



Macquarie Bank Limited

Presentation to
Shareholders and Analysts

Allan Moss & Greg Ward

15 November 2001



Agenda

Result Presentation

Allan Moss

Managing Director & CEO

Result Analysis

Greg Ward

Chief Financial Officer



Macquarie Bank Group

After tax (attributable to ordinary shareholders) - 21% increase on 30/9/00

30 Sept 2001	31 Mar 2001	30 Sept 2000
\$130.2m	\$134.0m	\$107.9m

Pre tax (attributable to ordinary shareholders) - 21% increase on 30/9/00

30 Sept 2001	31 Mar 2001	30 Sept 2000
\$168.1m	\$156.8m	\$139.2m

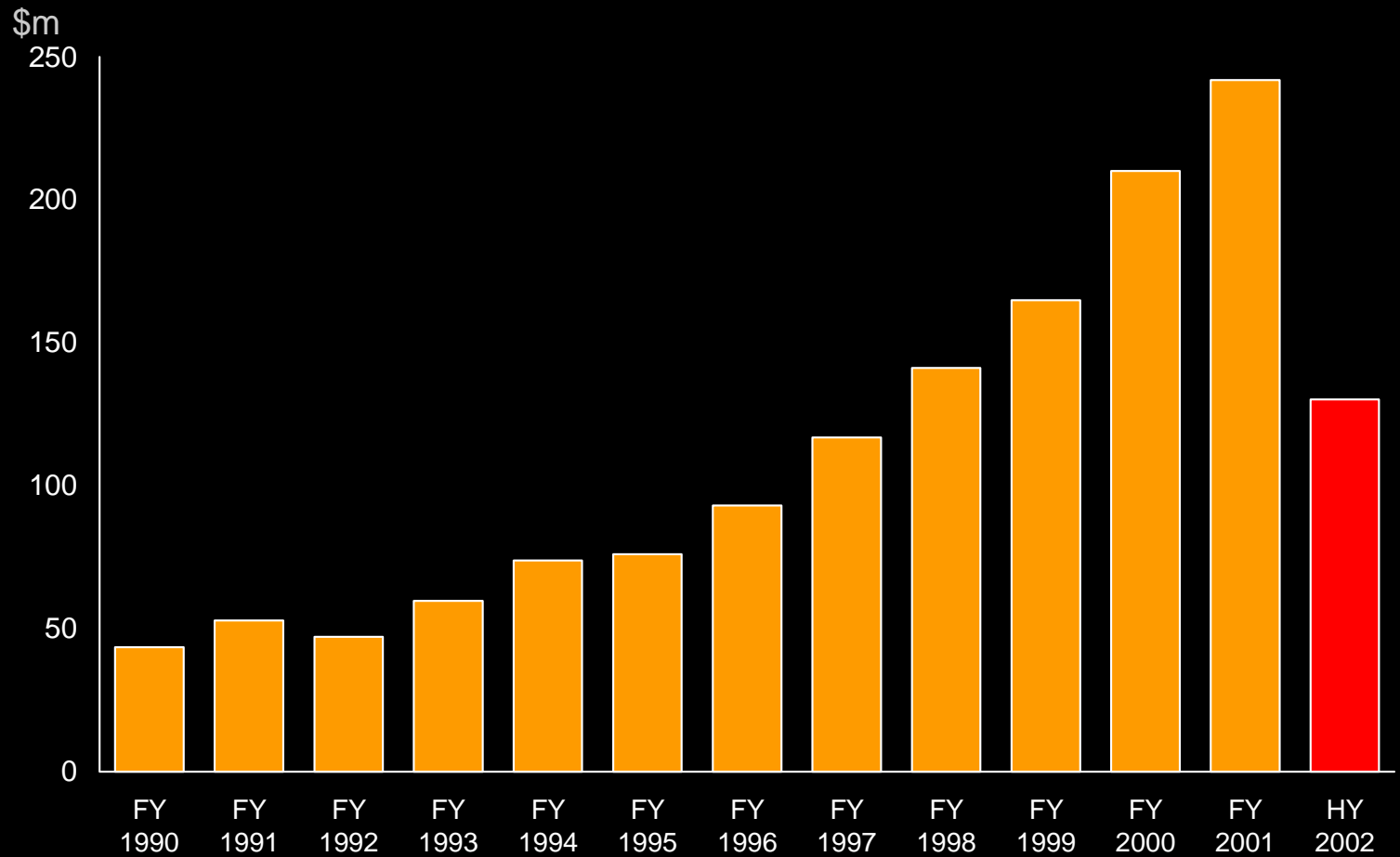


Features of the first half year

- Continued growth in volatile markets
 - Domestic income up 20%
 - International income up 17%
- \$500m institutional capital raising; SPP offer raised \$18m
- MIG performance fee - \$69m
- MIG acquisition of 40% interest in Cintra - \$1.4b
- As foreshadowed Equity Markets - significantly reduced international income
- Record result in Australian equities businesses
- North American businesses continued to operate satisfactorily
- No material exposure to major corporate collapses

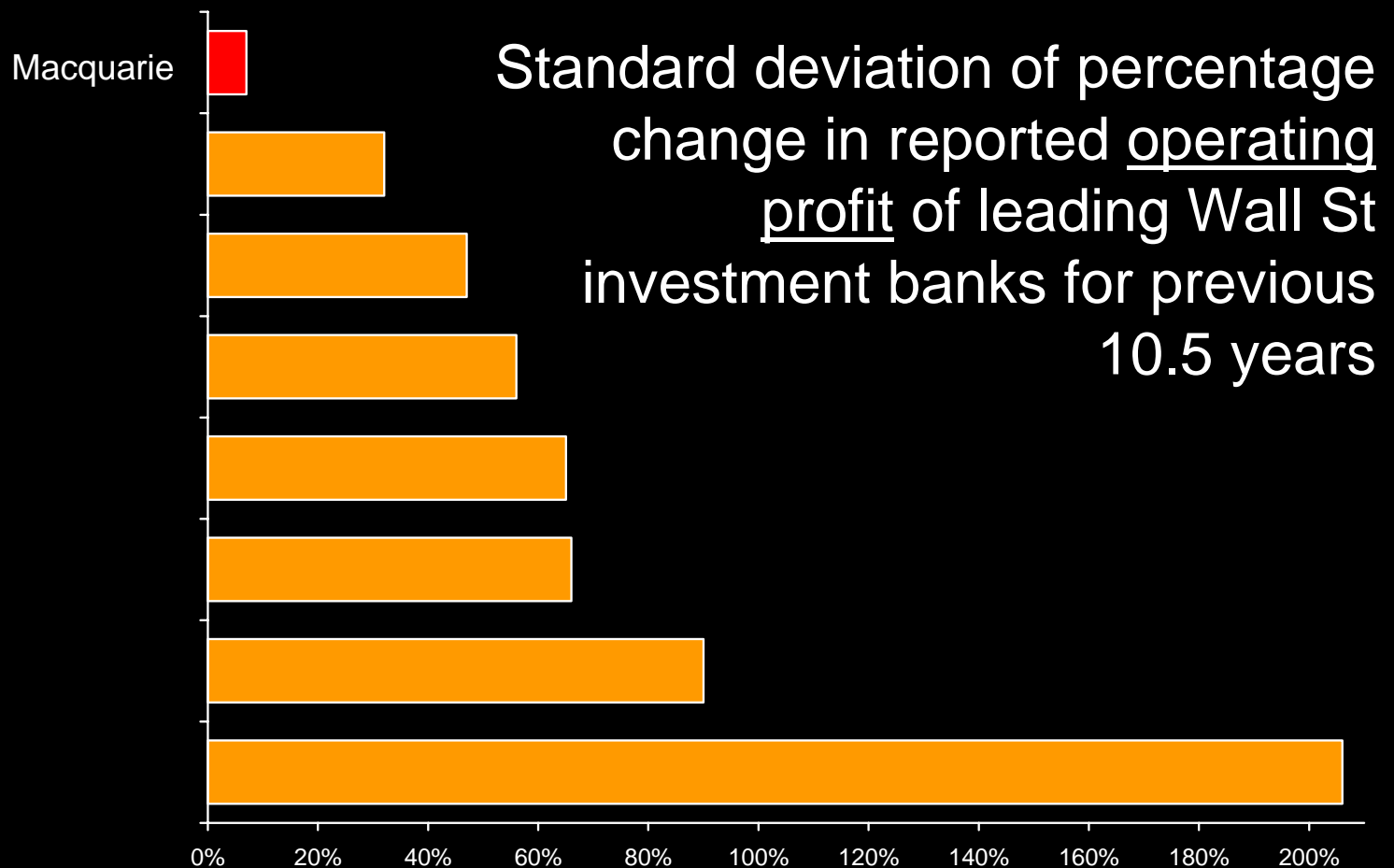


Profit growth





Business diversity gives consistent profits





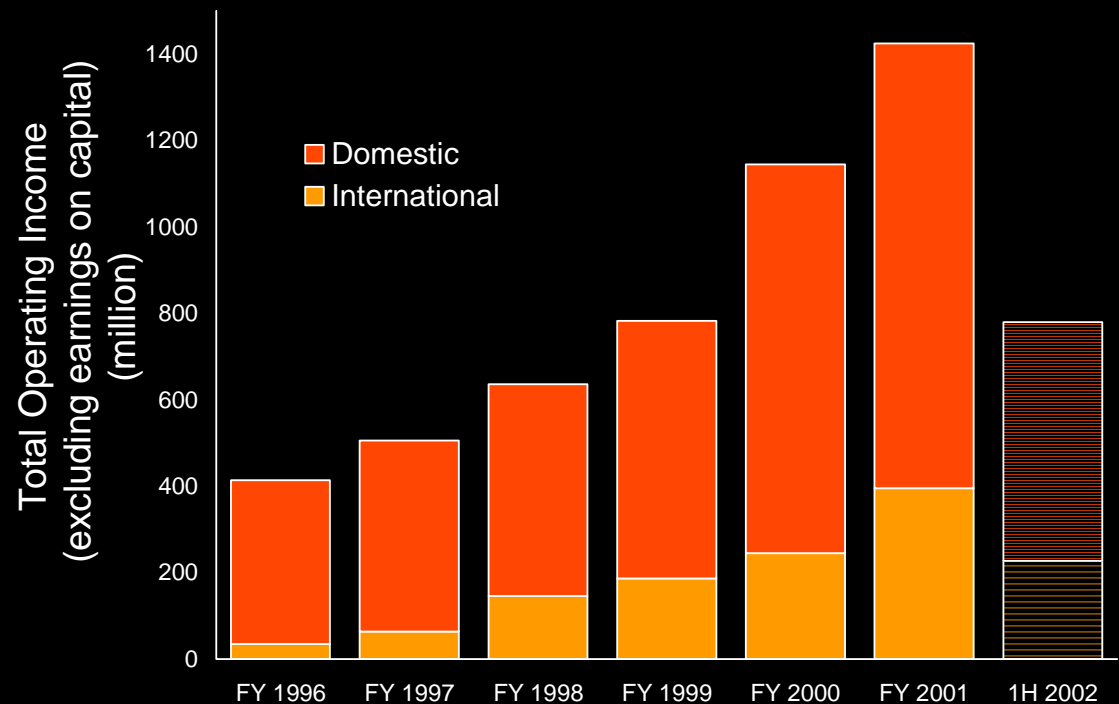
Group contribution to profit

	Half Year 30/9/01 %	Full Year 31/3/01 %	Half Year 30/9/00 %	
Investment Banking	Corporate Finance (incorporating funds)	31	19	11
	Structured Finance & X-border Leasing	14	18	20
	Investment Banking (Other)	19	9	9
	Treasury & Commodities	16	20	21
	Banking & Property	15	14	12
	Equity Markets	5	19	27
	Funds Management	2	3	2
	Financial Services	(2)	(3)	(2)
	Other	0	1	0
	Total	100%	100%	100%



Growth is geographically diverse

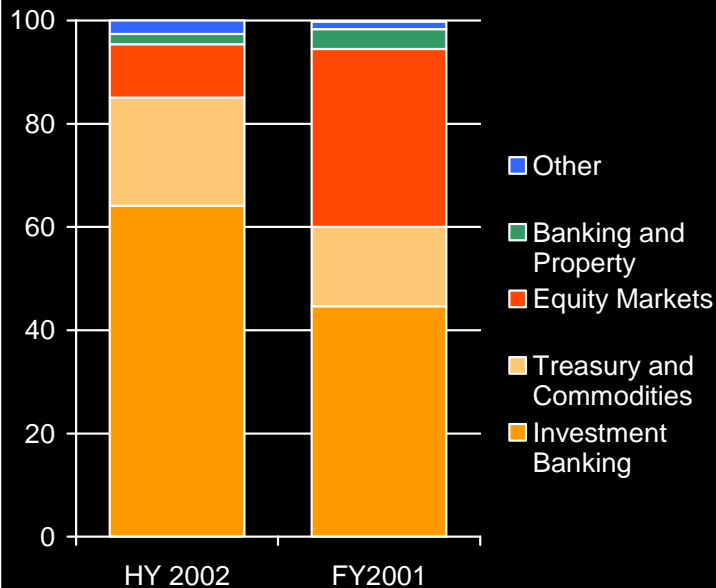
- 37% of profit from international activities
- International income increased 17% on prior corresponding period
- Domestic income increased 20% on prior corresponding period



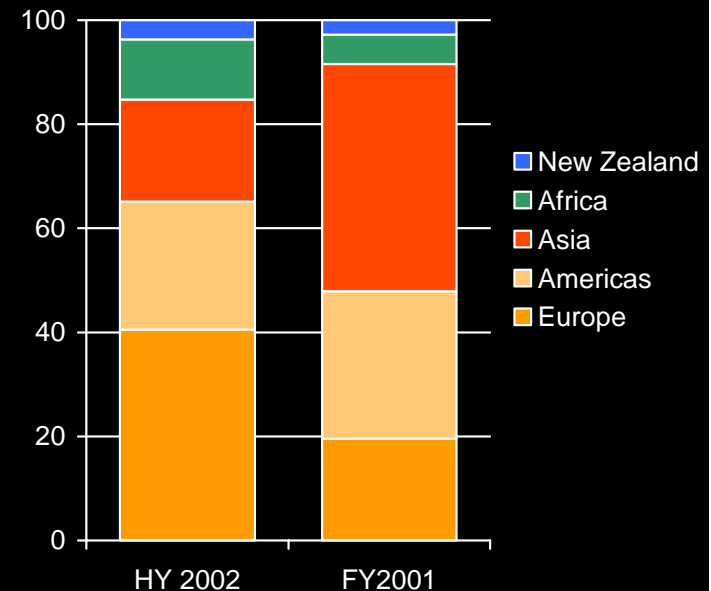


International operating income by region and Group

Group



Region



→ Investment Banking international contribution increased – MIG performance fee, largely attributable to Europe

→ Equity Markets down substantially - weak retail investor demand and regulatory restructure of warrant issuance rules in Hong Kong



Global presence

Active globally

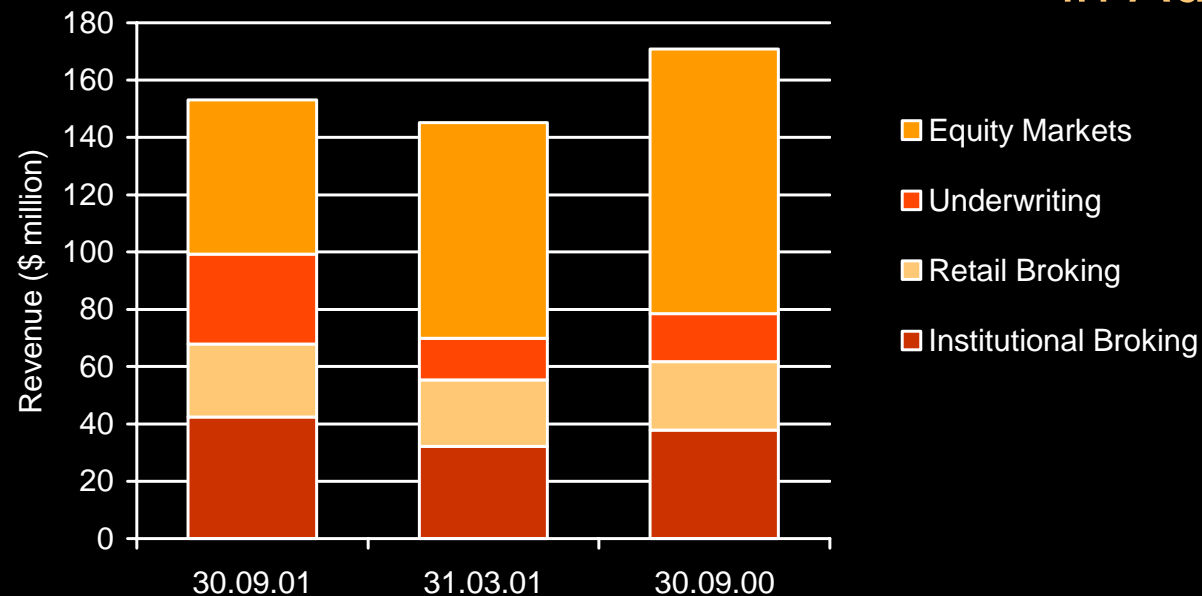


- Over 4,500 employees (excluding casuals and temp staff)
- 43 locations: 18 Australia, 25 internationally



Equities-related income – doing well except for international derivatives

Record equities result in Australia



→ The mix has changed - Equity Markets income down but partially offset by growth in retail and institutional broking, underwriting



Funds - continued strong growth

Macquarie listed 'family'
collectively \$15b (approx RIO size)

	30 Sept 2001	31 Mar 2001	30 Sept 2000
Specialist			
→ Infrastructure	\$ 6.7b	\$5.0b	\$ 2.8b
→ Property	\$ 2.8b	\$2.7b	\$ 2.3b
→ Development Capital	\$ 0.2b	\$0.2b	\$ 0.2b
→ Other	\$ 0.3b	\$0.3b	\$ 0.2b
Funds Management & Financial Services Groups			
→ Retail	\$10.8b	\$10.1b	\$10.0b
→ Wholesale	\$13.7b	\$12.6b	\$11.9b
Total	\$34.5b	\$30.9b	\$27.4b

→ Good pipeline of new funds initiatives



Strong growth in income from management of funds

	30 Sept 2001	31 Mar 2001	30 Sept 2000
Specialist			
→ Base fee	\$36.9m	\$32.6m	\$16.4m
→ Performance fee	\$70.9m	\$ 5.9m	\$ 3.6m
Funds Management & Financial Services Groups			
→ Base fee	\$75.6m	\$69.6m	\$67.7m
→ Performance fee	\$ 5.2m	\$ 2.8m	\$ 0.3m
Total	\$188.6m	\$110.9m	\$88.0m



Macquarie funds outperform

- **Macquarie Infrastructure Group** – No.1 performing stock in ASX 100 for year to June 2001 – accumulated annual return since listing 34.9%
- **Macquarie Goodman Industrial Trust** – No.1 ranked industrial trust over 5 years to September 2001 – accumulated annual return 15.2%
- **Macquarie Office Trust** – No.1 ranked office trust over 5 years ended September 2001 – accumulated annual return 13.8%
- **Macquarie CountryWide Trust** (regional large supermarkets) – No.3 ranked retail trust over 5 years ended September 2001 – accumulated annual return 17.2%
- **Diversified Funds (Balanced, Growth, Capital Stable)** – top quartile performance year ended September 2001



Overview of Group performance

- **Investment Banking** - stronger than prior corresponding period even excluding MIG performance fee
- **Treasury & Commodities** - very satisfactory result with good income diversity
- **Banking & Property** - excellent six months with strong performances across all business areas
- **Equity Markets** - significantly reduced international income
- **Funds Management** - up very strongly on prior corresponding period
- **Financial Services (Retail)** – after 18 months, 3 year transition plan progressing well – ahead of plan



Group highlights

Investment Banking Group

- Stronger than prior corresponding period even excluding MIG performance fee
- Diverse domestic and international income base
- Transaction highlights include:
 - \$1.7 billion capital raising by MIG to fund a 40% stake in Cintra
 - MAG established with Bristol Airport as seed asset
 - Advised on Alice-Darwin railway link
 - Completed Brambles merger with GKN plc; A\$2.26bn acquisition of Coca-Cola's Philippines bottling assets
 - No. 2 in Equity Capital Markets (by value of transactions)
 - Origin, Aristocrat, Medical Imaging, Macquarie Office, Austal, Resmed, QBE



Group highlights

Investment Banking Group

- Broking profit well up in challenging period
- Cross border leasing income down in the short term but overall market share has increased
- Expanding international presence
 - New office in Vienna
 - Established Four Corners Capital Management, a US based funds manager specialising in corporate loans
 - Increasing number of offshore transactions including:
 - Soojungsan tunnel transaction in Korea
 - Transalta transmission assets in Canada
 - stapled bond transaction in Malaysia



Group highlights

Treasury and Commodities

- Very satisfactory result with good income diversity
- Agricultural Commodities – good result in very difficult circumstances (low commodity prices and market disruptions)
- Debt Markets – satisfactory with steady flow of deals
- Metals & Mining – gaining share as competitors exit a tough market
- FX – very strong first half on the back of volatile markets
- Treasury (funding) – increased offshore issuance programs and strong liquidity management
- Trading Funds – poor result, limits now modest
- Futures – strong result driven by high market turnover and strong market share in execution and clearing
- Risk Advisory – liabilities under management over \$4.0b



Group highlights

Banking and Property

- An excellent six months with strong performances across most business areas
- Achieved record growth in margin lending and protected equity products
- Mortgages and securitisation had a record first half, highlighted by \$2.3 billion PUMA bond issue, largest ever
- Continued growth of funds under management – now \$2.8 billion
- Banking and property finance – maintained good performance
- Completed final sales of \$1.2 billion asset sales program for Federal Government



Group highlights

Equity Markets

- Significantly reduced international income
- Australia – No 1 instalment warrant and No 3 stock warrant issuer by volume. Significant corporate activity.
- South African JV – another good year – continues to be the leading warrant issuer and OTC market maker
- Hong Kong – weak retail investor demand and regulatory restructure of warrant issuance rules
- Europe – commencing retail product issuance
- Japan – poor market conditions
- Brazil – operations commenced



Group highlights

Funds Management

- Up very strongly on prior corresponding period
 - Pleasing performance across all funds, including top quartile in diversified funds
 - Total funds under management up 8% to \$24.5 billion on 31 March 2001
 - International joint ventures continue to grow
 - Joint venture funds under management up 80% to \$2.1 billion
 - Malaysian JV now No 1 institutional manager in Malaysia
- Expect to maintain strong growth in international joint ventures
- Establishing enhanced index equities internationally



Group highlights

Financial Services (Retail)

- Customer value proposition:
 - *The power of an investment bank providing unique opportunities and insight, delivered through an advice-based relationship*
- After 18 months, our 3 year transition plan progressing well - ahead of plan
- Investment in technology and customer service infrastructure 70% complete
- Improvements in broader customer relationships
- Operational improvements underway with substantial cost and service benefits already being realised e.g. call centres consolidated in Sydney and Brisbane
- Macquarie Bank products are being well received



Outlook

Operational approach

- We will continue to demonstrate commitment to our clients
- Investing significantly in growth
- Continuing to grow staff numbers - but more slowly
- Cost management



Outlook

Business expectations

- Market conditions have impacted cross border leasing income in the short term but overall market share has increased
- Equity Markets expects some improvement in Hong Kong once regulatory issues affecting warrant issuance resolved
- Industrial M&A is quiet
- As foreshadowed when raising capital, good pipeline of specialist funds opportunities – mainly property and infrastructure in Australia, North America and Asia
- If present market conditions continue, retail will pass break even point during financial year 2003



Outlook

Markets / Overall

- Continued improvement in market position as Wall Street and other international competitors retreat
- Our businesses are in good shape but result for full year will be influenced by market conditions – we are not immune
- Second half last year benefited from exceptional transactions
- Swing factors:
 - Success rate in investment banking transactions
 - Conditions in international equity markets
- Confident of good opportunities for investment of capital to build for the medium term



Macquarie Bank Limited

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Greg Ward - Chief Financial Officer

15 November 2001



Financial highlights

	30 Sept 2001	31 March 2001	30 Sept 2000	Movement vs Mar 01 Sept 00	
Headline Result (\$m)	130.2	134.0	107.9	(3%)	21%
EPS (cps)	72.7	76.5	62.4	(5%)	17%
Total Expense/Income	77.3%	78.4%	77.3%	Steady	
Total Assets (\$b)	30.8	27.8	24.3	11%	27%
Tier 1 Capital Ratio	17.4%	12.9%	13.4%		



EPS, dividends and franking

	30 Sept 2001	31 March 2001	30 Sept 2000
EPS (cps)	72.7	76.5	62.4
Dividend (cps)	41	52	41
Payout ratio	62%	68%	67%
Franking	70%	70%	70%

- Strong EPS growth
- Payout ratio trending down
- Franking levels remain difficult to predict:
 - Expect final dividend to be franked at 70%
 - Future franking levels will trend upward, subject to income composition and tax legislation



Half year results analysis

	30 Sept 2001 \$m	31 March 2001 \$m	30 Sept 2000 \$m
Income	800.0	792.6	679.8
Expenses	(618.8)	(621.3)	(525.8)
Profit Before Tax	181.2	171.3	154.0
Income tax expense	(37.4)	(22.3)	(31.0)
Net Profit After Tax	143.8	149.0	123.0
Outside equity interest	1.0	0.8	0.4
MIS distribution	(14.6)	(15.8)	(15.5)
Profit Attributable to Ordinary Shareholders	130.2	134.0	107.9



Operating income

Continued growth in
challenging markets

	30 Sept 2001 \$m	31 March 2001 \$m	30 Sept 2000 \$m
Fee and commission income	518	475	391
Trading income	198	233	197
Net interest income	89	80	99
Other (expense) / income	(5)	5	(7)
Total Income	800	793	680



Fee and commission income

	30 Sept 2001 \$m	31 March 2001 \$m	30 Sept 2000 \$m
Fee and Commission Income	518	475	391

- MIG performance fee
- Increase in funds under management and improved performance
- Good levels of fees from securitised lending book
- Increase in brokerage from retail and institutional stockbroking businesses
- Increase in futures brokerage income
- Decrease in cross border leasing income



Trading income

Income diversity in trading businesses

	30 Sept 2001 \$m	31 March 2001 \$m	30 Sept 2000 \$m
Trading Income	198	233	197

- Significant decrease in Equity Markets Hong Kong
- Improved contribution from domestic Equity Markets operation
- Significant increase in FX in a volatile market
- Continued growth in Agricultural Commodities
- Lower contribution from Metals & Mining due to subdued market conditions



Net interest income

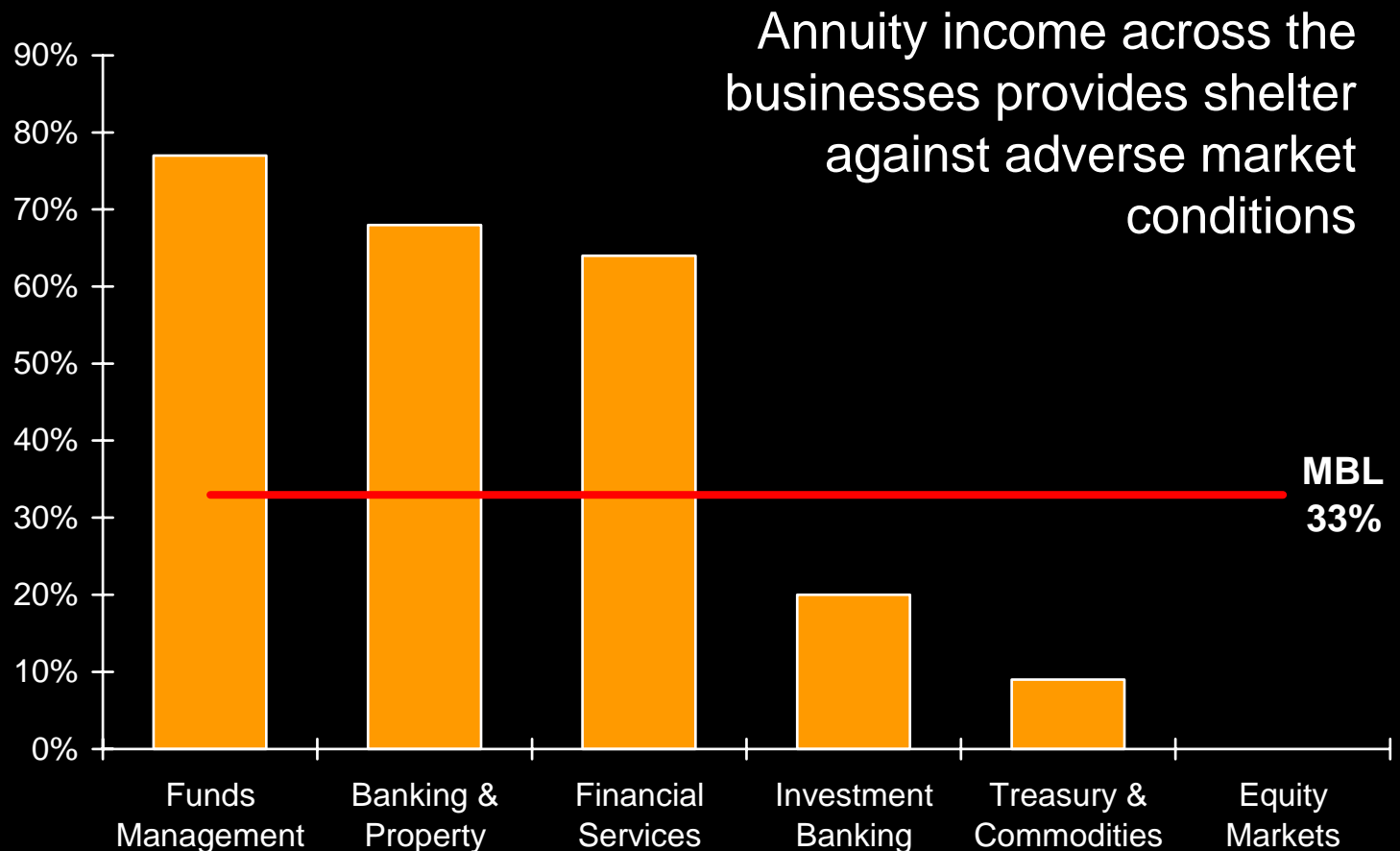
Balance sheet
growth

	30 Sept 2001 \$m	31 March 2001 \$m	30 Sept 2000 \$m
Net Interest Income	89	80	99

- Growth in loan assets (including mortgages)
- Increased costs of funding trading businesses, particularly Equity Markets and FX



Income from medium/long term arrangements – annuity income





Operating expenses

Continued emphasis on
cost control

	30 Sept 2001 \$m	31 March 2001 \$m	30 Sept 2000 \$m
Employment	430	418	357
Other expenses	189	203	169
Total Expenses	619	621	526
Expense/Income	77.3%	78.4%	77.3%
Average Staff Numbers	4,497	4,340	4,142

→ Employment expense movement reflects additional staff and salary increases, dampened by the impact of additional capital on the profit share pool



Employee numbers

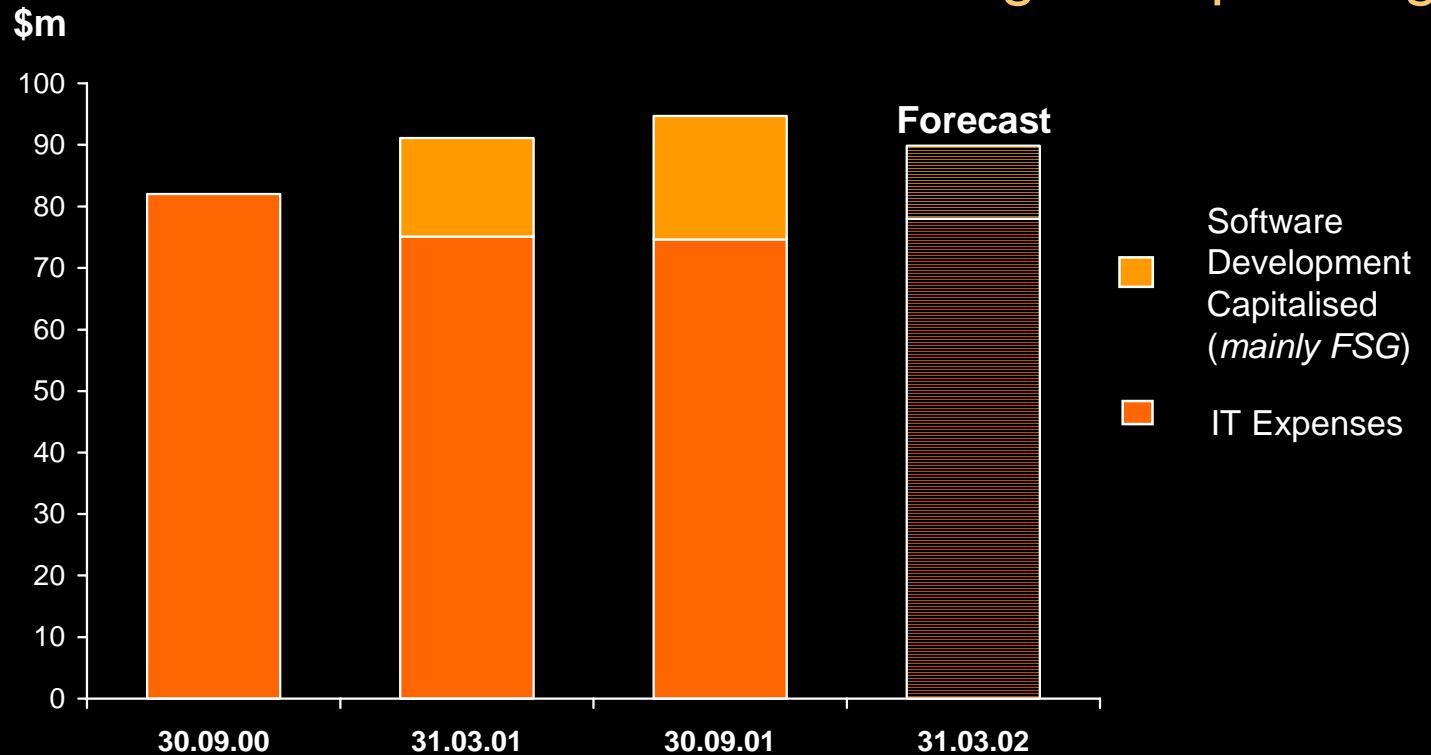
	30 Sept 2001	30 Sept 2000
Financial Services	967	820
Investment Banking	965	920
Banking & Property	597	531
Treasury & Commodities	336	331
Equity Markets	170	103
Funds Management	127	139
Direct Investment	15	14
Total Operating Divisions	3,177	2,858
Service Divisions	1,349	1,355
Total Employees* at Period End	4,526	4,213

* Includes both permanent staff (full time, part time and fixed term) and contractors (including consultants and secondees).



Information technology expenditure

Targeted spending



→ Focus on managing costs

→ Main elements of FSG development program to be complete by June 2002



Effective tax rate

	30 Sept 2001 %	31 March 2001 %	30 Sept 2000 %
Corporate Tax Rate	34.0	34.0	36.0
Rate differential on offshore income	(4.9)	(10.2)	(8.7)
Group tax losses	(4.1)	(4.9)	(5.9)
Converting Preference Shares	1.1	1.2	1.4
Other	(3.9)	(5.9)	(0.5)
Effective Tax Rate	22.2	14.2	22.3

- Effective tax rate sensitive to composition of income
- Estimate for full year tax rate is 20% - 25%
- Corporate tax rate reduction to 30% effective from October 2001



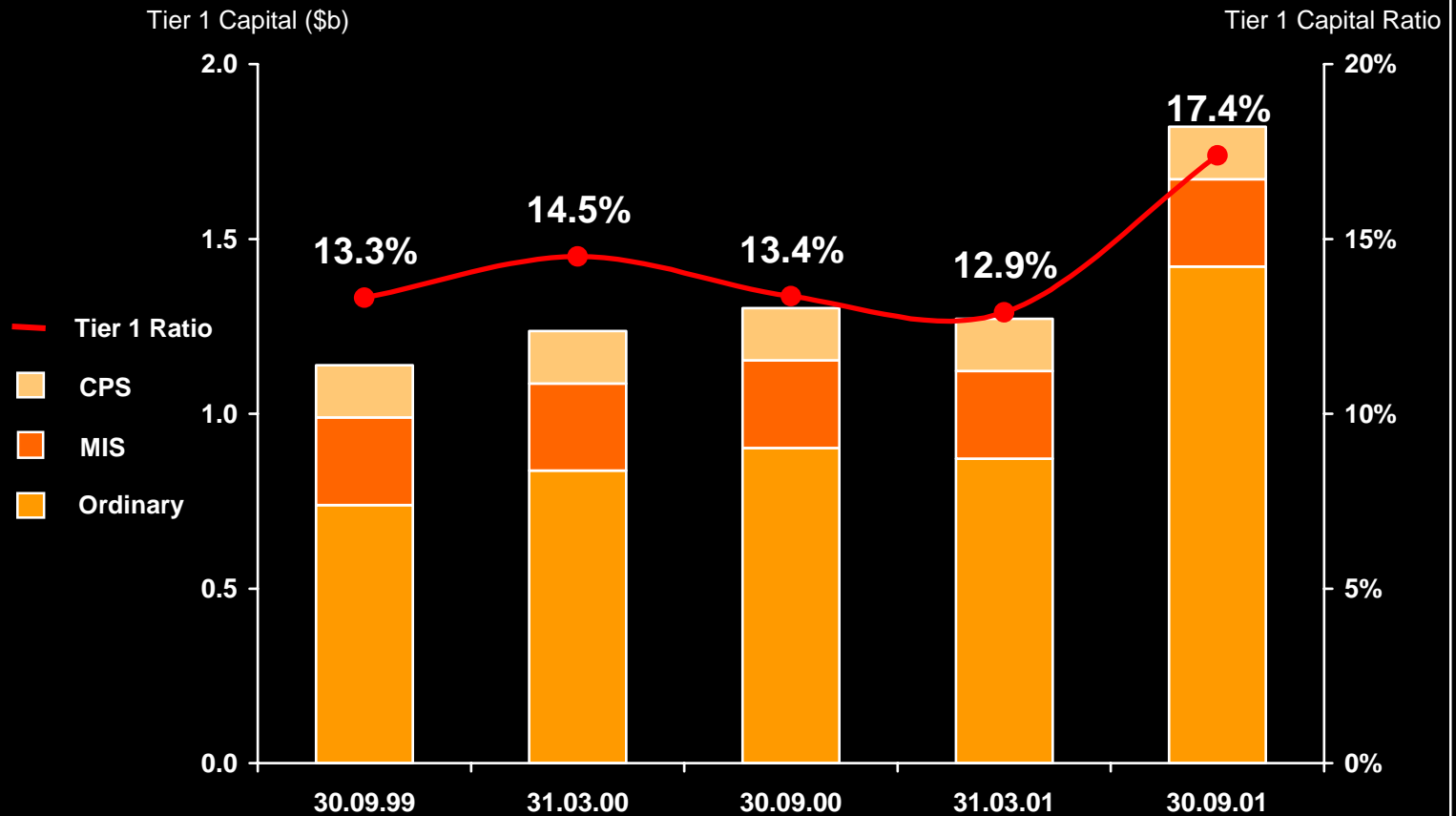
Taxation reform and other taxation issues

- Macquarie Income Securities:
 - Draft rulings could affect MIS
 - Confident of treatment as deductible until July 2004
 - MIS are an inexpensive source of long term funding (Tier 1 Capital)
- Taxation audit ongoing
- R&D syndicates
- Consolidations regime delayed until July 2002
- Outbound thin capitalisation – not currently an issue for the Bank



Capital

Strong capital position allows strategic flexibility





Capital management

- Higher capital ratio provides strategic flexibility enabling:
 - Expansion of specialist funds
 - Growth broadly
- Capital raised – exploring various opportunities
- Dividend Reinvestment Plan will not be activated in the current period
- Assessing impact of:
 - APRA Prudential Supervision of Conglomerate Groups
 - Basel Capital Accord



Balance Sheet and Risk Weighted Assets

	Total Assets \$b	Risk Weighted Assets \$b
31 March 2001	27.8	9.9
Increase in liquid assets - response to market conditions	2.2	0.4
JV with client for investment in selected highly rated securities	1.5	0.3
Organic growth in loan assets	1.0	0.5
Mortgage securitisation in September	(1.5)	(0.8)
Other movements	(0.2)	0.2
30 September 2001	30.8	10.5



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