

CHAIRMAN'S ADDRESS
MACQUARIE BANK LIMITED 2000 ANNUAL GENERAL MEETING
10.30 AM, 27 JULY 2000
THE WESTIN SYDNEY, NO. 1 MARTIN PLACE, SYDNEY

WELCOME

GOOD MORNING LADIES AND GENTLEMEN.

LET ME START BY WELCOMING ALL SHAREHOLDERS TO MACQUARIE BANK'S ANNUAL GENERAL MEETING IN THE YEAR 2000.

IT IS PARTICULARLY APPROPRIATE THAT WE ARE MEETING AT NO 1 MARTIN PLACE SINCE IN 1999 THIS BUILDING BECAME THE LOCATION FOR THE BANK'S NEW HEADQUARTERS.

IT IS NOW 10.30 AND IN ACCORDANCE WITH THE NOTICE OF MEETING, I WOULD LIKE TO FORMALLY OPEN THE MEETING.

I AM ADVISED BY THE COMPANY SECRETARY THAT A QUORUM IS PRESENT.

AS WELL AS THOSE SHAREHOLDERS PHYSICALLY PRESENT HERE THIS MORNING, THE HOLDERS OF OVER 113 MILLION SHARES, OR APPROXIMATELY 66 PER CENT OF THE BANK'S ORDINARY SHARES, ARE REPRESENTED BY PROXIES.

YOUR DIRECTORS ARE ALL SEATED AT THE TABLE AND I WOULD LIKE TO INTRODUCE THEM TO ANY SHAREHOLDERS WHO DON'T ALREADY KNOW THEM.

ON MY RIGHT IS YOUR COMPANY SECRETARY, DENNIS LEONG.

NEXT TO HIM, THE DEPUTY CHAIRMAN BRYAN KELMAN, THEN KEVIN McCANN, LAURIE COX AND MARK JOHNSON.

ON MY LEFT IS YOUR MANAGING DIRECTOR ALLAN MOSS AND NEXT TO HIM, THE BANK'S CHIEF FINANCIAL OFFICER, GREG WARD, THEN HELEN NUGENT, JOHN ALLPASS AND BARRIE MARTIN.

I WOULD ALSO LIKE TO WELCOME HOLDERS OF THE BANK'S CONVERTING PREFERENCE SHARES AND MACQUARIE INCOME SECURITIES TO AN AGM FOR THE FIRST TIME.

ALTHOUGH THERE ARE NO RESOLUTIONS TODAY ON WHICH THESE HOLDERS MAY VOTE, WE APPRECIATE THE INTEREST THAT YOU HAVE SHOWN IN YOUR INVESTMENT.

AGENDA

THIS MORNING THERE ARE A NUMBER OF ITEMS ON OUR AGENDA.

FIRSTLY, I WANT TO TALK TO YOU ABOUT OUR PERFORMANCE SINCE I SPOKE TO YOU LAST YEAR AND TAKE YOU THROUGH SOME OF THE YEAR'S OPERATING HIGHLIGHTS.

IN PARTICULAR, I WILL HIGHLIGHT THE INTEGRATION OF THE BANKERS TRUST INVESTMENT BANK AND THE GROWTH OF OUR INTERNATIONAL ACTIVITIES.

AFTER THAT I WILL ADDRESS SOME OF THE RECENT CHANGES TO THE BANK'S OPERATIONS INCLUDING THE FORMATION OF A NEW OPERATING GROUP, CALLED THE FINANCIAL SERVICES GROUP AND THE RESTRUCTURING OF INVESTMENT SERVICES TO BECOME THE FUNDS MANAGEMENT GROUP.

I WILL THEN MOVE ON TO SPEAK ABOUT THE BANK'S FIRST QUARTER RESULTS AND CONCLUDE WITH AN OVERVIEW OF THE OUTLOOK FOR THE CURRENT YEAR.

WE WILL THEN MOVE ON TO THE FORMAL BUSINESS OF THE MEETING.

FINANCIAL HIGHLIGHTS

IT IS PLEASING TO REPORT THAT DURING THIS, OUR 30TH ANNIVERSARY YEAR AS AN ORGANISATION, COMPRISING 15 YEARS AS MACQUARIE BANK AND 15 YEARS AS HILL SAMUEL AUSTRALIA, WE ENJOYED ANOTHER RECORD RESULT.

CONSOLIDATED AFTER-TAX PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS FOR THE YEAR ENDING 31 MARCH 2000 WAS \$210.2 MILLION, AN INCREASE OF 27.4 PER CENT ON THE PREVIOUS CORRESPONDING PERIOD.

AT YEAR END, THE AFTER-TAX RETURN ON AVERAGE ORDINARY SHAREHOLDERS' FUNDS WAS 28.1 PER CENT, UP FROM 26.8 PER CENT LAST YEAR.

PRE-TAX PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS ALSO INCREASED SUBSTANTIALLY - UP 33 PER CENT ON LAST YEAR'S RESULT, TO \$289.3 MILLION.

THERE WAS CONTINUED GROWTH IN REVENUE FROM ALL CATEGORIES.

FEE AND COMMISSION INCOME REPRESENTED AROUND 56 PER CENT, AND TRADING INCOME COMPRISED APPROXIMATELY 23 PER CENT, OF TOTAL OPERATING INCOME.

EARNINGS FROM THE BANK'S INTERNATIONAL OPERATIONS INCREASED BY 31 PER CENT OVER THE YEAR.

THE LAST TIME WE MET, WE HAD JUST BEGUN THE PROCESS OF INTEGRATING THE BUSINESSES OF BANKERS TRUST INVESTMENT BANK.

AT THAT TIME, WE INDICATED THAT THE IMPACT OF THE ACQUISITION WAS LIKELY TO BE SMALL IN 1999/2000 BUT THAT IT WAS EXPECTED TO CONTRIBUTE TO EARNINGS PER SHARE BY AT LEAST 10 PER CENT FROM THEN ON.

IN 1999/2000, EARNINGS PER SHARE INCREASED BY 23 PER CENT TO 124.3 CENTS AND GROWTH WAS CONSISTENT WITH THAT IN PREVIOUS PERIODS.

SINCE THE BTIB BUSINESSES ARE NOW FULLY INTEGRATED, THEIR SPECIFIC CONTRIBUTION TO PROFIT IS INCREASINGLY DIFFICULT TO MEASURE.

HOWEVER, WE BELIEVE THAT THE TEN PER CENT FORECAST IS BEING ACHIEVED.

DIVIDENDS

ORDINARY SHAREHOLDERS WILL HAVE RECENTLY RECEIVED THE YEAR 2000 FINAL DIVIDEND.

THE DIVIDENDS FOR THE FULL YEAR TOTALLED 86 CENTS PER SHARE, UP FROM 68 CENTS IN THE PREVIOUS YEAR.

THE DIVIDEND WAS 65 PER CENT FRANKED.

CONVERTING PREFERENCE SHARE HOLDERS WILL BE AWARE THAT TWO DIVIDENDS HAVE NOW BEEN PAID IN ACCORDANCE WITH THE TERMS OF ISSUE OF THOSE SHARES.

CONVERTING PREFERENCE SHARE DIVIDENDS WERE ALSO 65 PER CENT FRANKED.

THE EXTENT OF FUTURE FRANKING WILL BE DEPENDENT ON THE BANK'S AUSTRALIAN TAXABLE INCOME BUT OVERALL THE BANK EXPECTS THAT FUTURE DIVIDENDS WILL BE FRANKED AT ABOUT THE SAME LEVEL AS THIS YEAR.

GROUP OPERATING HIGHLIGHTS 1999/2000

ALL GROUPS HAD SUCCESSFUL YEARS.

THEIR RELATIVE CONTRIBUTIONS TO THE BANK'S RESULTS ARE SET OUT IN THE SLIDE YOU CAN SEE ON THE SCREEN.

ASSET AND INFRASTRUCTURE'S STRONG RESULT REFLECTED GROWTH IN PROJECT AND STRUCTURED FINANCE TRANSACTIONS AND AN EXCEPTIONALLY STRONG PERFORMANCE FROM MACQUARIE TECHNOLOGY INVESTMENT BANKING AND ITS INVESTMENT IN LOOKSMART.

THE EQUITIES GROUP ALSO HAD A VERY SUCCESSFUL YEAR WITH GOOD RESULTS ACROSS ALL BUSINESSES AND A NOTABLE CONTRIBUTION FROM THE GROUP'S INTERNATIONAL ACTIVITIES.

THE TREASURY AND COMMODITIES GROUP AGAIN CONTRIBUTED A RECORD RESULT. THERE WERE SOLID CONTRIBUTIONS FROM EXISTING BUSINESSES COMBINED WITH CONTRIBUTIONS FROM BTIB, PARTICULARLY AGRICULTURAL COMMODITIES.

METALS AND MINING ALSO PERFORMED WELL DESPITE THE VOLATILITY IN GOLD MARKETS.

THE CORPORATE FINANCE GROUP ACHIEVED A STRONG INCREASE OVER THE PREVIOUS YEAR, DESPITE A FALL IN PERCENTAGE CONTRIBUTION TO THE BANK'S OVERALL PROFIT.

CORPORATE ADVISORY MAINTAINED ITS LEADING MARKET SHARES IN AUSTRALIA AND NEW ZEALAND, ADVISING OVER 110 CLIENTS ON 135 TRANSACTIONS.

THE EQUITY CAPITAL MARKETS DIVISION COMPLETED 39 TRANSACTIONS WORTH OVER \$4BILLION.

THE BANKING AND PROPERTY GROUP PERFORMED WELL DURING THE YEAR; DIVISIONS MAKING SIGNIFICANT CONTRIBUTIONS INCLUDED PROPERTY FINANCE, BANKING SOLUTIONS, MORTGAGES AND PROPERTY INVESTMENT MANAGEMENT.

THE INVESTMENT SERVICES GROUP'S CONTRIBUTION TO THE OVERALL RESULT WAS DOWN ON LAST YEAR DUE LARGELY TO SYSTEMS AND TECHNOLOGY EXPENSES.

HOWEVER, THE GROUP'S FUNDS UNDER MANAGEMENT ROSE TO OVER \$21 BILLION.

RECENT STRUCTURAL CHANGES

EFFECTIVE 1 JUNE THIS YEAR, THE BANK FORMED A NEW GROUP TO BE THE BANK'S FOCAL POINT FOR ALL MARKETING, SALES, ADVISORY AND CUSTOMER SERVICE ACTIVITIES FOR OUR RETAIL CLIENTS.

THE GROUP WILL BE KNOWN AS THE FINANCIAL SERVICES GROUP, OR "FSG", AND WILL COMPRISE AROUND 900 OF THE BANK'S STAFF.

THESE EMPLOYEES HAVE BEEN DRAWN LARGELY FROM THE INVESTMENT SERVICES, EQUITIES AND BANKING AND PROPERTY GROUPS.

FOLLOWING THE CHANGES, THE FORMER INVESTMENT SERVICES GROUP NOW FOCUSES ON FUNDS MANAGEMENT AND INSTITUTIONAL CLIENTS AND AS A RESULT HAS BEEN RENAMED THE FUNDS MANAGEMENT GROUP TO MORE APPROPRIATELY REFLECT THE ACTIVITIES WITH WHICH IT IS INVOLVED.

FINANCIAL SERVICES GROUP

THE BANK IS ALREADY A MAJOR AND SUCCESSFUL PARTICIPANT IN RETAIL FINANCIAL SERVICES - WE HAVE APPROXIMATELY 400,000 RETAIL CLIENTS AND OVER \$10 BILLION OF RETAIL FUNDS UNDER MANAGEMENT.

THROUGH MACQUARIE FINANCIAL SERVICES, WE OPERATE ONE OF AUSTRALIA'S LEADING RETAIL STOCKBROKERS WITH 15 OFFICES AND 200 CLIENT ADVISERS.

WE ARE CONVINCED THAT THERE ARE MAJOR REWARDS FOR THE BANK AND ITS SHAREHOLDERS FROM COMBINING THESE BUSINESSES IN ONE GROUP AND INVESTING IN FUTURE GROWTH.

WE SEE THE BENEFITS ARISING FROM INCREASED SALES, THROUGH THE PROVISION OF A BETTER AND MORE CO-ORDINATED SERVICE TO OUR CLIENT BASE, INCLUDING INTERMEDIARIES THAT ARE SERVICING THEIR OWN CUSTOMERS.

FSG WILL ALSO BENEFIT FROM BETTER COST MANAGEMENT AND A MORE INTEGRATED APPROACH TO TECHNOLOGY.

IT IS ALSO EXPECTED THAT THERE WILL BE ONGOING BENEFITS FOR THE WHOLESALE INVESTMENT BANKING BUSINESSES FROM AN ENHANCED POSITION IN RETAIL MARKETS.

AS WE HAVE ALREADY ANNOUNCED, A CONSIDERABLE INVESTMENT IN SYSTEMS WILL BE MADE.

AT THIS STAGE WE ANTICIPATE THAT THE ADDITIONAL INVESTMENT IN SYSTEMS REQUIRED TO ACHIEVE OUR OBJECTIVES WILL BE ABOUT \$50-60 MILLION, OVER A TWO TO THREE YEAR PERIOD.

AS CAN BE SEEN IN THIS SLIDE WHICH RESTATES THE CONTRIBUTIONS TO PROFIT THIS YEAR BASED ON THE BANK'S NEW STRUCTURE, THE BUSINESSES INVOLVED IN THE FINANCIAL

SERVICES GROUP CONTRIBUTED APPROXIMATELY 5 PER CENT OF THE BANK'S EARNINGS LAST YEAR.

THESE BUSINESSES ARE EXPECTED TO MAKE A SMALL LOSS OVER THE NEXT TWO YEARS, REFLECTING TECHNOLOGY, MARKETING AND OTHER BUSINESS IMPROVEMENT COSTS.

INCENTIVES TO FSG EMPLOYEES, INCLUDING BONUSES, DURING THE ESTABLISHMENT OF FSG, WILL BE TREATED AS A 'COST OF BUSINESS' AND NOT AS AN ALLOCATION OF THE PROFIT SHARING POOL.

WE CONSIDER THIS TO BE A MORE APPROPRIATE APPROACH TO STAFF REMUNERATION DURING THE ESTABLISHMENT PHASE OF FSG THAN THE ALTERNATIVE APPROACH OF SUBSIDISING FSG REMUNERATION FROM THE BONUS POOL AVAILABLE TO REMAINING STAFF.

THE IMPACT OF THIS APPROACH WILL HOWEVER BE TO INCREASE THE FSG LOSSES IN THE ESTABLISHMENT PHASE.

WE ANTICIPATE THE OVERALL IMPACT OF THIS TREATMENT ON EARNINGS PER SHARE TO BE MINIMAL - PROBABLY OF THE ORDER OF 1.5 CENTS PER SHARE IN EACH OF THE NEXT TWO YEARS.

WE EXPECT THAT, FOLLOWING THE IMPLEMENTATION PERIOD, THE GROUP'S CONTRIBUTION TO PROFIT WILL BE SUBSTANTIALLY IMPROVED AND THIS WILL IMPACT POSITIVELY ON EARNINGS PER SHARE IN FUTURE YEARS.

WHILE IT IS NOT POSSIBLE TO BE PRECISE ABOUT THE EARNINGS POTENTIAL, WE BELIEVE IT IS IN THE BANK'S INTEREST TO BUILD A STRONG EARNINGS BASE FROM RETAIL FINANCIAL SERVICES.

EMPLOYEES

AS YOU MIGHT EXPECT, GIVEN THE SIGNIFICANT STRUCTURAL CHANGES, THERE HAVE BEEN A NUMBER OF NEW APPOINTMENTS AND TRANSFERS.

IN THIS CONTEXT, I WOULD LIKE TO ANNOUNCE THAT IAN GRAHAM WILL JOIN THE BANK ON THE 1ST OF SEPTEMBER 2000 AS CHIEF INFORMATION OFFICER.

IAN, WHO HAS AN EXCELLENT RECORD IN SENIOR IT ASSIGNMENTS IN THE UK AND EUROPE, WILL REPLACE GAIL BURKE, WHO WILL NOW ASSUME THE ROLE OF HEAD OF OPERATIONS IN THE FINANCIAL SERVICES GROUP ON A FULL TIME BASIS, HAVING PERFORMED BOTH ROLES SINCE THE BEGINNING OF JUNE.

AS MENTIONED IN THE ANNUAL REPORT, GREG MATTHEWS AND DAVID DEVERALL WERE APPOINTED JOINT GROUP HEADS OF THE FUNDS MANAGEMENT GROUP, REPORTING TO RICHARD SHEPPARD.

A SEARCH IS UNDER WAY FOR THE GROUP HEAD OF THE FINANCIAL SERVICES GROUP.

THE BANK BELIEVES THIS IS A SPECIALIST ROLE REQUIRING SIGNIFICANT EXPERTISE AND RICHARD SHEPPARD, THE BANK'S DEPUTY MANAGING DIRECTOR, WILL CONTINUE AS ACTING GROUP HEAD UNTIL A SUITABLE EXECUTIVE IS SECURED.

AS WILL BE EVIDENT TO YOU, IT HAS BEEN AN EXTREMELY BUSY YEAR FOR MACQUARIE STAFF.

NOT ONLY HAVE WE UNDERTAKEN A MAJOR ACQUISITION AND GROWN STAFF NUMBERS DURING THE YEAR BY OVER 30 PER CENT, THERE HAS ALSO BEEN SIGNIFICANT INTERNATIONAL EXPANSION WITH FIVE NEW OFFICES OPENING.

THE BANK WAS ALSO PLEASED TO ANNOUNCE THE PROMOTION OF 27 EXECUTIVE DIRECTORS.

THIS IS A LARGE NUMBER OF PROMOTIONS COMPARED TO PREVIOUS YEARS AND REFLECTS THE SUCCESS AND SUBSTANTIAL GROWTH ACROSS A WIDE RANGE OF BUSINESSES.

WE RECOGNISE THAT THIS GROWTH PLACES SIGNIFICANT EXTRA PRESSURES ON STAFF AND WE THANK THEM, AND THOSE WHO SUPPORT THEM, FOR THEIR EFFORTS OVER THE YEAR.

I WOULD ALSO LIKE TO TAKE A FEW MOMENTS TO DRAW YOUR ATTENTION TO THE BANK'S EMPLOYEE SHARE OPTION SCHEME, WHICH HAS OPERATED SINCE 1995 WHEN IT REPLACED THE PARTLY PAID SHARE SCHEME.

THE OPTION SCHEME IS AN IMPORTANT ELEMENT IN THE WAY IN WHICH THE BANK ATTRACTS AND RETAINS HIGH CALIBRE EMPLOYEES.

THE OPTIONS CARRY NO VOTING OR DIVIDEND RIGHTS BUT THEY ALLOW THE HOLDER TO PARTICIPATE IN THE GROWTH OF THE BANK'S ORDINARY SHARE PRICE.

THE OBJECTIVE OF THE PLAN IS TO REWARD THE PERFORMANCE OF SENIOR EMPLOYEES BY PROVIDING THEM WITH AN EQUITY INTEREST IN THE BANK AND HENCE, FURTHER ALIGN THEIR INTERESTS WITH THOSE OF THE SHAREHOLDERS.

OPTIONS ARE GRANTED AT PREVAILING MARKET PRICES AND ARE SUBJECT TO A MINIMUM TWO YEAR VESTING PERIOD.

OPTIONS EXPIRE ON THE FIFTH ANNIVERSARY OF THE DATE OF GRANT.

OPTIONS WHICH ARE ISSUED TO EXECUTIVE DIRECTORS ARE SUBJECT TO PERFORMANCE RELATED HURDLES BEFORE THEY ARE ABLE TO BE EXERCISED.

THE EXERCISE CONDITIONS ARE LINKED TO THE EARNINGS PERFORMANCE OF THE BANK RELATIVE TO OTHER COMPANIES IN THE ASX ALL INDUSTRIAL INDEX.

UNDER THE RULES OF THE OPTION PLAN, THE TOTAL NUMBER OF SHARES WHICH THE BANK WOULD HAVE TO ISSUE IF ALL OPTIONS WERE EXERCISED CANNOT EXCEED 20 PER CENT OF THE BANK'S FULLY PAID SHARES (INCLUSIVE OF THE EFFECT OF EXERCISING THOSE OPTIONS).

DETAILS OF OPTIONS ON ISSUE CAN BE FOUND IN THE 2000 FINANCIAL STATEMENTS ON PAGE 48.

CAPITAL ADEQUACY AND RATINGS

MACQUARIE CONTINUES TO HAVE A STRONG TIER 1 CAPITAL ADEQUACY RATIO, INCREASING TO 14.5 PER CENT AT 31 MARCH THIS YEAR.

A STRONG CAPITAL ADEQUACY RATIO IS CRITICAL TO MACQUARIE BANK FOR TWO REASONS: IT ENHANCES OUR COMMERCIAL FLEXIBILITY AND IT ENSURES COUNTERPARTY CONFIDENCE.

INDEED THE BANK HAS ALREADY BENEFITED, HAVING RECEIVED AN UPGRADE FROM RATINGS AGENCY, MOODY'S INVESTORS SERVICE, FROM A3 TO A2, WHILE OUR SHORT-TERM RATING IMPROVED FROM P-2 TO P-1.

WE ARE CONSTANTLY REVIEWING OUR CAPITAL POSITION, IN CONSULTATION WITH THE RATINGS AGENCIES, AND WILL INFORM SHAREHOLDERS IF THERE ARE TO BE ANY CHANGES IN THIS REGARD.

BALANCE SHEET

ANOTHER IMPACT OF THE BTIB ACQUISITION WAS A SUBSTANTIAL INCREASE IN THE BANK'S BALANCE SHEET.

AT 31 MARCH THIS YEAR, TOTAL GROUP ASSETS WERE \$23.4 BILLION COMPARED TO \$9.5 BILLION AT YEAR END LAST YEAR.

HOWEVER, BTIB WAS NOT THE SOLE DRIVER OF THE INCREASE.

THE CONSOLIDATION OF MACQUARIE LIFE LIMITED'S STATUTORY FUNDS, AS REQUIRED BY NEW ACCOUNTING RULES, CONTRIBUTED \$2.9 BILLION TO THE OVERALL INCREASE.

AS PART OF THE BTIB ACQUISITION, DEUTSCHE BANK PROVIDED MACQUARIE WITH A A\$3 BILLION STAND-BY FACILITY TO ASSIST WITH THE FUNDING OF THE TRANSACTION.

THIS FACILITY EXPIRES AT THE END OF JULY, HAVING BEEN GRADUALLY REPLACED WITH PERMANENT FUNDING MEASURES.

SHARE PRICE

AT MARKET CLOSE YESTERDAY, THE BANK'S SHARE PRICE WAS \$26.10.

THE PRICE GIVES MACQUARIE A MARKET CAPITALISATION OF \$4.5 BILLION PLACING US WITHIN THE TOP 30 COMPANIES ON ASX, AT NUMBER 24.

THOSE OF YOU WHO HAVE ATTENDED OUR AGM REGULARLY WILL BE FAMILIAR WITH THIS NEXT SLIDE.

IT ILLUSTRATES THE VALUE OF AN INVESTMENT IN ORDINARY SHARES IN MACQUARIE SINCE WE BECAME A BANK.

ASSUMING THAT ALL DIVIDENDS WERE REINVESTED, \$1,000 INVESTED IN 1985 WAS WORTH OVER \$65,800 ON 26 JULY.

THIS REPRESENTS A COMPOUND RATE OF RETURN OF 31 PER CENT PER ANNUM.

THE BANK IS EXTREMELY PROUD TO HAVE DELIVERED TO ITS SHAREHOLDERS A RATE OF RETURN OF THIS MAGNITUDE.

MACQUARIE BANK FOUNDATION

SHAREHOLDERS ARE NOT THE ONLY STAKEHOLDERS TO BENEFIT FROM MACQUARIE'S CONTINUED STRONG PERFORMANCE.

MACQUARIE AND ITS STAFF ARE COMMITTED TO SUPPORTING A DIVERSE RANGE OF ORGANISATIONS WORKING TO IMPROVE THE COMMUNITIES IN WHICH WE WORK.

THE BANK MAINTAINS A SPECIAL INTEREST IN EDUCATION, THE ARTS, HEALTH CARE AND MEDICAL RESEARCH, WELFARE AND THE ENVIRONMENT.

IN ORDER TO SUPPORT THESE AREAS THE BANK ESTABLISHED THE MACQUARIE BANK FOUNDATION 21 YEARS AGO.

FUNDS ARE ACCUMULATED THROUGH A FORMULA BASED ON THE BANK'S ANNUAL PROFITS AND SINCE ITS INCEPTION, DONATIONS MADE BY THE FOUNDATION EXCEED \$4 MILLION.

SOME EXAMPLES OF ORGANISATIONS AND ACTIVITIES THAT THE FOUNDATION SUPPORTED DURING 1999/2000 WERE THE SALVATION ARMY, MISSION AUSTRALIA, THE MULTIPLE SCLEROSIS SOCIETY, THE INDIGENOUS FESTIVALS AUSTRALIA LTD, THE QUEENSLAND INTERNATIONAL GRADUATE SCHOLARSHIP AND OUR OWN GRADUATE MANAGEMENT SCHOLARSHIP.

FIRST QUARTER AND OUTLOOK

I WOULD NOW LIKE TO TALK TO YOU ABOUT THE FIRST QUARTER RESULT AND OUTLOOK FOR THE CURRENT YEAR.

WE HAVE BEGUN THE YEAR STRONGLY WITH GENERALLY GOOD TRANSACTION FLOWS AND FIRST QUARTER RESULTS ARE SOMEWHAT AHEAD OF THE PREVIOUS CORRESPONDING QUARTER.

HOWEVER, IT IS TOO EARLY TO DRAW ANY DEFINITIVE CONCLUSIONS FROM THIS ENCOURAGING START AND THE OUTLOOK FOR THE FULL YEAR IS, AS USUAL, DIFFICULT TO FORECAST.

THE BANK'S STRONG GROWTH IN STAFF NUMBERS AND CONTINUED INVESTMENT IN SYSTEMS WILL ENSURE THAT WE WILL REMAIN WELL POSITIONED TO GROW IN THE MARKETS IN WHICH WE OPERATE.

WE EXPECT THAT STAFF GROWTH DURING 2000/2001 WILL MODERATE FROM LAST YEAR'S LEVELS.

FURTHER, THE INCREASE IN OUR COMMITMENT TO THE RETAIL FINANCIAL SERVICES MARKET WILL MEAN SUBSTANTIAL INVESTMENT IN SYSTEMS.

AS I HAVE ALREADY INDICATED, WE EXPECT FSG TO OPERATE AT A SMALL LOSS FOR THE NEXT ONE TO TWO YEARS.

THE ASSET AND INFRASTRUCTURE GROUP WILL CONTINUE TO CONTRIBUTE STRONGLY TO THE BANK'S PROFITABILITY AND THE PIPELINE FOR DEALS IN THE CURRENT YEAR IS PROMISING.

ASSET AND INFRASTRUCTURE'S FIRST QUARTER RESULT WAS GOOD, BUT BELOW THE VERY STRONG FIRST QUARTER ACHIEVED LAST YEAR.

A POTENTIAL CONTRIBUTOR TO AIG'S RESULT IN THE CURRENT YEAR COULD BE THE FURTHER REALISATION OF THE LOOKSMART HOLDING, ONE THIRD OF WHICH WAS SOLD EARLIER THIS CALENDAR YEAR.

THE BANK CURRENTLY HOLDS 1.5 MILLION SHARES IN LOOKSMART WHICH , AS OF YESTERDAY, HAD A VALUE OF APPROXIMATELY A\$65 MILLION.

EQUITIES GROUP HAS HAD A SOLID START TO THE YEAR.

HOWEVER, LOWER CONTRIBUTIONS FROM STOCKBROKING HAVE BEEN MORE THAN OFFSET BY STRONG RESULTS IN EQUITY MARKETS.

EQUITY MARKET'S EXISTING BUSINESSES IN AUSTRALIA, HONG KONG AND SOUTH AFRICA ARE LIKELY TO CONTRIBUTE STRONGLY OVER THE YEAR.

IN ADDITION THE DIVISION'S JOINT VENTURE WITH THE INDUSTRIAL BANK OF JAPAN HAS THE POTENTIAL TO GENERATE STRONG REVENUES.

TREASURY AND COMMODITIES EXPERIENCED A PARTICULARLY STRONG FIRST QUARTER, WITH REVENUES WELL UP ON THE CORRESPONDING PERIOD LAST YEAR.

THE BUSINESSES BROUGHT ACROSS AS PART OF THE BTIB ACQUISITION HAVE SIGNIFICANTLY ENHANCED THE CAPABILITIES OF THE GROUP AND PROVIDE THEM WITH GROWTH OPPORTUNITIES GOING FORWARD.

WE ARE PARTICULARLY PLEASED WITH THE AGRICULTURAL COMMODITIES DIVISION WHICH PROVIDES RISK SOLUTIONS TO THE AGRICULTURAL INDUSTRY GLOBALLY, MAINLY THROUGH OVER-THE-COUNTER HEDGING TRANSACTIONS.

DEBT MARKETS IS ALSO LIKELY TO MAKE A SIGNIFICANT CONTRIBUTION OVER THE COMING YEAR, PROVIDING A FULL RANGE OF DEBT PRODUCTS AND SERVICES TO CORPORATE AND GOVERNMENT CLIENTS.

THE PIPELINE FOR THE CORPORATE FINANCE GROUP IS ALSO STRONG.

HOWEVER, THE GROUP DID NOT MAKE A SIGNIFICANT CONTRIBUTION IN THE FIRST QUARTER, PRIMARILY DUE TO THE TIMING OF FEE INCOME.

THE DOWNTURN IN EQUITIES MARKET ACTIVITY WILL HAVE AN IMPACT ON OUR UNDERWRITING BUSINESS IN THE CURRENT HALF.

BANKING AND PROPERTY HAS HAD AN EXTREMELY GOOD FIRST QUARTER, WELL UP ON THE SAME TIME LAST YEAR.

ALL ACTIVITIES IN PROPERTY, SECURITISATION AND BANKING ARE PERFORMING WELL.

THE FUNDS MANAGEMENT GROUP HAS PERFORMED STRONGLY IN THE FIRST QUARTER, WITH GOOD PERFORMANCE IN LISTED PROPERTY, CASH, FIXED INTEREST AND ENHANCED EQUITIES.

AUSTRALIA AS A FINANCIAL CENTRE

THE BANK IS AWARE THAT THE UNPRECEDENTED ATTENTION ON SYDNEY DURING THE OLYMPIC PERIOD WILL CREATE OPPORTUNITIES TO HIGHLIGHT AUSTRALIA'S ATTRIBUTES AS AN INTERNATIONAL BASE FOR THE EXPORT OF FINANCIAL SERVICES.

THE OLYMPIC WEEKS ARE AN IDEAL STAGE ON WHICH TO SHOWCASE AUSTRALIA'S SECURE BUSINESS ENVIRONMENT, STRONG RELATIONSHIPS WITH ASIA, WORLD CLASS INFRASTRUCTURE AND TECHNOLOGICAL ADVANCEMENT AND OUR DEREGULATED AND OPEN MARKETPLACE.

IN ADDITION, A HIGHLY EDUCATED, MULTICULTURAL WORKFORCE, HIGH QUALITY LIVING ENVIRONMENT AND THE LOW COST OF PROVIDING PROFESSIONAL SERVICES ARE ALL GOOD REASONS TO BASE A RANGE OF INTERNATIONAL BUSINESSES IN AUSTRALIA.

AUSTRALIA'S ATTRACTIVENESS HAS BEEN DEMONSTRATED BY A MORE THAN DOUBLING OF FINANCIAL SERVICES EXPORT INCOME OVER THE PAST FIVE YEARS TO A CURRENT LEVEL OF \$1.5 BILLION ANNUALLY.

MACQUARIE BANK ALONE HAS INCREASED ITS INTERNATIONAL INCOME SIX FOLD OVER THE PAST FIVE YEARS.

WITH THE OPENING IN RECENT WEEKS OF MACQUARIE BANK OFFICES IN TOKYO, FRANKFURT AND CAPE TOWN, OUR OFFSHORE OFFICES NOW OUTNUMBER AUSTRALIAN OFFICES AT 22 VERSUS 21.

THE LAST FEW YEARS HAVE SEEN SIGNIFICANT CHANGES IN THE TAXATION AND REGULATORY ENVIRONMENT FOR AUSTRALIAN COMPANIES AND FOR FINANCIAL INSTITUTIONS IN PARTICULAR, WITH FURTHER CHANGES PROPOSED.

TAXATION AND REGULATORY CHANGES WHICH HAVE IMPROVED AUSTRALIA'S COMPETITIVENESS ON THE WORLD STAGE WOULD ALSO BE EVIDENT TO BUSINESS VISITORS AND THE MEDIA DURING THE OLYMPIC PERIOD.

THESE INCLUDE A LOWER CORPORATE TAX RATE, CORPORATE TAX REFORM, ABOLITION OF BANK TRANSACTIONS TAXES AND THE ELIMINATION OF STAMP DUTIES ON SHARE TRANSACTIONS.

WE HAVE ALSO SEEN MARKED PROGRESS IN CORPORATIONS AND SECURITIES LAW REFORM.

IN RESPECT OF THE GOODS AND SERVICES TAX, IT IS EXPECTED THAT THE BANK WILL INCUR SOME ADDITIONAL COSTS DURING THE CURRENT FINANCIAL YEAR DUE TO ITS INABILITY TO RECOVER ALL THE GST PAID ON INPUTS.

HOWEVER THESE COSTS ARE NOT MATERIAL TO THE BANK'S RESULTS.

RISK MANAGEMENT

FINALLY, IT IS IMPORTANT TO RE-ITERATE THAT THE BANK CONTINUES TO BELIEVE THAT ITS RISK MANAGEMENT CULTURE IS A KEY COMPONENT OF SUCCESS.

RISK MANAGEMENT IS THE SUBJECT OF A HIGH LEVEL OF MANAGEMENT ATTENTION IN ALL OUR BUSINESSES AS WELL AS IN THE RISK MANAGEMENT DIVISION ITSELF.

VOLATILE MARKETS CONTINUE TO OFFER OPPORTUNITIES TO INSTITUTIONS ABLE TO MANAGE THE ASSOCIATED RISKS AND WE ARE HAPPY WITH OUR ABILITY IN THIS REGARD.

IN THE LONG TERM, WE REMAIN CONFIDENT THAT OUR STRONG MARKET POSITIONS, DIVERSITY OF BUSINESSES AND RIGOROUS RISK MANAGEMENT PROCEDURES WILL STAND US IN GOOD STEAD.