

No.1 Martin Place
Sydney NSW 2000
GPO Box 4294
Sydney NSW 1164

Telephone (61 2) 8232 3333
Facsimile (61 2) 8232 7780
Telex 122246
Internet <http://www.macquarie.com.au>
DX 10287 SSE
SWIFT MACQAU2S

Treasury 8232 3600 Facsimile 8232 4227
Foreign Exchange 8232 3666 Facsimile 8232 3019
Metals and Mining 8232 3444 Facsimile 8232 3590
Futures 9231 1028 Telex 72263
Debt Markets 8232 8569 Facsimile 8232 8341
Agricultural Commodities 8232 7672 Facsimile 8232 3633

ASX/Media Release

MACQUARIE BANK SAYS FIRST QUARTER PROFIT WELL UP



29 July 2004 – Macquarie Bank Managing Director and Chief Executive Officer Allan Moss today said the Bank's first quarter profit, for the three months ended June 30, 2004, was well up on the corresponding period in 2003.

Speaking at the Bank's 2004 Annual General Meeting in Sydney, Mr Moss said he expected the first half results to be broadly in line with, or slightly ahead of the prior corresponding period, despite lower performance fees and lower profits from asset realisations.

He said the Bank had seen increases in its first quarter earnings from Treasury and Commodities Group, Banking and Property Group, Equity Markets Group, Financial Services Group, Funds Management Group, and Macquarie Direct Investment, but the Investment Banking Group was down on the prior corresponding period. These results reflect satisfactory market conditions, our diverse range of businesses and our continued investment in growth across the Bank, especially internationally.

Mr Moss noted that position taking in financial markets is not an important contributor to the Bank's profits.

Speaking specifically on the Bank's operating Groups for the first quarter, Mr Moss commented:

Investment Banking Group was down on the prior corresponding period. This was primarily due to a decline in performance fees, which was largely offset by growth in

most other activities and asset realisations including the Bank's interest in the unlisted European-based fund, the Macquarie Airports Group.

Treasury and Commodities Group was up on the prior corresponding period with growth across all businesses.

Banking and Property Group was up on the prior corresponding period with all businesses performing well.

Equity Markets Group was up on the prior corresponding period but down on the prior quarter with Hong Kong remaining the strongest contributor.

Financial Services Group was up on the prior corresponding period.

Funds Management Group was up on the prior corresponding period.

Macquarie Direct Investment was up on the prior corresponding period but the result for the full year is expected to be well down.

Current market conditions

- While volumes in equity markets in Australia reached new heights they are trending down in Asia with the exception of Japan, but they are still above prior corresponding period levels
- Australian retail investor interest remains strong
- Foreign exchange markets continue to be fairly volatile and active
- While the Australian property market is generally satisfactory, there is a softening in some residential sectors
- Lending margins continue to be resilient
- Credit quality remains good
- The number of IPOs are less than in 2003 but still satisfactory
- Corporate confidence remains satisfactory

Highlights for the financial year to date include:

Australia

For the six months to June 30, 2004, the Bank was placed first in Thomson Financial's league tables for number of announced M&A deals. Diversified Utility & Energy Trusts (DUET) managed by a 50:50 joint venture with AMP, is expected to raise \$266 million in an initial public offer.

Europe

The Macquarie European Infrastructure Fund was launched with initial commitments of €422 million. Macquarie Property entered into a JV with Ochtar Capital Partners to form

Macquarie Global Property Advisors Limited, an investment company focused on private equity real estate funds management in Europe and Asia

North America

The Macquarie Power Income Fund listed on the Toronto Stock Exchange and the Canadian Macquarie Essential Assets Partnership (MEAP) closed with total commitments of C\$460 million. The Bank also signed an agreement to acquire the US airports services company Atlantic Aviation and filed a registration statement with the SEC for a proposed IPO of the US listed infrastructure entity, Macquarie Infrastructure Assets Trust. The Macquarie DDR Trust and Macquarie ProLogis Trust, acquired several properties in North America with capital raisings totalling \$354 million. Macquarie Office Trust announced an \$850 million scrip and cash merger proposal with Principal America Office Trust.

Asia

The integration of ING's Asian cash equities business is on track. The Korean Road Infrastructure Fund (KRIF) received additional commitments, almost doubling in size to KRW 1.26 trillion.

Highlights from the Address of the Executive Chairman, Mr David Clarke, include:

- Favourable world economic and market conditions were key contributors to the outstanding results the Bank achieved last year. The rebound in global share prices was driven by an improved growth and corporate earnings outlook, stronger corporate balance sheets and record low short-term interest rates. In Australia the S&P ASX 200 Index rose by 16.3 per cent last financial year.
- Portfolio investment into Australia – which reflects international investment in Australian equities, bonds, options and futures – is now running at almost 10 per cent of GDP, where it had not previously exceeded 4 per cent at any time during the past 6 years.
- There are compelling reasons for the investments the Bank has made in the Asian region. Over the past 30 years, the emerging economies of Asia have grown at a rate of 7 per cent per annum, more than double the OECD average. Asia's share of world GDP has increased from 9 per cent to 25 per cent, surpassing the United States.
- The Bank does not believe large interest rate rises will occur in Australia. Australian interest rates are already well above those of the United States, particularly for short-term maturities. While the US Federal Reserve has moved

to increase short-term interest rates, with further rises anticipated, there are no compelling arguments for similar increases here. The Bank expects the differential between Australian and US interest rates to steadily narrow over the remainder of this year.

Outlook

Mr Moss said: "We expect the first half to be broadly in line with, or slightly ahead of, the prior corresponding period despite lower performance fees and lower profits from asset realisations. However, repeating last year's excellent second half result will be challenging because it benefited from very buoyant equity market conditions in Hong Kong and very large profits from asset realisations, especially through Macquarie Direct Investment."

He said that over the medium term the Bank is well placed due to committed quality staff, diversification, good businesses and effective prudential controls.

"We expect continued growth in revenue and earnings across most businesses over the medium term subject to market conditions not deteriorating materially. We expect continued good growth in international businesses," Mr Moss said.

Long term performance

Executive Chairman, David Clarke, said: "Since listing on the Australian Stock Exchange in 1996, the Bank has delivered a total shareholder return of 574 per cent, a better return than all the companies in the ASX Top 50 companies index at that time (assuming reinvestment of all dividends and accounting for all corporate actions)."

"In general, investors in Macquarie's specialist infrastructure and property funds have also benefited significantly. Measured at the 23 July 2004 market close, Macquarie's specialist listed infrastructure and property funds had an average accumulation return of 300 per cent since 1996, versus a 118 per cent accumulation return for the sharemarket over the same period."

Mr Clarke also noted that investors in IPOs managed by Macquarie since January 2000 received a weighted average return of 54 per cent, which is well above the Australian market average of 27 per cent.

For further information, please contact:

Erica Sibree, Investor Relations, Macquarie Bank Limited 612 8232 5008

Matthew Russell, Public Relations, Macquarie Bank Limited 612 8232 4102