

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 MACQUA2S

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 EXPECTS A STRONG INCREASE IN FULL YEAR PROFIT



6 February 2007 – Macquarie Bank Managing Director and Chief Executive Officer, Allan Moss, said today the Bank expects its profit for the six months ended 31 March 2007 to be up strongly on the prior corresponding period, subject to market conditions, but probably slightly down on the first six months ended 30 September 2006 (excluding the \$A92 million profit on the realisation of the Bank's holding in the Macquarie Goodman Group (MGQ)).

Given the strong first half result already reported, this means the Bank expects its full year profit for the year ended 31 March 2007 to be up strongly on the prior year ended 31 March 2006.

Speaking at a briefing on the Bank's operations to investors and analysts, Mr Moss said the Bank expected to continue to benefit from staff growth. Staff numbers have grown 15% to around 9,400 from March 2006, and the Bank now employs around 3,200 international staff, a growth of 28% since March 2006.

Mr Moss noted that a highlight of the December 2006 quarter was a 16% increase in assets under management to \$A177 billion; due to a combination of specialist funds initiatives, notably the acquisition of Thames Water, and strong inflows into the funds managed by the Funds Management and Financial Services Groups, which collectively were up 7% over the same period.

He added that, subject to market conditions, for the remainder of the current year the Bank expects:

- continued satisfactory transaction levels;
- substantial raisings in unlisted international specialist funds;
- performance fees at current relative prices will not be material.

He noted that the tax rate for the year ended 31 March 2007 was expected to be lower than the prior corresponding period due to offshore tax rate differentials.

Mr Moss stated all the Bank's major operating Groups were performing well. "The Bank has benefited from continuing good conditions across most markets, especially from good equity markets in Australia and internationally," he said.

Mr Moss noted that there is a good flow of transactions across all Groups. However, commodity prices and volatility have eased from their 2006 highs, while conditions in the Australian property market remain mixed.

"As is usual at this part of the market cycle, there is also increased competition for staff, especially in international markets," he said.

In commenting on the Bank's business Groups for the current half year to date, Mr Moss said:

- The **Investment Banking Group** expects its 2H07ⁱ profit to be broadly in line with 1H07ⁱⁱ and substantially up on 2H06ⁱⁱⁱ, due to:
 - good underlying business performance, reflected in the growth in staff numbers and equity under management;
 - continuing strong transaction volumes and asset realisations.
- Overall the **Investment Banking Group** expects its full year profit to be substantially up on the prior corresponding period.
- The **Treasury and Commodities Group** expects 2H07 to be down on 1H07, although it is anticipated to be in line with the 1H07 result, excluding the oil and gas asset realisation in North America (as previously noted in the Bank's interim result).
- Overall, the **Treasury and Commodities Group** expects its full year profit to be well up on the prior corresponding period (including oil and gas asset realisation).

- The **Banking and Property Group** expects 2H07 to be very substantially up on 1H07 (excluding the profit on the Bank's realisation of its MGQ holding) and up strongly on 2H06.
 - The second half has benefited from further asset realisations, especially UK office assets.
 - Major businesses are performing well except for the land development business, which has been affected by market conditions.
 - 2H07 is also anticipated to benefit from significant investment in growth initiatives and new businesses.
- Overall the **Banking and Property Group** expects the full year result to be up strongly on the prior corresponding period (even excluding the one-off gain from the MGQ realisation).
- The **Equity Markets Group** expects its 2H07 result to be slightly down or similar to 1H07, although strongly up on 2H06, primarily due to:
 - improved performance from the Asian business;
 - very good performance from Australian equity products;
 - growth in hedge fund management and structuring revenues;
 - continuing strong performance from the global equity finance team.
- Overall, the **Equity Markets Group** expects its full year result to be well up on the prior corresponding period.
- The **Financial Services Group** expects its 2H07 result to be in line with 1H07, although up on 2H06.
- Overall the **Financial Services Group** expects the full year result to be well up on the prior corresponding period.
- The **Funds Management Group** expects 2H07 to be broadly in line with its 1H07 result and 2H06 result, noting that 1H07 benefited from performance fees on Australian equity products
- Overall the **Funds Management Group** expects its full year result to be up on the prior corresponding period.

Mr Moss also remarked on the Bank's holdings in non-financial assets and businesses held for re-sale. He said the Bank had disposed of approximately \$A1.3 billion of these assets by book value since 30 September, 2006, and acquired approximately \$A990 million of assets over the same period. "The majority of currently held non-financial assets and businesses held for re-sale are either subject to contract or are subject to active confidential negotiations with respect to their disposal," he said.

“As a result of recent asset sales, combined with the profit for the December quarter and the additional capital from the dividend reinvestment participation plan, the Bank’s Tier 1 capital ratio had risen to 15.5% at 31 December 2006. However, this may decline as a result of expected good growth across the businesses,” Mr Moss said.

Proposed Non-Operating Holding Company (NOHC) restructure

Mr Moss said the proposed NOHC restructure process first announced at the Bank’s 2006 AGM is on schedule. As previously advised, the major driver for the restructure is the continued growth in Macquarie’s businesses, particularly its international businesses.

“There are industry discussions progressing with the Commonwealth Department of the Treasury on the required legislative changes for bank restructures, although the timing of required legislation is still uncertain,” he said.

Mr Moss noted that the Bank intends to submit a formal NOHC Authorisation Application to the Australian Prudential Regulation Authority in late February.

“Subject to legislative changes and regulatory approvals, we expect to submit a proposal to shareholders later in 2007 and we plan increased consultations with external counterparties over the coming months,” Mr Moss added.

The restructure will not result in any major changes to senior personnel or business strategy, nor does the Bank anticipate any significant release of capital, Mr Moss stated.

The Bank expects to announce its full year results on Tuesday 15 May , 2007.

For further information please contact:

Erica Sibree, Macquarie Bank Investor Relations +612 8232 5008

Matthew Russell, Macquarie Bank Public Relations +612 8232 4102

ⁱ 2H07 for the six month period ended 31 March 2007

ⁱⁱ 1H07 for the six month period ended 30 September 2006

ⁱⁱⁱ 2H06 for the six month period ended 31 March 2006