



Salomon Smith Barney
Financial Services Conference
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**Differentiating for Investors
& Customers**

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1. Differentiating Factors - Investors

2. Differentiating Factors - Clients

3. Features of Macquarie's Approach

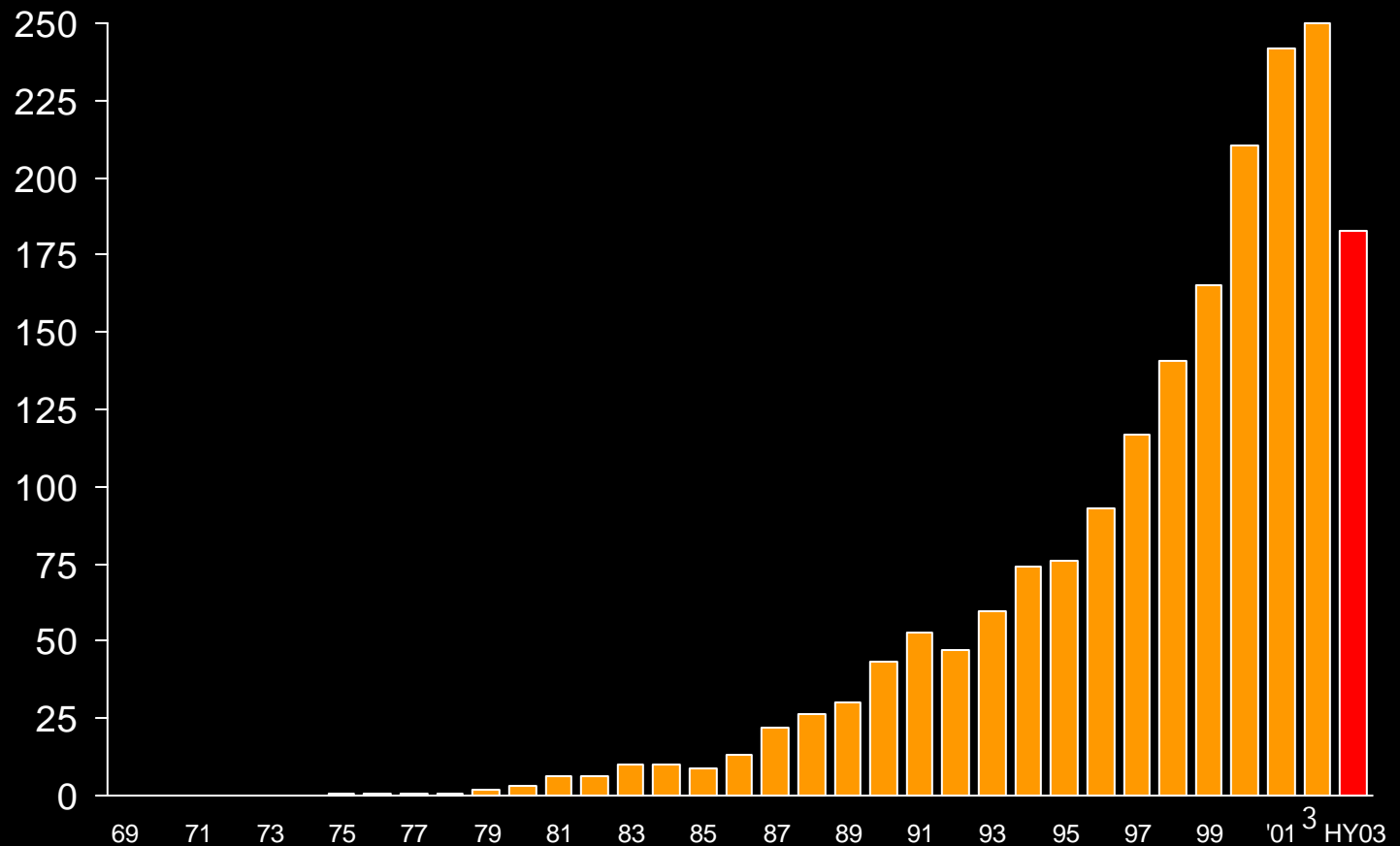
4. People and Remuneration

5. Summing Up



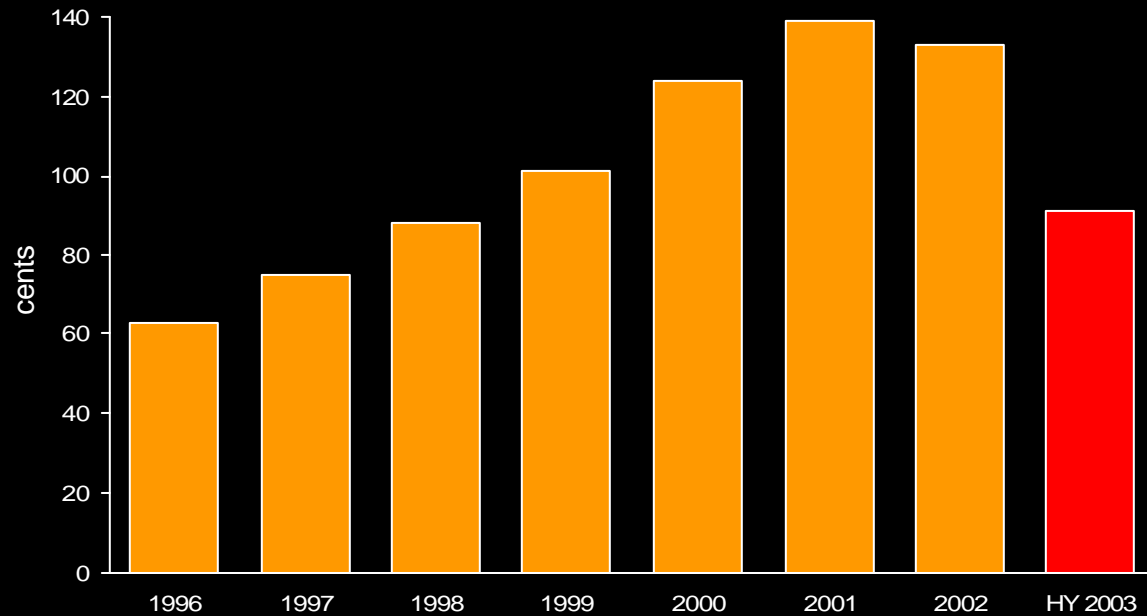
Consistent earnings growth over the long haul, achieved across the economic cycle

Net Profit
After Tax
A\$m





Translating into strong EPS growth for investors since listing





And achieving strong returns for investors

- MBL Total Shareholder Returns since listing approximately 390% versus ASX50 under 100%
- Of companies in ASX50 at time of listing, MBL has outperformed 49



- MBL approximate IRR (%pa) since creation of the Bank in 1985 – 26.4% (all dividends reinvested)
- MBL approximate IRR (%pa) since listing in 1996 – 26.0% (all dividends reinvested)



MBL's business diversity differentiates it from competitors

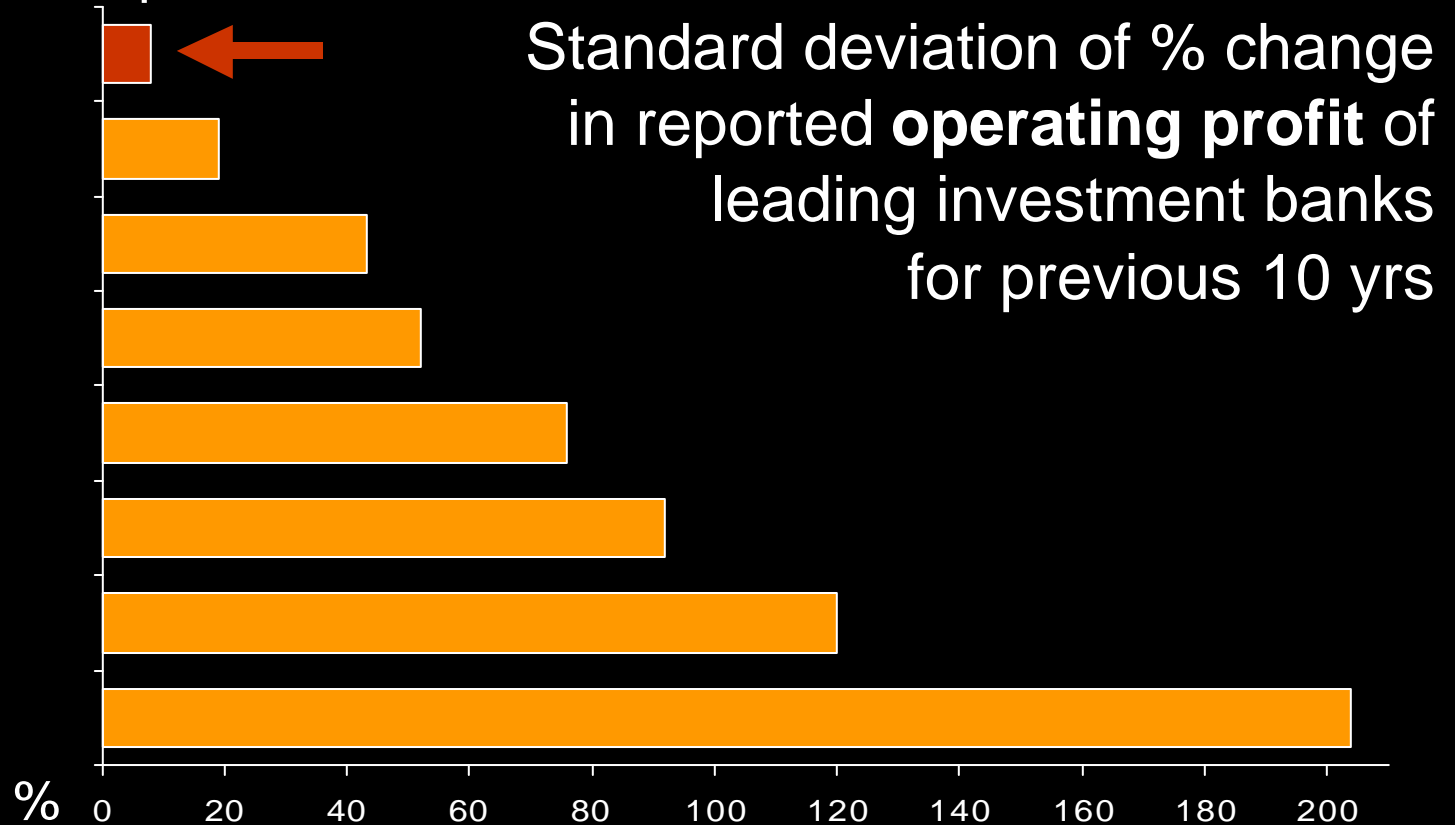
Profit Contribution

	1H 2002 %	FY 2002 %	1H 2003 %
Corporate Finance (incl. specialist funds)	31	30	31
Structured Finance (incl. x-border leasing)	14	11	10
Other (incl. insto broking, Macquarie Capital)	<u>19</u>	<u>20</u>	<u>10</u>
Total Investment Banking	64	61	51
Treasury & Commodities	16	21	25
Banking & Property	15	16	18
Equity Markets	5	-	3
Funds Management	2	3	2
Financial Services	(2)	(1)	1
Total	100%	100%	100%



And is reflected in lower earnings volatility compared to other investment banks

Macquarie Bank





Strategy - Strong market shares in Australia

→ Investment Banking:

- M&A – No 1 in 2002 Australian transactions by value (Thomson Financial)
- Project Finance – No 2 globally for 2002 advisory services (Thomson Financial)
- ECM – No 2 House of the Year (Thomson Financial)
- Infrastructure – No 1 investment bank globally (PFI/Eastern)

→ Treasury and Commodities:

- Debt Markets – Top lead manager of 2002 domestic Australian dollar bonds (Thomson Financial)
- Futures – No 2 for 2002 execution (Sydney Futures Exchange)

→ Banking and Property

- Property Trust Management – 3rd largest Australian listed property trust manager,



Strong market shares in Australia - cont'd

→ Equity Markets:

- Warrants – leading 2002 warrant issuer by value –37% market share

→ Financial Services:

- WRAP – strongest growth in Australia for last two quarters (Assirt). \$6.1b at Dec 2002 (up from \$2.55b in Dec 2001)
- CMT – largest in Australia at \$8.8b Dec 2002
- Retail Funds Under Management – up \$0.5b since Mar 2002 to \$11.5b at Jan 2003

→ Funds Management:

- “Best All Round Fund Manager” by mandate wins (Investor Weekly)



Strategy - Niche focus outside Australia

- Stockbroking - corporate and institutional services in London, Munich, New York, HK, Singapore and NZ
- Cross-border leasing – leading global player
- Infrastructure – worldwide leader
- Property –China, US, Medallist
- Equity Derivatives - Joint Ventures in South Africa, HK, Brazil and Japan. Proposed JV in Korea
- Treasury & Commodities - agricultural commodities, metals, energy
- Funds Management - HK, Malaysia, Korea and UK



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Macquarie listed funds have outperformed over long haul

Performance Since 1996



* All data as at 28 February 2003



MBL has added value to clients through innovation - some examples

- Australia's first Cash Management Trust
- Pioneered mortgage securitisation and transformed Australian home loan market in partnership with Aussie
- First listed funds in infrastructure
- Sector specific listed property trusts
- Medallist – meeting demand for lifestyle property
- Macquarie WRAP
- Specialised banking services for professional sector
- Computer and other asset financing
- Dedicated call centre for IFA clients
- Equity warrants products



Macquarie products receive independent recognition

- Macquarie ProLogis - Australia's "Overall Best New Listed Company" – AsiaMoney
- Macquarie Goodman Industrial Trust and Macquarie Office Trust – No 1 and No 2 in sector for accumulated performance over 5 years
- Macquarie Goodman Management - No 2 Australia's "Best Small Company" - AsiaMoney
- "Best All Round Fund Manager" by mandate wins – Investor Weekly
- Premier's NSW Exporter of the Year – Australian Institute of Export / NSW Government
- M&A House of the Year – AsiaMoney
- Debt Markets Deal of the Year 2002 - Sydney Airport - Insto Magazine
- FSG - Overall best administrative support to clients (ASSIRT Service Level Survey, 2002)



Macquarie products not immune from investment risk

- We don't pretend to achieve outperformance on every product
- Equity investments involve risk and Macquarie products belong in diversified portfolios
- But Macquarie products have on the whole added value to clients
- Product performance is intensively scrutinised by senior management
- MAp - share price disappointing, confident about assets long term performance
- Other funds launched last year (MCG, Macquarie ProLogis) performing very well for investors



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Features of Macquarie's Approach-Growth

- Growth is organic, building businesses
 - Not generally by acquisition
 - Do not pay significant goodwill for businesses
 - No significant goodwill on balance sheet

- Exceptions were BTIB and regional brokers
 - But no significant goodwill involved

- This approach enables many growth initiatives across businesses with limited downside but depends on being able to reward people for building businesses



Features of Macquarie's approach - Risk Management

- Risk Management Division independent of business units
 - Covers credit, market, liquidity, compliance, legal and operational risk
- But businesses required to impose strong risk management and are held responsible for losses
- Proprietary trading activities not significant
- More attention being given to capital allocation as Bank grows



Features of Macquarie's Approach - Management

- “Loose-tight” management philosophy
 - Operating groups – free to develop and implement business strategy
 - Centralised - risk management, new business approvals, risk management, appointments, brand, overall strategy
- Organised around the client – businesses focus on product lines – not geographic



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Features of Macquarie's approach - People

- Macquarie works hard at being a preferred employer in Australia
- And to use its niche positions and rewards for building businesses to attract talent outside Australia
- Recruiting running at over 1,000 per annum
 - Staff numbers up over last 12 months
- Backed by significant investments in training, communication and working conditions
- Staff feedback monitored by continuing performance review processes and through formal staff survey every 2 years



Staff required to act in accordance with Goals & Values

- Integrity – maintenance of reputation
- Client commitment – client interests come first
- Strive for profitability – seek consistently superior profitability
- People - must be a fulfilling place to work
- Teamwork –best performers are team players
- Highest standards – superior returns only achieved through the best work for clients



Features of Macquarie's approach – Remuneration

- Remuneration approach critical factor in delivering for all stakeholders:
 - Formula-driven profit share scheme has applied since MBL's inception
 - Significant staff equity participation
 - staff hold 4% of fully paid shares, 15% including options
 - encouraged through option scheme and employee share acquisition plans
 - Deferral and retention arrangements encourage long-term commitment
 - A consistent approach (minor adjustments over time reflect remuneration scheme's continual review)
 - Disclosure of the principles of remuneration structure since listing in 1996



The results have been:

- The interests of staff are aligned with shareholders
 - Staff share the downside with shareholders
- Outstanding overall performance
- Long-term commitment by management and staff
- People are rewarded for building businesses



Remuneration (cont'd)

→ Base Pay

- Moves in line with market

→ Bonuses

- Profit share formula based on profit and earnings in excess of cost of capital
- Aligns interests of shareholders with staff

→ Retention

- 25% of most staff bonuses deferred for 2 years
- No deferral for staff with over 6 years service
- Greater bonus retention for senior management



Remuneration (cont'd)

→ Executive Directors

- Bonuses vest over first 10 years as an ED
- 30% of bonuses withheld during term of employment
- Can be forfeited under certain circumstances
- All bonuses (including unvested & withheld amounts) fully provided in accounts
- Senior 1,100 employees subject to contracts
 - Standard (one month) periods of notice
 - No contractual arrangements for lump sum payouts (other than accrued bonuses, normal legal entitlements)



Remuneration (cont'd)

- Options scheme for senior 1,100 employees
 - Options issued at current market price
 - 5 year term
 - Vesting at end of years 2, 3 and 4
 - Executive Director options subject to performance hurdles based on ROE
 - Details fully disclosed in accounts
 - Estimated profit impact on expensing of options disclosed, but accounting rules not yet clarified



Effect of Remuneration & Promotion Policies

→ Total employment expenses (excl. options) as % of revenue:

→ Y/e March 2001	53%
→ Y/e March 2002	54%
→ 6 mths Sept 2002	53%

→ This is above major Australian trading banks but in line with international investment banks

→ Option plan only rewards staff if:

→ Share price rises over 2-4 year vesting period

→ Staff remain within the Bank

→ Performance targets achieved (in case of EDs)

→ Staff share downside (lower bonuses if profit declines, lower option values if share price declines)



Results - long-term commitment

- Negligible turnover at senior management level
- Average length of service for Executive Committee members currently 18 years
- Rated top financial institution and second best employer (>1000 employees) in Australia (Hewitt Associates Survey, announced March 2002)



Some comments on disclosure

- Macquarie recognises investors and the community require disclosure of senior executive remuneration
- Our remuneration structures have been disclosed since listing (but we do not disclose details of profit share formula for competitive reasons)
- Senior executive remuneration has been disclosed since listing
- Macquarie competes for talent against foreign companies and unlisted Australian competitors, who are not required to disclose Australian remuneration
- It is important for Macquarie and its shareholders that we can continue to recruit the best people and reward performance



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Summing Up

- Macquarie has achieved outstanding returns for shareholders and clients over time
- We have foreshadowed continued earnings growth in the year ended March 2003
- The differentiating factors have included:
 - Business diversification
 - Organic growth/building businesses over time
 - Risk management
 - Investment in people
 - Remuneration structures aligned with shareholders



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