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MACQUARIE BANK ANNOUNCES $183 MILLION INTERIM PROFIT

Macquarie Bank today announced a $183 million profit after tax attributable to ordinary shareholders for the half year to September 30, 2002.

The result is an increase of 41 per cent over the $130 million profit for the half year ended September 30, 2001 and represents a return on average ordinary shareholders' funds of 21.3 per cent per annum.

Profit before tax attributable to ordinary shareholders rose by 50 per cent to $250 million from $167 million. Earnings per share for the six month period increased 25 per cent to 91.2 cents from 72.7 cents for the previous corresponding period.

Macquarie Bank Executive Chairman David Clarke said the result reflects the strength and diversity of Macquarie's businesses. "We have been working extremely hard in what has been a challenging environment for the global investment banking industry."

"In difficult market conditions our overall staff numbers have remained steady and we have increased the number of staff working in client related activities. We have been very focused on developing a wide range of strategic initiatives to increase market share in our existing businesses and to ensure future sustainable growth in every one of our operating Groups."

"We have also benefited from cost initiatives implemented, with our expense to income ratio improving substantially over the previous corresponding period.

Macquarie Bank Managing Director and Chief Executive Officer Allan Moss said the Bank continued to apply conservative accounting principles and its credit quality remained sound.

"The Bank's spread of businesses across industries and geographies has produced quality earnings, with the Investment Banking Group performing very strongly and Treasury and Commodities and Banking and Property Groups reporting record results," Mr Moss said.

"Equity Markets Group improved from a poor result in the immediately preceding half year, Funds Management Group reported a steady result, and as forecast, Financial Services Group reported positive earnings following a period of technology and business investment," Mr Moss said.

Mr Moss said Macquarie is now ranked the fourth largest fund manager in Australia. During the half year period, funds under management increased by $5.6 billion to $46.9 billion.

"Macquarie Bank is a significant exporter of financial services, deriving international income of $214 million for the half year to September 30, 2002. The Bank is a finalist in the Australian Business Limited's (AUSTRADE) 2002 Australian export awards in the service exporter category, after winning the 2002 Premier's New South Wales Exporter of the Year Award. This month, the Mt Eliza Business School also named Macquarie among Australia's First XI top performing organisations which have adopted a winning formula over the past two decades."

FINANCIAL HIGHLIGHTS

Total income from ordinary activities for the half (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 $983 million, up 23 per cent from $800 million for the previous corresponding period. Net fee and commission income rose by 28 per cent to $662 million from $518 million, while the contribution from net trading income rose by 11 per cent to $220 million from $198 million in the previous corresponding period. Net interest income increased from the previous corresponding half, rising by 48 per cent to $132 million, from $89 million previously.

GROUP OPERATING HIGHLIGHTS

Investment Banking Group exceeded last year's corresponding first half result. Reflecting strong activity across all areas of the Group, Macquarie was placed first in the Thomson league tables for value of Australian merger and acquisition transactions, second in the equivalent equity capital markets table on total capital raised and first for completed Initial Public Offerings for the six months to June 30, 2002.

Corporate and Structured Finance performed ahead of last year's corresponding result completing a substantial number of significant transactions for the Bank's clients across each of the industry groups. The infrastructure group was again the most active, completing a range of transactions for third party clients and our funds including the acquisition of Sydney Airport and impending acquisition of a significant share of Rome Airport. The market price of Macquarie Airports (MAp) securities remains a disappointment and a key focus of management attention and investor relations efforts. The Bank's holdings in MAp were written down to market price during the period but the Bank remains confident of the long term value of MAp. The benefits of Macquarie's management are already evident at Bristol, Birmingham and Sydney airports. The Macquarie Communications Infrastructure Group was launched - with the seed asset being the broadcast transmission towers of Broadcast Australia, and Macquarie Infrastructure Group announced the acquisition of a majority interest in the SR125 toll road in San Diego, USA. Since balance date, the Westlink consortium, in which Macquarie Infrastructure Group has a 40 per cent interest, was named Preferred Tenderer for the Western Sydney Orbital project in Sydney.

Macquarie Equities has performed well in a difficult market. Since balance date Macquarie was named Joint Global Co-ordinator and Joint Bookrunner for the $2 billion Royal & Sun Alliance Initial Public Offering. Structured Finance performed well and Cross-Border Leasing successfully completed several large transactions. Macquarie Capital continues to show good growth and to develop quality annuity income streams, particularly in Macquarie IT and Macquarie Leasing.

Treasury and Commodities Group reported a record first half. Foreign Exchange's performance was excellent, following an increase in market share and generally strong customer business. Metals and Mining recorded a strong first half attributable mainly to the precious metals business, as did Debt Markets and Treasury. Agricultural Commodities and Futures results were up on the previous corresponding period.

Development of the energy business is continuing but is yet to contribute any income to the Group.

Banking and Property Group had an excellent half year including record results for the property businesses, Banking Division and the Golf and Leisure business. Property highlights included the listing of Macquarie ProLogis Trust in June, acquisitions by Macquarie Office Trust and Macquarie Countrywide Trust and several large project financing transactions. In total, the Group's listed property trusts (including those managed by its associates, Macquarie Goodman Management and Macquarie ProLogis Management) raised over $800 million during the six month period. Margin Lending achieved a record number of transactions in the June quarter, significantly outperforming the industry average volume growth.

Funds Management Group's funds under management grew by 5 per cent to $28.3 billion during the six month period, with inflows into fixed interest and property funds more than offsetting worsening equity market conditions. Profits in the first half were steady and the Group continued to grow its businesses in Malaysia and Korea.

Equity Markets Group's profitability was in line with the previous corresponding period, despite severely deteriorated trading conditions. Operations are appropriately positioned to benefit from any upturn in equity markets.

Financial Services Group reached break even, as forecast. The Macquarie WRAP product now has $5.7 billion in funds under administration following inflows of $1.9 billion in the last half. Macquarie Financial Services maintained a strong position in domestic retail broking despite difficult market conditions.

Direct Investments' portfolio performed well. There were no realisations during the half year.

DIVIDEND

The Bank has declared an ordinary interim dividend payment of 41 cents per share for the half year. The franking for this dividend was increased from 70 per cent to 85 per cent.

Mr Clarke said the Bank will at least maintain the higher franking level of 85 per cent over the short to medium term.

OUTLOOK

Mr Moss said he was confident of the strength of the businesses across the Bank. "There are many growth initiatives underway and the transaction pipeline is satisfactory," he said.

"Our specialist funds will continue to grow despite a near term slow-down in listed infrastructure in Australia.

"We currently expect net profit in the second half to be above the previous corresponding period, but below the first half because of the timing of performance fees and uncertainty in global markets. We will also benefit further from an ongoing focus on costs."

"Subject to reasonable market conditions we expect continued growth in revenue and profit over the medium term." Mr Moss said.

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