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# Macquarie Bank Limited

## Merrill Lynch Australasian Investment Conference

Richard Sheppard, Deputy Managing Director

*October 2003*

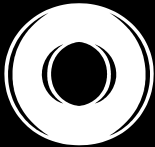


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# Agenda

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1. Recap – last 12 months

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  2. Overview of Macquarie today

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  3. Strategy – why Macquarie can continue to grow

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  4. Update on Financial Services Group

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  5. New initiatives

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  6. Outlook

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# Recap October 2002

- Share price low of \$18.75, influenced by
  - General market conditions
  - The volume of Macquarie issuance into market
  - Sentiment towards growth stocks
  - Performance of global investment banking sector
  - Sydney Airport acquisition



## What we said – October 2002

- New capital would contribute to growth
- Businesses overall performing well
- Benefiting from cost initiatives
- Strong capital position
- Continued growth in specialist funds
- Expected continued revenue and profit growth
- Would pace capital raisings more carefully
- Increased effort to expand investor base



# What's happened – last 12 months

- Strong result year ended 31 March 2003, net profit up 33%
- June 2003 quarter well up on last year
- Continued strong growth in specialist funds, new funds launched
- Market has significantly re-rated Macquarie Airports and recognised value of Sydney Airport
- Lots of new initiatives
- Share price has recovered



# Overview of Macquarie Bank today

- Diversified financial services in Australia
- Focused participant in international markets
- Compound annual growth over a decade:
  - Revenue – 21%
  - NPAT – 19%
  - EPS – 15%
- P/E (historical) – 20.9

## Market capitalisation:

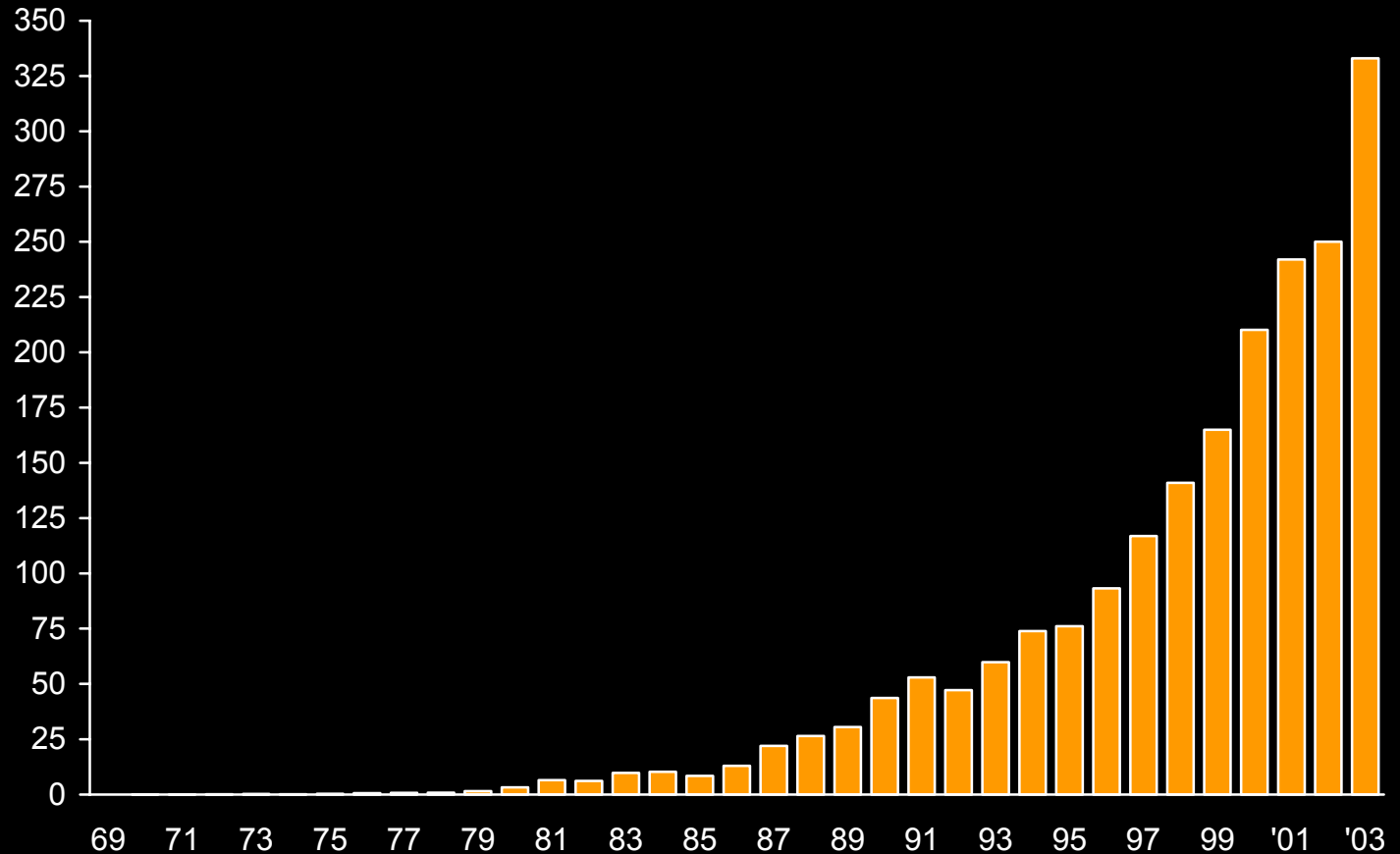
Macquarie Bank (MBL):	A\$7.5b	~20 <sup>th</sup> on ASX
Macquarie Bank listed “family”:	A\$20b	~10 <sup>th</sup> on ASX



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# 35 year history of profit growth

Net Profit  
After Tax  
(A\$m)





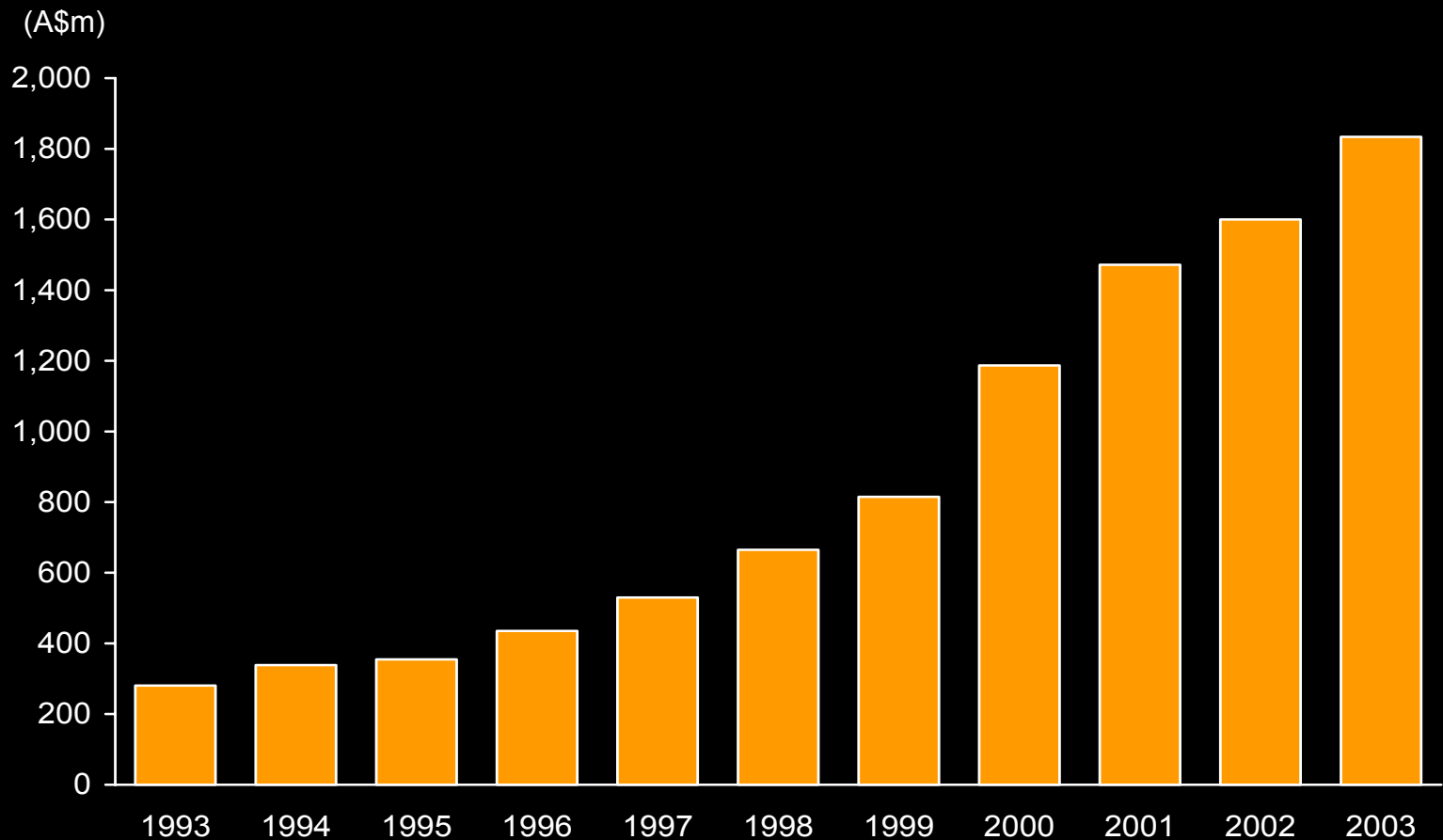


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# Income growth over the decade

→ 6.5 times

→ 15% growth in year to 31 March 2003



\* Income excludes BA transmission income and operating expenses for holding period from 2 April to 12 August 2002

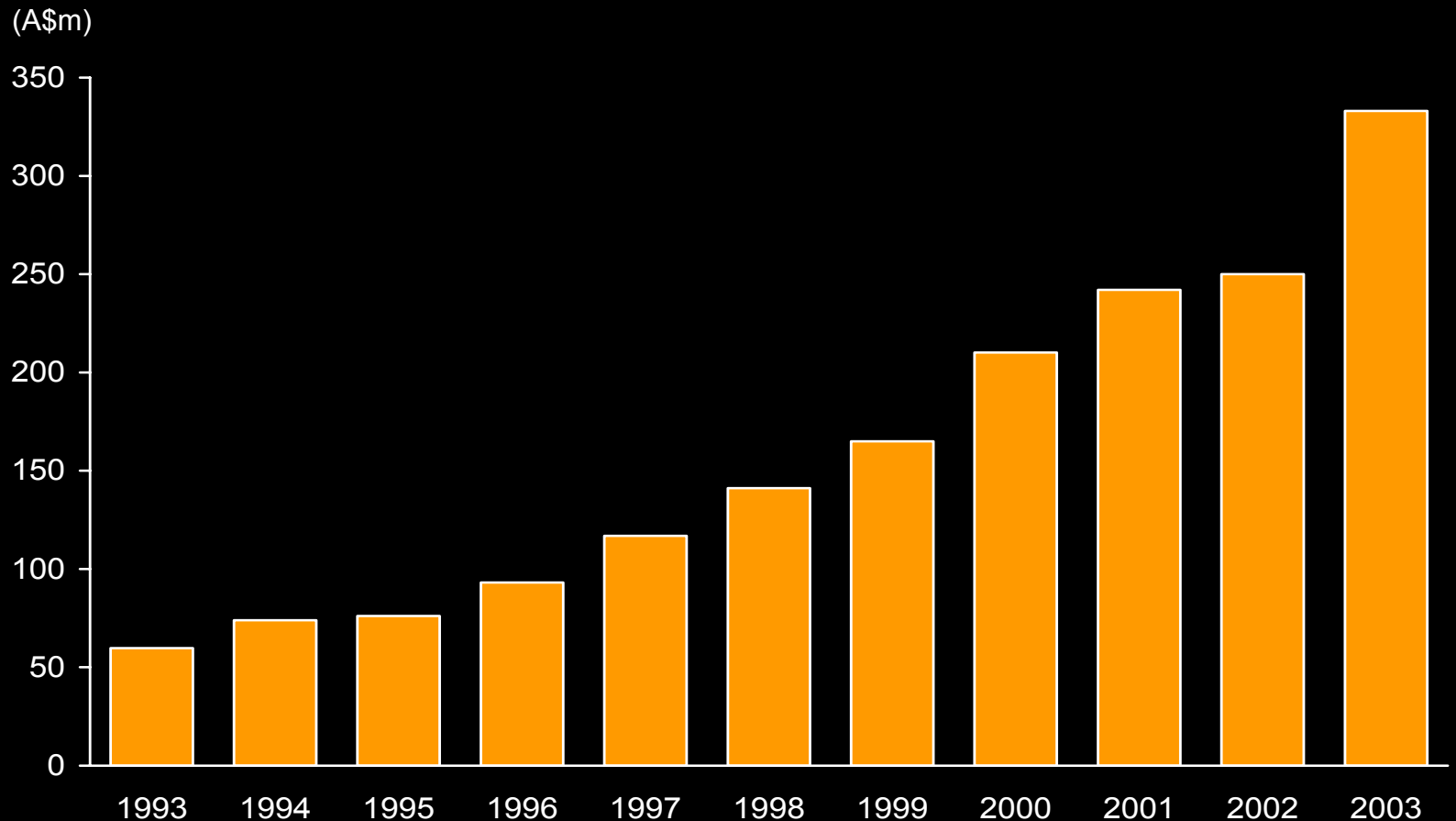


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# Profit growth over the decade

→ 5.6 times

→ 33% growth in year to 31 March 2003

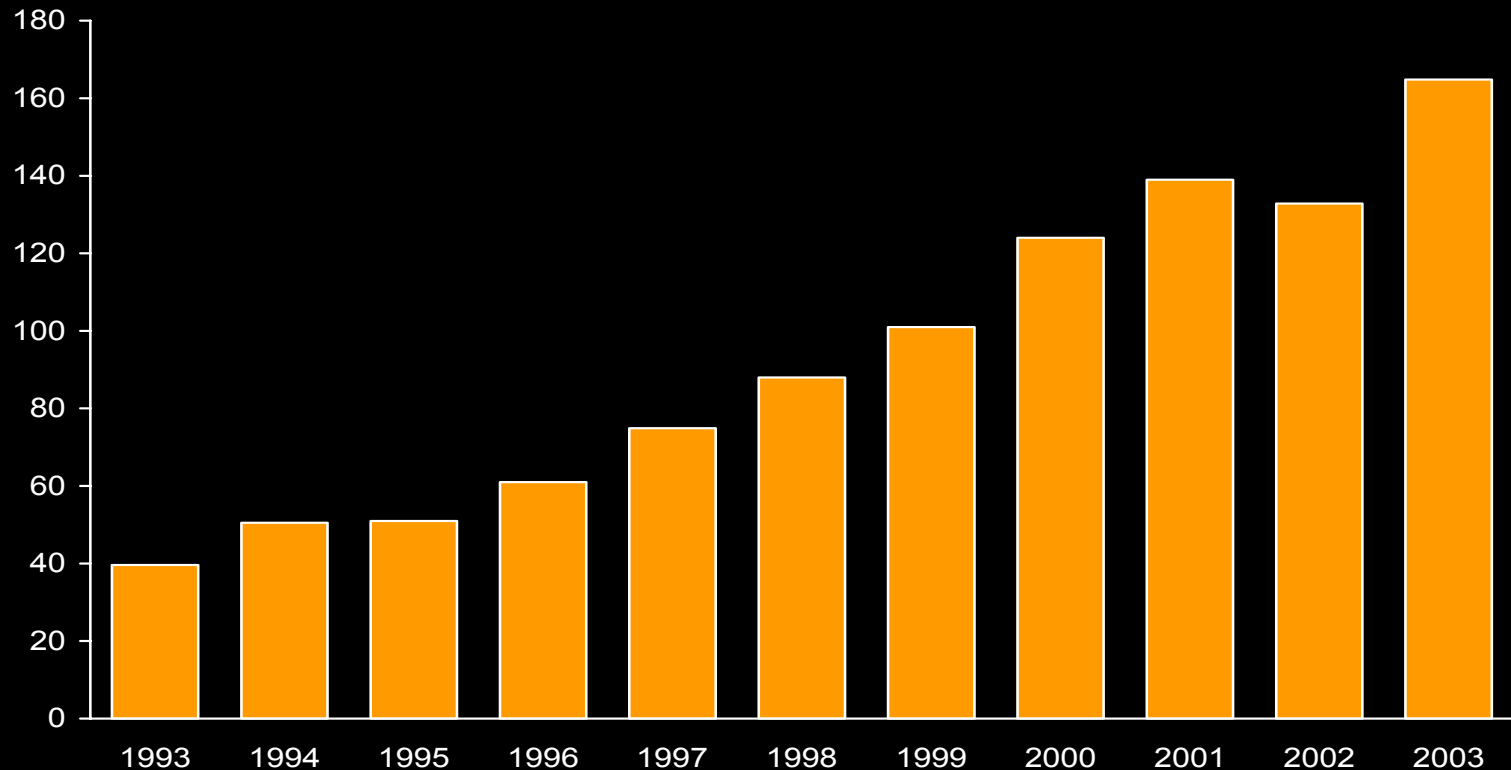




# EPS growth over the decade

- Macquarie: 4.3 times
- US mid-cap growth stocks: 3.9 times
- Macquarie: 24% growth in year to 31 March 2003

(A cents)



<sup>^</sup> US mid-cap growth comparison based on S&P/Barra data as at 31 August 2003. Growth rates refer to average EPS growth over decade.

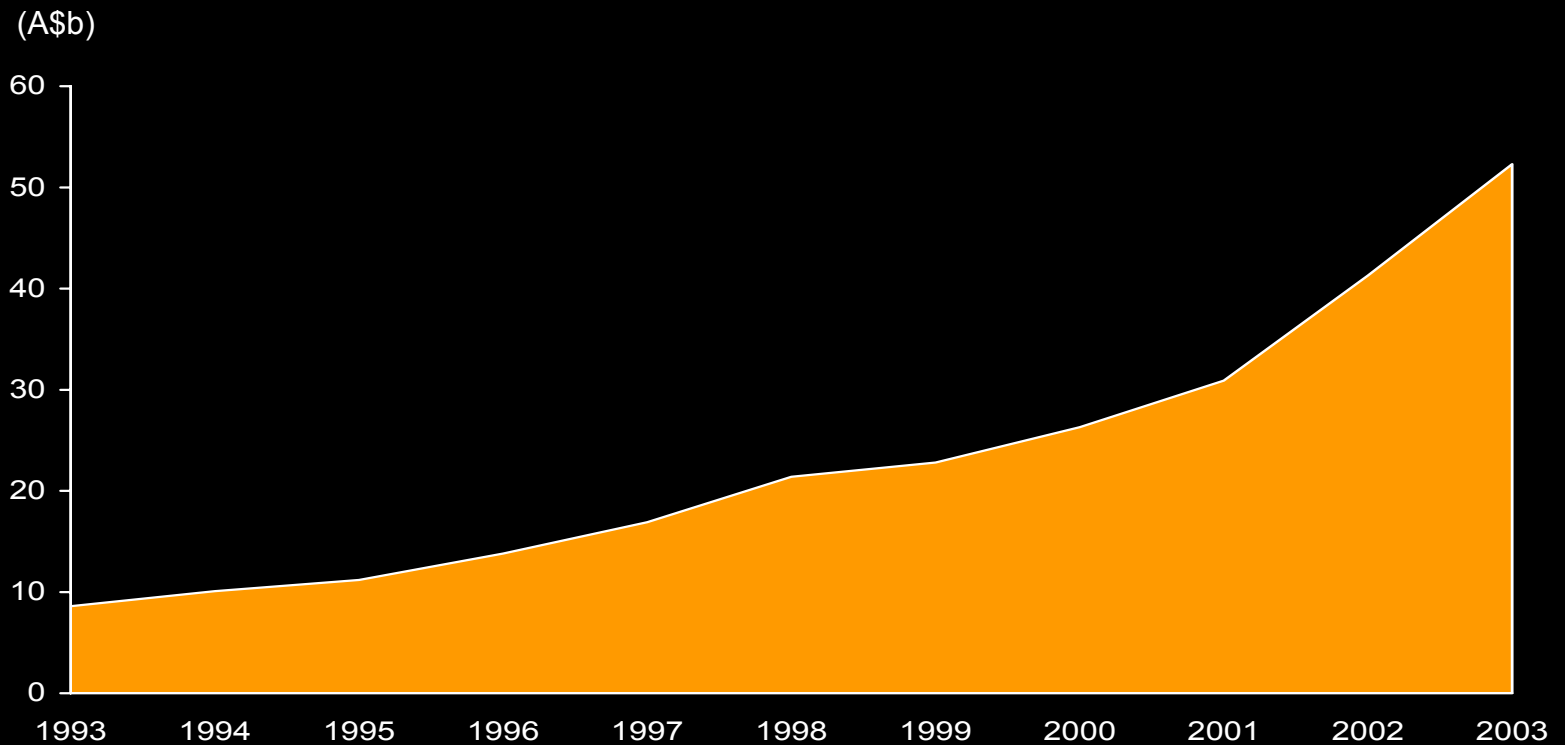


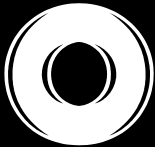
# Funds Under Management growth over the decade

→ Macquarie: 6.1 times

→ Global FUM: 2.7 times

→ Macquarie: 27% growth in year to 31 March 2003





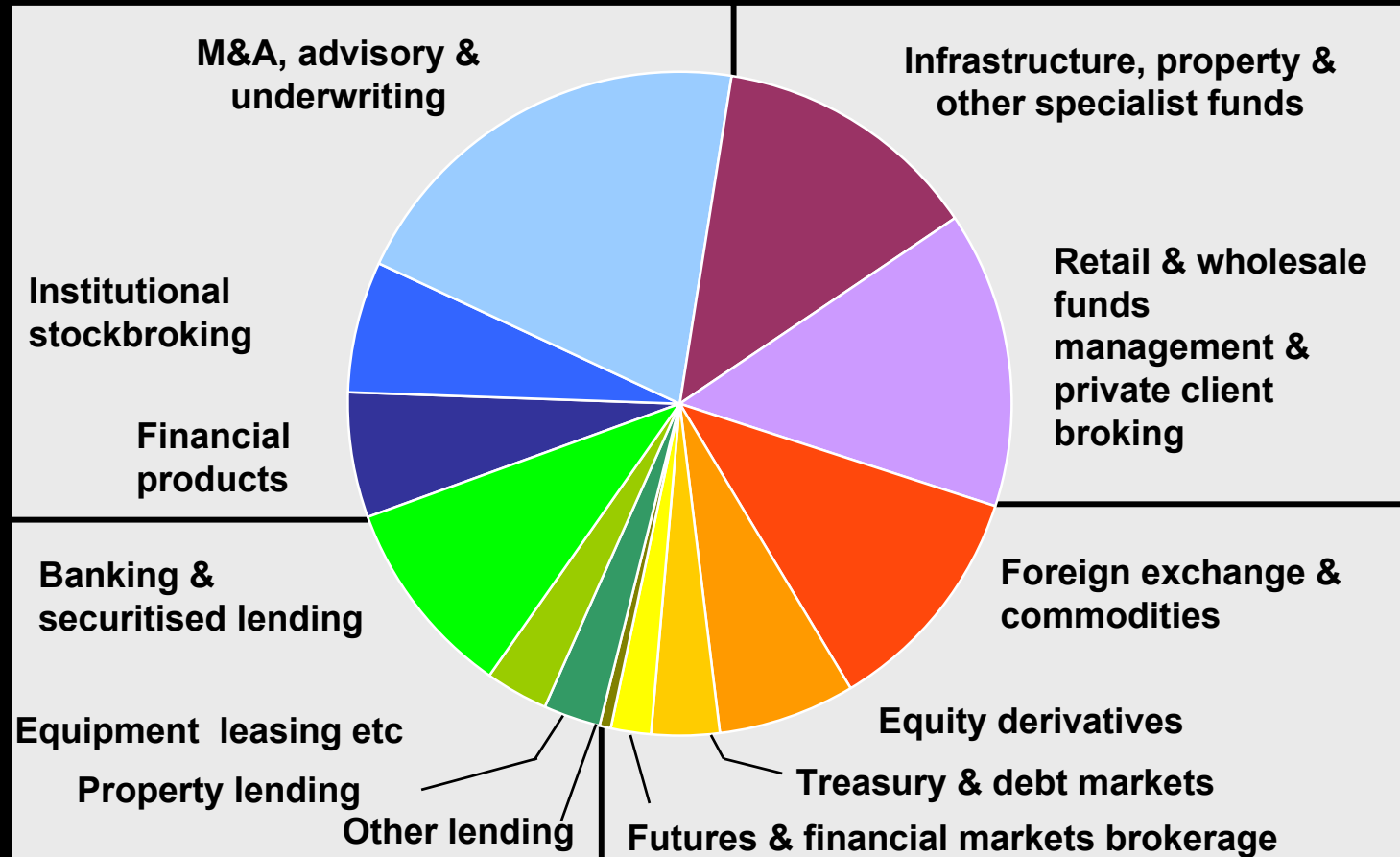
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# Where the income comes from

## Year to 31 March 2003 by business segment

**Investment banking 33%**

**Asset & wealth management 28%**



**Lending 16%**

**Financial markets 23%**

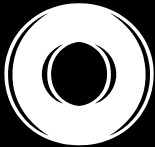
\* Income excludes BA transmission income and operating expenses for holding period from 2 April to 12 August 2002



# Group contribution to profit

	FY 2003 %	FY 2002 %
Corporate Finance (incl. Specialist Funds)	32	30
Financial Products (incl. X-Border Leasing)	6	11
Other (incl. Insto Broking, Macquarie Capital)	<u>11</u>	<u>20</u>
Total Investment Banking	49	61
Treasury and Commodities	23	21
Banking and Property	18	16
Equity Markets	5	-
Funds Management	2	3
Financial Services	2	(1)
Direct Investment	1	-
<b>Total</b>	<b>100%</b>	<b>100%</b>

\* Based on management accounts – pre-tax and pre-profit share



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# Active globally

→ Approximately 5000 employees

→ 18 countries



\*As at 30 June 2003



# Strategy overview

- Management philosophy
  - Operating groups develop and implement business strategy
  - Centralised risk management, new business approvals, appointments, brand and overall strategy
- Organic growth
  - Not generally by acquisition
  - No significant goodwill on balance sheet
  - Focus on areas adjacent to existing businesses
- Diversity of income streams
- Strong financial position provides strategic flexibility
- Continued focus on specialist funds



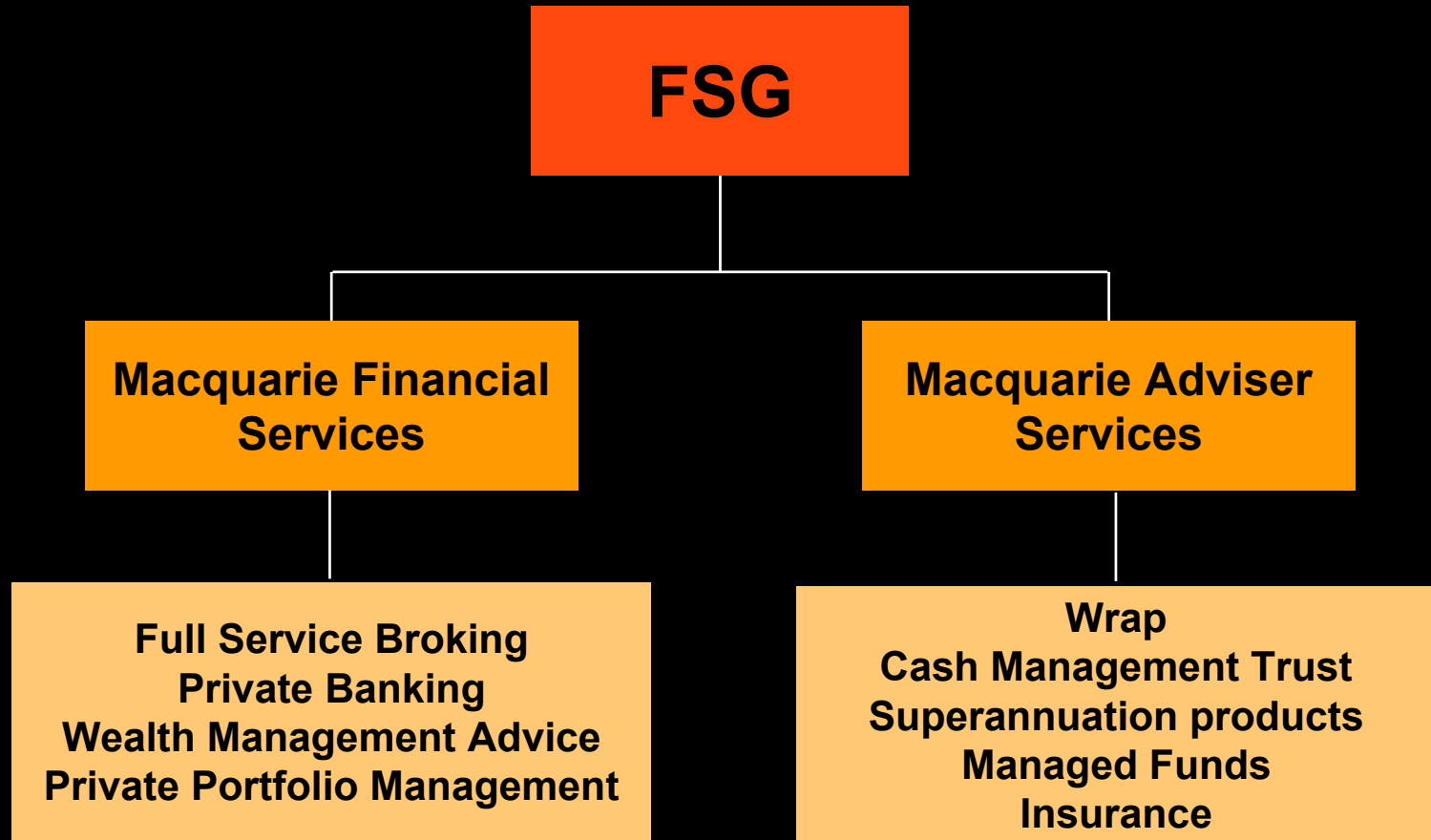


# Update on Financial Services Group

- Financial Services Group established 2000
- Consolidated retail distribution activities previously fragmented across Bank
- A\$70 million spend on technology and changes to management program initiated in 2000 to position business for growth
- Targeted at upper end of growing Australian wealth services market
- Provides distribution for product origination businesses



# Financial Services Group structure

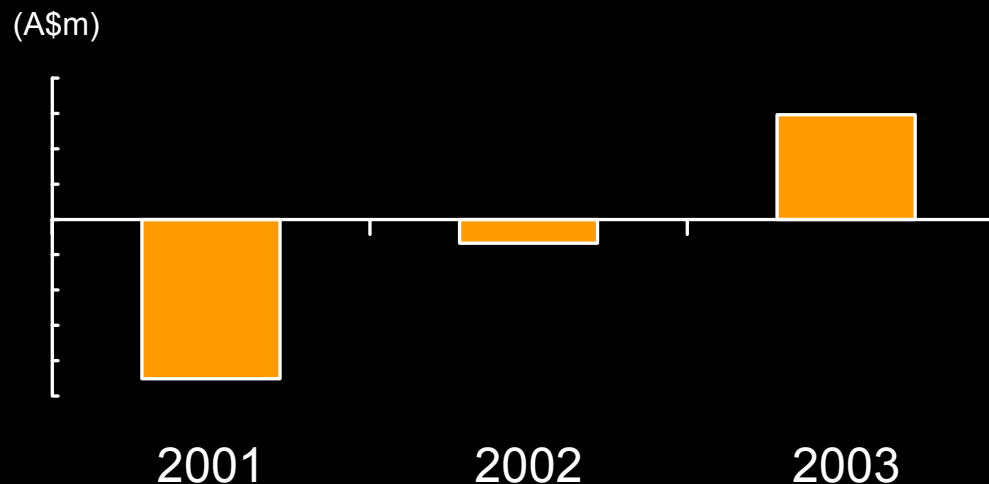




# Progress of Financial Services Group

Improving contribution to Group profitability

Year ended 31 March	%
2001	(3)
2002	(1)
2003	2
2004	Further growth in contribution expected





# Some indicators of progress

- Staff numbers 1,035 at 31 August 2003 – down 5% over 12 months
  - Reflects completion of IT investment and change programs
  - Front office/back office ratio up significantly
- Macquarie Financial Services advisers numbers up from 248 to 259 in the last 12 months
  - Income per commissioned adviser also up significantly this year
- Took on 25,000 clients and 48 private client advisers from Hartleys
- Cash Management Trust up 10% in the last 12 months to A\$9.4 billion
- Wrap assets under administration up 33% in the last 12 months to A\$7.4 billion
- Won 2003 ASSIRT awards for Best Fund Manager of the Year and Best Master Trust and Wrap Provider



# Financial Services Group outlook

- Expect continued increase in earnings contribution in current year
- FSG will benefit from wrap growth, and increased equity markets and IPO activity
- Continued progress from technology investment to enhance service delivery and back office efficiency
- Good longer term growth potential in wrap and superannuation
- Additional cost benefits in medium term as depreciation charges from 2000-2003 investment program tail off



## Highlights since March 2003

- Strong pipeline of Corporate Finance mandates announced
- Specialised funds performing well
- Equity Markets Group JV with Woori Bank to develop an equities derivatives business in Korea
- Equity Markets Group JV with Nedbank Corporate to develop an equities derivatives business in South Africa
- Established Canada's first private infrastructure fund – Macquarie Essential Assets Partnership



## Highlights since March 2003

- Second close of Korea Road Infrastructure Fund raising total commitments to approximately A\$500m
- Funds Management Group expands into Taiwan with the acquisition of a 40% stake in United SITE
- Macquarie Goodman Industrial Trust acquisition of AMP Industrial Trust
- Property Group alliance with Developers Diversified Realty (DDR) to pursue opportunities in US community shopping centre market
- Purchased South East Water (UK) for proposed European Infrastructure Fund



# Overall Outlook

- June 2003 quarter well up on last year
- Especially in asset & wealth management and investment banking segments reflecting:
  - Improved deal flow
  - Better equity markets
  - Strong performance of specialist funds
- Expect first half and full year to be up on prior corresponding periods
- Satisfactory pipeline of transactions
- Equities related businesses are well placed to benefit from improvement in markets
- Strong capital position continues to provide strategic flexibility





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