MACQUARIE BANK

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Macquarie Bank Limited

Presentation to

Shareholders and Analysts

Allan Moss & Greg Ward

14 November 2002

Agenda

1. Allan Moss, Chief Executive Officer

→ Highlights

2. Greg Ward

→ Result analysis

→ Taxation

→ Balance sheet and capital management

3. Allan Moss

→ Specialist funds

→ Group comments

→ Outlook

Headline result

A record half-year

After tax (attributable to ordinary equity holders) – 41% increase on 30/9/01

30 Sept 2002	31 Mar 2002	30 Sept 2001
$183m	$120m	$130m

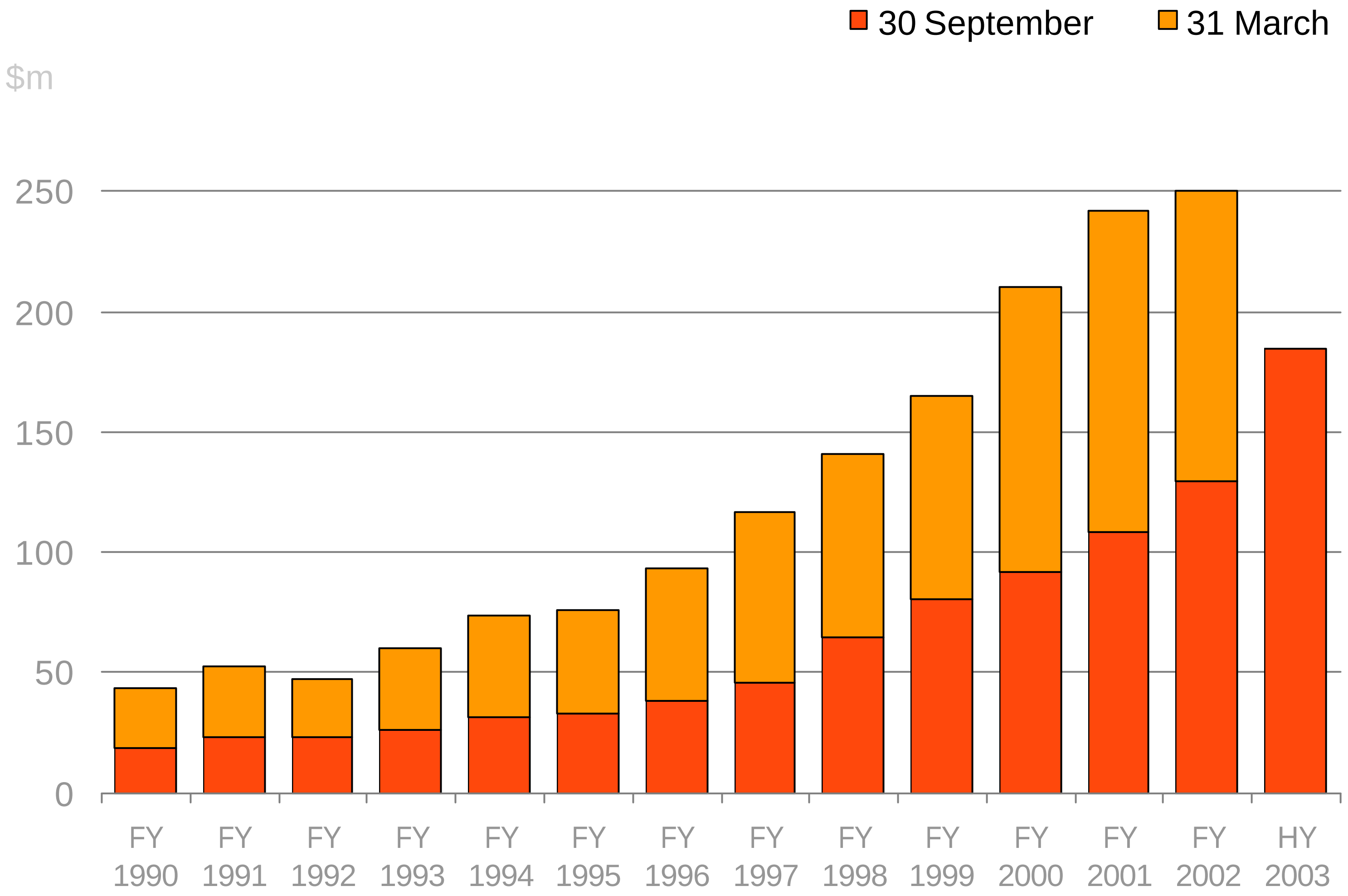
Pre tax (attributable to ordinary equity holders) – 50% increase on 30/9/01

30 Sept 2002	31 Mar 2002	30 Sept 2001
$250m	$159m	$167m

Features of the half-year

- Strong broadly based result in a challenging environment
  - 23% increase in revenue (adjusted for Broadcast Australia)
  - Significant increase in contributions from Treasury & Commodities (up over 100%) and Banking & Property Group (up 65%) compared to pcp
  - Solid contribution from Investment Banking Group
  - All other operating groups have performed satisfactorily
  - Cost initiatives progressing well – reflected in expense to income ratio
  - Sound credit quality
- Continuing to address market concerns regarding MAP
- Investments in specialist funds held at lower of cost and market

Profit growth



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Financial highlights

	1H 2003	2H 2002	1H 2002	Movement 2H 2002	Movement 1H 2002
Headline result ($m)	183	120	130	52.5%	40.8%
Expense/Income ratio*	73.0%	78.3%	77.4%		
Basic EPS (cents)	91.18	60.70	72.70	50.2%	25.4%
Diluted EPS (cents)	90.18	62.88	71.41	43.4%	26.3%
Tier 1 capital ratio	15.8%	17.8%	17.4%		
Dividend – franking	85%	70%	70%		

* adjusted result excludes Broadcast Australia Limited (“BA”) (formerly ntl Australia) transmission income and operating expenses for holding period from 2 April 2002 to 12 August 2002

Half-year results

	1H 2003 $m	2H 2002 $m	1H 2002 $m
Income	1,039	800	800
Expenses	(774)	(626)	(619)
Profit before tax	265	174	181
Income tax expense	(67)	(39)	(37)
Net profit after tax	198	135	144
Outside equity interest	(1)	(1)	1
MIS distribution	(14)	(14)	(15)
Profit attributable to ordinary equity holders	**183**	**120**	**130**

Pro-forma result excluding BA transmission business

	As reported $m	Adjusted* $m
Income	1,039	983
Expenses	(774)	(718)
Profit before tax	265	265
Income tax expense	(67)	(67)
Net profit after tax	198	198
Outside equity interest	(1)	(1)
MIS distribution	(14)	(14)
Profit attributable to ordinary equity holders	**183**	**183**

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

Operating income

	1H 2003 $m	2H 2002 $m	1H 2002 $m
Fee and commissions	662	485	518
Trading	220	163	198
Net interest*	132	130	89
Other*	(31)	22	(5)
Total	**983**	**800**	**800**

* adjusted to exclude BA transmission income and interest expense for holding period from 2 April 2002 to 12 August 2002

Fee and commission income

	1H 2003 $m	2H 2002 $m	1H 2002 $m
Fee and commission income	**662**	**485**	**518**

- Advisory income reflects increased deal flow
- Stable cross-border lease income despite depressed market
- Strong growth across all Property businesses
- Reflects growth in specialist funds
  - Increase in base management fees
  - Performance fees from MIG, MOF and MCW

Funds under management

4th largest fund manager in Australia*

	1H 2003 $b	FY 2002 $b	1H 2002 $b
Specialist			
Infrastructure	13.0	9.8	6.7
Property	4.9	3.9	2.8
Development capital	0.3	0.2	0.3
Other	0.4	0.3	0.2
Funds Management and Financial Services			
Retail	11.2	11.0	10.8
Wholesale	17.1	16.1	13.7
Total	46.9	41.3	34.5

* Rainmaker Information, October 2002

Fee income from funds management

	1H 2003 $m	2H 2002 $m	1H 2002 $m
Specialist			
Base fees	59	49	31
Performance fees	94	9	71
Funds Management and Financial Services			
Base fees	81	79	76
Performance fees	3	2	5
Total	**237**	**139**	**183**

Trading income

Majority derived from client services

	1H 2003 $m	2H 2002 $m	1H 2002 $m
Trading income	**220**	**163**	**198**

- Agricultural Commodities – volatility in world commodity markets led to strong client flows
- Metals & Mining – strong client flows in precious metals driven by volatility in gold price
- FX – consolidated market share and increased trade flow within active currency pairs
- Debt markets – good deal flow
- Equities – modest recovery on previous six months in difficult markets

Net interest income

	1H 2003 $m	2H 2002 $m	1H 2002 $m
Loan assets	118	108	99
Trading assets and other securities	20	27	4
Non-interest bearing trading assets	(6)	(5)	(14)
Total*	**132**	**130**	**89**

* adjusted to exclude BA interest expense for holding period from 2 April 2002 to 12 August 2002

Other income

	1H 2003 $m
Broadcast Australia holding gain	20
Dividend income from equity investments	16
Provision for diminution – MAP	(59)
– MCG	(2)
Net loan losses	(3)
Provision for uncertainties	(5)
Other	2
Total*	**(31)**

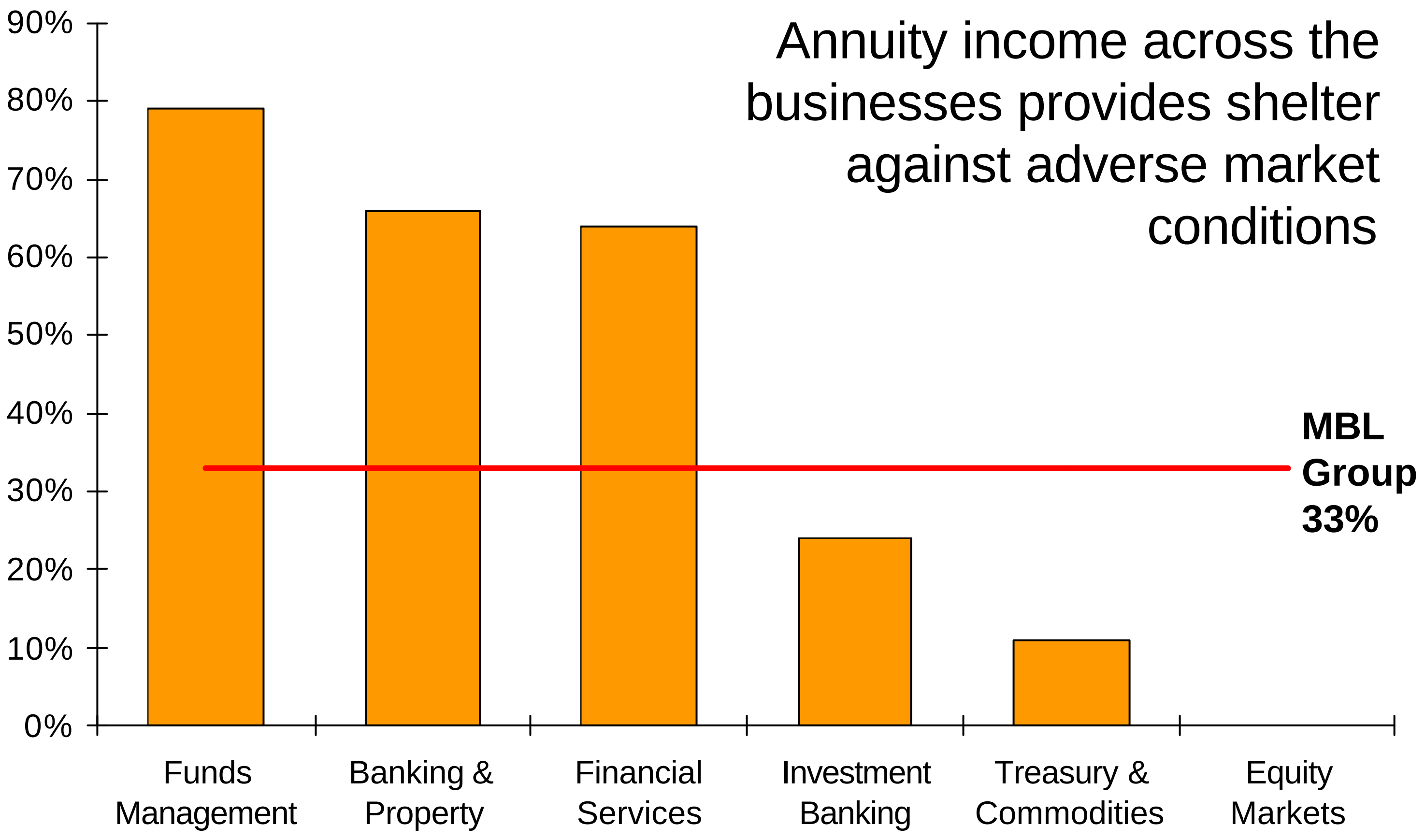
* adjusted to exclude BA transmission income for holding period from 2 April 2002 to 12 August 2002

Group contribution to profit

	1H 2003 %	FY 2002 %	1H 2002 %
Corporate Finance (incl. specialist funds)	31	30	31
Structured Finance (incl. x-border leasing)	10	11	14
Other (incl. insto broking, Macquarie Capital)	10	20	19
Total Investment Banking	51	61	64
Treasury & Commodities	25	21	16
Banking & Property	18	16	15
Equity Markets	3	-	5
Funds Management	2	3	2
Financial Services	1	(1)	(2)
Total	**100%**	**100%**	**100%**

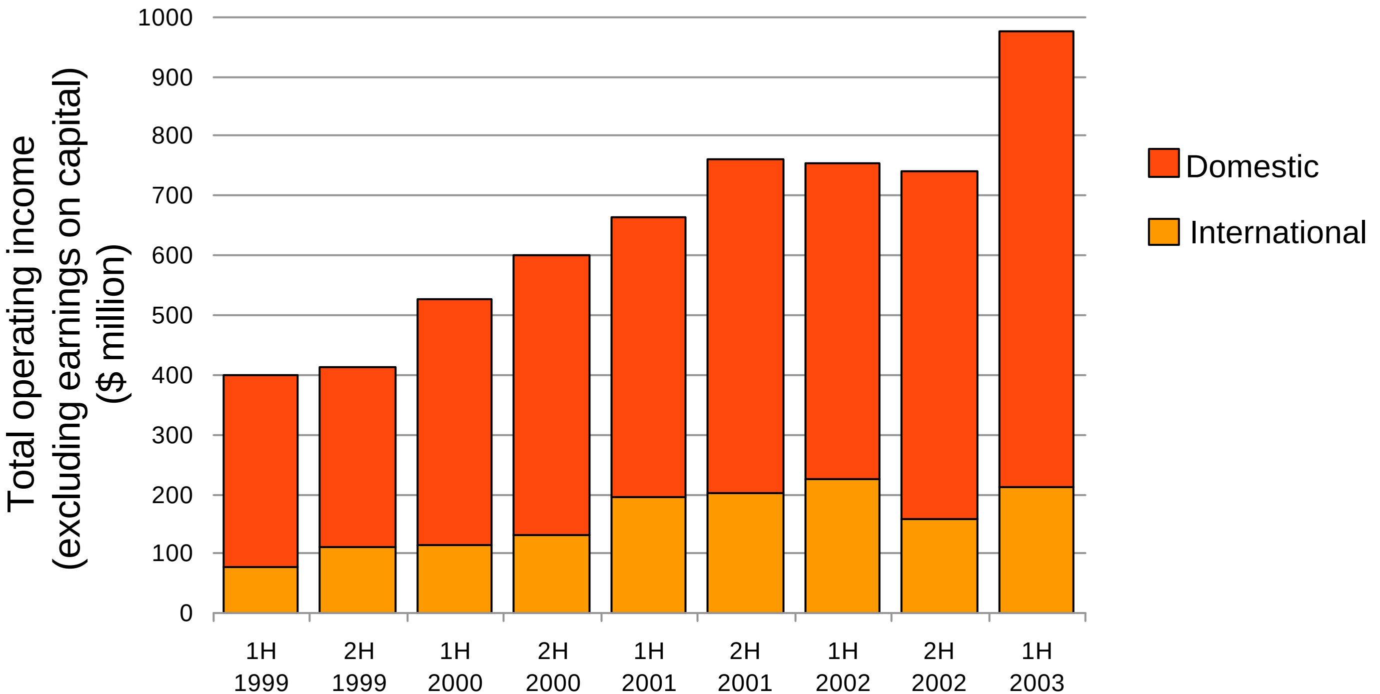
* based on management accounts – pre-tax and pre-profit share

Income from medium/long term arrangements – annuity income



International income

- 22% of income from international activities
- International income slightly down on pcp, but up on previous six months and up over 100% since first half 1999
- Many international initiatives in progress



Operating expenses*

Benefits of cost control initiatives realised

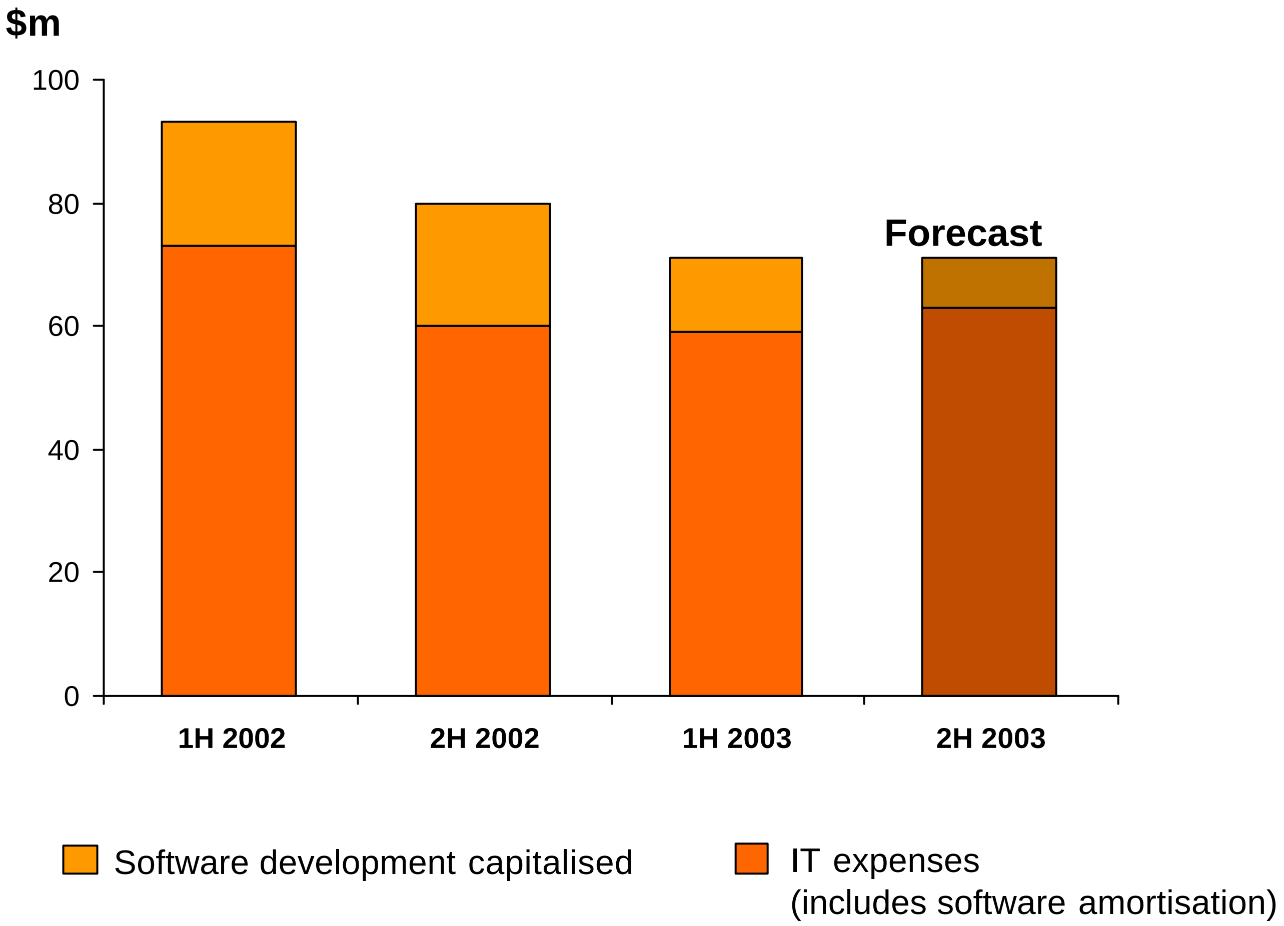
	1H 2003 $m	2H 2002 $m	1H 2002 $m
Expense/income ratio	**73.0%**	**78.3%**	**77.4%**
Employment expenses	518	429	430
Other expenses	200	197	189
Total	718	626	619

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

Headcount

	1H 2003	FY 2002	1H 2002
Operating Divisions			
Investment Banking	1,066	1,022	965
Treasury & Commodities	337	336	336
Banking & Property	673	651	597
Equity Markets	186	188	170
Funds Management	132	133	127
Financial Services	1,102	1,073	967
Direct Investment	14	16	15
Total headcount – operating divisions	3,510	3,419	3,177
Total headcount – service divisions	1,230	1,307	1,349
Total	**4,740**	**4,726**	**4,526**

Information technology expenditure



Dividends and franking

	1H 2003	2H 2002	1H 2002
Dividend (cps)	41	52	41
Franking	85%	70%	70%

- Interim dividend franking increased to 85%
- Expect franking in short to medium term of at least 85%, subject to income composition and tax reform

Effective tax rate

	1H 2003 %	2H 2002 %	1H 2002 %
Corporate tax rate	**30.0**	**30.0**	**34.0**
Rate differential on offshore income	(2.3)	(1.7)	(4.4)
Group tax losses	(1.5)	(2.9)	(3.9)
Macquarie Income Securities	(1.5)	(2.3)	(2.8)
Converting Preference Shares	0.8	1.1	1.1
Other	(0.2)	(1.8)	(3.6)
Effective tax rate	**25.3**	**22.4**	**20.4**

- Effective tax rate sensitive to composition of income
- Estimate for full year tax rate is 20% – 25%

Capital management

	1H 2003 $m	FY 2002 $m	1H 2002 $m
Tier 1 capital	2,321	2,041	1,983
less: deductions			
– equity investments	(259)	(7)	–
– other	(191)	(134)	(161)
Tier 1 capital after deductions	1,871	1,900	1,822
Risk weighted assets	11,812	10,650	10,469
Tier 1 ratio	**15.8%**	**17.8%**	**17.4%**

Balance sheet and risk-weighted assets

	Total Assets $b	Risk Weighted Assets $b
31 March 2002	**30.2**	**10.7**
Organic growth in loan assets	0.9	0.8
Revaluation of financial instruments	0.9	0.2
Increase in liquid assets	1.0	0.2
Increase in other securities	0.3	0.1
Decrease in trading assets	(0.8)	(0.2)
30 September 2002	**32.5**	**11.8**

→ $715m of Macquarie mortgage assets securitised October 2002

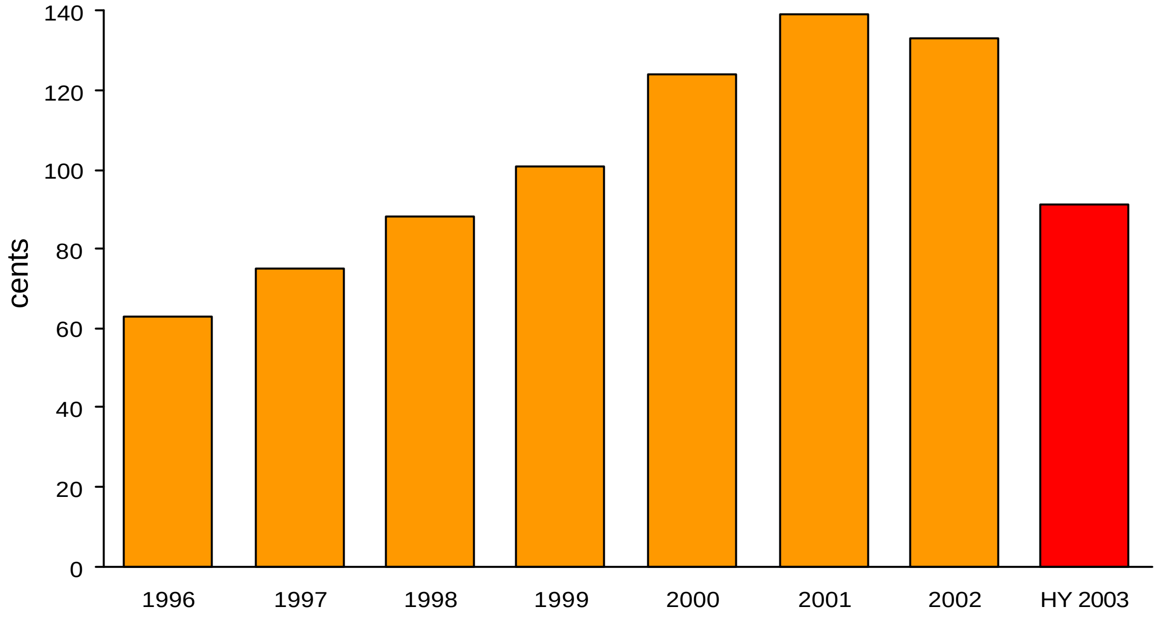
Accounting practices

- Consistent application of conservative accounting policies
- Insignificant capitalised and deferred costs
- $61m in aggregate write-downs of MAP and MCG holdings

Notable Listed Investments	Book value $m (@30/09/02)	Market value $m (@13/11/02)
MIG	25	68
MGM	24	120
SFE	–	15
MAP	99	85
MCG	98	98

EPS since listing

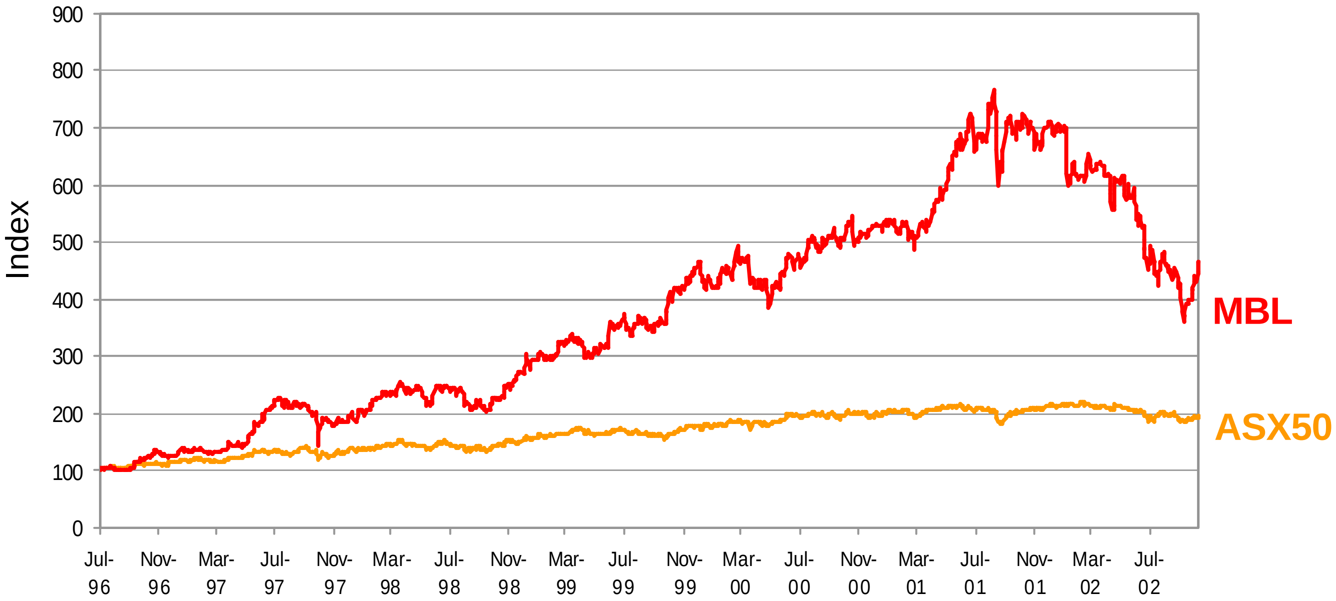
- Strong compound annual growth rate (CAGR) in EPS since listing



	CAGR of EPS (1996 – 2002)
MBL	12.9% pa
International peer investment banks	4.5% pa (avg)
Australian major trading banks	10.2% pa (avg)

Total shareholder return since listing

- MBL TSR approximately 340% versus ASX50 under 100%
- Of companies in ASX50 at time of listing, MBL has outperformed 48



- MBL approximate IRR (%pa) since creation of the Bank in 1985 – 25.7% (all dividends reinvested)
- MBL approximate IRR (%pa) since listing in 1996 – 23.9% (all dividends reinvested)

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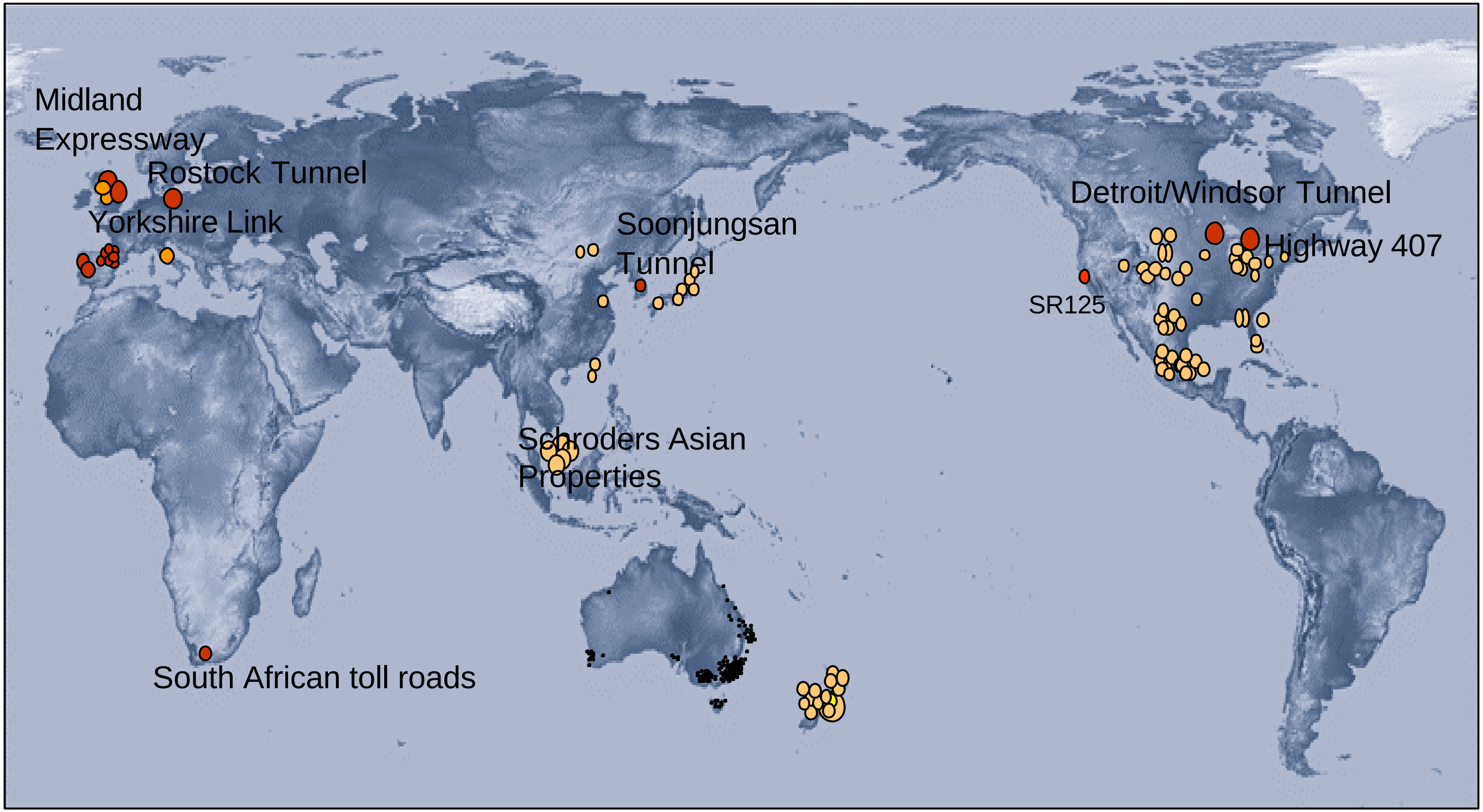
Opportunities for specialist funds

- Property – good opportunities for both domestic and international growth
- Unlisted infrastructure – number of international opportunities
- Listed Infrastructure – continued growth over medium term
- Direct Investment – performing well

Portfolio of world class assets



Roads Airports Property

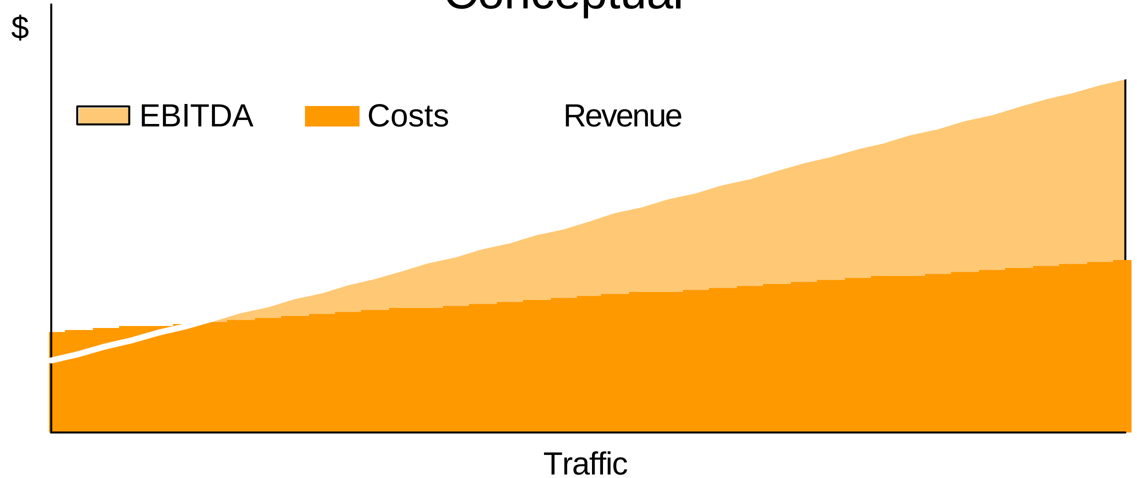
Macquarie Airports

- Very disappointing market performance in extremely tough and negative environment
- Confident about long-term value
- Benefits of Macquarie involvement already evident at Bristol, Birmingham and Sydney airports

Patronage assets are attractive investments

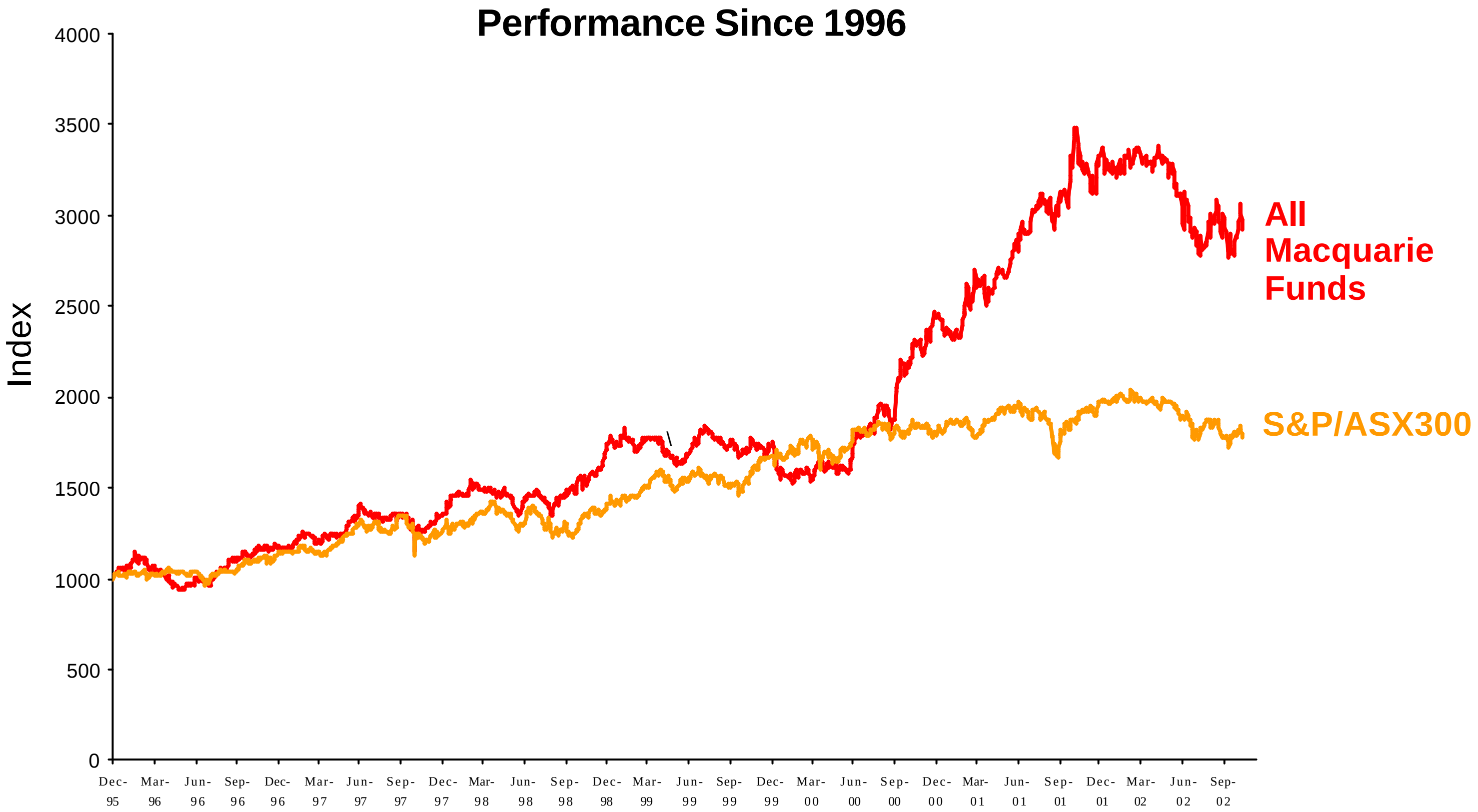
- Roads
- Airports
- Low marginal unit costs
- Safe revenue, growing faster than GDP
- Confidence of rapid growth in EBITDA

Conceptual



Specialist listed funds performance

Macquarie funds have out-performed



Group comments

Investment Banking

Comments on the first half:

- Increase in net income on pcp despite investment write-downs
- Ranked 1st in Thomson league tables for value of Australian M&A transactions, 2nd for ECM total capital raised and 1st for IPOs completed in six months to 30 June 2002
- Continued strong growth in infrastructure funds under management. MAP market price remains a disappointment and a key focus of management attention
- Cross-border leasing income maintained though overall market depressed
- Continued growth in Macquarie Capital both domestically and offshore
- Contribution from institutional equities down, however market share for the year up in a challenging period

Investment Banking (contd.)

Current market conditions:

- Downturn in global equity markets has adversely affected Australian listed equity issuance and M&A market volumes
- Market shares and competitive position remain strong
- For Institutional Stockbroking and Macquarie Research Equities, growth subdued due to general economic conditions and the bear market

Outlook:

- Overall expect to maintain or improve on previous year
- Some businesses may be adversely impacted if international equities markets remain depressed
- Deal pipeline at least as strong as this time last year

Treasury and Commodities

Comments on the first half:

- Excellent six months up over 100% on pcp - strong performances across all business areas
- Metals & Mining – well above pcp with the precious metals business performing strongly
- FX - very strong first half because of strong customer business with good income diversity and increased market share
- Debt Markets – good first half, significantly ahead of pcp with a steady flow of deals
- Treasury (funding) – contribution well above pcp with strong liquidity management and increased offshore issuance
- Agricultural Commodities – strong first half above pcp; markets showing no signs of disruptions experienced during the second half of the prior year
- Futures – a good result above pcp. No. 1 position in clearing and No. 2 position in execution on the SFE maintained
- Risk Advisory – a good contribution in the first half. Liabilities under management over $4 billion

Treasury and Commodities (contd.)

Current market conditions:

- Continued volatility positive for business
- Competitors have exited some markets creating opportunities

Outlook:

- Transaction pipeline good; established businesses to continue to grow
- Income base continues to diversify
- Markets in which the Group operates are variable and market conditions will be an important factor
- Maintain conservative risk profile
- New oil and gas businesses focused on international markets operational

Banking and Property

Comments on the first half:

- Overall group contribution up 65% on pcp with record results from Property Investment Management, Property Finance, Property Investment Banking, Banking and Golf & Leisure
- Record volumes in the other businesses – Mortgages and Margin Lending
- Record deposits and improved fee based Banking revenue
- Strong income from large property projects, eg. World Square in Sydney
- Strong returns for property trust investors led to performance fees in two trusts: MOF, MCW
- Strong and strategic growth of property funds under management to almost $5b – successful launch of Macquarie Martin Place Trust and MPRCA (Macquarie ProLogis)

Banking and Property (contd.)

Current market conditions:

- A low and stable interest rate environment should see continued steady mortgage flow
- Property funds management benefiting from equity market volatility as investors turn to property market

Outlook:

- Expect second half to be below first half but broadly in line with pcp
- Positioned well for medium term
- Continue to replicate the Australian model in offshore markets by leveraging relationships (e.g. ProLogis)
- Develop a presence in Asian markets where REIT legislation is creating opportunities

Equity Markets

Comments on the first half:

- Operating profitably
- Australia – strong result on the back of resilient retail demand and leading instalment and vanilla warrant market share
- South Africa – good performance. JV terminated, investigating options
- Hong Kong – profitable despite continued low retail demand
- Europe – business now restructured – small trading loss – focusing on structured products and German warrants issuance
- Japan – break-even despite very poor market conditions
- Brazil – profitable – excellent result given uncertain political and economic market environment

Equity Markets (contd.)

Market Conditions:

- Markets, other than Australia and South Africa, characterised by extreme price volatility, low volumes, and lack of customer flow

Outlook:

- Highly leveraged to any upturn in overseas markets
- Advanced stages of negotiation for a new JV in Korea

Funds Management

Comments on the first half:

- Contribution marginally below pcp due to lower performance fees
- Total funds under management up 5% to $28.3b; inflows into fixed interest and property funds more than offset worsening equity market conditions
  - Wholesale domestic funds up 5% to $15.2b
  - Retail domestic funds up 2% to $11.2b
  - International funds up 24% to $1.9b
- Malaysian and Korean joint ventures performing well

Funds Management (contd.)

Current market conditions:

- Poor global equity market conditions but diversified nature of business enabled continued growth in funds under management
- Fixed interest and property inflows as investors seek lower risk
- Geographic diversification

Outlook:

- Expect strong growth in international business, particularly in Korea
- Growth expected within Australia from wholesale business and True Index products

Financial Services

Comments on the first half:

- Achieved breakeven as forecast despite difficult market conditions
- Strategic IT program substantially complete; completed projects now amortising
- Strategic objective to grow retail distribution is on track
  - Leading position in retail stockbroking
  - Macquarie Adviser Services strengthened its position in the IFA market with Macquarie WRAP growing by $1.9b to $5.7b (fastest growing administration platform in the June quarter)
- CMT up by over $300m to $8.5b

Financial Services (contd.)

Current market conditions:

- Volatile share market – erratic equity trading volumes impacting transactional income
- Reducing equity values reduce growth in funds under management and management fees
- Inflows into cash and fixed interest

Outlook:

- Continued growth in WRAP with a focus on functionality and service
- Full year result will be subject to market conditions

Overall outlook

- Many growth initiatives underway across the Bank – satisfactory transaction pipeline
- Confident of continued growth in specialist funds albeit near term slow-down in listed infrastructure in Australia
- Will continue to benefit from ongoing focus on costs

Outlook for second half:

- Expect second half to be up on pcp but lower than the first half because of timing of performance fees and uncertain global markets
- Expect continued growth in revenue and profit in the medium term

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