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MACQUARIE BANK ANNOUNCES $250 MILLION FULL YEAR PROFIT

Macquarie Bank today announced a $250 million profit after tax attributable to ordinary shareholders for the year to March 31, 2002.

The result was achieved without any major asset sales and is in line with the statement, issued to the Australian Stock Exchange in February, which forecast a result slightly ahead of the previous year.

The result is an increase of 3.3 per cent over the $242 million profit for the year ended March 31, 2001 and represents a return on average ordinary shareholders' funds of 18.7 per cent per annum.

Profit before tax attributable to ordinary shareholders rose by 10 per cent to $326 million from $296 million. Earnings per share for the 12 month period decreased 4 per cent to 132.83 cents from 138.88 cents for the previous year.

Macquarie Bank Executive Chairman David Clarke said the result was achieved amid difficult conditions in many markets, where profits reported by international investment banking competitors over a comparable period fell an average of more than 50 per cent. "In these circumstances, we are pleased to report another record result," Mr Clarke said.

The Bank maintained a good spread of international income across businesses and regions, with especially strong growth in infrastructure businesses. "The geographical and industry diversification of international businesses has continued, positioning us well for future growth," Mr Clarke said.

"Our specialist funds strategy has been highly successful. Specialist funds under management grew by 73 per cent, while Funds Management Group and Financial Services

Group funds grew by 19 per cent. Total funds under management across the Bank's businesses rose from $30.9 billion to $41.3 billion for the full year, an increase of approximately 34 per cent.

The Investment Banking Group had an outstanding year. Other Groups also made substantial contributions, with Treasury and Commodities, and Banking and Property achieving record results, while Funds Management increased its contribution to earnings.

As forecast, the Financial Services Group – established in June 2000 to realise the Bank's potential in wealth creation for retail clients – reported a modest loss, with technology investment and other costs tracking according to our business plan.

Equity Markets – the Group most susceptible to trading conditions – had a disappointing year with strong contributions from its Australian and South African businesses offset by poor results from the Hong Kong and European businesses.

Macquarie Bank Managing Director and Chief Executive Officer Allan Moss said the year had been characterised by the rapid development of the Bank's specialist funds businesses and a broad increase in market share across many businesses.

These initiatives employed much of the $500 million capital raised in September 2001 to pursue specialist funds strategies and strategic initiatives.

"Major funds launched during the year include the $1 billion Macquarie Airports (MAp), the ∈600 million Macquarie Airports Group (MAG), and the Los Angeles-based Four Corners Capital Management, a collateralised debt obligation specialist funds management business. The Bank also announced the purchase of the Australian broadcast transmission business of NTL for an enterprise value of $850 million.

Mr Moss said specialist funds were also initiated by Macquarie Property, which established alliances with the Schroders Asian Property Fund and with the US-based property group, ProLogis, the world's largest owner, operator and manager of distribution facilities. The alliance with Schroders has resulted in a Shanghai residential development and funds management joint venture, and earlier this year the Bank was also appointed senior advisor to the US$308 million Schroders Asian Property Fund.

The Macquarie managed Macquarie Infrastructure Group increased funds under management during the year by 115 per cent, completing two capital raisings – $1.7 billion to acquire a 40 per cent interest in Cintra in September last year and another $1 billion in March 2002, mainly to purchase a further interest in Highway 407 in Canada.

Since balance date the Bank has announced a number of strategic initiatives:

- The establishment, with ProLogis, of an $800 million property trust to be listed on the Australian Stock Exchange by late June. Building on the relationship established during the year, Macquarie will raise $400 million from investors for the trust, which will take an 80 per cent share in a broad portfolio of distribution centres in key North American markets.
- The purchase of one of Australia's premier office buildings, No.1 Martin Place, for $426.25 million, to be split equally between the Macquarie Office Trust and a newly formed syndicate the Macquarie Martin Place Trust (MMPT).
- The launch by Direct Investments of MIT IV – with a fund raising target of $400 million it is set to be one of the largest private equity funds in Australia.

FINANCIAL HIGHLIGHTS

In accordance with its announced distribution policy, the Bank has declared ordinary dividend payments of 93 cents per share for the year, comprising an interim dividend of 41 cents per share and a final dividend of 52 cents per share, both franked to 70 per cent. This is unchanged from the dividend for the year ended March 31, 2001.

Total income from ordinary activities for the year was $1,600 million up from $1,472 million for the previous year. Net fee and commission income rose by 21 per cent to $1,003 million from $831 million, while the contribution from net trading income fell, decreasing by 21 per cent to $361 million from $457 million last year. Net interest income increased from last year, rising by 22 per cent to $219 million, from $179 million last year.

GROUP OPERATING HIGHLIGHTS

- The **Investment Banking Group's** (IBG) unique model of combining investment banking and funds management around the needs of the client paid off handsomely during the year, with the completion of over 215 transactions, and an increase in funds under management from $5.3 billion to almost $12 billion. Major transactions included Macquarie Infrastructure Group's acquisition of 40 per cent of Cintra, and its subsequent acquisition of an additional 18 per cent of the world's largest private tollway, the 407, in Toronto. IBG acted as the financial adviser and underwriter on both transactions. The Group worked in a similar manner to acquire 25 per cent of Birmingham Airport for MAG, and also established Australia's first listed airport fund, the $1 billion Macquarie Airports (MAp). Traditional activities such as M&A and Corporate Advisory were generally quieter, although the resources team had an excellent year, with a highlight being advising Normandy Mining on the largest resources takeover successfully undertaken in Australia. Elsewhere in the Group, Equity Capital Markets maintained its No.2 ranking for value of equity raised in Australia in 2001, with 49 transactions raising approximately $8.8 billion for clients. Although cross-border leasing volumes were down, market share increased with more than $9 billion in financings completed. Macquarie Capital had a strong year with its lease book growing from $1.4 billion to $1.8 billion. Macquarie Equities improved its contribution to earnings, while Macquarie Research expanded its market coverage. The Group continued to expand its international capabilities with 30 per cent of staff now located offshore.

- **Treasury and Commodities** improved on last year's record result - a strong outcome given the generally poor and occasionally volatile commodities markets. All major operating business made a solid contribution and the Group continued to expand its international activities successfully. Foreign Exchange recorded its most profitable year, reflecting higher turnover, increased market share and outstanding trading performances. Metals and Mining, Treasury and Futures made good contributions while Debt Markets and Agricultural Commodities were profitable, though less than the previous year. Risk Advisory Services was profitable but its contribution was also down.

- The **Banking and Property Group** posted its fourth consecutive record profit with increased contributions from every area. Total funds under management for the Group and its associates increased by 43 per cent to approximately $4.75 billion. A highlight was Macquarie Office Trust's takeover of the Citigroup Centre - the largest Australian property takeover of the year. Property Investment Banking participated in transactions totaling more than $3 billion, including an agreement with Schroders Asian Properties LP to create a Shanghai property funds management and development business. Mortgages and Securitisation had another strong year completing its first global bond issue in the USA, at $1.2 billion. Margin Lending also made a record profit contribution, while the Banking Division marginally increased its contribution.

- **Funds Management Group** grew funds under management by 19 per cent to $27.1 billion and increased its contribution to the Bank's profit. There were strong flows across all asset classes, driven by good performance and the expansion of the innovative True Index product range. Other highlights included the establishment of a new wholly-owned business in Hong Kong. The joint ventures in Malaysia and South Korea grew rapidly, with total funds under management for these two businesses increasing by 180 per cent. The Malaysian joint venture with Arab-Malaysian Merchant Bank Berhad is now the largest institutional asset manager in Malaysia.

- **Equity Markets Group** had an overall disappointing year, reflecting poor international investor sentiment and trading conditions. Strong contributions from the Australian and South African operations were offset by poor results from the Hong Kong business, where the market was affected by regulatory issues and weak investor demand, and previously advised trading losses in the European business. The Japanese and Brazilian businesses both had negligible impact on the Equity Markets Group result.

- The **Financial Services Group** (FSG) incurred a small loss as forecast. Highlights included the rapid growth of the 'wrap' portfolio administration service account business, with assets under administration increasing from $1 billion to $3.9 billion. FSG expanded its retail stockbroking and advisory presence with the acquisition of businesses from BNP, CIBC and Ord Minnett (South Australia), and the hiring of other experienced staff. Internationally, the Group has made a significant investment in the New Zealand market with the acquisition of JP Morgan's retail equities broking business. Revenues from the Group's joint venture with Sanlam in South Africa continue to grow.

OUTLOOK

Mr Moss said: “We expect good overall earnings growth in the current year, subject to reasonable market conditions.

“We anticipate continued strong growth in business from our largest client set, Investors and Intermediaries. Benefits from cost initiatives implemented during the year should also have a positive impact on earnings.”

Mr Moss said the Equity Markets Group is leveraged to market conditions, and is well positioned for any improvement in market sentiment.

“Investment of the capital raised in September 2001 will increasingly contribute to earnings and we are particularly confident about the continued growth in specialist funds.

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