

MACQUARIE BANK ANNOUNCES \$210.2 MILLION FULL YEAR PROFIT

Macquarie Bank today announced a \$210.2 million profit after tax attributable to ordinary shareholders for the year to March 31, 2000.

This is an increase of 27.4 per cent over the \$165.0 million profit for the year ended March 31, 1999 and represents a return on average ordinary shareholders' funds of 28.1 per cent per annum.

Profit before tax attributable to ordinary shareholders rose to \$289.3 million from \$217.8 million, an increase of 32.8 per cent.

"This is another record result achieved during a period of unprecedented activity and growth in Australia and offshore, in particular through the Bank's acquisition of the Bankers Trust Australia investment bank (BTIB)," said Macquarie Bank Executive Chairman David Clarke. "This is the Bank's ninth successive year of record profits."

"Once again all six business Groups made solid contributions. The Asset and Infrastructure Group and the Equities Group both produced excellent results, achieving record profits.

"The Treasury and Commodities Group made a substantially increased contribution to the Bank's earnings and the Corporate Finance Group had another very good year.

"The Banking and Property Group performed well while the Investment Services Group recorded budgeted earnings which were affected by systems expenditure."

Macquarie Bank Managing Director Allan Moss said the year was a landmark one for Macquarie Bank.

"To maintain earnings momentum throughout what has been a period of very significant expansion has been a real achievement," Mr Moss said. "The acquisition of BTIB in June last year was a contributor to a 30 per cent overall increase in staff numbers, while the Bank's Tier 1 Capital has risen from \$647 million to \$1.237 billion during the period, representing a Tier 1 capital adequacy ratio of 14.5 per cent (13 per cent previously)."

The result included a \$15.7 million contribution to net profit after tax from the partial sale of Macquarie Technology Investment Banking's holding in the US-based internet company LookSmart Limited which listed on the ASX in February, 2000. The Bank continues to hold another 1.5 million shares in the NASDAQ-listed LookSmart Limited, which are held in escrow until August 2000.

Mr Moss said the Bank's offshore businesses again performed well, comprising 21 per cent of the Bank's earnings, a substantially increased dollar contribution on the previous year. "The Bank remains committed to a strategy of selective expansion in a wide range of markets outside Australia. This year we have increased our international network of offices to include Chicago, Vancouver, Sao Paulo, Tokyo and Cape Town."

The Bank has declared dividend payments of 86 cents per share for the year, comprising an interim dividend of 34 cents per share and a final dividend of 52 cents per share, both franked to 65 per cent. This is a 26.5 per cent increase over the dividends for the year ended March 31, 1999, of 68 cents per share. The 2000 dividend represents a pay-out ratio of approximately 70 per cent of net profit after tax attributable to ordinary shareholders.

During the year, Macquarie's approach to the retail market has been the subject of a major review, with a number of organisational changes culminating in the recent establishment of a seventh operating Group, the Financial Services Group, comprising the retail marketing, sales, advisory and customer service activities from across the Bank. The Financial Services Group, which will have a staff of approximately 900, will focus on quality and value added services to the Bank's target market while providing a more effective base for business development and technology investments.

HIGHLIGHTS

Total operating income for the year was \$1.186 billion up from \$815.1 million for the previous year. Fee and commission income made a major contribution to earnings, rising by 20.1 per cent to \$661.4 million from \$550.5 million. Trading income rose to \$268.1

million from \$125.4 million. Interest income was \$186.8 million, up from \$132.4 million last year.

Total operating expenses were up 48.2 per cent at \$885.1 million, compared with \$597.3 million. This includes employment expenses which rose 48.9 per cent reflecting a significant increase in staff numbers and performance related remuneration.

Total Group assets under management and administration grew 12.7 per cent to \$37.2 billion.

Moody's Investors Service upgraded the Bank's debt ratings during the second half, with long term deposits rated at A2 from A3 previously and short term deposits rated at Prime 1 from Prime 2. Macquarie Bank is now rated A or above by all credit rating agencies.

OPERATING HIGHLIGHTS FOR 1999/00

- The Asset and Infrastructure Group's excellent result reflected strong growth in Project and Structured Finance attributable to global market leading positions and a strong contribution from the Macquarie Technology Investment Banking business through its LookSmart holding. The Group was once again at the forefront of infrastructure, structured finance and cross border leasing deals, completing over \$20 billion worth of transactions. Infrastructure and Specialised Funds (ISF) now manages over \$7 billion in funds invested in infrastructure assets through vehicles such as the Macquarie Infrastructure Group (MIG) which has acquired major interests in European toll roads and other assets. Macquarie Capital continued to strengthen its position as a quality financial services provider to the corporate, professional, government and small business sectors increasing its gross portfolio of loans.
- A record Equities Group result during generally buoyant market conditions reflected good results across all businesses with impressive contributions from the international businesses. Equity Markets Division made a significant contribution, with strong results from Australia and overseas markets, notably Hong Kong and South Africa. Macquarie Financial Services consolidated its position as one of the leading retail broking houses in Australia. Macquarie Equities increased its market share and the number of its analysts rated in the industry's top five by sector.

- The Treasury and Commodities Group result was up on last year reflecting solid performances from its traditional businesses: Metals and Mining which continued its market leading position in precious and base metals; Foreign Exchange, Money Market, Futures and Risk Advisory Services. The acquired Agricultural Commodities business performed very well. The new Debt Markets business achieved good levels of client business producing a modest net contribution.
- Corporate Finance Group had a very strong year reflecting high levels of mergers and acquisition activity in the Australasian market and improved market positioning for the Equity Capital Markets Division. Corporate Advisory Division advised on 135 mandates worth over \$14 billion in Australia and offshore. Transactions completed included advising Telecom New Zealand on its successful acquisition of a majority interest in AAPT and assisting Granada Media acquire a strategic equity interest in the Seven Network. The Division was again recognised as a top tier adviser in both the Australian and New Zealand markets and Equity Capital Markets was particularly active with emerging technology companies, raising over \$4 billion for clients on 35 transactions.
- The Banking and Property Group performed well, with earnings up on last year. Macquarie's property trust assets under management grew by 27 per cent to \$1.9 billion while Property Investment Banking, the Group's full service advisory division completed reviews and/or divestments in excess of \$1.5 billion. Property Finance successfully provided debt and equity solutions across Australia. Macquarie Securitisation maintained its position as Australia's largest issuer of mortgage backed securities. During the year Macquarie Mortgages launched a number of initiatives with both new and existing clients, while the Group's banking activities were successful in their target markets.
- The Investment Services Group increased assets under management. However earnings declined as a result of systems expenses. The Group recorded strong inflows into the Macquarie Cash Management Trust (CMT) which attracted 45,000 new investors during the year with growth in funds under management of more than \$700 million. Total funds under management grew from \$19.6 billion to \$21.3 billion during the year.
- Macquarie Direct Investment Division realised four investments during the year including the IPO of Cellnet Cellular. The Division was also active in fundraising,

with funds committed to Macquarie Investment Trust III (MIT III) totalling \$200 million, \$85 million of which was raised from retail investors in conjunction with the Bank's Investment Services Group.

Subsequent to the Bank's year end, Macquarie has announced:

- The proposed acquisition of the assets, staff and advisory businesses of niche investment manager Morrison & Co New Zealand, the parent company of Morrison and Co which manages Infratil Australia. The acquisition is subject to the successful takeover of Infratil by Macquarie Infrastructure Group which was announced on May 19, 2000.
- Macquarie Equity Capital Markets was awarded the role as Joint Global Co-ordinator for the listing of the NRMA Insurance Group.

OUTLOOK

Mr Moss said the outlook for the next 12 months was, as usual difficult to forecast given the many influences on Macquarie's businesses. "In the long term we remain confident that the Bank will successfully exploit the growth opportunities which are available," he said.

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