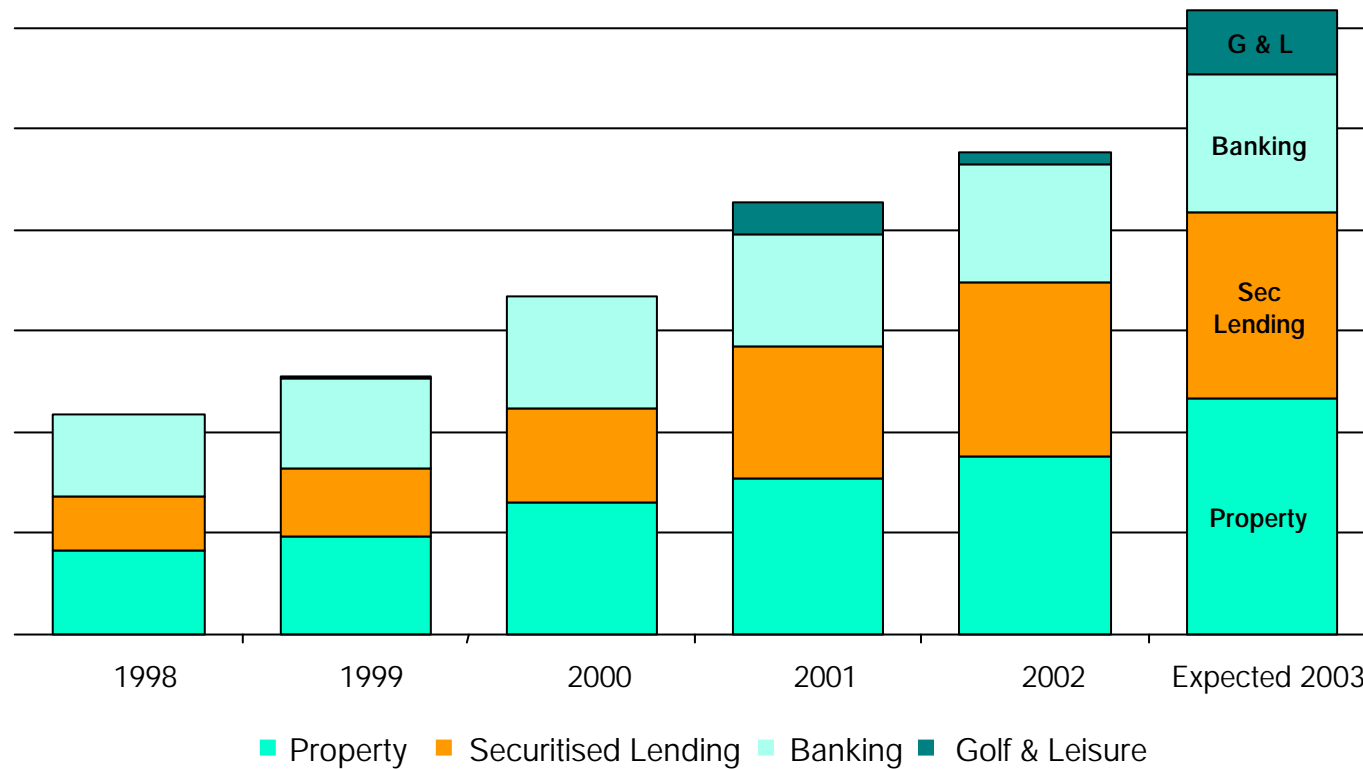
● B&P Offices

● Macquarie Capital Partners Offices



Revenue growth – B&P Group

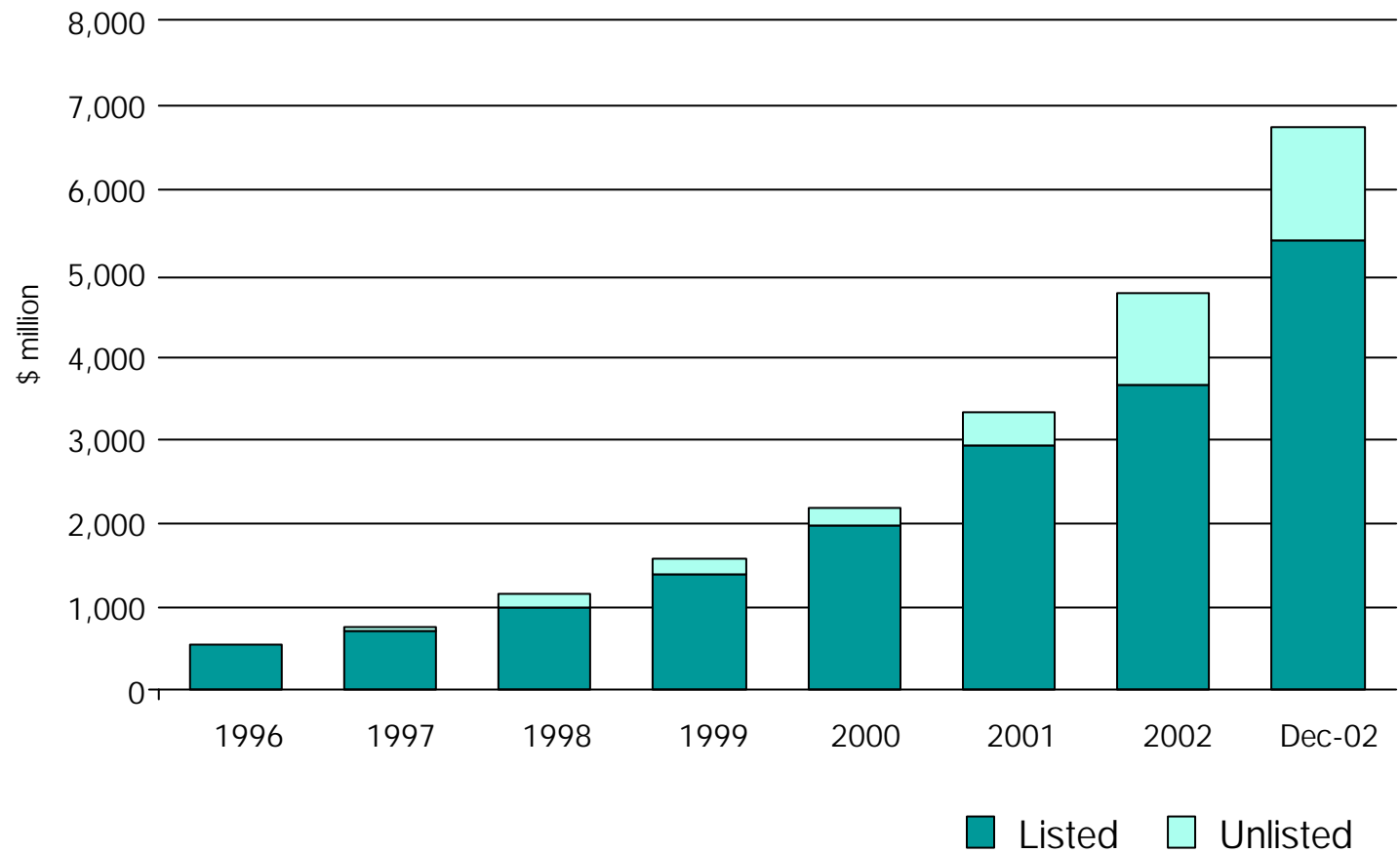
Banking & Property revenue growth from 1998 - 2002





Property assets under management

MBL & associates

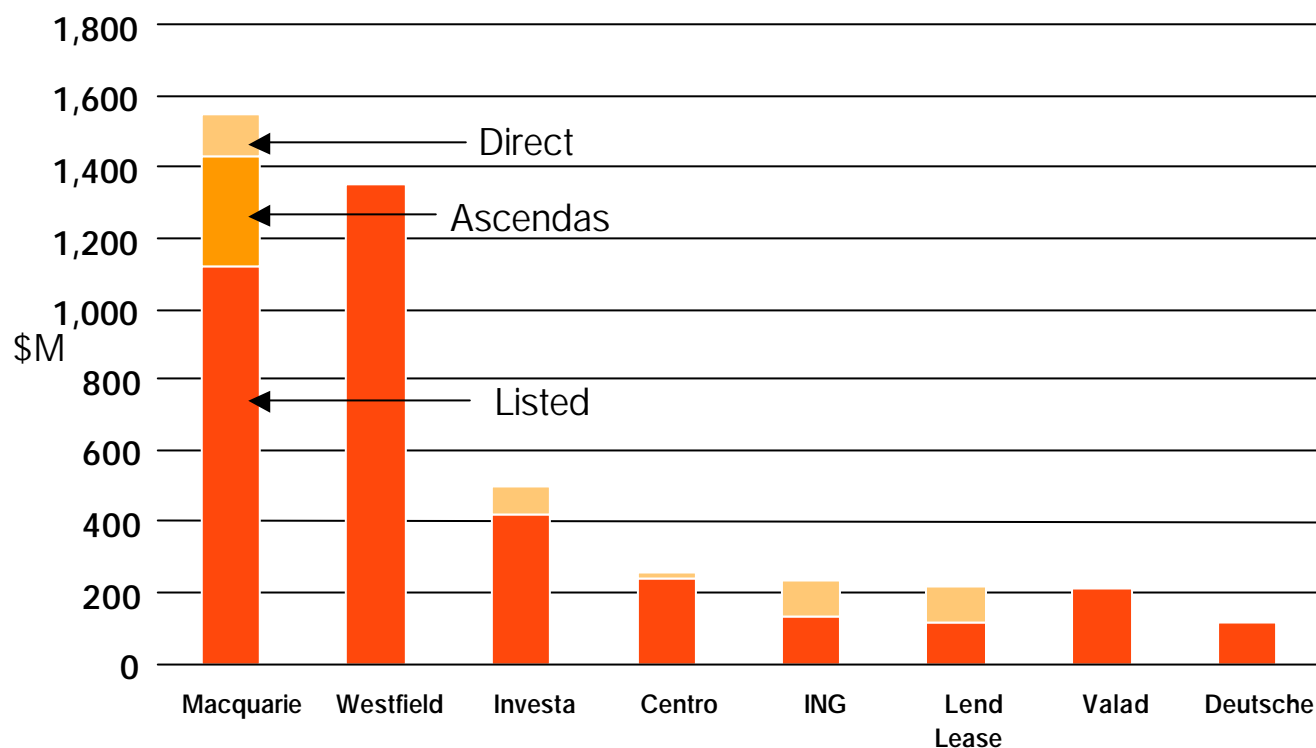




Property - capital raised during 2002

Capital raised by Australian based property fund managers
(Listed/Unlisted Retail) - Calendar year ended Dec 02

- Major participant in the Australian market
- Responsible for 25% of listed capital raised in Australia

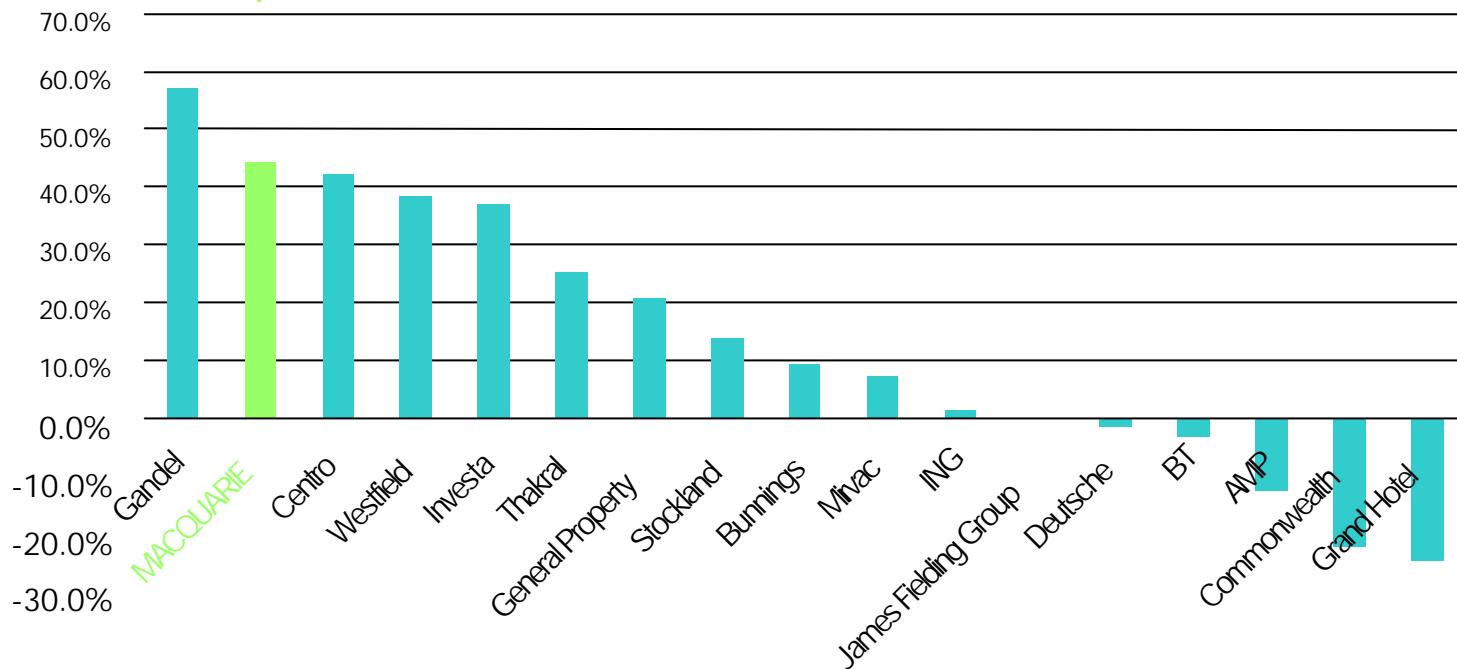


Offshore wholesale capital raisings not included as out of scope of analysis



Australian Listed Property Trust Managers

% change in market capitalisation



Source: UBS Warburg research

Movement calendar year 2002



Property highlights – Property Investment Management

- Property assets under management grew 90% to over \$6.5 billion (including associates)
- Macquarie Goodman Industrial and Macquarie Office trusts ranked no. 1 and no. 3 respectively - 2002 BDO Annual LPT survey
- MGI and MOF ranked No.1 and No.2 in their sector for accumulated performance over 5 years – UBS Warburg Research
- Successful listing of Macquarie ProLogis Trust
- Macquarie ProLogis increased its assets in North America & now controls 55 assets worth US\$466M
- Completion of largest ever Australian unlisted syndicate - Macquarie Martin Place Trust
- Successful listing of Ascendas REIT, Singapore's first listed business and industrial trust - a JV between MGM and Ascendas



Property highlights – Property Investment Banking & Property Finance

- One of Australia's leading debt and equity providers and arrangers for real estate development – over \$1 billion raised (2002)
- Property Finance project return in last 16 years of approximately 31% approx on completed Risk Participation deals.
- Two largest projects in Southern Hemisphere – World Square, Sydney & Queen Victoria developments, Melbourne – financial adviser
- \$A360M acquisition of office buildings in Seoul, Korea for Schroder Asian Fund - MBL co-investment
- Macquarie Real Estate Equity Fund (MREEF) established
- Over 3,000 apartments constructed in China since 1995
- A further 6,000 planned over the next 5 years



Golf and Leisure highlights

- Formed in 1997 as a joint venture between Macquarie Bank and Greg Norman's Great White Shark Enterprises
- International developer of premier lifestyle communities
- 33 staff at offices in Australia and the United States
- Current projects have a total development value of \$2.2 billion comprising 8,500 residential lots and 180 holes of golf
- Courses at Medallist communities worldwide won their 12th award – Best Public Access Course in Australia (Brookwater).



Banking highlights

- Net revenue up by 30% over 2002 result
- Restructure of Divisional Client Service platform drove 15% reduction client service staff numbers
- Cost to Revenue further improved to below 60%
- Loan volumes increased by 15%
- Strong emphasis on cross-selling of MBL product across client base through PBB Wealthlink



Mortgages highlights

- Successful diversification strategy - Retail and Wholesale businesses now in Australia, USA and China.
- Mortgages Australia - loan book exceeding \$9 billion, highest level ever.
- Record new business settlements with continued growth expected in a subdued market.
- Successful equity investment in strategic clients, e.g 10% shareholding in Australia's largest mortgage broker AFG and others has assisted to increase market share.
- Mortgages USA - volumes continue to grow. Continued rapid growth expected with modest profit over short term. Great long term potential.
- Mortgages China - continued modest investment in a restructuring market. Book approaching 900 loans



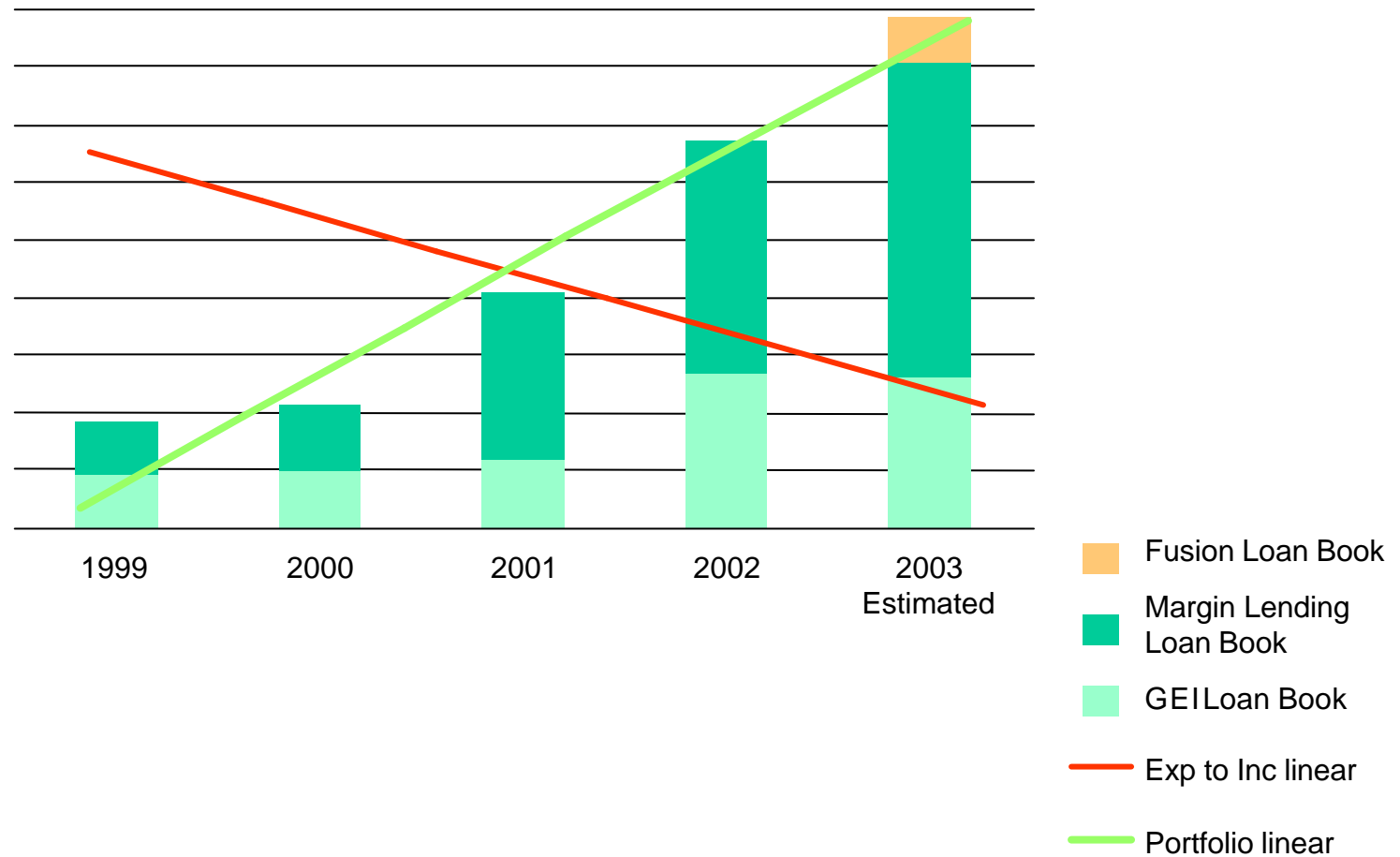
Margin Lending highlights

- Record new business volumes
- Launch of Fusion protected loans over managed funds - first to market
- Launched new protected loan with shared upside and received ATO Product Ruling - first to market
- Launched badged margin loan for Bell Potter
- Master trust/wrap channel achieved 30% of new margin lending volumes
- Margin Lending NZ launched
- Added covered calls as a feature of margin lending
- Volatile market, with record margin calls and no material losses
- Approx 50% of clients are protected from margin calls by the limited recourse nature of the GEI product
- New core system implemented



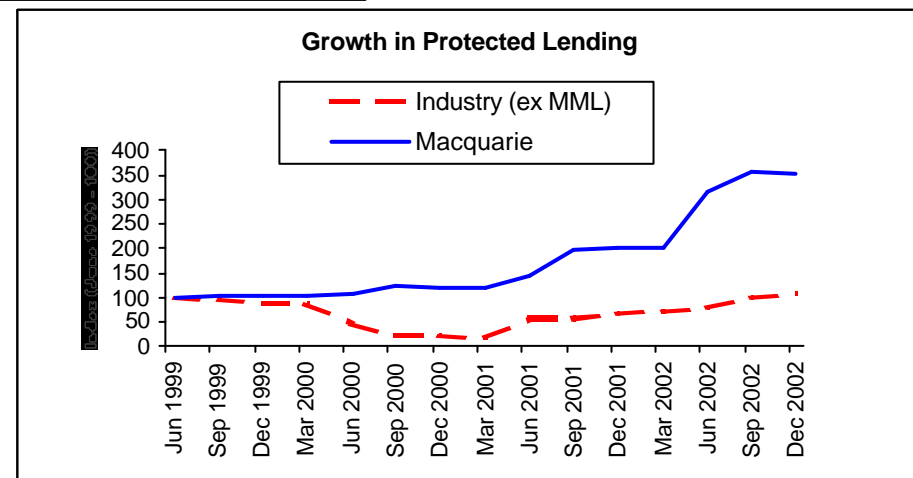
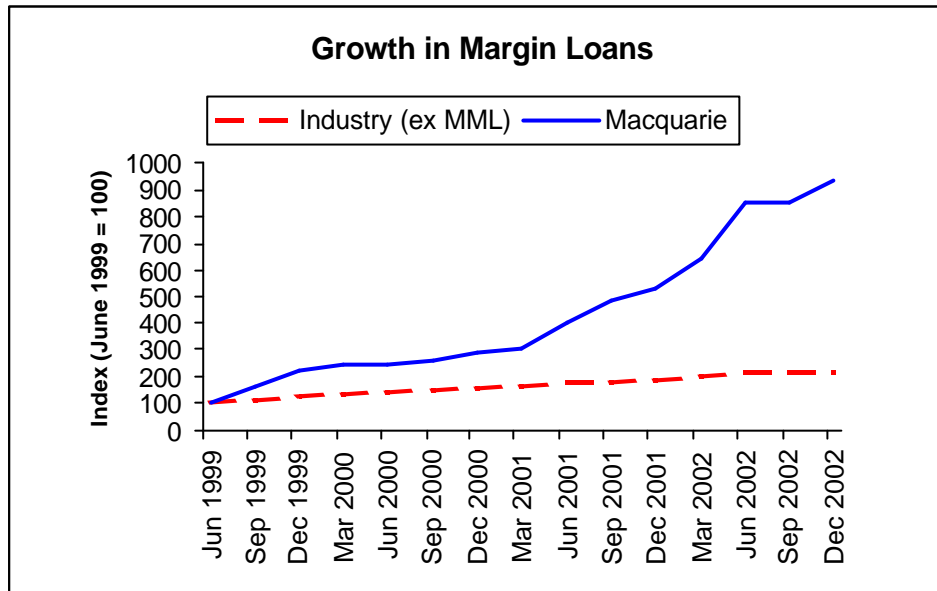
Margin Lending – portfolio growth and diversification

Margin Lending - Total Loan Book By Product





Margin Lending growth – outgrowing the market



Source: RBA



Looking forward

- Continue our successful formula
- Maintain focus on our core activities in Banking, Mortgages and Margin Lending
- Expand international initiatives undertaken in the past 24 months, particularly in Asia and the USA
- Continue organic and strategic growth in property funds management



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Financial Services Group

Peter Maher



FSG philosophy & journey

The FSG Philosophy is to create a sustainable competitive advantage and build our brand and capabilities around two core propositions

- To be a primary investment product and service provider for clients and IFAs
- To help IFAs improve their productivity and profitability of their client relationships through integrated sales, service and administrative platforms



FSG focus its efforts on two key markets...

The Financial Services Group

Macquarie Financial Services

MFS acts as an **independent client based, wealth management business** covering a broad spectrum of advice options:

- Full Service Broking & Investment Planning
- Strategic Financial Planning
- Executive Wealth Management
- Private Banking
- Online Broking Services

Macquarie Adviser Services

MAS manages relationships with external financial advisers.

MAS acts as the **primary relationship manager** and access point for the distribution of product innovations sourced from the Group's internal partners.



Recent progress...

There are a number of initiatives that have been shaping FSG in recent months:

- Simplifying our structure around the two key client groups
- Continued development and growth of the **Wrap** offering
- **Cost efficiencies**; both resulting from the restructure and from an increased focus on margin management
- Further development of the Wealth Management offering to direct, retail clients as well as to external corporate clients (via **Macquarie Executive Wealth Management**)



FSG's geographic reach

The Group's international philosophy is to leverage core administration/service strengths and product innovation into markets that demonstrate key similarities to or compatibility with the Australian retail investment market

Australia

- sales and relationship management for both direct, retail clients and via an extensive network of external financial advisers

New Zealand

- personal financial services
- relationship management of external financial planners for the distribution of Macquarie product

South Africa

- innovative retail financial products via external financial advisers



Performance to date...

In spite of challenging markets, FSG remains on track.

There are a number of relevant factors effecting performance since Sept 2002:

- **Flat share market** – equity trading volumes have continued to come under pressure in the last quarter
- As equity values remain depressed, FUM value declines and in turn places pressure on **annuity income**
- The low return environment heightens client **scrutiny of advice and product performance** and **heightens fee pressure**



Performance to date...

Against the market environment, momentum in revenue and profits has been maintained:

- the **Macquarie Wrap** leads the market in growth – strongest inflows in the total platform market in 2003
- the **Macquarie CMT** remains a source of access and strength in the external financial adviser market
- in spite, of tough trading conditions. MFS' results are still ahead of the previous corresponding period:
 - revenue per adviser is up 6% over the last two years
 - annuity proportion almost doubling over the last two years



Performance going forward...

Our **Client Services & Broking Services Reviews** are capturing significant savings

- Recent Broking Back Office changes will contribute over \$5m savings per annum
- Rationalisation of Client Service Contact Centres savings run to \$3-4m
- Staff expenses are continuing to fall each year as a proportion of revenue



Performance going forward...

As FSG matures, we have been able to capture significant savings in **ISD and Technology** spend:

- Driving significant efficiencies out of underlying systems running costs
- Reducing underlying IT expenditure as a percentage of revenue (by almost 40%)
- Largely offsetting the costs of amortisation in terms of overall P&L impact



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Performance going forward...

Sustaining current earnings and growing them through 2003 is predicated on continual:

- Growth in **client numbers**
- Depth of **client relationships**
 - Brand campaign expected to help to achieve these goals
- Reduction in total **cost to income** ratio
- Reduction in **cost per full time employees**
- Active **sales and relationship management**
- leveraging of core service and administration skills to new and existing markets



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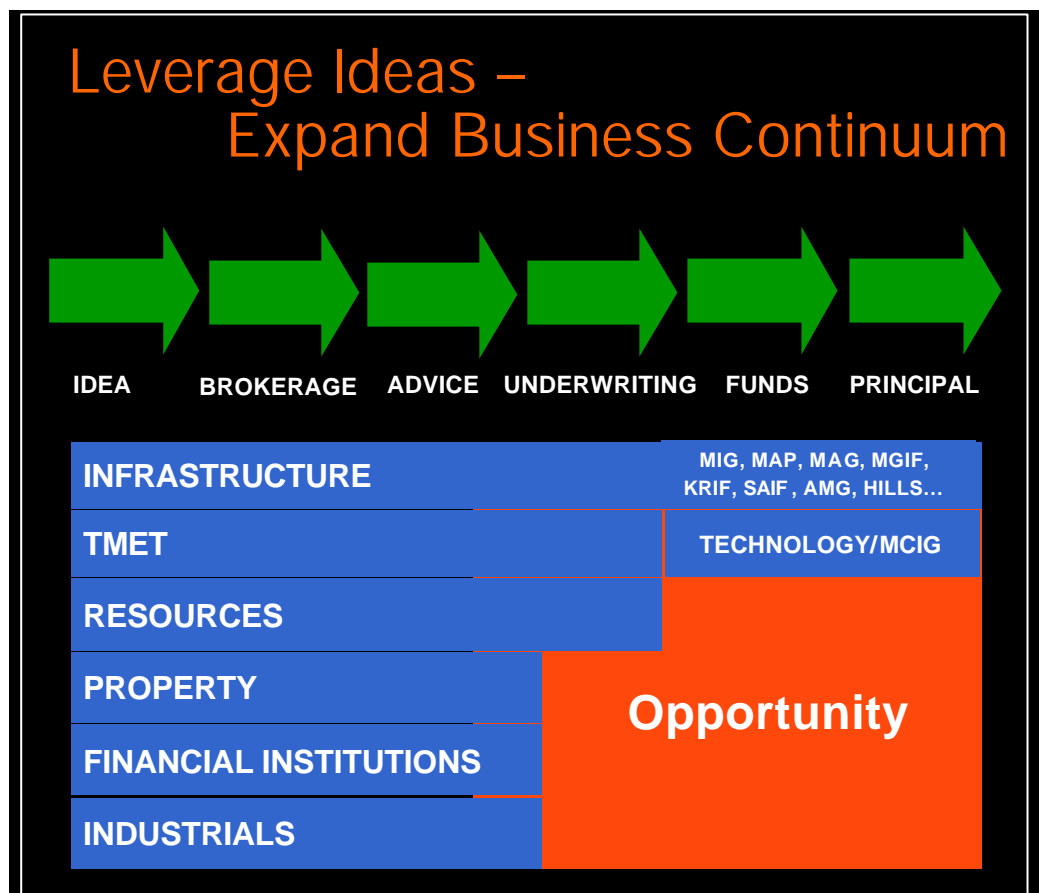
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Investment Banking Group

Nicholas Moore



What we do

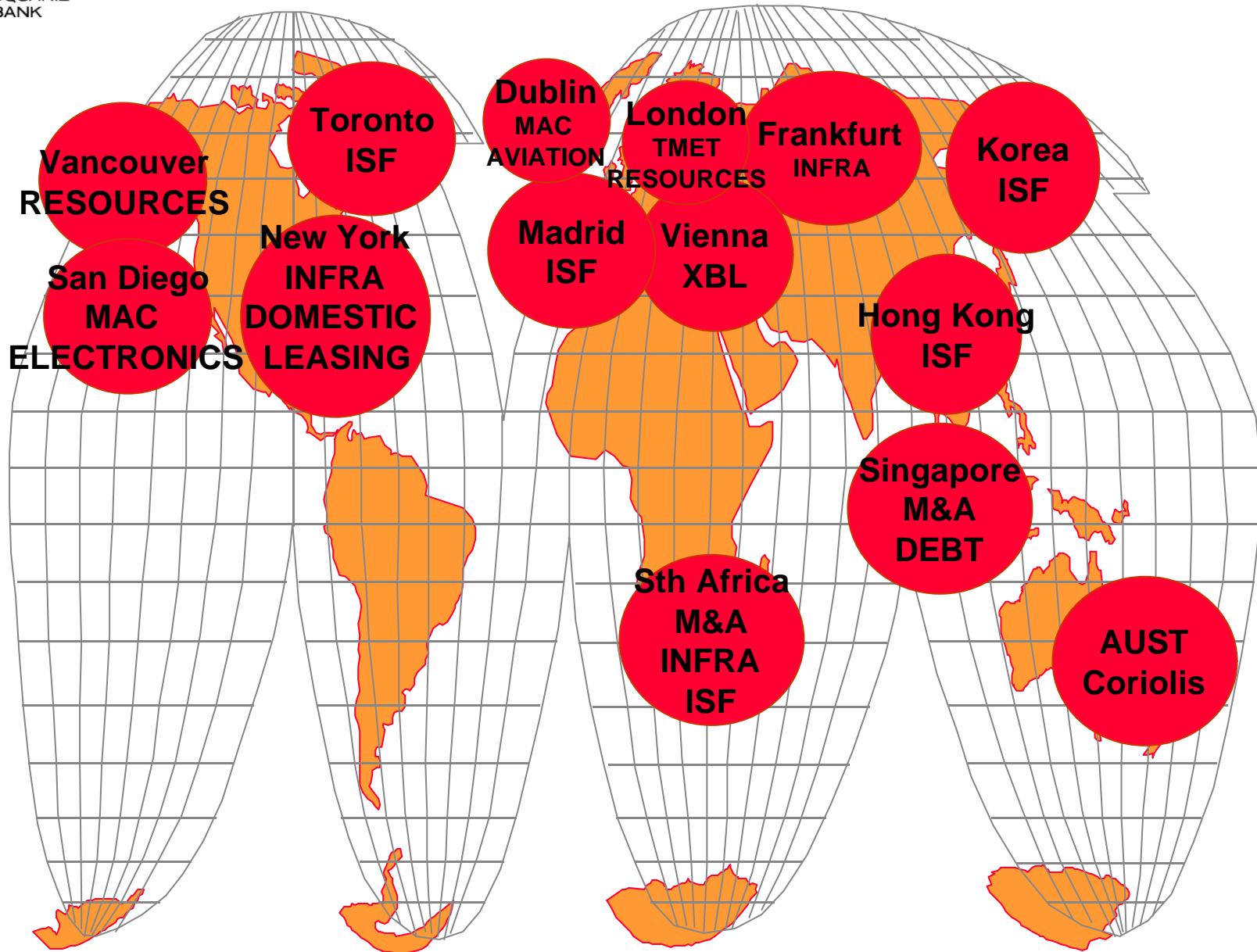


→ 1,000 staff in 22 offices

→ Full spectrum of client focused investment banking skills

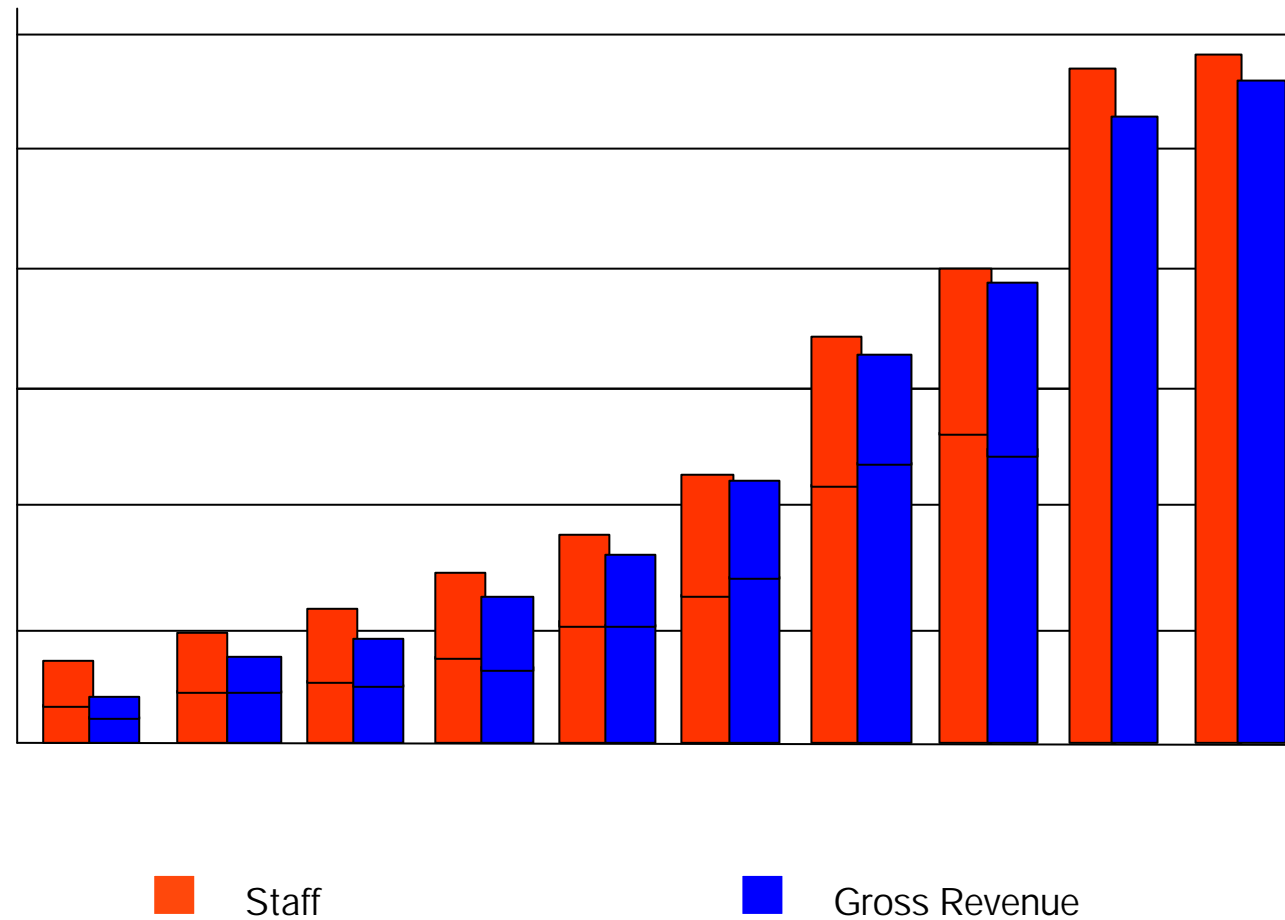


Increased global reach – 2002/3 initiatives





CF and FP – basic relationship of executives and \$'s





IBG – solid results to date in a tough environment

2003 Contribution

Increased

Infrastructure

TMET

FIG

Property

Financial Products

(excluding XBL)

Macquarie Capital

(excluding one-off items – ie. down

on a net basis)

Flat

Cross Border Leasing

(slightly up)

Down

Industrials

Resources

Institutional
Stockbroking

(MAp underwriting)



2003 strengths / achievements

Division	Ranking	Comment	Source
Australian M&A	No. 1	\$19.3b	Thomson
Australian ECM	No. 2	\$4.7b	Thomson
Australian Equities	No. 3	Top 3 rankings	Greenwich
XBL	No. 1 / 2	Global	In-house
MIG	No. 1	Global I Fund	In-house
Infrastructure	No. 1	Global I Banks	PFI / Eastern



Project Finance International – Advisory Mandates Won

No. 2 Global

No. 1 Americas

No. 1 Asia Pacific

Refinancing Deal of the Year – Transurban

Transport Deal of the Year – Sydney Airport

Acquisition Deal of the Year – Freight Rail

Asiamoney

M&A House of the Year

Deal of the Year (Australia) – Sydney Airport

M&A Deal of the Year – Normandy merger

Equity-linked / Hybrid Deal of the Year – FLIERS

Securitization Deal of the Year – SMART series



Jane's Transport Finance

Airport Finance Deal of the Year

Sydney Airport

CFO

M&A Deal of the Year – Placer / Aurion

Project Finance Deal of the Year – Sydney Airport



The Australian Institute of Export / NSW Government

2002 Premier's NSW Exporter of the Year – Financial Services



Specialist funds

- Pursuit of specialist funds model continues
- Macquarie Infrastructure Group

Greenfield

- Midland
 - Rostock
 - SR125
 - West. Sydney
- } Late stage;
On track
- } Early stage

Brownfield

- All roads performing well
- Revenue on key operating roads up 25.6% in CY02
- Avg. traffic up 14.3%* in CY02 vs pcp
- 407 – Toll strategy

* (incl. 407 but excl. other Cintra assets)



Specialist funds (cont'd)

→ MAp and MAG

→ Four world class assets – Bristol, Birmingham, Sydney, Rome (March settlement)

→ Operating focus

→ Evidence of active management

→ Bristol: EBITDA ↑ 32% since acquisition
Management change / new airlines

→ Birmingham: EBITDA ↑ 4% since acquisition
New airline

→ Sydney: 1H 03: EBITDA ↑ 13% on pcp
FY 03: EBITDA ↑ 20% (forecast)
T2 negotiations / management change



Specialist funds (cont'd)

→ MCIG

- New asset class has gained acceptance
- 22 % increase in security price since listing
- 26 % outperformance of index since listing

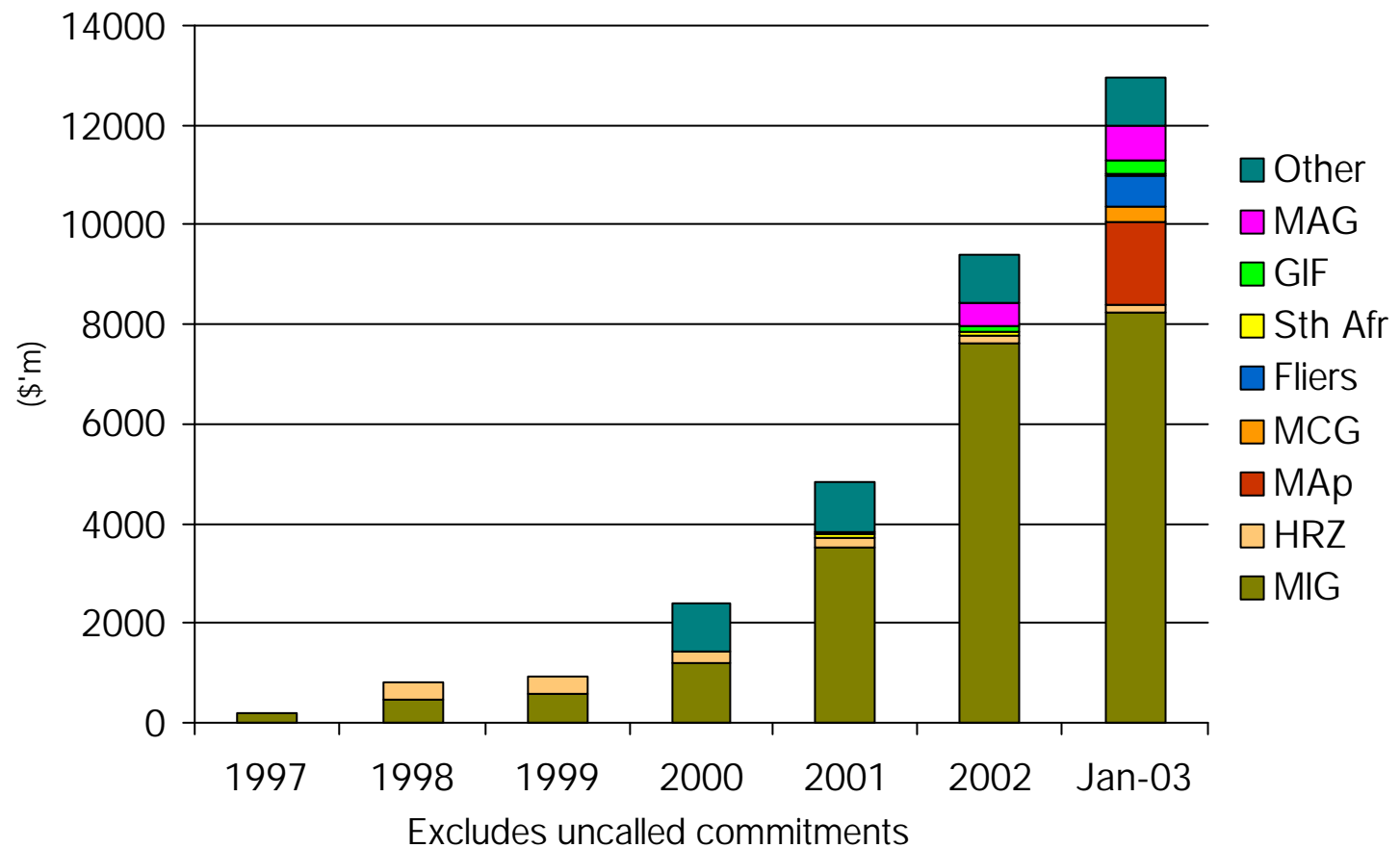
→ Unlisted

- New Korean Road Infrastructure Fund (KRIF)
- Continuing focus on broadening investor base (esp. international)



Funds under management continue to increase

→ 99% compound growth in funds under management since 1997





Macquarie Capital

→ Growth of books

	Mar 02	Dec 02	
→ Mac Leasing	\$1,132m	\$1,382m	↑ 22%
→ Mac IT	\$359m	\$446m	↑ 24%

→ New business initiatives

- Macquarie Electronics – integrated circuits
- Macquarie Aviation – jet engines
- Coriolis – sewerage reticulation



Macquarie Equities

- Strong profitability
- 8 No. 1 panel rankings in 2002 from domestic institutions up from 5 in 2001
- No. 1 rated broker of Australian equities in North America (Greenwich, 2002) – Quality rating for sales & research
- Research No. 2: 11 analysts among the top 3 in their sectors by top 20 investors (Greenwich, 2002)



2004 – the opportunities

- Structured Finance
 - New retail funds
 - New wholesale cross border products
- M&A and ECM: material type A transactions underway
- M&A transactions:
 - backlog awaiting Gulf (Iraq) resolution
 - Roads – Korea (KRIF), Lane Cove
 - Transmission – North America
 - TMET – Communications infrastructure



2004 – the opportunities

- M&A transactions (cont'd)
 - Industrials – backlog clearing; Constellation; Goodman Fielder
 - Resources – healthy deal pipeline
 - Property – continued non MBL growth expected
 - FIG – solid workflow
- ECM
 - Strong deal pipeline
 - RSA float underway



2004 opportunities

- Specialist funds development
 - Global Infrastructure Fund (GIF) 2
 - Europe – regulated / monopoly assets
 - Canada / Nth America – essential assets fund
 - South African, Korean, Japanese, Malaysian – infrastructure
- Ramp up of new leasing books
 - Integrated circuits
 - Sewerage reticulation
 - Jet engines



MACQUARIE
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Macquarie Bank Limited Operational Briefing

Investment Banking Group

Nicholas Moore