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MACQUARIE BANK ANNOUNCES 33 PER CENT PROFIT INCREASE AND SPECIAL DIVIDEND

Macquarie Bank today announced a $333 million profit after tax attributable to ordinary shareholders for the year to March 31, 2003.

The result is an increase of 33 per cent over the $250 million profit for the year ended March 31, 2002. Basic earnings per share increased 24 per cent to $1.65 from $1.33 for the previous year.

Profit before tax attributable to ordinary shareholders rose by 31 per cent to $428 million from $326 million.

Macquarie Bank Chairman David Clarke said the Bank will pay a fully franked final dividend of 52 cents per share for the year to March 31, 2003, and a special fully franked dividend of 50 cents per share. The special dividend delivers to shareholders franking credits which will become available as a result of the tax consolidation regime recently introduced by the Federal Government. This brings total dividends for the year to $1.43 per share, compared with last year’s dividend of 93 cents per share, franked to 70 per cent.

“We have posted record income and profit in a very challenging environment for investment banks,” Mr Clarke said. “The overall growth of our businesses has more than compensated for the difficult conditions in equity markets.”

Macquarie Bank Managing Director and Chief Executive Officer Allan Moss said the Bank has increased its market share and profits in every operating Group.

"We have again benefited from the diversity of our businesses across locations and industry. The Investment Banking Group has performed well and Treasury and Commodities and Banking and Property Groups reported outstanding increases in profit," Mr Moss said.

"Equity Markets Group has made a meaningful contribution despite very tough international equity markets and Funds Management Group's result was slightly ahead of the previous year. In line with our expectations, Financial Services Group is now operating profitably," Mr Moss said.

Total funds under management increased by $11.0 billion to $52.3 billion, with significant increases from Macquarie's specialist infrastructure and property funds, which have continued to demonstrate overall outperformance of the market over the medium term. Macquarie is the fifth largest fund manager in Australia.

Mr Moss said staff numbers rose during the year from 4,726 to 4,802 and Macquarie now operates in 18 countries. International earnings increased slightly despite generally weaker markets.

"We are the only Australian full service investment bank," Mr Moss said. "Internationally, our strategy is to focus where our particular skills and expertise can deliver significant value to our clients. This strategy has continued to serve us well."

FINANCIAL HIGHLIGHTS

The Bank is strongly capitalised with a Tier 1 ratio of 19.1 per cent. Total income from ordinary activities for the year (excluding transmission income and operating expenses for the four and a half month period the Bank held the Broadcast Australia assets on its balance sheet) was $1,834 million, up 15 per cent from $1,600 million for the previous corresponding period. Net fee and commission income rose by 11 per cent to $1,116 million from $1,003 million, while the contribution from net trading income rose by 11 per cent to $402 million from $361 million in the previous year. Net interest income rose by 25 per cent to $274 million, from $219 million previously.

GROUP OPERATING HIGHLIGHTS

Investment Banking Group exceeded last year's result in a difficult environment. The advisory businesses had a strong year, ranked by Project Finance International Magazine as No. 1 Project Finance adviser in the Asia Pacific and Americas regions and No. 2 adviser globally. Macquarie was ranked No. 1 Mergers and Acquisitions adviser in Australia, and No. 2 Equity Capital Markets house by value by Thomson Financial.

Headline international deals included advising Tubelines in the United Kingdom on the landmark £4.4 billion ($11.5 billion) program to upgrade and maintain infrastructure in the London Underground, and advising BC Gas, Ontario Teachers' Pension Plan Board and Borealis Infrastructure Management Inc in the $C1.175 billion ($1.293 billion) acquisition of the Express Pipeline System in Canada. In Asia, Macquarie established the Won 368 billion ($486 million) Korean Road Infrastructure Fund and advised Kesas Sdn Bhd on a $393 million debt restructure incorporating a public issue of Islamic debt securities.

Australian highlights included advising AGL on the $880 million acquisition of Pulse Energy, advising the Westlink consortium on the successful bid for the $2.2 billion Western Sydney Orbital, advising Constellation Brands on its $2.4 billion merger with BRL Hardy, defence adviser to Goodman Fielder on the $2.4 billion bid by Burns Philp, and adviser to Coles Myer on the $390 million sale of Sydney Central Plaza to Westfield Trust. Macquarie was underwriter and financial adviser on the $246 million IPO of Valad Property Group, adviser to Placer Dome on the $2.1 billion acquisition of AurionGold and adviser to AXA Australia on the sale of its health insurance business. Macquarie also advised the Southern Cross Consortium on the acquisition of Sydney Kingsford-Smith Airport. While the market performance of Macquarie Airports (with interests in Sydney, Bristol, Birmingham and Rome airports) was disappointing, the operating environment for the aviation industry has been very difficult and management remains confident in the asset values and the scope for continued operational improvement at all airports. MAp announced last week it had increased its distribution by 2.1c to 5c per security for June 2003, up from the July 2002 prospectus forecast of 2.9c per security. Performance fees were received on funds including MIG, Macquarie Communications Infrastructure Group and South Africa Infrastructure Fund (SAIF).

The Financial Products Division arranged leases for lessees including Post Austria, Swisscom, Qantas and New Jersey Transit and launched the Macquarie Nine Film and Television Fund. Macquarie Capital leasing books increased from $1.9 billion to $2.3 billion. The contribution from Macquarie Equities (Australia) Limited and Macquarie

Research Equities declined due to lower issuance fees and stockholdings related to underwriting shortfalls. However, secondary brokerage revenues were maintained.

In **Treasury and Commodities Group,** every Division achieved a record or near-record result. The Group's contribution was driven by increased market share and product and market diversity without increasing its cost base or its risk profile.

Metals and Mining benefited from increased volatility which increased transaction activity. A new office was opened in Houston focusing on mezzanine finance opportunities in the oil and gas sector. Foreign Exchange had a record year, reflecting higher volumes, increased market share and diversity of products such as the Internet delivery business offering margined spot trading to offshore clients. Agricultural Commodities more than doubled its profit with sugar a large contributor due to volatile market conditions, while Debt Markets was ranked first in the Thomson Financial and INSTO magazine Australian league tables for debt issued into the Australian marketplace for the year. Futures Division maintained its position as a leading execution and clearing member of the Sydney Futures Exchange and Risk Advisory Services and Treasury reported strong results.

Banking and Property Group posted its fifth consecutive record contribution. During the year, Macquarie Property and its associates increased property funds under management by 50 per cent from $4.8 billion to $7.2 billion.

Property Investment Management listed Macquarie ProLogis Trust (MPR) in June 2002, the first Australian listed property trust investing in North American industrial property. MPR outperformed its peer index from listing to 31 March 2003. Overall, Property Investment Banking participated in transactions totalling more than $3 billion and directly raised equity and debt of over $800 million. Property Finance's property development loan volumes grew by 18 per cent. The Group established a new business division, Macquarie Community Partnerships, to undertake property based Public Private Partnerships with both local and state governments. The Banking Division's increased profit contribution was driven by higher loan and deposit volumes. Margin Lending posted another record profit contribution and Mortgages experienced a significant increase in new business generated through its retail and wholesale channels, with the Division now managing a domestic mortgage portfolio of more than $9 billion. The acquisition of three office towers in Seoul, South Korea by the Macquarie managed Schroder Asian Properties Fund highlighted the Group's international expertise.

Equity Markets Group's contribution to profit was well up on the prior corresponding period. The result was achieved despite adverse trading conditions prevailing in most equity markets in which the Group operates. The Group made the most of resilient investor demand in both Australia and South Africa, and leading market shares were maintained. The Group also signed a Memorandum of Understanding with a major South Korean commercial bank, Woori Bank, to provide equity derivative products and solutions for the developing Korean equity derivatives market.

Funds Management Group contributed a marginally increased profit in testing market conditions, which highlighted the strength of its diverse businesses. The Group's funds under management grew 13 per cent from $27.1 billion to $30.7 billion. In Australia, funds growth was achieved despite the overall size of the funds management industry decreasing, with Macquarie Funds Management gaining market share and improving its rankings with both clients and asset consultants. Macquarie's reputation as a leader in unlisted funds invested in cash, fixed interest, currency and listed property, produced strong inflows in these sectors. Internationally, the Group continued to expand, offering enhanced equities funds to institutional investors in the UK and Hong Kong, and exporting its skills into deregulating markets through joint ventures in Malaysia and in South Korea. Macquarie's share in the total funds under management in these joint ventures increased by 31 per cent from $1.6 billion to $2.1 billion.

Financial Services Group passed break even and achieved a profit on schedule despite difficult market conditions. The Group experienced growth in client numbers and revenue. Funds under Administration in Macquarie Wrap Solutions grew 62 per cent from $3.9 billion to $6.3 billion at the end of March 2003 and the platform led the Australian market in inflows during the last calendar year. Macquarie Cash Management Trust (CMT) continued to grow steadily, up by 7 per cent to $8.8 billion. Macquarie Financial Services undertook significant work on its cost structure reducing expenditure on IT and restructuring and streamlining its back-office operations. The Group plans to review its operations and achieve further efficiencies during the next 12 months, part of a continual review to ensure the Group's operations are consistent with market conditions

Direct Investment made an increased contribution during the year with few realisations. The principal focus during the year was on building value within the existing portfolio of 20 companies as well as looking for new investment opportunities.

SINCE BALANCE DATE

- The Bank was appointed Joint Adviser, Global Co-ordinator and Bookrunner for the successful $2 billion Promina Initial Public Offering.
- The Bank was appointed Adviser to AlintaGas on the acquisition by the AlintaGas and AMP Henderson consortium of Aquila's energy assets in Australia.
- Equity Markets signed an agreement with Nedbank to continue to provide equity derivatives products and solutions for the South African market following the expiration of a similar five year agreement with Standard Bank.

DIVIDEND POLICY

Mr Clarke said that having achieved full franking of its ordinary dividends, the Bank has revised its ordinary dividend policy such that dividends in future periods will grow in line with earnings. The Bank will target a payout ratio each year in the range of 50 per cent to 60 per cent, subject to a floor of 93 cents per ordinary share per annum. It is expected that future dividends will be at least 80 per cent franked.

OUTLOOK

Mr Moss said the Bank expected continued growth in revenue and earnings. "We expect growth across most of our businesses, subject to market conditions not deteriorating materially."

"We are well positioned to benefit from any improvement in equity markets and we will maintain our long term strategy of being a full service provider in Australia and of focussed international expansion," Mr Moss said.

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