



MACQUARIE
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Macquarie Bank Limited

UBS Warburg Financial Services Conference

Allan Moss

Managing Director and Chief Executive Officer

Andrew Downe

Group Head, Treasury and Commodities

12 June 2003



Agenda

The cultural keys to Macquarie's success

Allan Moss

Managing Director and Chief Executive Officer

Treasury and Commodities

– a case study of action at the edge

Andrew Downe

Group Head, Treasury and Commodities



Snapshot of result for year ended 31 March 2003

- 33% increase in profit after tax attributable to ordinary equity holders
 - A\$250m to A\$333m
- 24% growth in EPS
 - A132.8c to A164.8c
- 15% growth in operating income
 - A\$1,600m to A\$1,834m*
- Ordinary dividends for the year – A93 cps
- Special fully-franked dividend – A50 cps

*Adjusted result excludes Broadcast Australia Limited (formerly ntl Australia) transmission income and operating expenses for holding period from 2 April 2002 to 12 August 2002

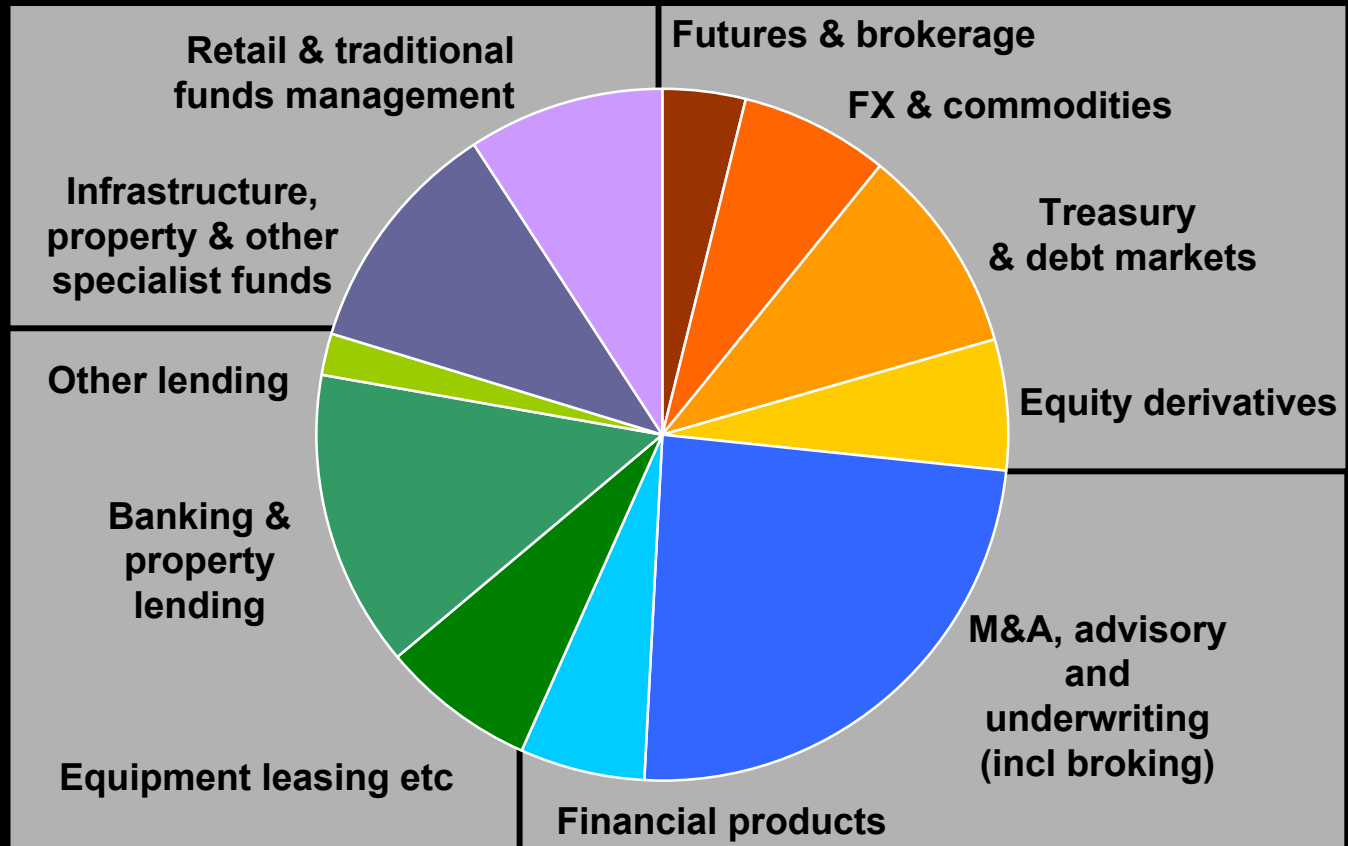


Where the revenues come from

2003

Asset & Wealth Management 20%

Financial Markets 27%



Lending 23%

Investment Banking 30%

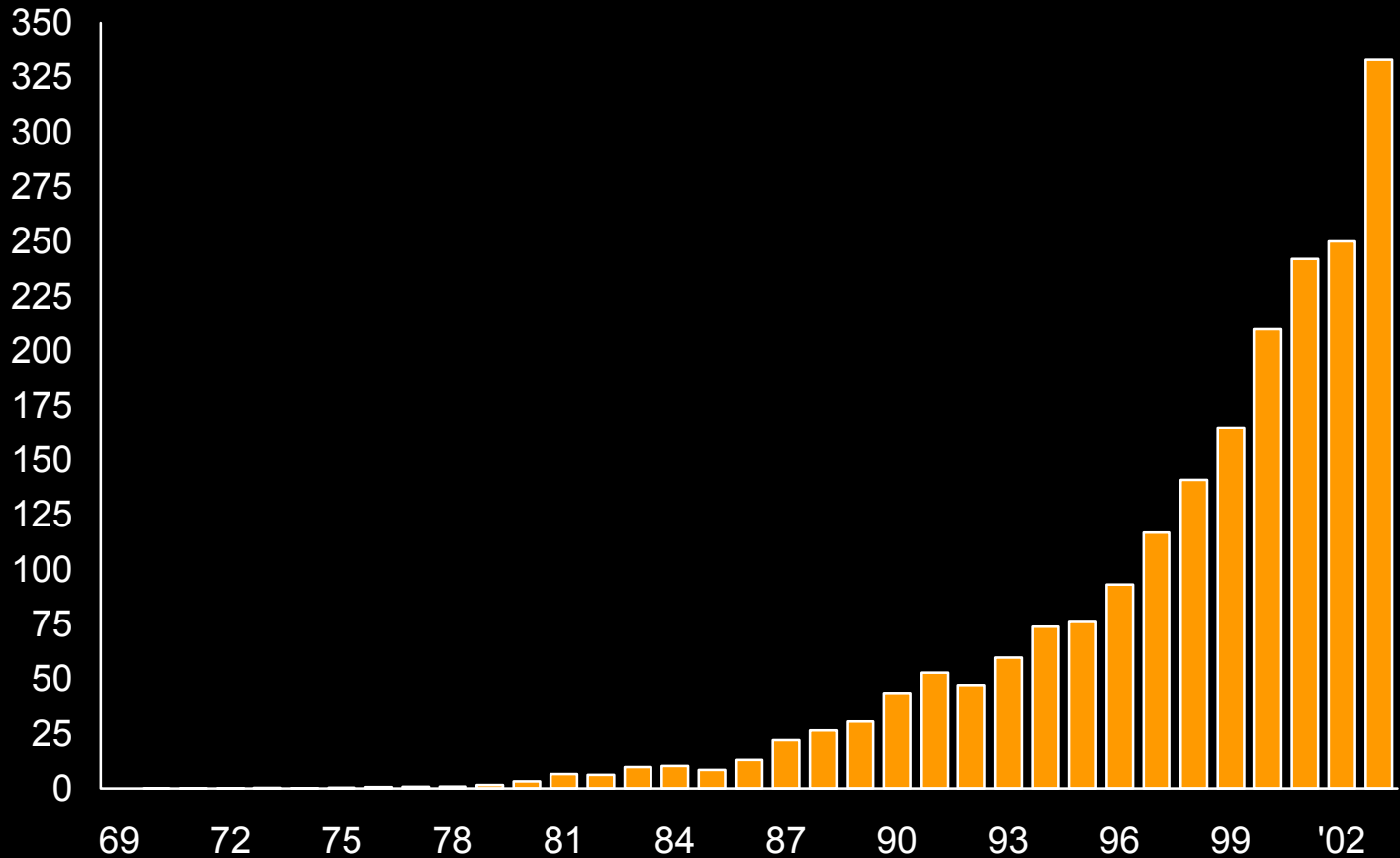


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33 year history of profit growth

Net Profit
After Tax
attrib. to
ordinary
equity holders
A\$m

Consistent growth

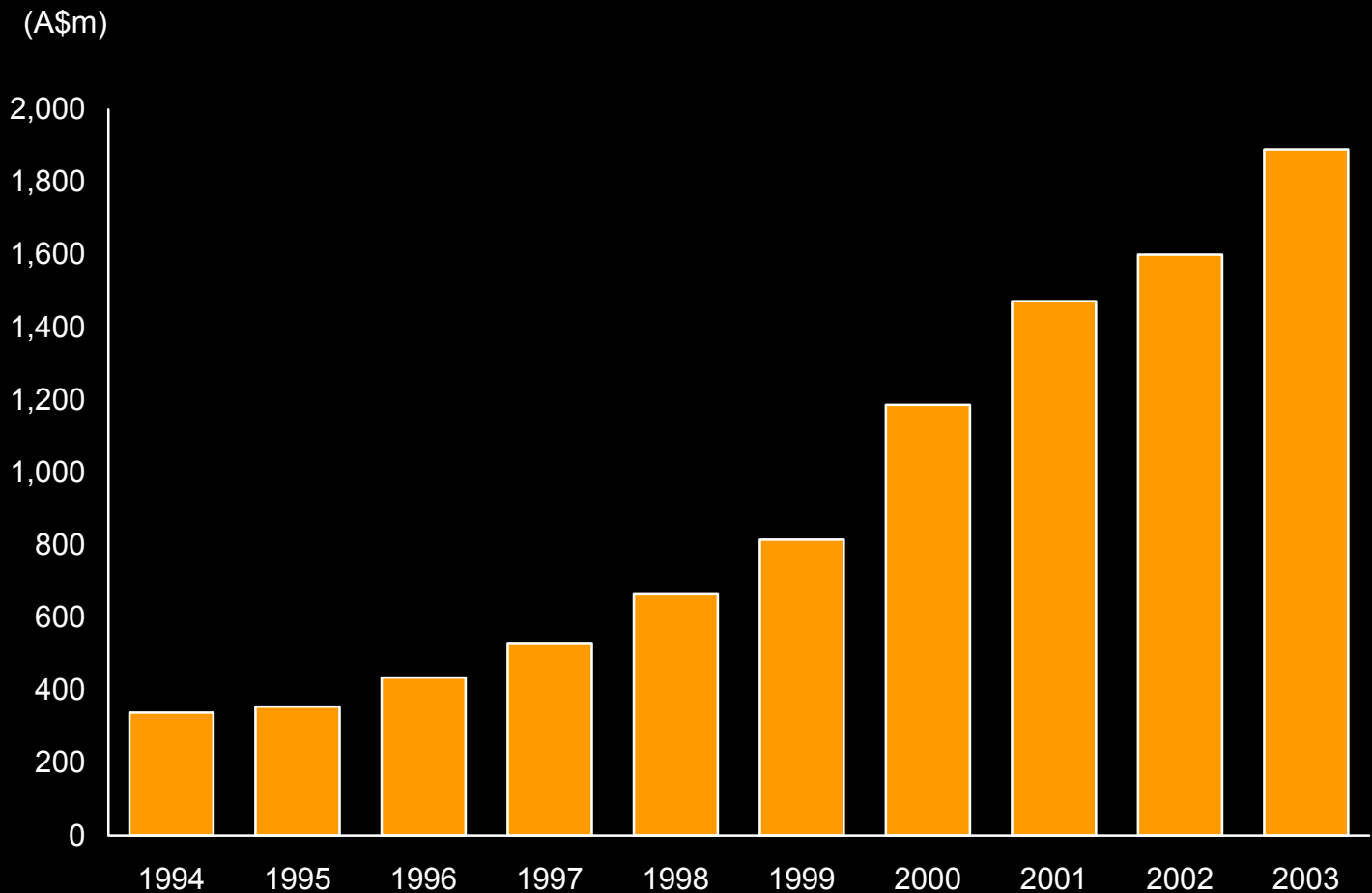




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Income growth over the decade

5.6 times

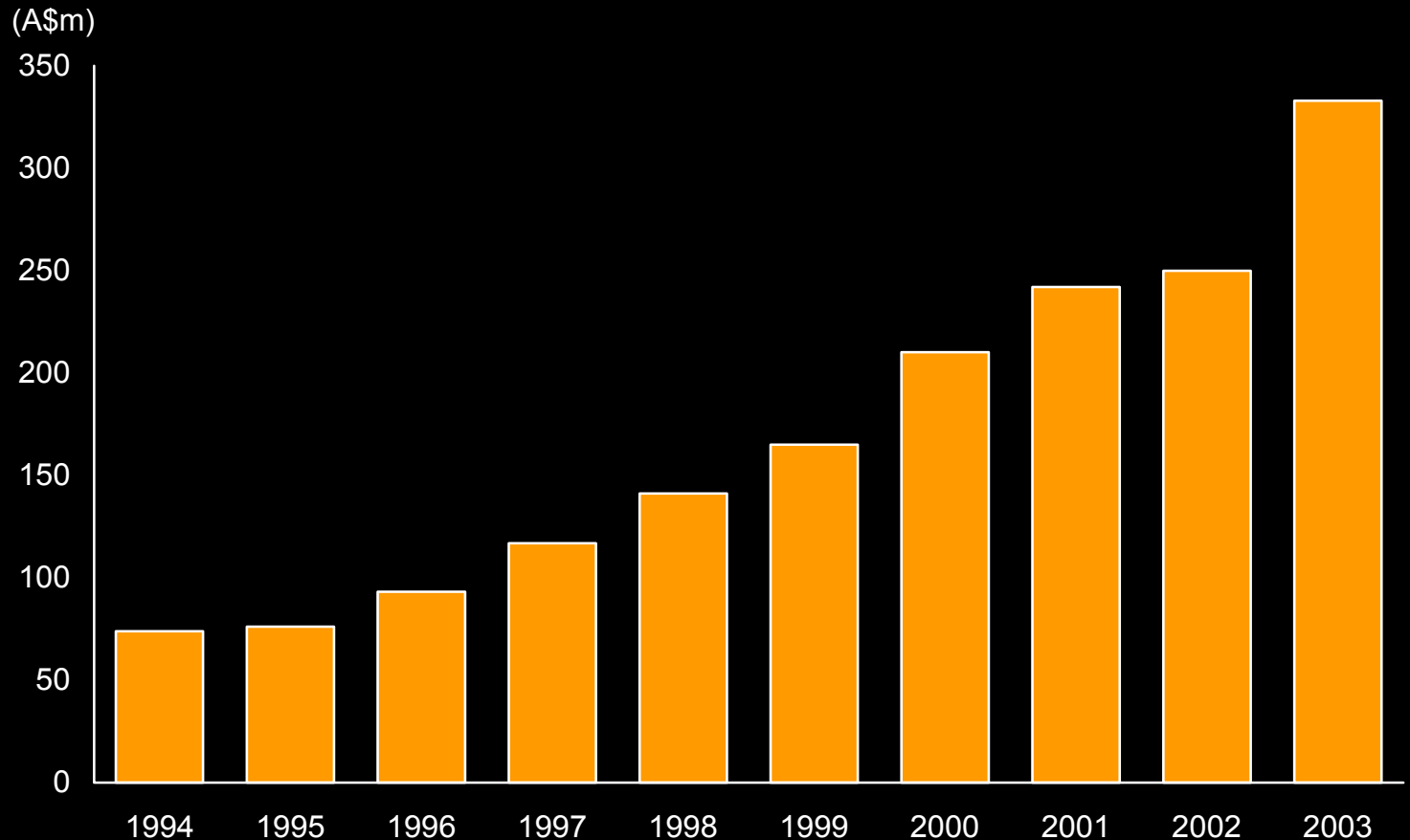




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Profit growth over the decade

4.5 times

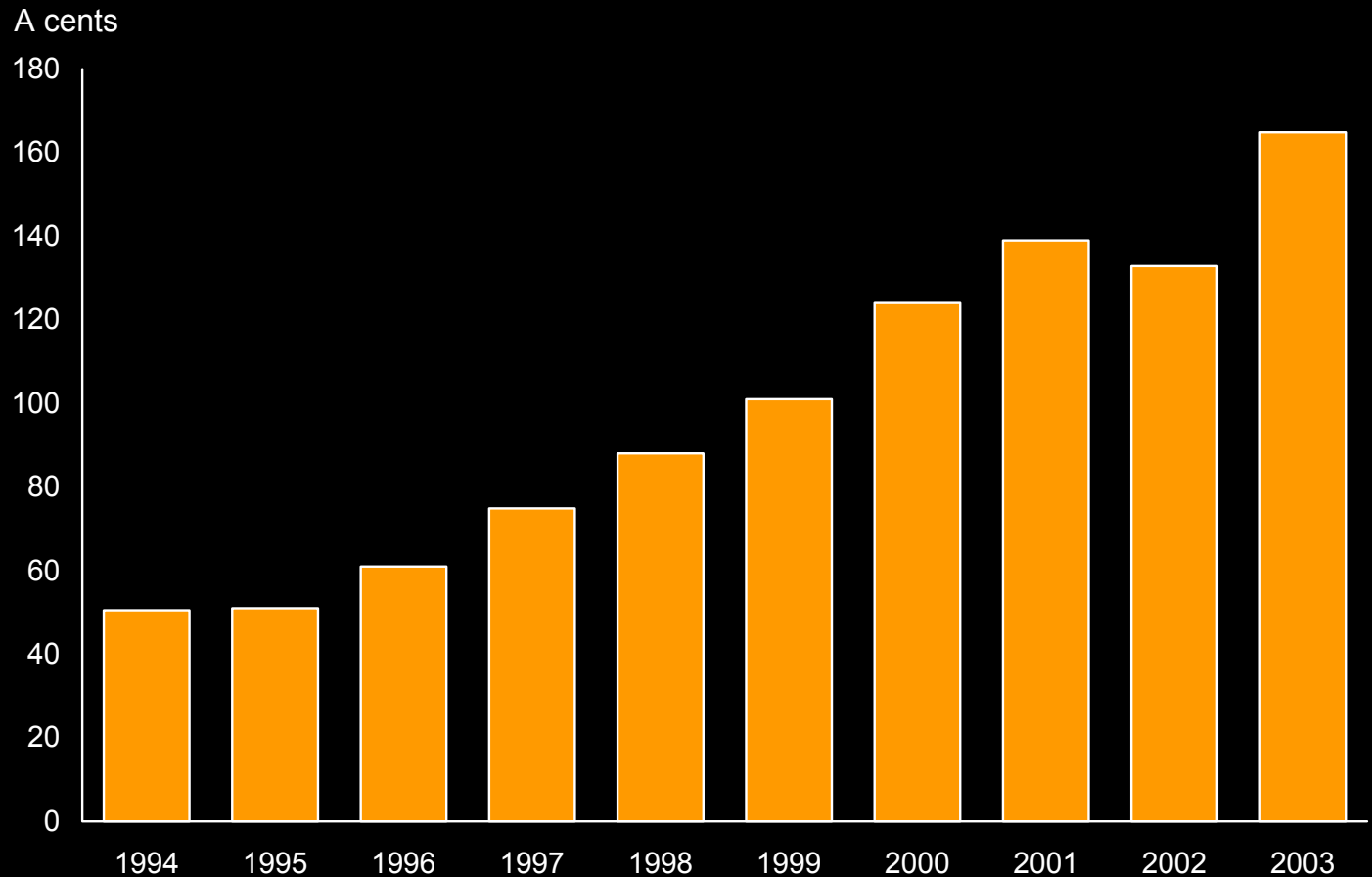




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EPS growth over the decade

3.3 times



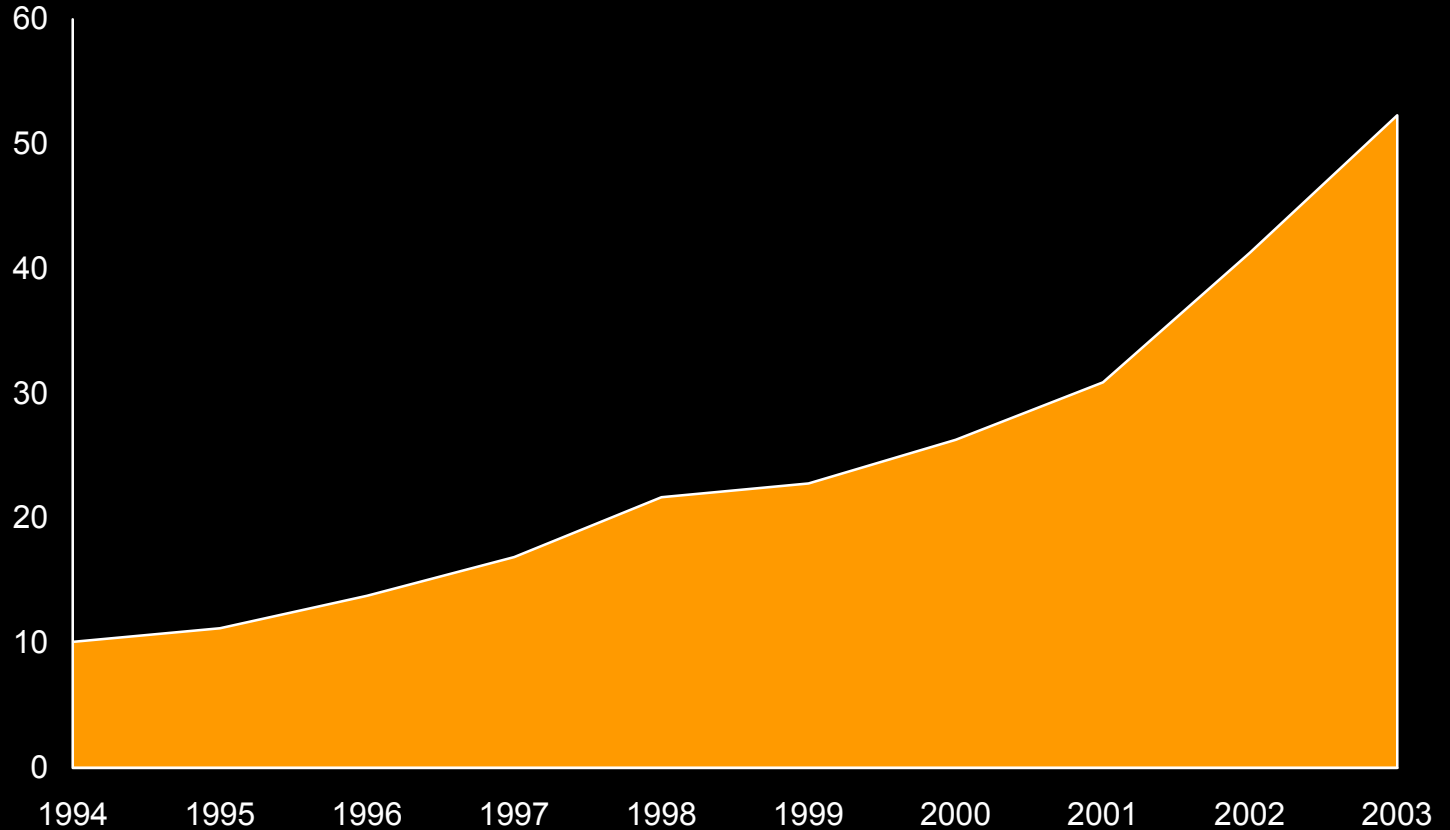


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Funds Under Management growth over the decade

5.2 times

(A\$b)



Includes listed & unlisted (retail & wholesale) funds



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The action is at the edge....

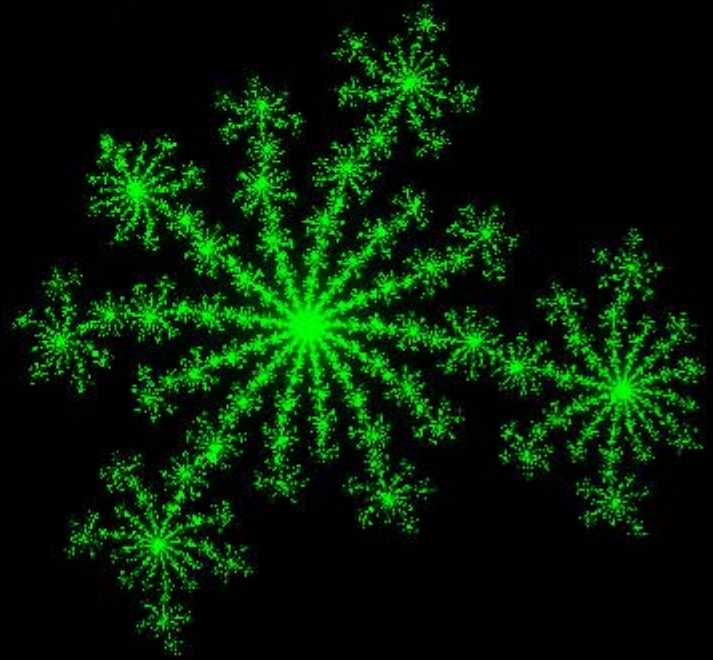


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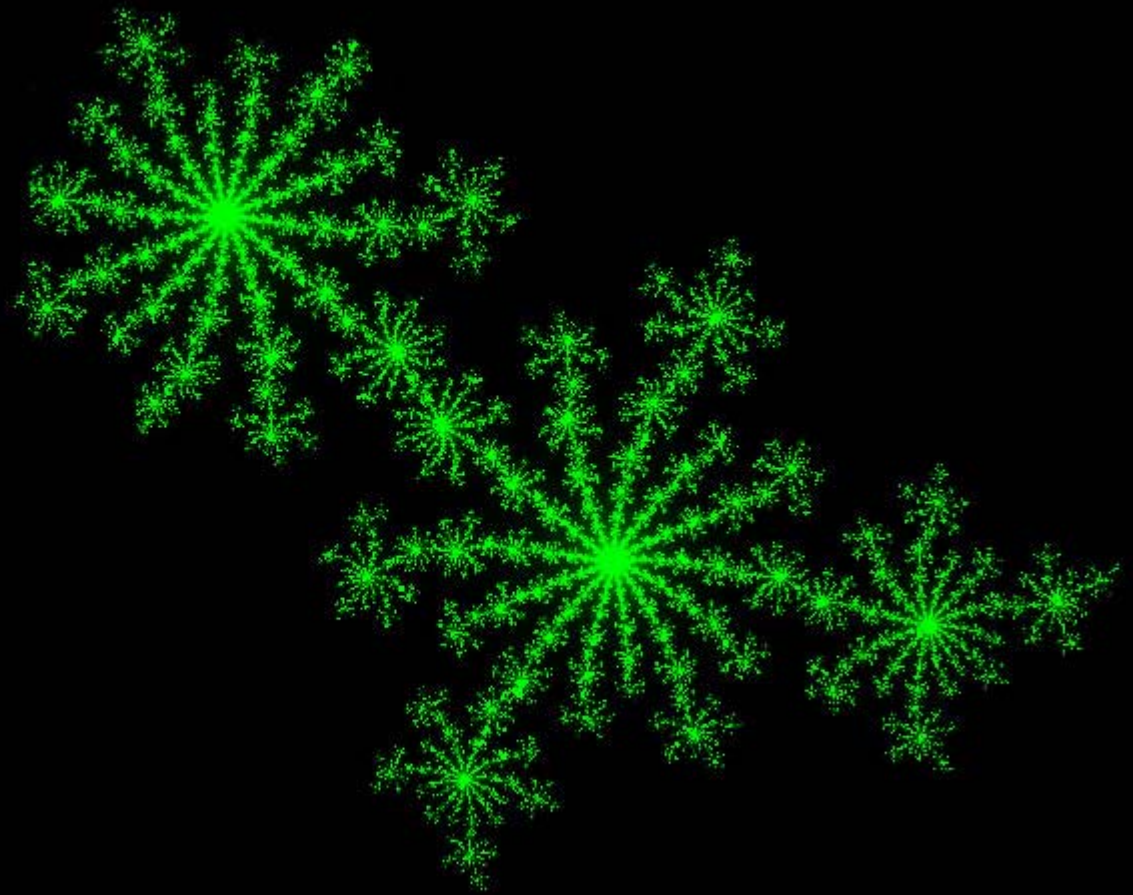


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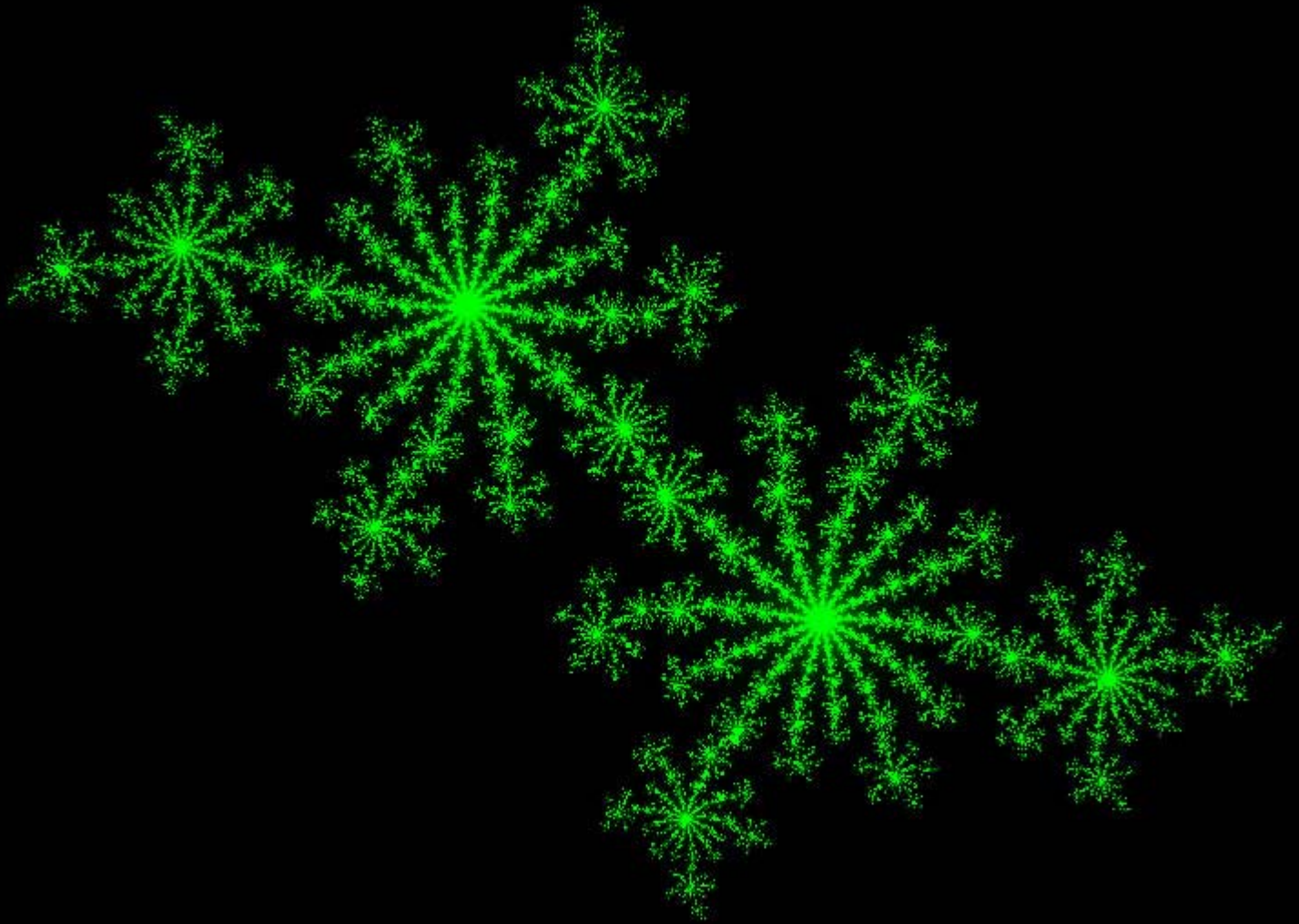


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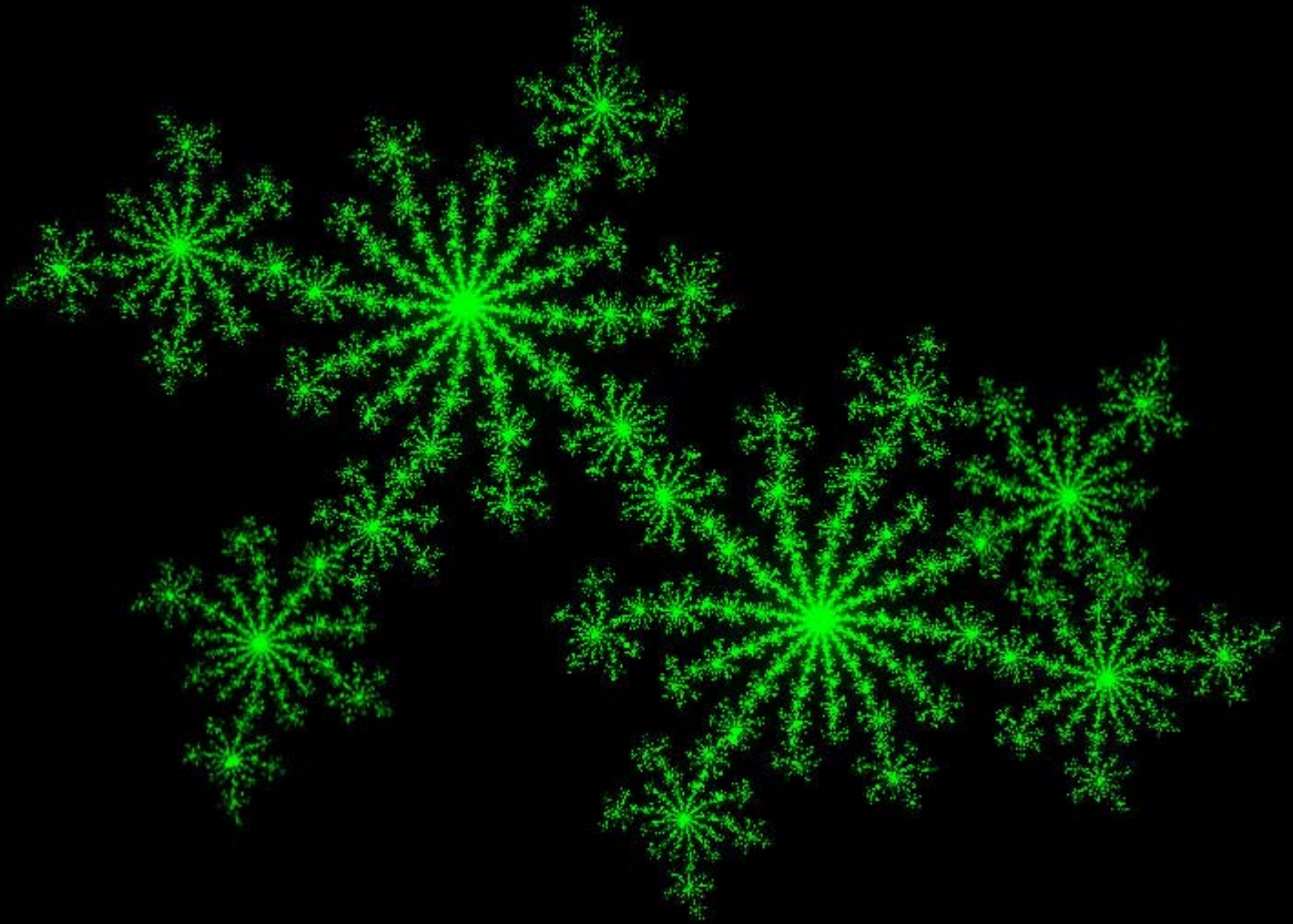


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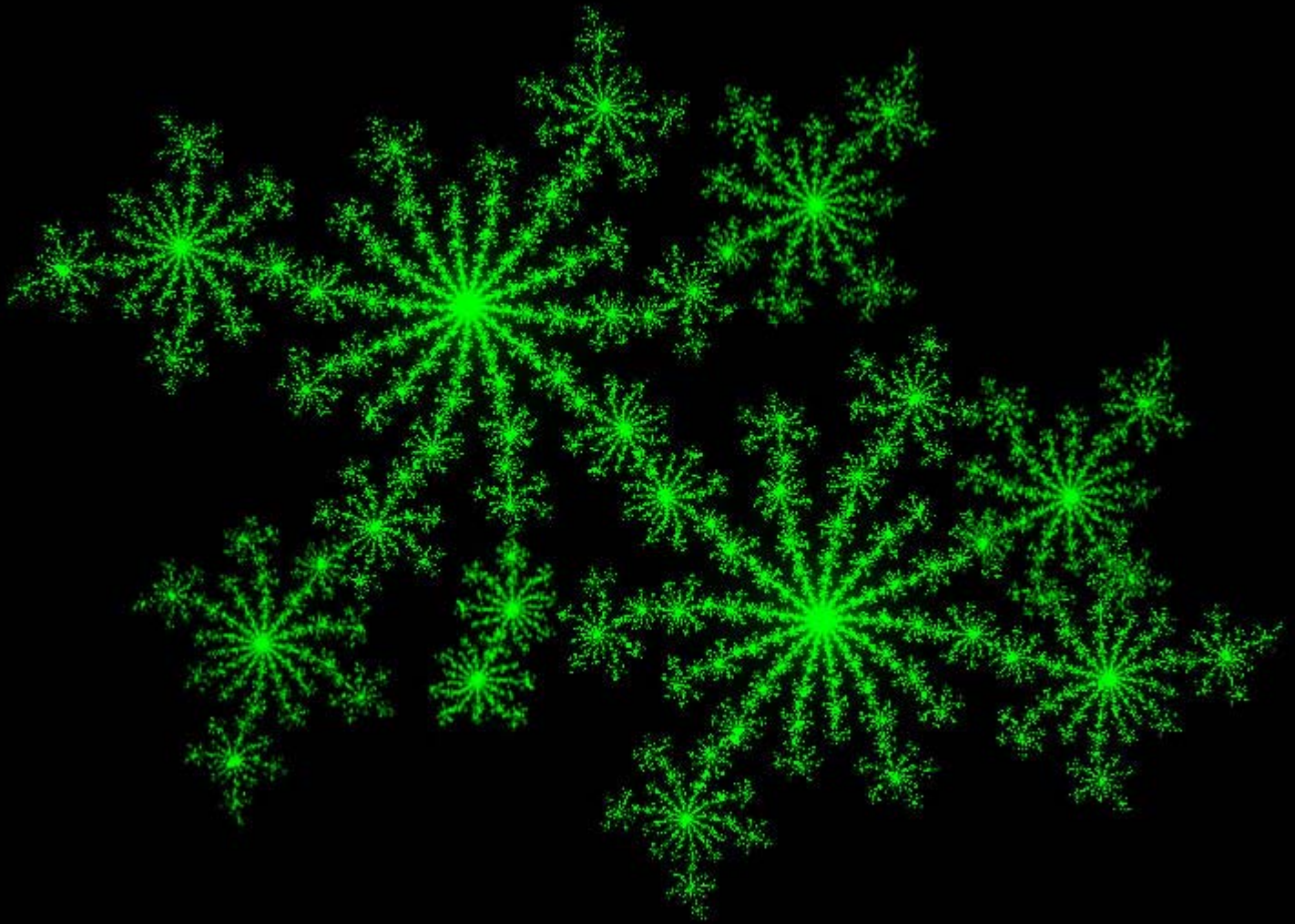


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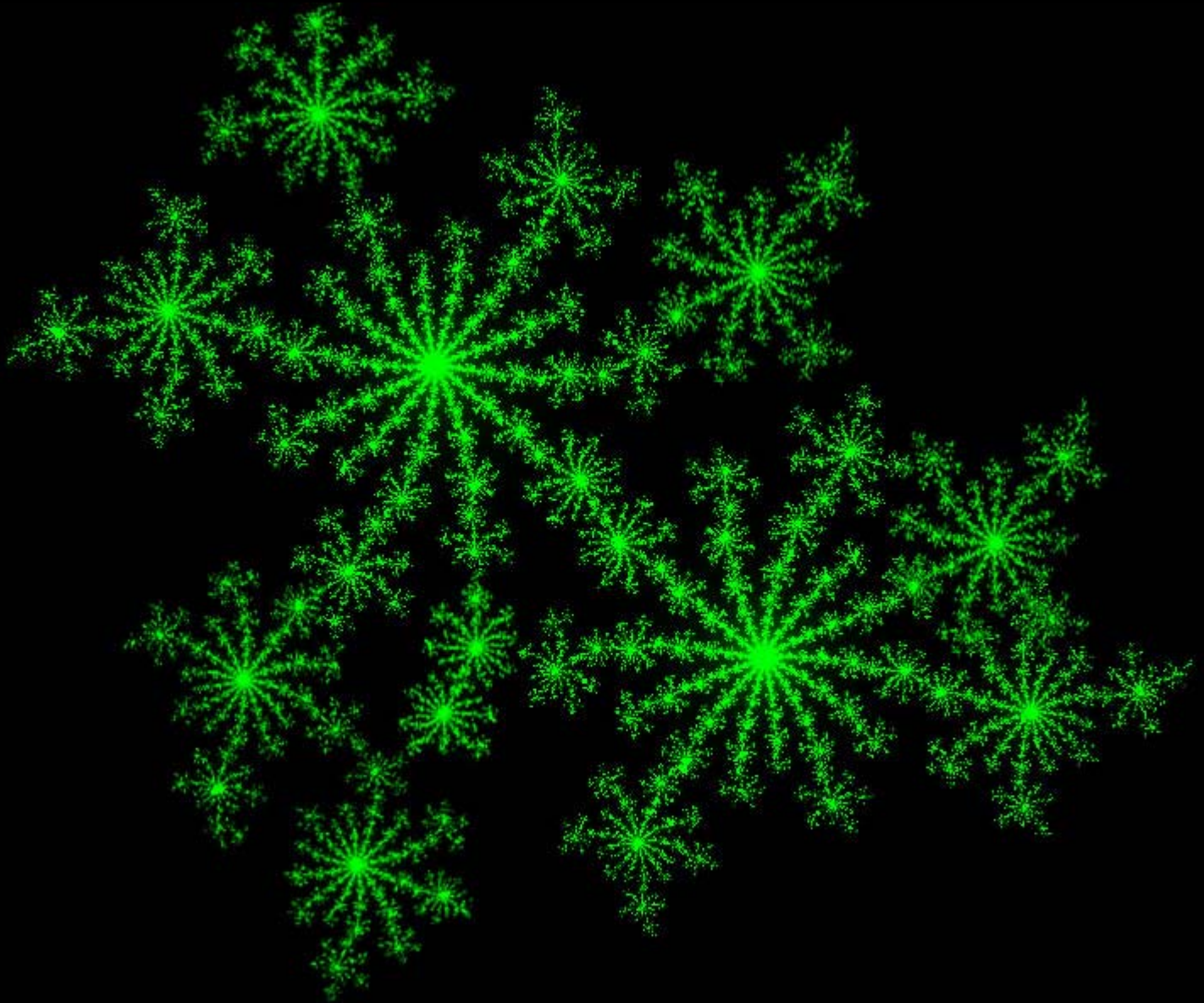


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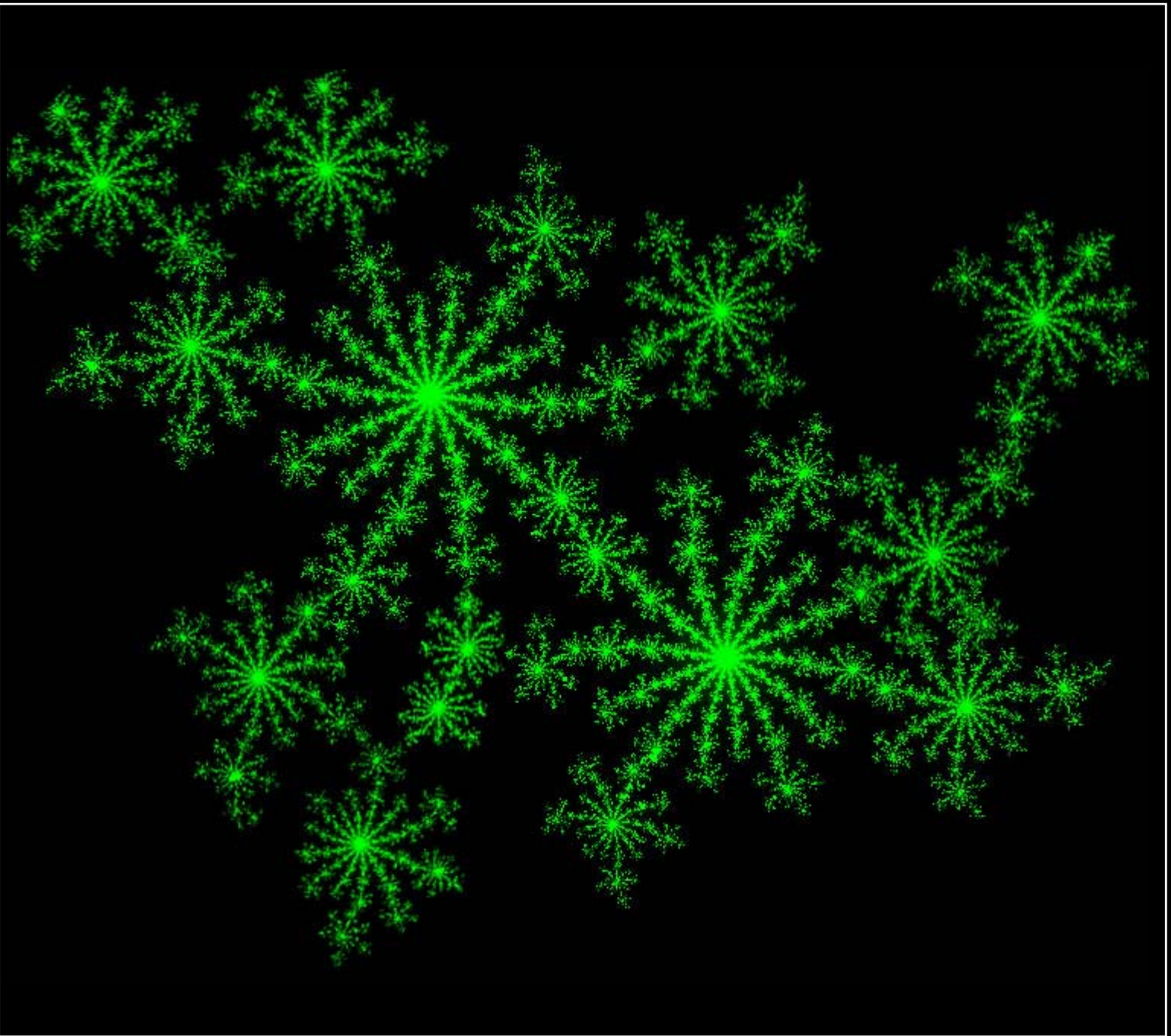


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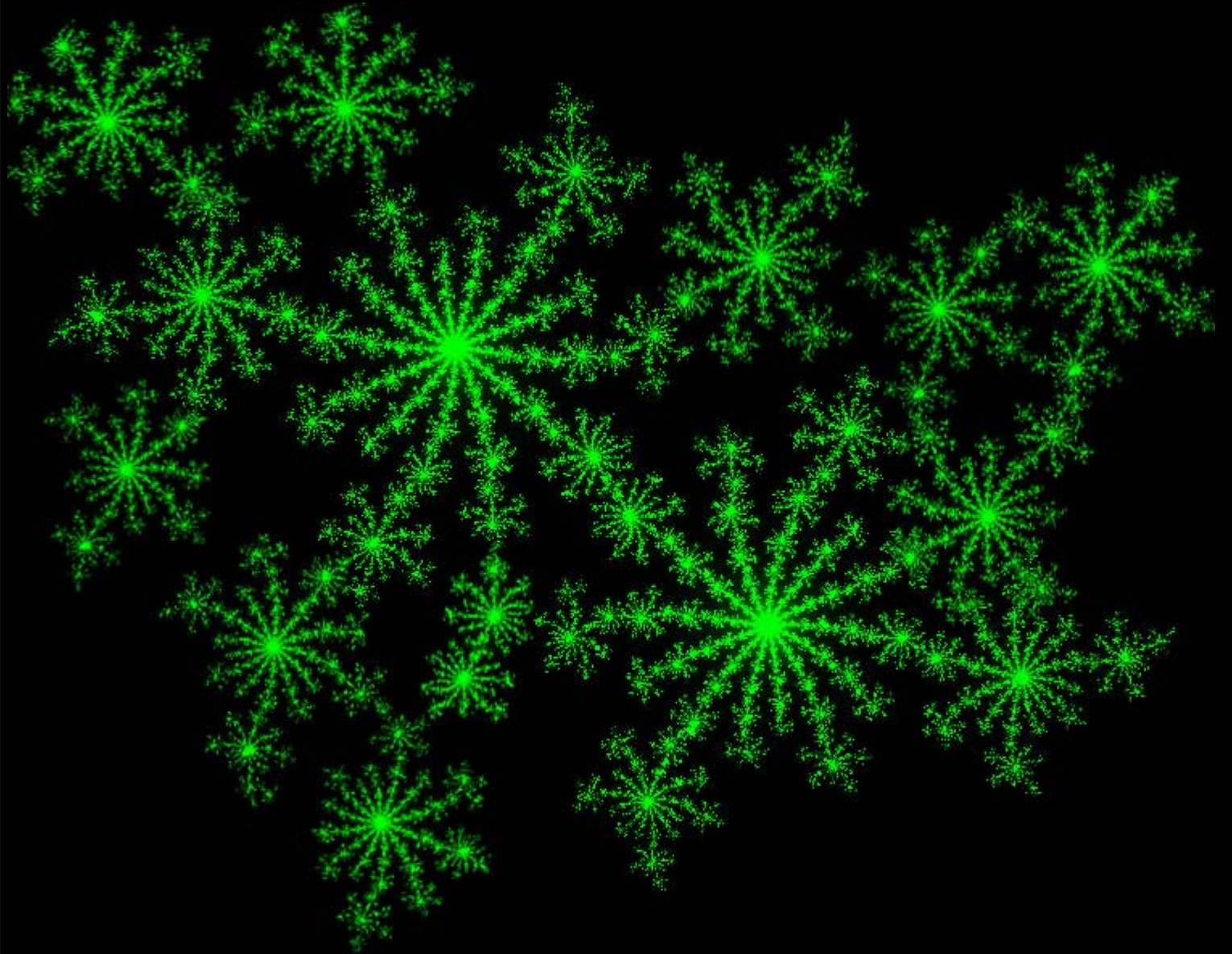


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The action is at the edge

- We expect every business to take responsibility for its growth
 - including recommending strategy
- The role of the centre is to provide an environment which fosters entrepreneurial activity
 - risk management the key role of the centre



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Freedom within boundaries





Advantages of freedom within boundaries

- Encourages entrepreneurial endeavour
- Operating decisions made by those closest to clients, markets and business problems
- Provides a sense of real business ownership
- Top management remain focussed on
 - risks arising from market and industry forces
 - issues of medium and long term significance
- Risk of big mistakes minimised



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Commitment to growth

- Predominantly organic growth
- Continue to invest through the cycle
- Supported by personnel and remuneration systems



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Focus on people

- Careful hiring
- Provide opportunities
- Respect contribution
- Excellent motivation and retention



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Encourage commitment

- Every business must be viable through the cycle
- Tough times are an opportunity to increase market share
- Reward commitment



Remuneration system

- Critical factor in delivering for all stakeholders
- Key features:
 - Consistent approach
 - Market rate of base pay
 - At-risk profit share tied to performance, formula-driven since inception
 - Medium and long-term deferral and retention arrangements
- Significant staff equity participation
- Impact on the business:
 - Encourages long-term commitment
 - Consistency provides staff with security to venture into new businesses
 - Aligns interests of staff with shareholders



Treasury and Commodities: fast growth in slow growth markets

Consistently profitable in diverse conditions

- 365% increase in revenue over the decade
- Many products in many locations
- Profits up 40% in 2003



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2003 – Record year

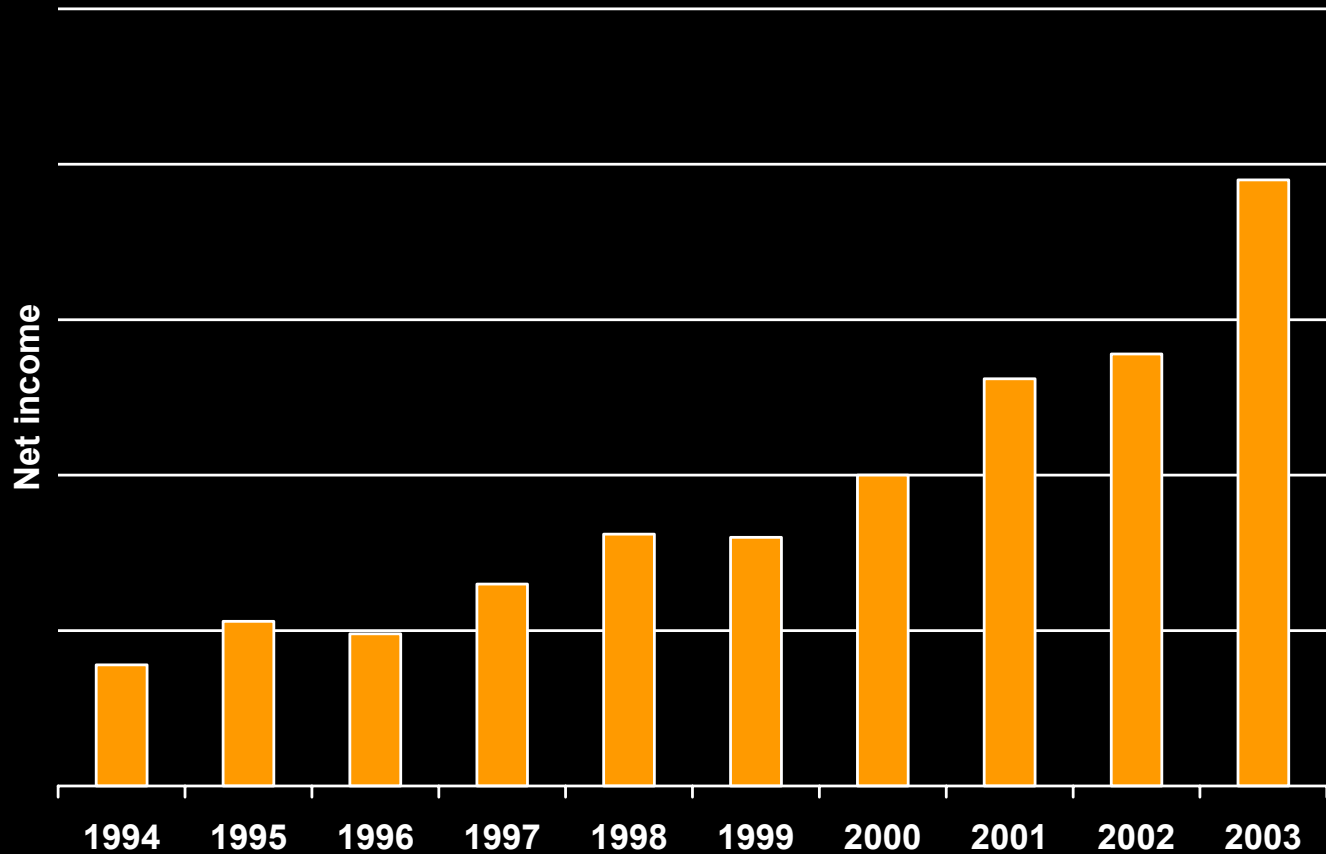
- Profits up 40% on pcp
- 23% contribution to Bank profits
- Every major Division achieved a record or near record result
- Strong and increased contributions to Group profit:
 - Metals and Mining
 - Foreign Exchange
 - Treasury
 - Agricultural Commodities
- Increasing market shares, increased product and market diversity
- Achieved without increasing risk profile or costs



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Net income growth

365% increase over the decade

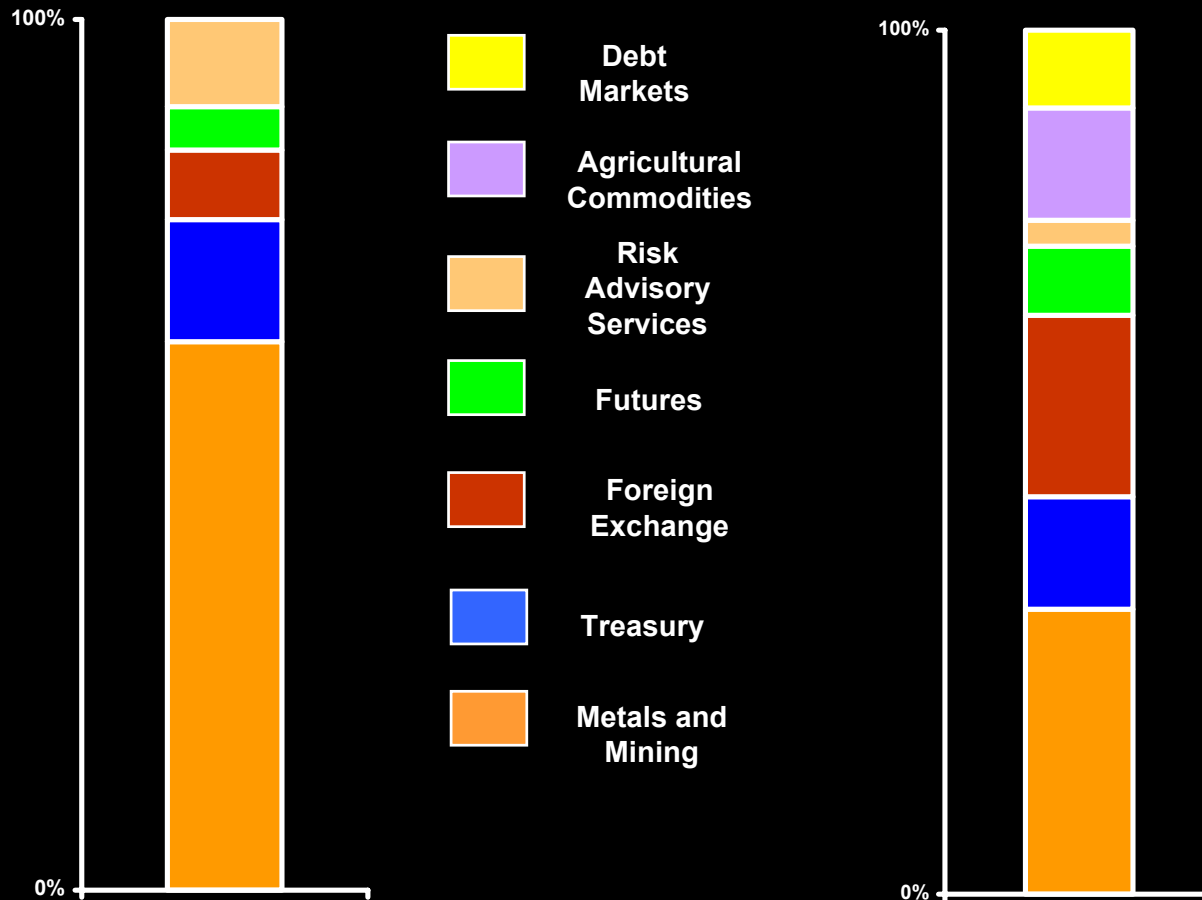




Increased diversity of income

% of total net income
in 1999

% of total net income
in 2003





Focussed risk management

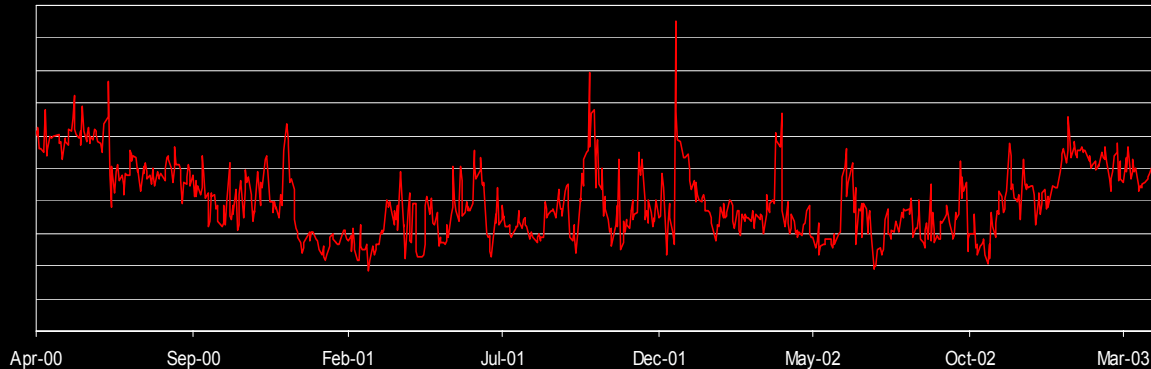
Credit Risk – Flat

Total credit reserve per month



Market Risk – Low and Flat

Total daily price volatility



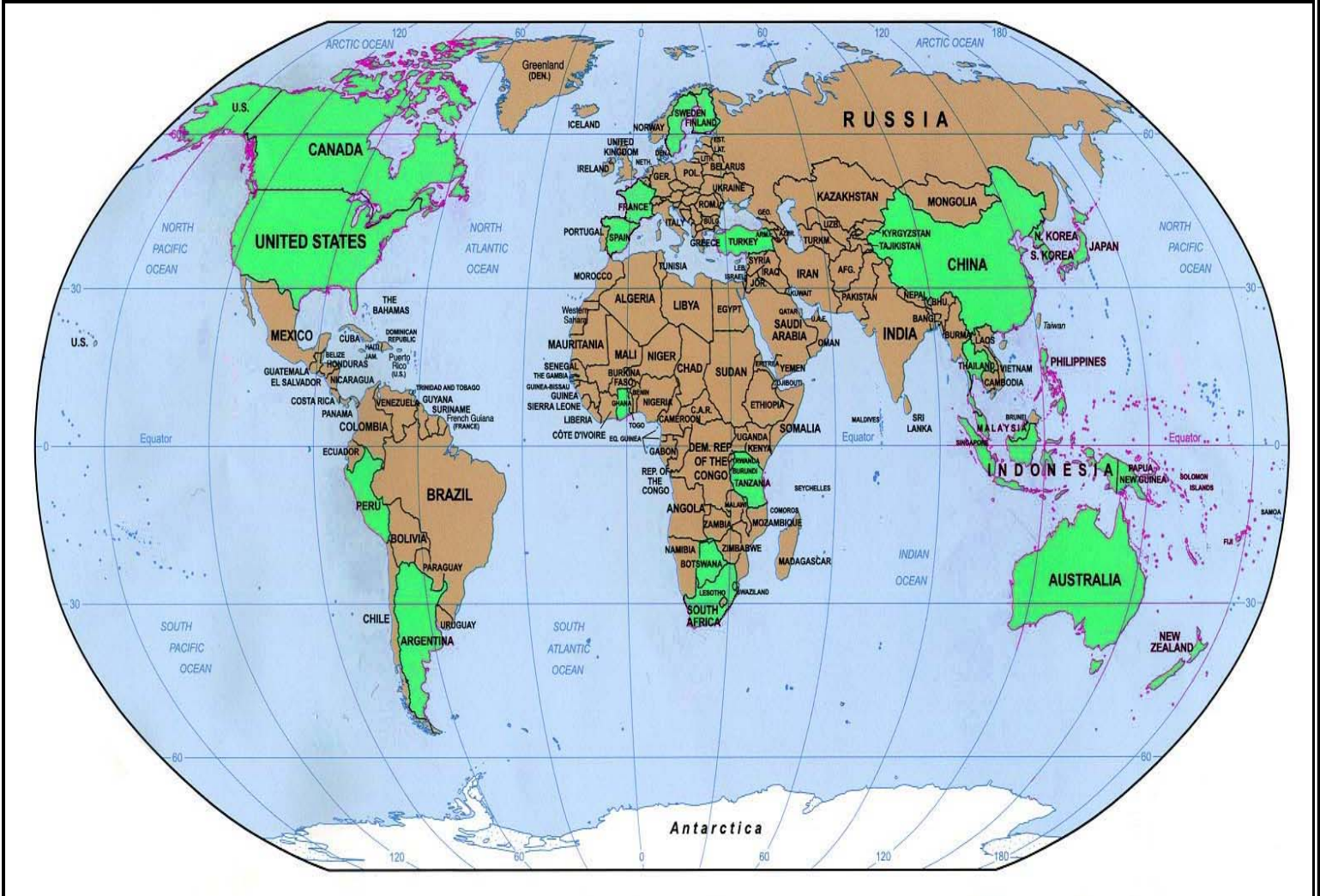


Growth of the business – long-term planning for long-term growth

Area of growth	1999*	2003*
Total Staff	195	346
International based businesses	None	2 – Agricultural Commodities and Energy Markets
Offshore staff	3	82
Management	Sydney only	Head of Treasury and Commodities London businesses, London based Division Head of Energy Markets
Settlements	From Sydney	From Sydney
Compliance staff	Sydney only	3 in London, 2 in NY
Credit staff	Sydney only	3 in London
Legal staff	Sydney only	2 in London
IT staff	Sydney only	2 in London, 1 in NY



Metals and Mining Division – Active Globally





Agricultural Commodities Division – Freedom within boundaries

- Bound by appropriate controls
 - Independent credit risk sign-off
 - Market risk limits
 - New product approval process
 - Operational risk standards
- Within these boundaries, the Division is free to decide:
 - Business strategy
 - Product offerings
 - Client lists
 - Staffing, including relocation as appropriate
 - Cost base



Agricultural Commodities Division - Commitment to growth

- Acquired from Bankers Trust in 1999. Since then:
 - 230% approximate increase in net trading income
 - Increase in staff numbers from 11 to 35
 - Increase in staff locations to include Geneva, Sao Paulo, New York and London
 - Geographic expansion – now servicing clients in every continent except Antarctica
 - Increase in product diversity – now active across 6 additional agricultural commodities (coffee, cocoa, wool, soy complex, corn and cotton)



New ventures – Rationale for pursuing energy sector

- Established market - high level of energy related revenue generated by global investment banking competitors (Goldman Sachs, Morgan Stanley and Bank of America)
- Appropriate timing - energy merchant collapses (Enron, etc.) opened up opportunities in terms of staff and clients
- Previous success in establishing offshore businesses
- Offshore infrastructure in place
- Ability to act on opportunity made entry possible:
 - Existing derivative capabilities used over new asset classes
 - Stronger and larger balance sheet to support expansion
 - Ability to attract key staff with relevant industry expertise



New ventures – Energy Markets Division

- Established in July 2002, based in London
- Headed by returning Macquarie employee with significant industry experience
- Team of 10, including 4 external hires, focussed on growing the business
- Aiming to build a niche in structured client solutions - structuring and trading oil and gas products
- Current and prospective client list predominantly new names for Macquarie



New ventures – Macquarie Energy Capital

- Established operations in July 2002, based in Houston, Texas
- Team of 5, including 4 external hires
- Management based in Sydney with detailed oversight of the business
- Focussed on oil and gas mezzanine finance targeting small to medium cap producers
- Similar style transactions to asset backed derivative and finance deals with small cap mining companies (Metals and Mining Division)



Outlook

- Optimistic about prospects for the next 12 months due to:
 - Leading market positions
 - Business diversity
 - Stable cost base
 - International growth initiatives
 - New ventures

- Will continue to focus on selective expansion