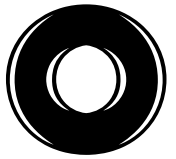
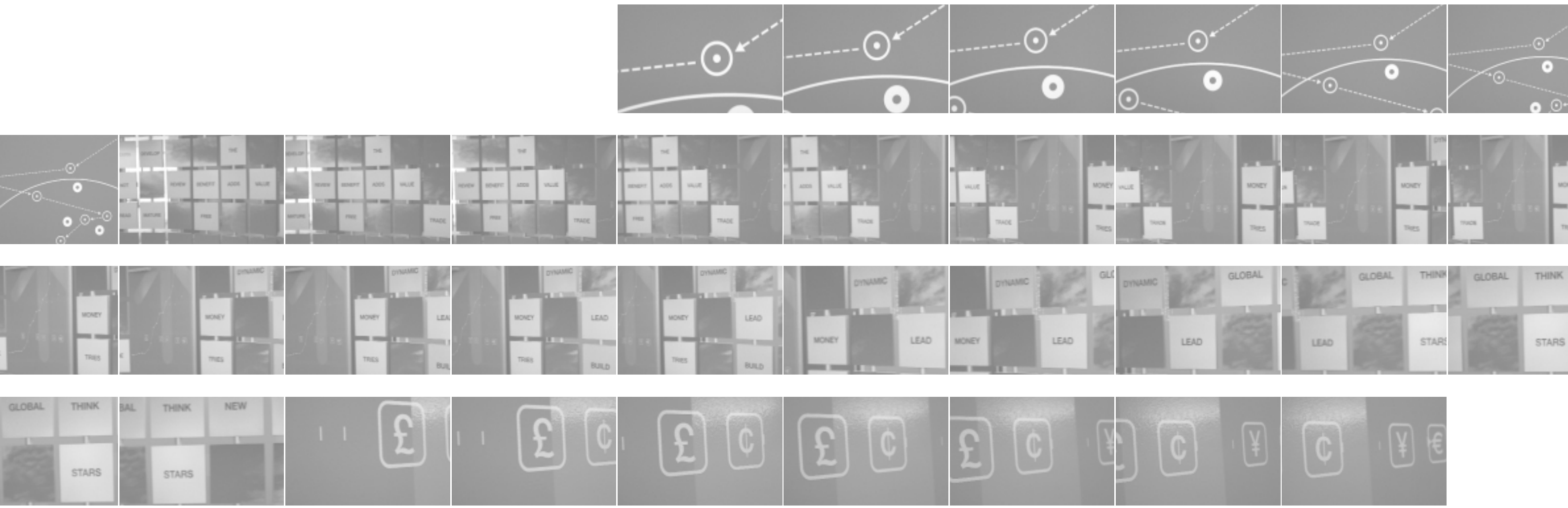


MACQUARIE BANK LIMITED
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MACQUARIE
BANK



01 Risk Management Report

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Risk is an integral part of the Macquarie Bank Group's businesses. Management of that risk is therefore critical to the Group's continuing profitability. Strong independent prudential management has been a key to the Bank's success over many years. Where risk is assumed it is within a calculated and controlled framework.

The main risks faced by the Group are market risk, credit risk, liquidity risk, operational risk, and legal compliance and documentation risk. It is the responsibility of the Risk Management Division to assess and manage these risks within the Macquarie Bank Group.

It is the Group's policy that any new transaction type, market, dealing operation or business is analysed in order to understand fully the risk involved. Once a decision is made that the risk is acceptable, the Bank puts in place limits and an extensive range of procedures to monitor the risk. These limits and procedures are periodically reviewed by the Board.

The principles followed by Macquarie Bank in risk management are:

- *Independence* – Risk Management Division is independent of the operating areas of the Group, reporting directly to the Managing Director and the Board.
- *Centralised prudential management* – Risk Management Division's responsibility covers the whole of the Macquarie Bank Group. Therefore it can assess risks from a Group-wide perspective and ensure a consistent approach across all operating areas.
- *'No limits – no dealing'* – Operating areas cannot undertake new businesses or activities, offer new products, or enter new markets, without first consulting Risk Management Division. The Division quantifies and assesses all risks and sets prudential limits. These limits are approved by the Executive Committee and ratified by the Board where appropriate.
- *Continuous assessment* – The Division continually reviews risks to account for changes in market circumstances and the Group's operating areas.
- *Frequent monitoring* – Centralised systems exist to allow the Division to monitor credit and market risks daily. Risk Management Division staff liaise closely with operating and support Divisions.
- *Quality* – To maintain the high standards required of Risk Management, quality staff are essential. Risk Management Division is therefore committed to the recruitment of the highest quality people at all levels of experience and expertise.

Market risk

Market risk is the exposure to adverse changes in the value of the Group's trading portfolios as a result of changes in market prices or volatility. The Group is exposed to the following risks in each of the major markets in which it trades:

- foreign exchange markets: changes in spot and forward exchange rates and the volatility of exchange rates;
- interest rate markets: changes in the level, shape and volatility of yield curves, the basis between different interest rate securities and derivatives and credit margins;
- equities markets: changes in the price and volatility of individual equities, equity baskets and equity indices;
- bullion markets: changes in the price and volatility of gold and silver;
- commodity markets: changes in the price and volatility of base metals and agricultural commodities.

Risk Management Division measures exposures in all markets for each dealing desk and for markets in aggregate. Risk exposures are measured on derivatives and underlying assets and liabilities in the same market, together.

Risk Management Division sets limits for all exposures in all markets. Limits on the Group's aggregate market risk are approved by the Group's Executive Committee. The aggregate exposure to each market is limited to a small percentage of the Group's shareholders' funds. Trading limits are not targets and actual exposures in normal day-to-day trading tend to be well below limits.

The Division monitors market risks against limits daily and provides a report of market exposures to senior management every day.

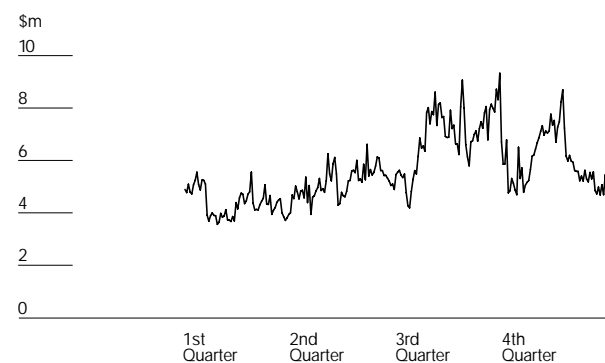
Market risk limits are set on the following bases:

- a wide range of price and volatility scenarios, including comprehensive worst case, or stress, scenarios. These scenarios are measured every day and form the cornerstone of the risk management approach
- a statistically based Value At Risk (VAR) measure which, to correspond with the Australian Prudential Regulation Authority's (APRA) capital adequacy standard, is based on a 10-day holding period and a 99 per cent confidence level. Risk Management Division performs back testing on the VAR results, that is a comparison of actual daily trading profits and losses against the daily VAR. VAR is calculated using a Monte Carlo simulation approach
- volume and open position limits are set on a large number of market instruments and positions in order to constrain concentration risk and to avoid the accumulation of risky, illiquid positions.

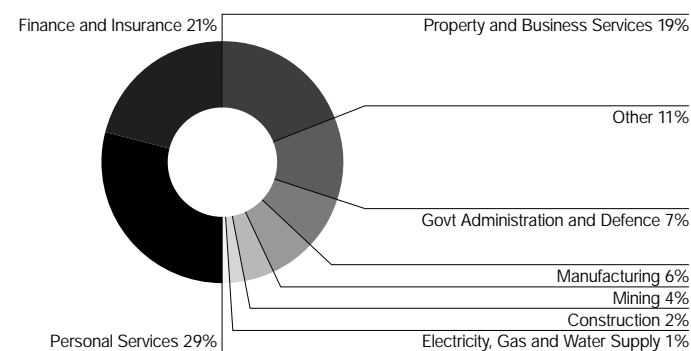
The table below shows the average and highest VAR over the year for the major markets in which Macquarie operates. The VAR shown in the table is based on a one day holding period. The aggregate VAR is on a correlated basis. The graph shows the aggregate VAR on this basis over the past year.

	2001 Average A\$m	2001 Maximum A\$m	2000 Average A\$m	2000 Maximum A\$m
Value At Risk (VAR) Figures for Year ended March 2001				
Equities	5.21	10.46	3.06	6.20
Interest Rates	1.82	3.63	2.83	7.58
Foreign Exchange and Bullion	0.76	1.90	0.87	2.48
Commodities	0.76	1.63	0.28	1.02
Aggregate	5.65	10.38	4.51	7.95

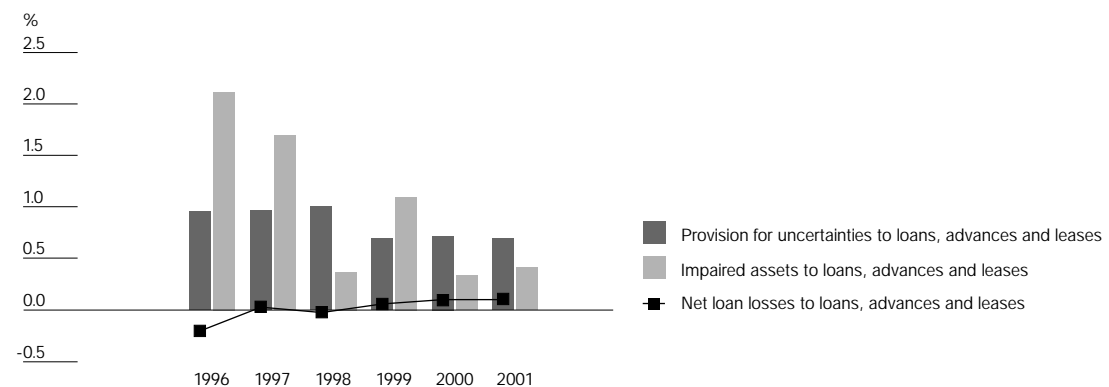
Value at Risk



Loans, Advances and Leases by Sector 2000



Ratio of Provisions and Impaired Assets to Loans, Advances and Leases



Credit risk

Credit risk arises from both lending and trading activities. In the case of trading activity credit risk reflects the possibility that the trading counterparty will not be in a position to complete the contract once the settlement becomes due. The resultant credit exposure will be a function of the movement of prices over the period of the underlying contract.

Systems for the assessment of potential credit exposures exist for each of the Group's trading activities. As with market exposures, no credit exposures are entered into without appropriate analysis. Limits are set on the basis of these potential exposures.

The Group's philosophy on credit risk reflects the principle of separating prudential control from operational management. Responsibility for approval of credit exposures is delegated to specific individuals. All approvals reflect two principles: a requirement for dual sign-off and a requirement that, above relatively small figures, all credit exposures must be approved outside the business line proposing to undertake them. Most credit decisions are therefore taken within the Risk Management Division.

All limits are reviewed at least once a year, or more frequently if necessary, to ensure that the most current information available on counterparties is taken into account.

All credit exposures are monitored regularly against limits. Credit exposures which fluctuate through time are monitored daily. These include off-balance sheet exposures such as swaps, forward contracts and options, which are assessed using sophisticated valuation techniques.

To mitigate credit risk, the Group makes increasing use of margining and other forms of collateral or credit enhancement techniques where appropriate.

The Group's policies to control credit risk include avoidance of unacceptable concentrations of risk either to any economic sector or to an individual counterparty. Large exposures to single counterparties or groups of counterparties are generally restricted unless the credit is of the highest standard or there is a high level of security.

The Group has modest, though growing, exposures offshore. There are small amounts held in nostro balances and exposures to OECD and some Asia Pacific, Latin American and African countries. Where appropriate the country risk is covered by political risk insurance.

Liquidity risk

Liquidity risk is recognised as one of the most important issues for Macquarie Bank. The following is a description of the Bank's liquidity policy which is reviewed regularly and has been agreed with the Australian Prudential Regulation Authority.

The Bank classifies as 'core' assets, those which are not capable of speedy liquidation and as 'trading' assets those which can be readily liquidated. Core assets must be funded with term borrowings, which are required to have a range of maturities and sources. This ensures that the Bank can continue operating even in tight liquidity conditions.

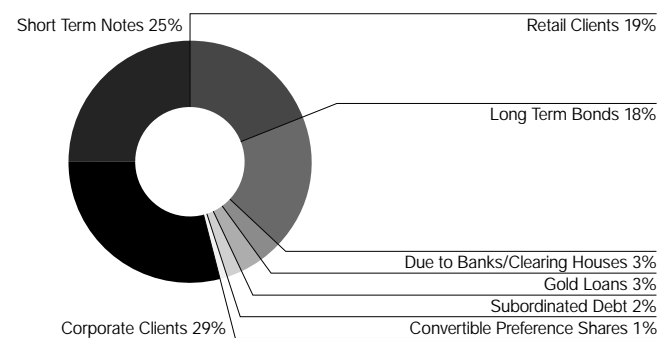
In addition, the Bank holds further term borrowings which are invested in liquid assets, to provide a liquidity buffer. This buffer is equivalent to a percentage of total funded assets plus other contingent funding requirements, such as potential margin requirements from large market price movements.

The Bank continues to place strong emphasis on diversity of funding sources. Whilst domestic retail, institutional depositors and the domestic corporate bond market are important sources of funding, the Bank's Debt Instrument Programme has been increased this year and continues to be used extensively in Europe and Asia, particularly for term funding.

Liquidity requirements are managed on a day-to-day basis by the Treasury and Commodities Group which is responsible for ensuring funding is readily available for all the Bank's transactions.

Risk Management Division monitors liquidity on a daily basis to ensure the funding profile meets liquidity policies.

Funding by Source



Balance Sheet

An important part of the Risk Management Division's role is to ensure that the Group's policy of prudent growth in assets is maintained. Quality assets are recognised as one of the most important elements of the Group's continuing success. Assets are continually monitored to ensure that all credit and other prudential requirements are met.

As at 31 March 2001, loan assets (including loans and advances, balances due from governments, balances due from financial institutions and lease receivables) amounted to \$7,769 million, a 19 per cent increase over last year. Loan assets represent 28 per cent of total assets, being the same proportion of loan assets as last year.

Non-loan assets generally consist of highly liquid marketable securities including a substantial proportion of Commonwealth and Semi-Government securities and bank bills. The level of these securities can change substantially from day to day as a result of changing client needs, market prices or trading strategies. Most securities are held to hedge forward commitments or positions in derivative instruments. As described in the market risk section, the market risk on these securities is assessed in conjunction with their related off-balance sheet market related contracts.

Capital Adequacy

The Group's capital adequacy ratio at 31 March 2001, measured under APRA's guidelines, amounted to 16.03 per cent (2000: 18.38%). The Tier 1 ratio was 12.90 per cent (2000: 14.54%).

The Group's capital base was made up of:

	31 March 2001 \$m	31 March 2000 \$m
Tier 1		
Share Capital and Reserves, less goodwill and other deductions	1,272	1,237
Tier 2		
Macquarie Income Securities (excess over level allowable for Tier 1 capital)	141	140
Subordinated Debt	256	320
Less Amortised Amount	(25)	(38)
General Reserve for Losses	54	47
Less Associated Tax Benefits @ 36%	(18)	(17)
	408	452
Total Capital	1,680	1,689
Less Investment in and receivables from non-consolidated subsidiaries	(99)	(124)
Net Capital Base	1,581	1,565

Balance Sheet Risk-Weighted Assets – March 2001

	Amount \$m	Risk Weight %	Risk Adjusted Asset \$m
Cash, Bullion, Australian Government, RBA and Trading Book Securities	8,450	0	0
Local Govt, Non-Commercial Public Trading Enterprises, Banks	1,193	20	238
Mortgage Loans, Stockbroking Debtors	1,663	50	832
Other Assets – 100% Risk Weighting	5,497	100	5,497
– 0% Risk Weighting	11,045	0	0
Total Assets	27,848		6,567
Less: Attributable to C2 Subsidiaries			102
Total Balance Sheet Risk-Weighted Assets			6,465

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Risk Management
Report continued

Macquarie Bank Limited
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Macquarie Bank Limited
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Off-Balance Sheet Risk-Weighted Assets – March 2001

	Nominal Amount \$m	Credit Conversion Factor	Credit Equivalent Amount	Risk Weight %	Risk Adjusted Asset \$m
Guarantees, Letters of Credit and Endorsements	493	50–100	371	0–100	256
Forward Purchases and Undrawn Commitments	2,378	0–100	705	0–100	382
Foreign Exchange, Interest Rate and other market related transactions	170,243	N/A	5,339	0–50	1,936
Total Off-Balance Sheet Risk-Weighted Assets					2,573

Market Risk – March 2001

	99% 10 day VAR* \$m	Multiplier	Capital Charge \$m	Conversion Factor	Risk Adjusted Asset \$m
Interest Rates – General Market Risk	4				
Equities – General Market Risk	12				
Equities – Specific Risk	5				
Foreign Exchange and Bullion	2				
Commodities	2				
Aggregate	17	3	51	12.5	638
Surcharge for Equities Event & Default Risk			5	12.5	67
Debt Securities Specific Risk (Standard Method)			9	12.5	117
Total Market Risk Risk-Weighted Assets					822
Total Risk-Weighted Exposure					9,860

* Average for the 60 days to 31 March 2001

Operational risk

Macquarie Bank faces operational risks which could lead to reputation damage, financial loss or regulatory risk in the event of an operational failure or error. Responsibility for management of operational risk lies, in the first instance, with the business unit concerned.

Controls over operational risk are designed to ensure transactions are appropriately approved and that checks and balances exist over their processing, recording and reconciliation. These include procedures and controls which ensure that all transactions are accurately recorded and properly reflected in internal systems and records and that they are confirmed on a timely basis.

Consistent formalised controls operate across the Bank over the management of specific operational risks. Tight control is achieved through specialised centralised departments, formal approval processes, and Bankwide policies and procedures. Project teams and special interest groups with clear reporting lines are formed to manage or focus on one-off or common risks where appropriate.

Operational Risk Review (ORR) oversees and monitors operational risk. It also coordinates activity across the Bank which allows for the sharing of knowledge. In addition, formal management committees exist and there are a number of other groups focused on specific operational risks or categories of risk.

A Group-wide process of operational risk self assessment by management has been established to provide further consistency and focus on operational risk management.

Macquarie's approach to managing risk through the above framework allows new risks to be identified and dealt with in a proactive manner, as well as regularly reviewing existing risks.

ORR's role is to ensure that operational risk management procedures in Macquarie are adequate. ORR undertakes independent reviews of risk throughout the Group, reporting directly to the Board Audit and Compliance Committee and senior management on issues or weaknesses.

Legal risk

Macquarie Bank actively manages legal risks to its businesses. Legal risks include the risk of breaches of applicable laws and regulatory requirements, actual or perceived breaches of obligations of fidelity or confidence to clients and counterparties, unenforceability of counterparty obligations, or the inappropriate documentation of contractual relationships.

Each of the Group's businesses is responsible for developing and implementing its own legal risk management procedures. Risk Management Division's Compliance function assesses legal compliance risk from a Group-wide perspective and works closely with the legal, compliance and prudential teams throughout the Group to ensure appropriate standards are applied consistently to legal risks and compliance. Overseas expansion, the development of new businesses and regulatory developments, domestically and overseas, are key areas of focus within this role.

International offices

Macquarie Bank's policy is that international offices are subject to the same prudential controls that apply in Australia. Before an international office can be set up, or undertake new activities, Risk Management Division analyses the proposed activities and procedures to ensure appropriate prudential controls are in place. Risk Management Division staff monitor and routinely visit overseas offices to ensure compliance with prudential controls. In addition, Risk Management Division staff are located in certain of the larger offices.

Where international offices undertake trading activities, daily reports are produced in Sydney and all exposures, both credit and market, are monitored against established limits.

08 Profit and Loss Statements

Macquarie Bank Limited
and Its Controlled Entities

Macquarie Bank Limited
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For the Financial Year ended 31 March 2001

	Notes	Consolidated 2001 \$'000	Consolidated 2000 \$'000	Bank 2001 \$'000	Bank 2000 \$'000
Net interest and similar income	2	179,145	186,830	36,398	84,101
Trading income	2	429,108	268,145	414,932	214,907
Net fee and commission income	2	855,447	661,417	439,096	304,923
Net gain arising from BTIB acquisition and integration		-	3,797	-	3,797
Other operating (expenses)/income	2	(7,817)	66,286	73,922	197,665
Total Operating Income	2	1,455,883	1,186,475	964,348	805,393
Employment expenses	2	(774,564)	(625,652)	(558,536)	(476,851)
Occupancy expenses	2	(76,190)	(52,496)	(55,612)	(36,176)
Non-salary technology expenses	2	(69,195)	(56,183)	(54,101)	(45,692)
Other operating expenses	2	(210,616)	(150,727)	(42,655)	(30,135)
Total Operating Expenses	2	(1,130,565)	(885,058)	(710,904)	(588,854)
Operating profit before income tax		325,318	301,417	253,444	216,539
Income tax (expense)/benefit	4	(53,352)	(79,006)	16,799	(60,421)
Operating Profit after Income Tax		271,966	222,411	270,243	156,118
Outside equity interest in operating loss after income tax		1,310	189	-	-
Distribution paid or provided on Macquarie Income Securities	5	(31,312)	(12,352)	-	-
Operating Profit after Income Tax attributable to Ordinary Equity Holders		241,964	210,248	270,243	156,118
Retained earnings at the beginning of the financial year		472,303	405,537	230,942	222,127
Amounts transferred (to)/from reserves	26	-	-	(58,892)	-
Adjustment resulting from change in accounting policy for investment in associates		-	(610)	-	-
Adjustment resulting from change in accounting policy for consolidation of life insurance business		-	4,431	-	-
Less: Dividends paid or provided on ordinary shares	5	(163,292)	(147,303)	(163,292)	(147,303)
Retained Earnings at the end of the Financial Year		550,975	472,303	279,001	230,942
		Cents Per Share			
Earnings per Share	6	138.88	124.33		

The accompanying notes form part of this Financial Report.

09 Balance Sheets

Macquarie Bank Limited
and Its Controlled Entities

Macquarie Bank Limited
2001 Financial Report

As at 31 March 2001

	Notes	Consolidated 2001 \$'000	Consolidated 2000 \$'000	Bank 2001 \$'000	Bank 2000 \$'000
Assets					
Cash and liquid assets		243,588	219,227	173,518	131,965
Bullion		119,691	84,194	119,691	84,194
Due from clearing houses		51,000	106,723	36,466	91,029
Securities purchased under resale agreements	7	3,323,365	1,951,273	3,136,528	1,951,273
Securities	8	4,352,937	4,657,572	3,994,626	4,305,915
Due from other financial institutions	9	455,996	959,153	397,458	953,124
Due from governments	10	696,125	648,886	450,498	445,333
Loans and advances	11, 24	6,231,236	4,571,619	4,923,113	3,798,649
Lease receivables	12	385,813	338,660	70,759	107,630
Other assets	13	8,979,366	6,720,213	8,804,451	5,640,001
Life Company investment assets	14	2,579,798	2,909,991	-	-
Due from controlled entities		-	-	1,935,861	1,273,708
Investments	15	146,568	65,629	66,515	40,302
Fixed assets	16	108,347	88,736	99,991	82,207
Future income tax benefit	17	174,035	67,140	115,102	87,561
Investments in controlled entities	18	-	-	1,157,493	1,063,206
Total Assets		27,847,865	23,389,016	25,482,070	20,056,097
Liabilities					
Due to other financial institutions	19	517,700	756,234	485,737	755,132
Due to clearing houses		13,020	2,506	-	943
Securities sold under repurchase agreements	20	1,700,702	987,549	1,700,702	987,549
Securities borrowed	21	760,254	1,710,266	1,103,401	1,799,860
Deposits		3,865,031	3,961,703	3,831,416	3,741,991
Due to governments		254,933	220,605	-	-
Negotiable certificates of deposit		2,411,870	2,556,400	2,411,870	2,556,400
Notes payable	22	5,587,870	2,515,199	5,667,870	2,595,199
Other liabilities	23	8,094,855	5,789,891	7,557,313	4,884,301
Life Company policy liabilities		2,535,488	2,802,796	-	-
Due to controlled entities		-	-	787,193	845,516
Provision for dividend and distributions	5	97,856	95,394	91,452	89,336
Provision for income tax		24,031	28,841	6,219	11,536
Provision for deferred income tax	17	137,864	170,716	-	-
Provision for employee entitlements		49,139	39,777	47,831	39,545
Provision for uncertainties	24	54,258	46,810	51,607	44,159
Total Liabilities excluding Loan Capital		26,104,871	21,684,687	23,742,611	18,351,467
Loan Capital					
Subordinated debt	25	255,546	319,459	255,546	319,459
Converting Preference Shares	25	150,000	150,000	150,000	150,000
Total Liabilities		26,510,417	22,154,146	24,148,157	18,820,926
Shareholders' Equity					
Ordinary share capital	26	391,635	372,815	391,635	372,815
Macquarie Income Securities	26	391,303	390,053	391,303	390,053
Investment revaluation reserve	26	-	-	271,974	241,361
Retained earnings		550,975	472,303	279,001	230,942
Total Shareholders' Equity		1,333,913	1,235,171	1,333,913	1,235,171
Outside equity interests in controlled entities		3,535	(301)	-	-
Total Liabilities, Shareholders' Equity and Outside Equity Interests		27,847,865	23,389,016	25,482,070	20,056,097

The accompanying notes form part of this Financial Report.

10 Statements of Cash Flows

For the Financial Year ended 31 March 2001

Macquarie Bank Limited
and Its Controlled Entities

Macquarie Bank Limited
2001 Financial Report

	Consolidated 2001 \$'000	Consolidated 2000 \$'000	Bank 2001 \$'000	Bank 2000 \$'000
Cash Flows From Operating Activities				
Interest and bill discounts received	1,017,413	825,409	884,502	723,721
Interest and other costs of finance (paid)	(790,258)	(633,441)	(781,679)	(683,209)
Dividends and trust income received	71,432	151,543	168,198	48,791
Fees, royalties and commissions received	956,544	717,400	493,060	325,840
Fees and commissions (paid)	(132,184)	(134,260)	(58,615)	(42,639)
Net (payments and proceeds)/receipts from dealing in financial instruments and commodities	(1,518,219)	(487,855)	(1,355,749)	19,950
Customer loans (granted)/repaid	(1,111,478)	750,162	(1,295,895)	687,097
Recovery of loans previously written off	327	1,621	203	1,621
Leases repaid/(granted)	34,857	(28,571)	160,363	64,350
Net increase/(decrease) in money market and other deposit accounts	2,525,856	(565,785)	2,646,764	(538,422)
Employment expenses (paid)	(727,237)	(531,752)	(528,844)	(383,032)
Net receipts/(payments) from debtors and creditors (inclusive of Goods & Services Tax)	24,950	(172,837)	(47,257)	(13,013)
Income taxes (paid)	(141,305)	(97,784)	(27,193)	(38,000)
Premiums received by Life Company	1,738,731	1,919,741	-	-
(Policy payments) by Life Company	(2,118,384)	(2,239,578)	-	-
Net Cash Flows from Operating Activities	27 (168,955)	(525,987)	257,858	173,055
Cash Flows From Investing Activities				
Payment for acquisition of business, net of cash acquired	27 -	(59,872)	-	(59,872)
Payment for acquisition of controlled entities, net of cash acquired	27 -	(17,536)	-	(29,536)
Investments in controlled entities	-	-	(115,320)	-
Proceeds on sale of controlled entities	27 81,577	-	38,678	-
Payments for investments by Life Company	(7,348,977)	(6,137,440)	-	-
Proceeds from realisation of investments by Life Company	7,619,273	6,362,474	-	-
Payments for fixed assets	(66,636)	(116,269)	(61,152)	(91,010)
Proceeds on sale of fixed assets	5,012	30,145	4,918	27,217
Net Cash Flows from Investing Activities	290,249	61,502	(132,876)	(153,201)
Cash Flows From Financing Activities				
Borrowings advanced to Life Company	-	10,202	-	-
Transfer of profits to shareholders' equity by Life Company	-	11,500	-	-
Proceeds from the issue of ordinary share capital	59,665	127,090	54,820	127,090
On-market buyback of ordinary share capital	(36,000)	-	(36,000)	-
Proceeds from issue of Converting Preference Shares	-	150,000	-	150,000
Proceeds from issue of Macquarie Income Securities	-	400,000	-	-
Repayment of subordinated debt	(85,000)	-	(85,000)	-
Transaction costs from issue of debt and equity securities	-	(15,329)	-	(15,329)
Dividends and distributions paid	(203,242)	(130,115)	(172,276)	(123,820)
Net Cash Flows from Financing Activities	(264,577)	553,348	(238,456)	137,941
Net Increase/(Decrease) in Cash Held	(143,283)	88,863	(113,474)	157,795
Cash at the beginning of the financial year	321,500	232,637	220,107	62,312
Cash at the end of the Financial Year	27 178,217	321,500	106,633	220,107

The accompanying notes form part of this Financial Report.

11 Notes to and forming part of the Financial Report

As at 31 March 2001

Macquarie Bank Limited
and Its Controlled Entities

Macquarie Bank Limited
2001 Financial Report

1. Principal Accounting Policies

Macquarie Bank Limited was incorporated in the Australian Capital Territory on 26 April 1983. The significant accounting policies adopted in the preparation of this financial report and that of the previous financial year, except as otherwise stated, are:

(i) Basis of Preparation

This financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views, the Corporations Law and the Banking Act.

The financial report has been prepared on the basis of historical cost, except where otherwise stated. In assessing recoverable amounts for particular classes of assets the relevant cash flows have not been discounted to their present values unless otherwise stated.

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

Change in Accounting Policy

From 1 April 2000, in relation to significant projects, Macquarie Bank Limited and its controlled entities has adopted a policy of capitalising costs incurred in developing software. Capitalised costs will be amortised over their useful lives, usually for a period of three years, but not greater than five years in the case of longer-term projects.

Operating profit after income tax for the financial year ended 31 March 2001 increased by \$4,811,000 as a result of the change in accounting policy.

(ii) Consolidation

This financial report comprises the financial report of Macquarie Bank Limited ("the Bank"), being the parent entity, and its controlled entities (together, "the economic entity"). A controlled entity is one in which the Bank has the capacity to directly or indirectly control decision-making in relation to financial and operating policies, so as to require that entity to conform with the Bank's objectives. The effects of all transactions between entities in the economic entity have been eliminated in full. Outside equity interests in the results and equity of controlled entities are shown separately in the consolidated Profit and Loss Statement and Balance Sheet respectively.

Where control of an entity was obtained during the financial year, its results have been included in the consolidated Profit and Loss Statement from the date on which control commenced. Where control of an entity ceased during the financial year its results are included for that part of the financial year during which control existed.

The shareholders' and statutory funds of Macquarie Life Limited ("the Life Company"), a controlled entity of the Bank, have been consolidated in accordance with AASB 1038 "Life Insurance Business".

(iii) Foreign Currencies

All foreign currency assets and liabilities, including those belonging to controlled entities located overseas, have been translated into Australian currency at the rates of exchange prevailing at balance date, with all relevant movements recognised in the Profit and Loss Statement. Transactions in foreign currencies have been recorded at the rates of exchange prevailing at transaction dates. Gains or losses arising on transactions and from dealing in foreign exchange have been recognised in the Profit and Loss Statement.

Forward foreign exchange contracts, entered into in the normal course of business, are accounted for as specified in the accounting policy note, "Financial Instruments", below.

Foreign currency liabilities are generally matched by assets or derivative financial instruments in the same currency. The total amounts of unmatched foreign currency liabilities and assets and consequent foreign currency exposures are not material.

(iv) Interest Income

Interest income from loans and deposits is brought to account on an accruals basis.

Accrued coupons, amortisation of premiums and accretion of discounts on trading securities are brought to account as interest income on a yield to maturity basis in accordance with the term of the security.

(v) Dividend Income

Dividends earned on trading securities are recognised in the Profit and Loss Statement as trading income based upon the "ex dividend" market value of the relevant security.

Dividends received from other securities, investments and controlled entities are recognised in the Profit and Loss Statement as other operating income from the time that the dividend has been declared.

As at 31 March 2001

1. Principal Accounting Policies continued

(vi) Fees

Corporate advice and other fee income is brought to account as work is completed and a fee agreed with clients.

Fees earned from financing transactions are deferred and brought to account as interest income on a straight line basis over the term of the financing arrangement. Where the financing exposure is sold down to investors, the previously unearned amount is brought to account as fee income.

(vii) Income Tax

The principles of the liability method of tax effect accounting have been adopted whereby the income tax expense for the financial year is calculated by reference to the accounting profit after allowing for permanent differences between accounting profit and taxable income. The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation.

Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

No provision is made for additional taxes which could become payable if certain reserves of the foreign controlled entities were to be distributed. It is not expected that any substantial amount will be distributed from these reserves in the foreseeable future.

No capital gains tax has been provided on the revaluation of investments in controlled entities because it is not expected that any such liability will be crystallised.

(viii) Bullion

Physical holdings of bullion are purchased with the intent that they be sold during the course of the day to day trading operations.

Holdings are recorded at market value, which approximates their net fair value.

(ix) Repurchase and Reverse Repurchase Agreements

Securities purchased under resale agreements represent assets of the economic entity. The difference between the purchase price and the resale price is brought to account as interest income over the term of the agreement.

Securities sold under repurchase agreements represent liabilities of the economic entity. The difference between the sale price and the repurchase price is brought to account as interest expense over the term of the agreement.

(x) Securities

Trading securities are purchased with the intent that they be sold during the course of day to day trading operations. They are recorded at market value, which approximates their net fair value. Any realised gains or losses from the sale of trading securities and unrealised gains or losses arising from market value adjustments are recognised in the Profit and Loss Statement.

Other securities are purchased with the intent that they be held for a period of time, though not necessarily until maturity. They are recorded at the lower of cost and recoverable amount. Where the Directors are of the opinion that there has been a permanent diminution in the value of these securities, they are written down to their recoverable amount. Such adjustments are recognised in the Profit and Loss Statement.

Securities borrowed include equities and fixed interest securities that are transacted in the normal course of business. They are recorded at market value, which approximates their net fair value. Any unrealised gains or losses arising from market value adjustments are recognised in the Profit and Loss Statement.

(xi) Credit Review

All loans and advances are subject to recurring review and are classified according to the assessed level of credit risk. All bad debts are written off in the period in which they are recognised and specific provisions are made for impaired assets.

Impaired assets are classified as follows:

(a) Non-accrual with:

- (i) no performance (representing assets on which no income is being received);
- (ii) partial performance (representing assets on which income, which is less than the legal entitlement, is received); and
- (iii) full performance with provisions (representing assets on which full income is being received but where a provision against loss has been made);

(b) Restructured assets (where the original loan agreement has been modified); and

(c) Other real estate owned (representing assets acquired through enforcement of security).

(xii) Finance Lease Receivables

Finance lease income is brought to account progressively over the life of the lease consistent with the outstanding investment balance.

(xiii) Property Purchased for Development and Resale

Property purchased for development and resale represents properties purchased for the specific purpose of being held for development and sale. Property is stated at the lower of its purchase cost or recoverable amount.

(xiv) Investments

Investments in non-related entities intended for long-term retention are shown at cost. Where the Directors are of the opinion that there has been a permanent diminution in the value of investments, the carrying amount of such investments is written down to its recoverable amount.

(xv) Investments in Joint Ventures and Associates

Investments in associates and incorporated joint ventures are accounted for on consolidation using the equity method. The economic entity's share of profit and losses is recognised as revenue in the consolidated Profit and Loss Statement. Associates are those entities over which the consolidated entity exercises significant influence but not control.

The economic entity's investment in joint ventures, where supported by put options, is recognised on the Balance Sheet. Where commercialisation income can be reliably estimated it has been brought to account to the extent that it is supported by the put option. The economic entity has the right, supported by the put options, to unwind the joint ventures as amounts due from research and development joint ventures.

(xvi) Fixed Assets

Fixed assets are stated at cost less accumulated depreciation. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets at the following rates:

Art	1%
Personal computers	50%
Other computer equipment *	33.3%
Furniture and fittings	10%
Plant and equipment	20%
Leasehold improvements **	20%

* Includes any purchased software which has been capitalised.

** Where remaining lease terms are less than 5 years, leasehold improvements are depreciated at a higher rate to ensure they are fully depreciated by the end of the lease term.

Depreciation rates are reviewed annually and reassessed in the light of commercial and technological developments.

The costs of repairs and maintenance are expensed as incurred.

Where the useful life of an asset or class of assets has been reduced or effectively ended then the book value of such asset or class of assets or their useful lives would be reduced as appropriate. Adjustments arising from such restatements and on disposal of fixed assets are recognised in the Profit and Loss Statement. Fixed assets are not carried in the balance sheet in excess of their recoverable amount.

(xvii) Investments in Controlled Entities

Where the Directors are of the opinion that there has been a permanent diminution in the value of investments in controlled entities, the carrying amount of such investments is written down to its recoverable amount. Differences between the book value of net assets and cost of controlled entities are included in the Investment Revaluation Reserve. No capital gains tax has been provided on the revaluation as it is not expected that any such liability will crystallise.

(xviii) Securitisation of Assets

The economic entity securitises assets via the issue of bonds to investors through unrelated trusts and companies. Fees earned in respect of services provided in connection with the management of the trusts and companies are brought to account on an accrual basis. All credit and other risks associated with securitisation of the assets are assumed by the investors on purchase of the bonds.

(xix) Provision for Employee Entitlements

Liabilities for unpaid salaries and salary related costs and annual leave are recorded in the Balance Sheet at the current salary rates. Liabilities for long service leave are accrued from an employee's start date and are recorded at current salary rates. This approximates the net fair value.

(xx) Provision for Uncertainties

The economic entity makes a general provision for uncertainties to cover the inherent risk of loss arising from non-recovery of amounts receivable or contingent exposures. An assessment as to the adequacy of the provision is made at the end of each reporting period. Should the provision be considered inadequate, either due to losses applied against the provision or to changes in the size or risk characteristics of the economic entity's portfolio, a charge would be made in the Profit and Loss Statement in the current financial year to adjust the provision.

As at 31 March 2001

1. Principal Accounting Policies continued

(xxi) Converting Preference Shares

The Bank has on issue 1,500,000 Converting Preference Shares with a face value of \$100 each. The shares are classified as debt in accordance with AASB 1033 "Presentation and Disclosure of Financial Instruments".

Dividends paid on these shares are classified as interest expense in the Profit and Loss Statement.

(xxii) Macquarie Income Securities

The Bank has on issue 4,000,000 Macquarie Income Securities with a face value of \$100 each. The securities are classified as equity in accordance with AASB 1033 "Presentation and Disclosure of Financial Instruments".

Distributions paid on these securities are classified as distributions in the Profit and Loss Statement.

(xxiii) Significant Terms and Conditions of Financial Assets and Liabilities

The significant terms and conditions in relation to the economic entity's financial assets and liabilities, additional to information presented in other notes to and forming part of the financial report, are detailed below:

Due from and to clearing houses – balances are settled on the next working day.

Amounts due from and to brokers and clients – balances are receivable/payable within three working days of the relevant date of trade.

Amounts due from and to controlled entities – balances arise from lending and borrowing activities between the Bank and its controlled entities, and are repayable on demand. No security has been provided in respect of these lending activities. Relevant external collateral/security is obtained at the controlled entity level.

(xxiv) Statement of Cash Flows

For the purposes of the Statement of Cash Flows, cash includes cash and liquid assets balances due to and from the clearing bank and balances due to and from clearing houses.

(xxv) Financial Instruments

Financial instruments include futures, forwards and forward rate agreements, swaps and options in the interest rate, foreign exchange, commodity and equity markets. The economic entity uses these derivative instruments for trading activities and in conjunction with the management of existing assets and liabilities (refer Note 38 – Objectives of Holding and Issuing Derivative Financial Instruments).

Transactions that are entered into for trading purposes or used as hedges of other trading instruments are carried at market value, which approximates their net fair value with resultant gains and losses recognised in the Profit and Loss Statement.

Transactions entered into for hedging purposes or used to modify the interest rate characteristics of specific assets and liabilities are brought to account on the same basis as the income or expense which is recognised on the hedged instrument or the underlying asset or liability.

(xxvi) Life Company Business

The following are key accounting policies in relation to the Life Company.

Fees and Charges

Fees and charges are recognised as revenue when services are provided to policyholders. This is commonly referred to as the "Margin on Services" methodology in accordance with Actuarial Standards AS 1.02 "Valuation of Policy Liabilities" issued by the Life Insurance Actuarial Standards Board.

Investment Assets

Investments are measured at net market value which approximates their fair value. Market value is determined based on quoted prices for listed securities and market yields for fixed interest and discount securities. Changes in net market values are recognised in the Profit and Loss Statement in the financial year in which the changes occur.

Policy Liabilities

Policy liabilities are measured as the accumulated benefits available to policyholders, calculated in accordance with AS 1.02.

(xxvii) Funds Under Management

Within the economic entity certain controlled entities act as a custodian and/or single responsible entity for a number of investment funds and trusts. As at 31 March 2001, the investment funds and trusts, both individually and collectively, have an excess of assets over liabilities. The value of funds managed by the economic entity exceeds \$30.9 billion (2000: \$26.3 billion).

These investment funds and trusts have not been consolidated in the financial report because individual entities within the economic entity do not have control of the funds and trusts as defined by AASB 1024 "Consolidated Accounts".

Commissions and fees earned in respect of the economic entity's funds management activities are brought to account on an accruals basis.

	Consolidated 2001 \$'000	Consolidated 2000 \$'000	Bank 2001 \$'000	Bank 2000 \$'000
2. Operating Profit				
Operating profit before income tax has been determined after crediting as income/(charging as expense):				
Interest and Similar Income				
Interest income received/receivable:				
– controlled entities	–	–	33,988	61,317
– other entities	939,203	856,479	810,273	711,523
Interest expense paid/payable:				
– controlled entities	–	–	(26,284)	(20,965)
– other entities	(839,337)	(741,079)	(821,417)	(703,772)
Lease rental income	79,279	71,430	39,838	35,998
Total Net Interest and Similar Income	179,145	186,830	36,398	84,101
Trading Income				
Arising from trading instruments	294,808	169,790	323,407	147,223
Arising from other securities	(592)	–	(2,100)	–
Net gains on foreign currency trading	63,602	38,298	63,602	38,298
Dividends received/receivable	71,290	60,057	30,023	29,386
Total Trading Income	429,108	268,145	414,932	214,907
Fee and Commission Income				
– revenue	968,236	778,500	496,622	348,787
– expense	(131,095)	(132,613)	(57,526)	(43,864)
	837,141	645,887	439,096	304,923
Life Insurance Business				
– revenue	34,785	36,254	–	–
– expense	(16,479)	(20,724)	–	–
Total Net Fee and Commission Income	855,447	661,417	439,096	304,923
Total Net Gain arising from BTIB acquisition and disposal	–	3,797	–	3,797
Other Operating Income/(Expenses)				
Share of associates' operating profit/(loss) after income tax for the financial year (refer Note 29)	(315)	3,745	–	–
Dividends received/receivable:				
– controlled entities (refer Note 28)	–	–	135,343	147,815
Loss on sale of controlled entities (refer Note 27)	–	–	(51,578)	–
Provision for uncertainties (refer Note 24)	(7,448)	2,820	(7,448)	2,820
Specific provisions (refer Note 24):				
– recovery of loans previously written off	327	1,621	203	1,530
– recovery of loans previously provided for	1,217	443	1,086	443
– specific provisions for loan losses	(6,337)	(7,151)	(5,375)	(6,836)
– loan losses written off	(3,277)	(1,564)	(1,583)	(221)
Life Company investment income on surplus				
in statutory funds	3,217	6,435	–	–
Other income	18,350	67,667*	15,770	57,161*
Other expenses	(13,551)	(7,730)	(12,496)	(5,047)
Total Other Operating Income/(Expenses)	(7,817)	66,286	73,922	197,665
Total Operating Income	1,455,883	1,186,475	964,348	805,393

* Includes gain of \$52 million from partial realisation of investment in LookSmart Inc.

As at 31 March 2001

	Consolidated 2001 \$'000	Consolidated 2000 \$'000	Bank 2001 \$'000	Bank 2000 \$'000
2. Operating Profit continued				
Employment Expenses				
Provision for annual leave	(5,781)	(4,124)	(4,178)	(2,952)
Provision for long service leave	(4,195)	(2,495)	(3,088)	(1,462)
Salary and salary related costs, superannuation, performance-related profit share and staff training *	(764,588)	(619,033)	(551,270)	(472,437)
Total Employment Expenses	(774,564)	(625,652)	(558,536)	(476,851)
Occupancy Expenses				
Operating lease rental	(55,139)	(37,680)	(41,140)	(26,540)
Depreciation: furniture, fittings & leasehold improvements	(11,392)	(7,354)	(8,478)	(4,614)
Other	(9,659)	(7,462)	(5,994)	(5,022)
Total Occupancy Expenses	(76,190)	(52,496)	(55,612)	(36,176)
Non-Salary Technology Expenses				
Depreciation: computer equipment	(23,594)	(19,957)	(23,462)	(19,491)
Other	(45,601)	(36,226)	(30,639)	(26,201)
Total Non-Salary Technology Expenses	(69,195)	(56,183)	(54,101)	(45,692)
Other Operating Expenses				
Auditors' remuneration **				
– auditors' remuneration for auditing services	(1,696)	(879)	(476)	(636)
– auditors' remuneration for other services ***	(3,705)	(3,608)	(2,092)	(3,608)
Total auditors' remuneration	(5,401)	(4,487)	(2,568)	(4,244)
Other depreciation: communication equipment	(5,050)	(4,149)	(5,041)	(4,018)
Gain/(loss) on sale of fixed assets	(1,977)	723	(1,469)	41
Other operating expenses	(198,188)	(142,814)	(33,577)	(21,914)
Total Other Operating Expenses	(210,616)	(150,727)	(42,655)	(30,135)
Total Operating Expenses	(1,130,565)	(885,058)	(710,904)	(588,854)

* Includes an amount for performance related profit share which has been provided for but not paid.

** The Bank has borne the audit fees of its Australian controlled entities.

*** Other services provided by auditors include consulting services \$97,000 (2000: \$653,000), technical reviews \$124,000 (2000: \$689,000), project management \$Nil (2000: \$995,000), taxation and accounting advice and other compliance services \$2,245,000 (2000: \$730,000) and GST consulting \$1,239,000 (2000: \$541,000).

3. Segment Information

The economic entity operates as an investment bank principally in Australia. Some of the economic entity's services and products are offered in locations outside of Australia where they are predominantly managed as part of the Australian divisional businesses, not as separate geographic locations. Certain segment information is available in Note 40 – Concentrations of Deposits and Borrowings and in Note 43 – Credit Risk and Net Fair Value.

	Consolidated 2001 \$'000	Consolidated 2000 \$'000	Bank 2001 \$'000	Bank 2000 \$'000
4. Income Tax (Expense)/Benefit				
Prima facie tax on operating profit is reconciled to the income tax expense charged in the Profit and Loss Statements as follows:				
Income tax (expense)/benefit on operating profit *	(113,693)	(108,510)	(88,438)	(77,954)
Add/(deduct) tax effect of permanent differences:				
Effect of change in tax rates	(3,299)	(1,099)	804	(38,598)
Rebateable dividend income	1,604	3,260	47,376	54,764
Dividend paid/provided on Converting Preference Shares	(3,875)	(2,391)	(3,875)	(2,391)
Distribution paid/provided on Macquarie Income Securities	10,956	4,447	–	–
Recoupment of group tax losses	15,890	12,955	–	–
Rate differential on offshore income	28,024	11,038	18,934	7,530
Net effect of different tax rates for Life Company	3,918	3,319	–	–
Other items	7,123	(2,025)	41,998	(3,772)
	60,341	29,504	105,237	17,533
Total Income Tax (Expense)/Benefit	(53,352)	(79,006)	16,799	(60,421)

* Prima facie income tax on operating profit is calculated at the rate of 36% on profit from 1 April to 30 September 2000 and at a rate of 34% on profits from 1 October 2000 to 31 March 2001 (2000: 36%).

The economic entity has a tax year ending on 30 September.

A further corporate tax rate reduction from 34% to 30% comes into effect for the economic entity on 1 October 2001. The deferred tax balances of the economic entity have been restated as at 31 March 2001 after taking into account the likely reversal date and nature of the underlying balances. It is expected that these deferred tax balances will be subject to further restatement as at 30 September 2001.

The economic entity is currently subject to an audit by the Australian Taxation Office. Some amended assessments have been issued by the Australian Taxation Office for the 1988 to 1993 years. Other issues of potential taxation liability have been raised but have not yet been subject to the issue of amended assessments. Objections have been lodged in respect of the amended assessments and the other issues of alleged liability are also disputed. In preparing this financial report the Directors have considered the information currently available and have taken legal advice as to the economic entity's tax liability and in accordance with this believe that provisions made are adequate.

As at 31 March 2001

	Consolidated 2001 \$'000	Consolidated 2000 \$'000	Bank 2001 \$'000	Bank 2000 \$'000
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5. Dividends and Distributions Paid or Provided

Ordinary Share Capital				
Dividends paid	71,840	57,967	71,840	57,967
Dividends provided	91,452	89,336	91,452	89,336
Total Dividends Paid or Provided	163,292	147,303	163,292	147,303

The interim ordinary dividend paid during the financial year ended 31 March 2001 was 70% franked at 34% (2000: 65% franked at 36%). The final ordinary dividend provided as at 31 March 2001 is 70% franked at 30% (2000: 65% franked at 34%).

	Cents per Share			
Cash Dividends per Share	93.0	86.0	93.0	86.0

Converting Preference Shares

Dividends on these shares of \$11,070,000 (2000: \$6,642,000) have been charged to the Profit and Loss Statement as interest expense (refer Note 25 – Loan Capital). The dividend paid on 15 June 2000 was 65% franked at 36%, the dividend paid on 15 December 2000 was 70% franked at 34% and the dividend to be paid on 15 June 2001 will also be 70% franked at 34% (2000: 65% franked at 36%).

Franking Credits

Franking Credits Available for the Subsequent Financial Year at the 30% (2000: 34%) Corporate Tax Rate	19,254	10,336	–	–
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The franked portion of dividends proposed as at 31 March 2001 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax payable at the end of the financial year. The above amounts represent the balances of the franking accounts as at the end of the financial year, adjusted for:

- (a) franking credits that will arise from the payment of income tax payable as at the end of the financial year;
- (b) franking debits that will arise from the payment of dividends proposed as at the end of the financial year; and
- (c) franking credits that may be prevented from being distributed in subsequent financial years.

Macquarie Income Securities				
Distributions paid	24,908	6,294	–	–
Distributions payable	6,404	6,058	–	–
Total Distributions Paid or Payable	31,312	12,352	–	–

The distributions paid/payable in respect of the Macquarie Income Securities are classified as distributions on an equity instrument in accordance with AASB 1033 "Presentation and Disclosure of Financial Instruments".

	Consolidated 2001 \$'000	Consolidated 2000 \$'000	Bank 2001 \$'000	Bank 2000 \$'000
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6. Earnings Per Share

Cents per Share

Basic Earnings per Share	138.88	124.33		
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Diluted earnings per share is not materially different from basic earnings per share.

Reconciliation of Earnings Used in the Calculation of Earnings per Share

Operating profit after income tax	271,966	222,411		
Outside equity interests in operating loss after income tax	1,310	189		
Distribution paid or provided on Macquarie Income Securities	(31,312)	(12,352)		
Total Earnings Used in the Calculation of Earnings per Share	241,964	210,248		

Weighted Average Fully Paid Ordinary Shares Used in the Calculation of Earnings per Share Number

Weighted average fully paid ordinary shares	174,029,958	167,959,529		
Weighted average fully paid equivalents of partly paid shares	198,425	1,151,771		

Total Weighted Average Fully Paid Ordinary Shares Used in the Calculation of Earnings per Share	174,228,383	169,111,300		
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The weighted average number of fully paid ordinary shares has been calculated using potential ordinary shares in accordance with AASB 1027 "Earnings per Share".

Information Concerning the Classification of Securities

Partly paid shares carry the right to participate in dividends as detailed in Note 34 – Employee Equity Participation, and to that extent they have been recognised as equivalents of fully paid ordinary shares in the determination of basic earnings per share.

As at 31 March 2001

	Consolidated 2001 \$'000	Consolidated 2000 \$'000	Bank 2001 \$'000	Bank 2000 \$'000
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7. Securities Purchased Under Resale Agreements

Government securities	1,893,789	1,094,210	1,893,789	1,094,210
Foreign OECD government securities	88,590	17,342	88,590	17,342
Corporate securities	7,653	32,819	7,653	32,819
Equity securities	1,333,333	806,902	1,146,496	806,902
Total Securities Purchased under Resale Agreements	3,323,365	1,951,273	3,136,528	1,951,273

8. Securities

Trading Securities				
Commonwealth government bonds	329,824	930,531	329,824	930,531
Treasury notes	73,469	292,150	73,469	292,150
Other government securities	300,654	629,072	300,654	629,072
Other OECD government securities	34,876	63,198	–	63,198
Bank bills	801,387	187,617	545,583	130,444
Certificates of deposit	612,532	392,408	453,607	–
Quoted equity securities	1,197,777	915,687	1,184,908	936,485
Other debt securities	805,162	1,072,018	690,766	973,536
Total Trading Securities	4,155,681	4,482,681	3,578,811	3,955,416

Other Securities

Other government securities	10,065	10,077	–	–
Units in unit trusts	91,190	34,126	47,383	6,888
Equity securities	1,095	1,095	1,058	1,058
Other securities due from controlled entities	–	–	351,435	326,615
Other securities	94,906	129,593	15,939	15,938
Total Other Securities	197,256	174,891	415,815	350,499
Total Securities	4,352,937	4,657,572	3,994,626	4,305,915

9. Due From Other Financial Institutions

Gross finance lease receivables	8,283	72,834	8,283	72,834
Less unearned income	(726)	(4,489)	(726)	(4,489)
	7,557	68,345	7,557	68,345
Balance due from clearing bank	–	23,818	–	23,818
Loans and advances	448,439	866,990	389,901	860,961
Total Due from Other Financial Institutions	455,996	959,153	397,458	953,124

	Consolidated 2001 \$'000	Consolidated 2000 \$'000	Bank 2001 \$'000	Bank 2000 \$'000
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10. Due From Governments

Balances due from governments includes loans and lease receivables due from Commonwealth, State and Local governments and related enterprises in Australia.

Gross lease receivables	562,785	554,531	306,682	345,068
Less unearned income	(35,932)	(30,274)	(22,825)	(22,325)
	526,853	524,257	283,857	322,743
Loans and advances	169,272	124,629	166,641	122,590
Total Due from Governments	696,125	648,886	450,498	445,333

11. Loans and Advances (Impaired Assets)

Loans and advances include impaired assets which are classified as:

Non-Accrual Loans Without Specific Provisions for Impairment	7,886	3,973	6,644	3,211
Non-accrual loans with specific provisions for impairment	27,135	16,566	24,482	15,999
Less specific provisions	(11,790)	(7,721)	(10,911)	(7,407)
Total Non-Accrual Loans with Specific Provisions for Impairment	15,345	8,845	13,571	8,592
Real estate acquired through the enforcement of security *	12,380	13,473	12,380	13,472
Less specific provisions	(3,880)	(3,480)	(3,880)	(3,479)
Total Real Estate Acquired Through the Enforcement of Security	8,500	9,993	8,500	9,993
Total Net Impaired Assets	31,731	22,811	28,715	21,796

Revenue Recognised in Respect of Impaired Assets

Interest on non-accrual loans	251	175	127	94
Other revenue	28	194	28	194
Total Revenue Recognised in Respect of Impaired Assets	279	369	155	288

Revenue Forgone on Impaired Loans

Interest	3,321	2,864	2,903	2,812
Other revenue	31	4	31	4
Total Revenue Forgone on Impaired Loans	3,352	2,868	2,934	2,816

* The real estate acquired through the enforcement of security are commercial properties located in Melbourne. The amounts recorded represent the net fair values of the properties. The Bank does not use the properties as part of its operations.

As at 31 March 2001

	Consolidated 2001 \$'000	Consolidated 2000 \$'000	Bank 2001 \$'000	Bank 2000 \$'000
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12. Lease Receivables

Gross receivables	415,815	378,275	79,723	117,486
Less unearned income	(30,002)	(39,615)	(8,964)	(9,856)
Total Lease Receivables	385,813	338,660	70,759	107,630

13. Other Assets

Unrealised gains from revaluation of financial instruments	7,492,487	4,673,064	7,598,582	4,317,867
Amounts due from brokers and clients	416,853	502,231	176,389	34,281
Debtors and prepayments	790,646	677,312	951,185	842,537
Life Company statutory funds receivable	64,060	25,489	–	–
Amounts due from research and development joint ventures (refer Note 29)	26,117	375,962	–	126,847
Property purchased for development and resale	19,977	31,004	–	–
Other	169,226	435,151	78,295	318,469
Total Other Assets	8,979,366	6,720,213	8,804,451	5,640,001

14. Life Company Investment Assets

Cash	53,876	164,865	–	–
Debt securities	1,483,287	1,725,594	–	–
Equity securities	495,770	487,345	–	–
Units in unit trusts	546,865	532,187	–	–
Total Life Insurance Investment Assets	2,579,798	2,909,991	–	–

Restriction on Assets

Investments held in the Life Funds can only be used within the restrictions imposed under the Life Insurance Act 1995. The main restrictions are that the assets in a fund can only be used to meet the liabilities and expenses of that fund, to acquire investments to further the business of the fund or as distributions when solvency and capital adequacy requirements are met. Shareholders can only receive a distribution, by way of dividend, when the capital adequacy requirements of the Life Insurance Act 1995 are met.

Solvency

Solvency requirements for the Life Company have been met at all times during the financial year.

As at 31 March 2001, the Life Company had investment assets in excess of policyholder liabilities of \$44,310,000 (2000: \$107,195,000).

Investment assets are held primarily to satisfy policyholder liabilities, which are investment linked.

	Consolidated 2001 \$'000	Consolidated 2000 \$'000	Bank 2001 \$'000	Bank 2000 \$'000
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15. Investments

Quoted Investments

Shares and units in unit trusts at written down value	2,989	1,874	2,989	969
Ordinary shares and units in unit trusts at cost	3,499	2,662	3,499	2,647
Total Quoted Investments	6,488	4,536	6,488	3,616

Unquoted Investments

Ordinary shares and units in unit trusts at written down value	19,851	8,747	16,839	8,015
Ordinary shares and units in unit trusts at cost	64,777	20,309	3,404	4,319
Associated entities (refer Note 29)	55,452	32,037	39,784	24,352
Total Unquoted Investments	140,080	61,093	60,027	36,686

Total Investments	146,568	65,629	66,515	40,302
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16. Fixed Assets

Cost	278,739	225,349	263,134	213,867
Less accumulated depreciation	(170,392)	(136,613)	(163,143)	(131,660)
Total Fixed Assets	108,347	88,736	99,991	82,207

Fixed assets include furniture and fittings, motor vehicles, computer equipment and capitalised software development costs.

17. Future Income Tax Benefit/(Provision for Deferred Income Tax)

Provision for deferred income tax	(302,997)	(442,774)	(143,030)	(204,845)
Future income tax benefit applied against Provision for deferred income tax	165,133	272,058	143,030	204,845
	(137,864)	(170,716)	–	–

Future Income Tax Benefit Not Applied Against Provision for Deferred Income Tax	174,035	67,140	115,102	87,561
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The future income tax benefit is applied against the provision for deferred income tax to the extent that both are expected to be realised in the same period.

Potential future income tax benefits of approximately \$35,595,000 (2000: \$54,466,000) attributable to tax losses carried forward by a controlled entity have not been brought to account in the controlled entity and in the consolidated financial report at 31 March 2001 because the Directors do not believe it is appropriate to regard realisation of the future income tax benefit as virtually certain.

These benefits will only be obtained if:

- (i) the controlled entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss to be realised;
- (ii) the controlled entity continues to comply with the conditions for deductibility imposed by the law; and
- (iii) no changes in tax legislation adversely affect the controlled entity or the economic entity in realising the benefit from the deductions for loss.

As at 31 March 2001

	Investments in Controlled Entities At Cost 2001 \$'000	Investments in Controlled Entities At Cost 2000 \$'000		Investments in Controlled Entities At Cost 2001 \$'000	Investments in Controlled Entities At Cost 2000 \$'000
18. Investments in Controlled Entities					
Macquarie Bank Limited			Felter Pty Limited	130,737	130,737
The Abalfow Trust			Tryptic Pty Limited		
Airport Motorway Infrastructure No. 1 Limited			Galanthus Australia Pty Limited		
Aldisa Nominees Pty Limited			Lindcraft Limited ##		
Aleatory Pty Limited	400	400	Pebcorp Pty Limited ##		
Asia Resource Capital Limited ##	193	193	Remix Pty Limited ##		
AUSFLEET Pty Limited			Zelenka Pty Limited		
Australian Hotel Investment Pty Limited			Galanthus Leasing Pty Limited		
B.E.S.T. Management Pty Limited			Gatesun Pty Limited		
Bavian Pty Limited			Gemata Pty Limited		
Bittoorong Pty Limited ##			Gondor Pty Limited		
Bond Street Australia Limited	505	505	Graldon Pty Limited ###		
Airport Motorway Custodians Limited			Haffing Pty Limited	100	100
Bond Street Custodians Limited	5,005	5,005	Hills Motorway Management Limited	50	50
Bond Street Lease Management Pty Limited			Horizon Energy Investment Management Limited	50	50
Boston Australia Limited	45,094	45,094	Indemco Pty Limited		
Boston Leasing Pty Limited			Industrial Property Management Trust ###		
Campus International Holdings Pty Limited			Infrastructure Investment No. 2 Limited ** [incorp. in Cayman Islands]	11	11
Melbourne City Unilodge Pty Limited			Infrastructure Investments No. 1 Pty Limited ***		
Volatic Pty Limited			Joyce Indpac Limited ###		
Volbing Pty Limited			Kallerad Pty Limited		
Campus International Holdings Trust			Kepile Pty Limited		
Berkeley Holdings Unit Trust			Koorileah Pty Limited ***	50	-
Berkeley Unit Trust			Liana Pty Limited	22,296	-
Canterbury Court Holdings Trust			MACFLEET Pty Limited		
Canterbury Court Unit Trust			Mac Fund One Trust		
Elizabeth Holdings Unit Trust			MAC IT 2000 Pty Limited (formerly Aries Project Pty Limited)		
Elizabeth Unit Trust			Macquarie (Arncliffe) Pty Limited # (incorp. 22 June 2000)		
Cazinon Pty Limited			Macquarie Acceptances Limited	70,000	70,000
Cemasta Pty Limited			Bond Street Investments Pty Limited		
Cenford Pty Limited			Macquarie Thirty-Fourth Aviation Leasing Pty Limited		
Channar Investment Nominee Pty Limited			Macquarie Thirty-Seventh Aviation Leasing Pty Limited		
Pandrew Pty Limited			Macquarie Thirty-Third Aviation Leasing Pty Limited		
City Link Management Limited	50	50	CH4 Pty Limited # (incorp. 17 April 2000) (minority interest 10%)		
Colanera Pty Limited			Chalce Pty Limited ##		
Colmoro Pty Limited			Cilea Limited ##		
Crownlease Pty Limited ##			Foucault Pty Limited		
D-Auction Internet Pty Limited # (incorp. 5 December 2000)			Valcora Pty Limited		
Deline Pty Limited			Jevington Investments * [incorp. in UK]		
Dentire Pty Limited ###	-	1,029	Gasteria Limited ##		
eDivision Investments Pty Limited (formerly Macquarie Australia Properties Pty Limited)			Gillman Pty Limited		
Anouncetv.com Pty Limited # (incorp. 5 July 2000)			Gloriole Pty Limited		
Financial Enrichment Pty Limited # (incorp. 9 August 2000)			Lanrod Pty Limited		
Elytron Pty Limited ##			Macquarie Nominees ACT Pty Limited		
			Hillsam Nominees Pty Limited		
			Idameneo (No. 31) Pty Limited	1	1

As at 31 March 2001

	Investments in Controlled Entities At Cost 2001 \$'000	Investments in Controlled Entities At Cost 2000 \$'000		Investments in Controlled Entities At Cost 2001 \$'000	Investments in Controlled Entities At Cost 2000 \$'000
18. Investments in Controlled Entities continued					
Macquarie Asset Management Limited			Macquarie Thirty-Ninth Aviation Leasing Pty Limited		
Coldava Limited			Macquarie Twelfth Aviation Leasing Pty Limited		
Corot Pty Limited ###			Macquarie Twentieth Aviation Leasing Pty Limited		
Jubilee Pty Limited			Macquarie Twenty-Eighth Aviation Leasing Pty Limited		
Macquarie Deposits Pty Limited			Macquarie Twenty-Seventh Aviation Leasing Pty Limited		
Macquarie Information Technology Pty Limited			Macquarie Twenty-Third Aviation Leasing Pty Limited		
Macquarie NZ Holdings Limited			MBL Realty Investment Management Pty Limited		
Macquarie Group New Zealand Limited * [incorp. in NZ]			Memnon Pty Limited		
Macquarie New Zealand Limited * [incorp. in NZ]			Olary Pty Limited		
Macquarie Equities New Zealand Limited * [incorp. in NZ]			Oxton Pty Limited # (acquired control 9 February 2001)		
Macquarie Property (NZ) Limited * [incorp. in NZ]			Risk Averse Money Managers Pty Limited ##		
New Zealand Cash Management Trust Limited * [incorp. in NZ]			Australian Index Money Managers Limited ##		
Macquarie PH (UK) Limited # (incorp. 9 November 2000) [incorp. in UK]			Tankerton Pty Limited ##		
Parsees Pty Limited			Teynham Pty Limited ##		
Telbane Pty Limited			Therfield Pty Limited ##		
Totara Pty Limited			Thonock Pty Limited ##		
Tywyn Pty Limited			Macquarie Admin Services Pty Limited # (incorp. 23 November 2000)		
Macquarie Asset Services (Qld) Pty Limited			Macquarie Airports (UK) Limited *# (incorp. 9 October 2000) [incorp. in UK]	3	–
Macquarie Asset Services (Vic) Pty Limited			Macquarie Alliances Pty Limited # (incorp. 7 September 2000)		
Macquarie Australia Pty Limited ***			Macquarie Asia Holdings Pty Limited		
Macquarie Investment (Hong Kong) Limited * [incorp. in HKG]			Macquarie Indonesia Holdings Pty Limited		
Sucette Pty Limited			PT Macquarie Konsultan Indonesia [incorp. in Indonesia]		
Macquarie Bank Superannuation (No. 2) Pty Limited			Macquarie (Asia) Pte Limited * [incorp. in Singapore]	184	184
Macquarie Bank Superannuation Pty Limited			Macquarie Asia Limited * [incorp. in HKG]		
Macquarie Direct Investment Limited			Macquarie Asiawide Management Limited * [incorp. in HKG]		
Macquarie Direct Investment A Limited			Macquarie Asset Services (ACT) Pty Limited		
Macquarie Direct Investment B Limited			Macquarie Asset Services (WA) Pty Limited		
Macquarie Factoring Limited ##	1	1	Macquarie Asset Services Limited		
Macquarie First Aviation Leasing Pty Limited			Macquarie Australia Corporate Finance Limited	5,415	5,415
Macquarie Funds Management Limited			Macquarie Australia (HK) Limited * [incorp. in HKG]	106	–
Macquarie Investment Management Limited			Macquarie Pacific Management Limited * [incorp. in Cook Islands]		
Macquarie-IMM Investment Management Limited			Macquarie Australia Infrastructure Pty Limited		
[incorp. in South Korea] (minority interest 35%)			Macquarie Australia Lease Management Pty Limited	6	6
Macquarie Lease Management Pty Limited	1	1	Macquarie Australia Management Services Pty Limited	59	59
Macquarie Lease Nominees Pty Limited	1	1	Macquarie Australia Securities Limited	50	–
Macquarie Leasing Qld Pty Limited	1	1	Macquarie Australia Technology Pty Limited	17,873	18,938
Gabija Pty Limited ##			Macquarie Business Broking Services Pty Limited		
Riverut Pty Limited			(formerly REVA Nominees Pty Limited)		
Macquarie Leasing Vic. Pty Limited	1	1	Macquarie Capital Markets Nominees Pty Limited		
Macquarie Mortgage Management Pty Limited	1	1	Macquarie Commercial Leasing Vic. Pty Limited	701	701
Macquarie Office Management Limited	150	150	Softwood View Pty Limited		
Macquarie Property Services Pty Limited			Macquarie Computer Leasing Pty Limited ##		
Macquarie Risk Management Pty Limited ##	1	1	Macquarie Corporate Finance (UK) Limited * [incorp. in UK]		
Macquarie Syndication (No. 1) Pty Limited ###			Macquarie Corporate Finance (USA) Inc. * [incorp. in USA]	3,671	3,671
Macquarie Syndication (No. 2) Pty Limited ###			Macquarie CountryWide Management Limited	2,150	50
Macquarie Syndication (No. 3) Pty Limited ###			Macquarie Development Capital Pty Limited	30,000	–
Macquarie Thirteenth Aviation Leasing Pty Limited			(formerly Macquarie Pooled Development Pty Limited)		
			Macquarie Development Direction Pty Limited		
			Macquarie Development Property Management Limited	3,050	50
			Macquarie Distribution Pty Limited		

As at 31 March 2001

	Investments in Controlled Entities At Cost 2001 \$'000	Investments in Controlled Entities At Cost 2000 \$'000		Investments in Controlled Entities At Cost 2001 \$'000	Investments in Controlled Entities At Cost 2000 \$'000
18. Investments in Controlled Entities continued					
Macquarie Diversified Portfolio Investments Pty Limited # (incorp. 13 September 2000)	100	–	Macquarie Infrastructure Investment Management Limited AMT Management Limited (minority interest 20%)	50	50
Macquarie Diversified Investments Limited Partnership # (constituted 13 September 2000)			Macquarie Infrastructure Investment Management (UK) Limited # (incorp. 19 April 2000) [incorp. in UK]		
Macquarie Diversified Investment Services Pty Limited # (incorp. 15 March 2001)			Macquarie International Capital Markets Limited * [incorp. in HKG]	2	2
Macquarie Domestic Hedge Fund Management Limited # (incorp. 20 April 2000)	50	–	Macquarie International Limited * [incorp. in UK] (formerly Macquarie Securities (UK) Limited)	5,706	5,706
Macquarie Equipment Finance Pty Limited			Macquarie Finance (UK) Limited * [incorp. in UK]		
Macquarie Equities (Asia) Limited * [incorp. in HKG]	13,104	8,660	Macquarie International Property Services Pty Limited		
Macquarie Equities (Australia) Limited	32,413	32,413	Macquarie Investment Services Limited	600	600
Buttonwood Nominees Pty Limited			Macquarie Korea Co. Limited * # (incorp. 16 May 2000) [incorp. in South Korea]	4,693	–
Nanway Nominees Pty Limited			Macquarie Leasing NSW Pty Limited	101	101
Upmill Nominees Pty Limited			Acuba Pty Limited ##		
Woodross Nominees Pty Limited			Macquarie Leasing Pty Limited ***	7,852	7,852
Macquarie Equities Limited	7,519	7,519	Macquarie Leasing (NZ) Limited * [incorp. in NZ]		
Belike Nominees Pty Limited			Macquarie Leasing (UK) Limited * [incorp. in UK]		
Dexin Nominees Pty Limited			Macquarie Leisure Management Limited	250	250
Elise Nominees Pty Limited			Macquarie Life Limited	21,200	21,200
Equitas Nominees Pty Limited			Macquarie Mortgages Pty Limited	500	500
Idameneo (No. 79) Nominees Pty Limited	1	1	Macquarie N.T. Leasing Pty Limited	10	10
Macquarie Securities (Asia) Pte Limited * [incorp. in Singapore]			Macquarie Options Pty Limited ***	4,950	4,950
Rema Nominees Pty Limited			Macquarie Photonics Pty Limited		
Macquarie Equity Capital Markets Limited	3,444	1	Macquarie Portfolio Services Pty Limited ***		
Macquarie Equities (US) Holdings Pty Limited	489	489	Macquarie PRISM Pty Limited		
Macquarie Equities Brasil Limitada # (incorp. 11 January 2001) [incorp. in Brazil]			Macquarie Private Portfolio Management Limited	100	–
Macquarie Holdings (USA) Inc. * [incorp. in USA]			Macquarie Private Wealth Management Pty Limited	50	–
Macquarie Brasil Limitada [incorp. in Brazil]			Macquarie Project Finance Pty Limited		
Macquarie (Delaware) Inc. * [incorp. in USA]			Macquarie Property Development Finance Limited (formerly Macquarie Resources Investment Management Limited)	50	50
Macquarie Equities (USA) Inc. * [incorp. in USA]			Macquarie Property International Pty Limited	300	300
Macquarie Inc. * [incorp. in USA]			Macquarie Property China Pty Limited		
Macquarie Futures Inc. * [incorp. in USA]			Macquarie (Tianjin) Property Services Co. Limited * [incorp. in China]		
Macquarie European Holdings Pty Limited			Sedulous Investments Pty Limited		
Macquarie Equities (UK) Limited * [incorp. in UK]			Macquarie Property Finance Limited * [incorp. in NZ]		
Macquarie Finance Limited	2,001	1,190	Macquarie Property Management (International) Limited * [incorp. in HKG]	1,097	51
Macquarie Syndication (No. 4) Pty Limited			Macquarie Property (OBU) Pty Limited		
Macquarie Finance (NZ) Limited * # (incorp. 27 September 2000) [incorp. in NZ]			Macquarie R&D No. 1 Pty Limited ##		
Macquarie Financial Products Management Limited # (incorp. 21 November 2000)	50	–	Macquarie R&D No. 7 Pty Limited ##		
Macquarie Fleet Finance Pty Limited			Macquarie Realty Services Pty Limited		
Macquarie Fleet Leasing Pty Limited ***	7,500	7,500	Macquarie Risk Management Advisory Pty Limited		
Macquarie Fourteenth Aviation Leasing Pty Limited	300	300	Macquarie Science Holdings Limited	138	117
Macquarie Funds Management (Hong Kong) Limited * # (incorp. 21 July 2000) [incorp. in HKG]	256	–	Aluminium Casting Pty Limited ###		
Macquarie (HK) Financial Services Limited * [incorp. in HKG]			Anti-Asthma R&D Pty Limited		
Macquarie IB Limited			Ensenaba Pty Limited		
Macquarie Implemented Property Service Limited	50	–	Garachine Pty Limited		
Macquarie Industrial Management Limited ###	–	50	Kayoota Pty Limited		
Macquarie Infrastructure Debt Management Limited	50	50	Sucrafeed No. 1 Pty Limited		
Macquarie Infrastructure Funds Management Limited			Sucrafeed No. 2 Pty Limited		

As at 31 March 2001

	Investments in Controlled Entities At Cost 2001 \$'000	Investments in Controlled Entities At Cost 2000 \$'000
18. Investments in Controlled Entities continued		
Macquarie Securities Limited * [incorp. in NZ]		
Ojai Holdings Limited * [incorp. in NZ]		
Macquarie I.T. (NZ) Limited * [incorp. in NZ]		
Macquarie Securities Management Pty Limited		
Macquarie Securities Pty Limited ###	–	8,348
Macquarie Securitisation (Hong Kong) Limited * [incorp. in HKG]		
Mortgage Express Limited * [incorp. in HKG] (formerly Smartloan Limited)		
Macquarie Securitisation Limited	1,550	50
Macquarie Services (Hong Kong) Limited * [incorp. in HKG]		
Macquarie Specialised Asset Management 2 Limited (formerly Adelaide O Bahn Limited)	50	–
Macquarie Specialised Asset Management Limited	50	–
Macquarie Strata Services Pty Limited		
Macquarie Structured Equities Pty Limited		
Macquarie Syndicate Management Pty Limited (formerly Macquarie Springthorpe Syndicate Pty Limited)		
Macquarie Syndicate Nominee Pty Limited		
Macquarie Syndication (No. 5) Pty Limited ###	–	12,584
Macquarie Syndication (No. 6) Pty Limited ###	–	11,081
Macquarie Syndication (No. 7) Pty Limited	598	598
Macquarie Syndication (No. 9) Pty Limited ###	–	311
Macquarie Syndication (No. 10) Pty Limited ###	–	2,170
Macquarie Syndication (No. 11) Pty Limited ###	–	82
Macquarie Syndication (No. 12) Pty Limited		
Macquarie Syndication (No. 14) Pty Limited ###	–	1
Macquarie Syndication (No. 22) Pty Limited		
Macquarie Technology Group Pty Limited		
Macquarie Technologies (Malaysia) Sdn Bhd * [incorp. in Malaysia]		
Macquarie IT Sdn Bhd * [incorp. in Malaysia] (formerly Macquarie (Ventures) Sdn Bhd)		
Macquarie Technology Investments Limited		
Macquarie Technology Ventures Nominees Pty Limited # (incorp. 2 June 2000) (formerly MTIB Nominees Pty Limited)		
Macquarie Technology Ventures Pty Limited (formerly Macquarie Technology Funds Management Pty Limited)		
Macquarie Tourism & Leisure Pty Limited		
Macquarie Treasury Management Limited # (incorp. 29 August 2000)[incorp. in Bermuda]	95	–
Macquarie Treasury Nominees Pty Limited # (incorp. 29 September 2000)		
Macquarie Treasury Private Trustee Company Limited (incorp. 29 August 2000) [incorp. in Bermuda]	95	–

	Investments in Controlled Entities At Cost 2001 \$'000	Investments in Controlled Entities At Cost 2000 \$'000
Macquarie Twenty-Ninth Aviation Leasing Pty Limited ***	21,619	–
Macquarie Corporate Finance Limited		
Airport Motorway Infrastructure No. 3 Limited		
Airport Motorway Infrastructure No. 4 Limited		
Bulwer Island Cogen Holdings Limited		
Bulwer Island Cogen Limited		
Macquarie Africa (Proprietary) Limited * [incorp. in South Africa]		
Macquarie Asset Finance Limited		
Macquarie Aviation (No. 1) Limited		
Macquarie Corporate Finance International Limited		
Macquarie (Hong Kong) Limited * [incorp. in HKG]		
Macquarie France Holdings Pty Limited # (incorp. 23 November 2000)		
Macquarie (India) Private Limited ## [incorp. in India]		
Macquarie (India) Corporate Finance Private Limited ## [incorp. in India]		
Macquarie Infrastructure Limited		
Macquarie Infrastructure No. 2 Limited		
Macquarie Infrastructure No. 4 Limited		
Macquarie IT Korea Limited * # (incorp. 30 September 2000) [incorp. in South Korea]		
Macquarie (Japan) Limited * # (incorp. 25 April 2000) [incorp. in Japan]		
MJL Ace Limited * # (incorp. 9 March 2001) [incorp. in Japan]		
MJL Bay Limited * # (incorp. 9 March 2001) [incorp. in Japan]		
Macquarie (Malaysia) Sdn Bhd * [incorp. in Malaysia]		
Macquarie North America Limited * [incorp. in Canada]		
Tadina Pty Limited		
Tegny Pty Limited		
Tenata Pty Limited		
Macquarie Vue Nominee Pty Limited # (incorp. 15 February 2001)		
MAIL Holdings Limited	170,221	170,221
CASL Financial Services Pty Limited		
Macquarie Australia International Limited		
CASL Nominees Pty Limited		
Macquarie Risk Advisory Services Limited		
Margin Lending Nominees Pty Limited		
MAST Management Limited		
MCF Leasing Pty Limited		
MECML Nominees Pty Limited # (incorp. 26 July 2000)		
Melbourne Airlink Pty Limited (formerly Melbourne Rail Transit Limited)		
Merit Management No. 1 Pty Limited		
Merit No. 1 Pty Limited		
Metropolitan Transit Limited		
Oarale Pty Limited		
Pacific Rim Operations Limited		

	Investments in Controlled Entities At Cost 2001 \$'000	Investments in Controlled Entities At Cost 2000 \$'000
18. Investments in Controlled Entities continued		
Paray Pty Limited	1	1
Macquarie Syndication (No. 23) Pty Limited		
Penchant Pty Limited ###	–	13,239
Placate Pty Limited		
PUMA Management Pty Limited	500	500
Q Rent Pty Limited		
Randow Pty Limited ###		
Residco Pty Limited		
Royal Parade Apartments Pty Limited		
Rugarno Pty Limited		
Sanlucar Pty Limited ##		
Santorini One Pty Limited		
SECURE Australia Management Pty Limited		
Secure Australia II Limited	200	200
South Coast Motorway Limited		
Southern Motorway Pty Limited		
SPAL Limited	228,596	209,406
Stenquab Pty Limited ###	–	1,433
Structured Prime Asset Receivables (SPARS) No.1 Pty Limited		
Subscriber Television Asset Rentals Pty Limited		
Syndicated Asset Management Pty Limited		
RP Developments Pty Limited		
Talamba Pty Limited		
Taralie Pty Limited		
Tegensee Pty Limited		
Territory Airport Limited ##		
Alice Airport Limited ##		
Tennant Airport Limited ##		
Territory Airport Management Limited ##		
The Victorian Rolling Stock Leasing Company Limited		
TranSA Pty Limited (formerly Himakin Pty Limited)		
TranSA Services Pty Limited # (incorp. 19 October 2000)		
Unibill Pty Limited ###	–	251
Urban Pacific Limited	9,000	9,000
Alloca (No. 4) Pty Limited		
Kensington Banks Pty Limited		
Mont Park Development Company Pty Limited		
SMR Developments Pty Limited		
UPL Developments Pty Limited		
UPL (SA) Pty Limited		
UPL (WA) Pty Limited # (incorp. 5 February 2001)		
Urban Pacific Springthorpe Investment Pty Limited		
Vue Apartments Pty Limited # (incorp. 5 February 2001)		

	Investments in Controlled Entities At Cost 2001 \$'000	Investments in Controlled Entities At Cost 2000 \$'000
Utopia Pty Limited		
Corporate Capital Equipment Financing Pty Limited		
Decally Pty Limited ##		
Fragola Pty Limited ##		
Mendlesham Corporation Pty Limited		
Naysin Pty Limited		
Old Brampton Corporation Pty Limited		
Ophidian Pty Limited		
Ornate Pty Limited		
Poltava Pty Limited		
Praen Pty Limited		
Grosvenor Office Equipment Hire Pty Limited		
Reconnoitre Pty Limited		
Residium Pty Limited ##		
Resinal Pty Limited		
Second Resinal Pty Limited		
Dalou Pty Limited		
Fortescue Gardens Pty Limited		
Rovenda Pty Limited		
Rovny Pty Limited		
Samspin Limited		
Shadoof Pty Limited		
Thoresby Pty Limited ##		
Vanne Pty Limited		
VicWire Partnership Pty Limited		
Votrait No. 610 Pty Limited ###		
Votrait No. 611 Pty Limited ###		
Wealth Nominees Pty Limited (formerly Macquarie Latin America OBU Investment Management Pty Limited)		
Wuxta Pty Limited		
Zoffanies Pty Limited		
	885,519	821,845
Investment revaluation reserve on controlled entities at the end of the financial year	271,974	241,361
Total Investments in Controlled Entities	1,157,493	1,063,206

Note: All entities were incorporated in Australia unless otherwise stated.
Overseas controlled entities carry on business predominantly in their place of incorporation.
Beneficial interest in all entities is 100%, unless otherwise stated.

Explanation of symbols:

- * Audited by other firms within the PricewaterhouseCoopers organisation.
- ** Audited by other firms.
- *** With the exception of the entities so marked, all private companies with affix "Pty Limited" qualify as small companies and as such, are not required to prepare an audited financial report.
- # Entity acquired/incorporated during the financial year.
- ## In voluntary liquidation.
- ### Entity sold/terminated during the financial year.

As at 31 March 2001

	Consolidated 2001 \$'000	Consolidated 2000 \$'000	Bank 2001 \$'000	Bank 2000 \$'000
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19. Due to Other Financial Institutions

Balance due to clearing bank	103,351	1,944	103,351	1,944
Deposits:				
– other banks	382,014	754,290	350,271	753,188
– other non-bank financial institutions	32,335	–	32,115	–
Total Due to Other Financial Institutions	517,700	756,234	485,737	755,132

20. Securities Sold Under Repurchase Agreements

Government securities	1,503,931	927,444	1,503,931	927,444
Foreign OECD government securities	86,448	60,105	86,448	60,105
Corporate securities	6,823	–	6,823	–
Equity securities	103,500	–	103,500	–
Total Securities Sold under Repurchase Agreements	1,700,702	987,549	1,700,702	987,549

21. Securities Borrowed

Commonwealth government securities	315,945	1,021,340	315,945	1,021,340
Other government securities	133,219	241,647	133,219	241,647
Foreign OECD government securities	1,558	1,918	1,558	1,918
Corporate securities	7,648	33,290	7,648	33,290
Equity securities	301,884	412,071	645,031	501,665
Total Securities Borrowed	760,254	1,710,266	1,103,401	1,799,860

22. Notes Payable

Domestic issued paper	243,123	203,200	323,123	283,200
Euro commercial paper	1,576,668	837,087	1,576,668	837,087
Euro floating rate notes	3,152,390	1,474,912	3,152,390	1,474,912
US commercial paper	416,819	–	416,819	–
Other notes	198,870	–	198,870	–
Total Notes Payable	5,587,870	2,515,199	5,667,870	2,595,199

The Bank's primary tool for domestic and international debt issuance is its multi currency, multi jurisdictional Debt Instrument Programme. Securities are issued for terms varying from one week to 30 years.

23. Other Liabilities

Unrealised losses on revaluing financial instruments	6,099,496	4,305,828	6,159,689	3,985,688
Creditors	473,246	356,497	276,169	228,150
Amounts due to brokers and clients	774,689	289,590	513,873	86,728
Accrued charges, employee and sundry provisions	623,836	539,276	550,200	495,495
Life Company statutory funds creditors and borrowings	63,030	110,026	–	–
Other	60,558	188,674	57,382	88,240
Total Other Liabilities	8,094,855	5,789,891	7,557,313	4,884,301

	Consolidated 2001 \$'000	Consolidated 2000 \$'000	Bank 2001 \$'000	Bank 2000 \$'000
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24. Provision for Uncertainties and Specific Provisions

Provision for Uncertainties

The provision for uncertainties is a general provision and is intended to cover the inherent risk of loss arising from the non-recovery of amounts receivable or contingently owing.

Balance at the beginning of the financial year	46,810	27,916	44,159	25,265
Provided/(written back) during the financial year	7,448	(2,820)	7,448	(2,820)
Provision on acquired BTIB assets	–	21,714	–	21,714
Total Provision for Uncertainties	54,258	46,810	51,607	44,159

Provision for Uncertainties as a Percentage of Risk Weighted Exposures

	0.55%	0.55%
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Specific Provisions

The specific provisions relate to Loans and Advances (refer Note 11 – Loans and Advances (Impaired Assets)) where doubtful loans have been identified and provided for.

Balance at the beginning of the financial year	11,201	7,932	10,886	7,932
Provided during the financial year	6,337	7,151	5,375	6,836
Bad debts written off	(651)	(3,439)	(384)	(3,439)
Written back during the financial year	(1,217)	(443)	(1,086)	(443)
Total Specific Provisions	15,670	11,201	14,791	10,886

Specific Provisions as a Percentage of Loan Assets *	0.20%	0.17%
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* Loan assets for the purpose of this disclosure include "Due from Other Financial Institutions", "Due from Governments", "Lease Receivables" and "Loans and Advances".

As at 31 March 2001

	Consolidated 2001 \$'000	Consolidated 2000 \$'000	Bank 2001 \$'000	Bank 2000 \$'000
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25. Loan Capital

Subordinated Debt

Agreements between the Bank and the lenders provide, in the event of liquidation, that entitlement of such lenders to repayment of the principal sum and interest thereon is and shall at all times be and remain subordinated to the rights of all other present and future creditors of the Bank.

The dates upon which the Bank has committed to repay the principal sum to the lenders are as follows:

1 August 2000 *	–	45,000	–	45,000
1 April 2003	10,000	10,000	10,000	10,000
1 April 2004 (USD 50 million)	102,936	82,382	102,936	82,382
1 April 2005 (Yen 2 billion)	32,610	32,077	32,610	32,077
16 January 2006	–	40,000	–	40,000
16 October 2007	50,000	50,000	50,000	50,000
23 April 2008	60,000	60,000	60,000	60,000
Total Subordinated Debt	255,546	319,459	255,546	319,459

In accordance with Australian Prudential Regulation Authority guidelines, the Bank includes the applicable portion of the principal sum as Tier 2 capital.

* This debt represents capital notes which were listed on Australian Stock Exchange Limited on 22 April 1993.

Converting Preference Shares

Balance at the beginning of the financial year	150,000	–	150,000	–
Proceeds from the issue of 1,500,000 shares of \$100 each on 25 August 1999	–	150,000	–	150,000
Total Converting Preference Shares	150,000	150,000	150,000	150,000

The Converting Preference Shares are classified as debt in accordance with AASB 1033 "Presentation and Disclosure of Financial Instruments". Non-cumulative dividends are paid six monthly at a fixed rate of 7.38%. They convert to ordinary shares of the Bank, at a predetermined rate, on 15 June 2004, although under certain circumstances conversion may occur earlier.

In accordance with Australian Prudential Regulation Authority Guidelines, the Bank includes the Converting Preference Shares as Tier 1 capital.

	Consolidated 2001 \$'000	Consolidated 2000 \$'000	Bank 2001 \$'000	Bank 2000 \$'000
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26. Shareholders' Equity

Ordinary Share Capital

Opening balance 171,225,003 fully paid ordinary shares	371,969	242,601	371,969	242,601
Opening balance 575,000 partly paid ordinary shares * (non-voting until converted to fully paid)	846	3,124	846	3,124
	372,815	245,725	372,815	245,725
Placement of 5,160,000 ordinary shares on 8 July 1999	–	100,104	–	100,104
Transaction costs for placement of shares	–	(1,213)	–	(1,213)
Issue of 5,314,311 (2000: 2,150,224) shares on exercise of options	51,972	17,583	51,972	17,583
Issue of 45,080 (2000: 49,960) shares pursuant to the Employee Share Plan **	1,275	1,219	1,275	1,219
Conversion of 575,000 (2000: 2,746,779) partly paid shares to fully paid and calls on other partly paid shares	1,573	9,397	1,573	9,397
On-market buyback of 1,290,834 shares ***	(36,000)	–	(36,000)	–
Total Ordinary Share Capital	391,635	372,815	391,635	372,815

Reconciliation of Total Ordinary Share Capital:

175,868,560 fully paid ordinary shares	391,635	371,969	391,635	371,969
Nil partly paid ordinary shares	–	846	–	846
Total Ordinary Share Capital	391,635	372,815	391,635	372,815

* These shares were issued under the Bank's now closed Partly Paid Share Scheme.

** The value of these shares was expensed as part of the employee profit share pool.

*** From 1 to 15 December 2000, the Bank purchased on-market and subsequently cancelled 1,290,834 fully paid ordinary shares, which represents less than 1% of the total number of ordinary shares on issue. The buyback and cancellation was approved by the Australian Prudential Regulation Authority. The shares were acquired at an average price of \$27.89 per share. The total cost of the buyback was \$36,000,000. No external transaction costs were incurred.

There was no current on-market buyback as at the end of the financial year and up to and including the date of this financial report.

At 31 March 2001 23,622,773 (2000: 24,754,939) options granted to employees over unissued ordinary shares had not been exercised. Refer to Note 34 – Employee Equity Participation.

For further information regarding the terms and conditions of the issue of partly paid shares, options, and bonus shares refer to Note 34 – Employee Equity Participation.

As at 31 March 2001

	Consolidated 2001 \$'000	Consolidated 2000 \$'000	Bank 2001 \$'000	Bank 2000 \$'000
26. Shareholders' Equity continued				
Macquarie Income Securities				
Balance at the beginning of the financial year	390,053	–	390,053	–
Proceeds from the issue of 2,000,000 securities of \$100 each on 30 September 1999	–	200,000	–	200,000
Proceeds from the issue of 2,000,000 securities of \$100 each on 19 November 1999	–	200,000	–	200,000
Transaction costs for issue of securities	1,250	(9,947)	1,250	(9,947)
Total Macquarie Income Securities	391,303	390,053	391,303	390,053

The Macquarie Income Securities are classified as equity in accordance with AASB 1033 "Presentation and Disclosure of Financial Instruments". Interest is paid quarterly at a floating rate of BBSW plus 1.7%, with a guaranteed minimum payments of 7.25% per annum for the period to 15 January 2003. They are a perpetual instrument with no conversion rights. They were listed for trading on the Australian Stock Exchange on 19 October 1999.

Investment Revaluation Reserve				
Balance at the beginning of the financial year	–	–	241,361	183,410
Amounts transferred from/(to) retained earnings	–	–	58,892	–
Revaluation of investments in controlled entities at Directors' valuation *	–	–	(28,279)	57,951
Total Investment Revaluation Reserve	–	–	271,974	241,361

* During the year the Bank brought to account dividends from controlled entities of \$135,343,000 (2000: \$147,815,000) as shown in Note 28 – Dividends from Controlled Entities. These dividends in part may represent prior year retained earnings of controlled entities and as such would be included in the balance of the Investment Revaluation Reserve. The change in the revaluation reserve in the financial year is the net effect of these dividends and the change in net assets of controlled entities over the financial year.

	Consolidated 2001 \$'000	Consolidated 2000 \$'000	Bank 2001 \$'000	Bank 2000 \$'000
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27. Notes to the Statements of Cash Flows

(a) Reconciliation of Cash

Cash at the end of the financial year as shown in the Statements of Cash Flows is reconciled to the related items in the Balance Sheet as follows:

Cash and liquid assets	243,588	219,227	173,518	131,965
Due from clearing houses	51,000	106,723	36,466	91,029
Due to clearing houses	(13,020)	(2,506)	–	(943)
Due from/(to) clearing bank	(103,351)	(1,944)	(103,351)	(1,944)

Cash at the end of the Financial Year	178,217	321,500	106,633	220,107
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(b) Reconciliation of Operating Profit after Income Tax to Net Cash Flows from Operating Activities

Operating profit after income tax	271,966	222,411	270,243	156,118
Provision for uncertainties	7,448	(2,820)	7,448	(2,820)
Specific provisions	5,120	3,269	4,289	2,954
Depreciation	40,036	31,460	36,981	28,123
Converting Preference Shares distribution	11,070	6,642	11,070	6,642
Loss/(gain) on sale of fixed assets	1,977	(723)	1,469	(41)
Customer loans (granted) and repaid	(1,111,478)	753,601	(1,295,895)	409,332
Leases (granted) and repaid	34,857	(28,571)	160,363	64,350
Decrease/(increase) in dividends receivable	142	5,876	2,832	(128,410)
(Decrease) in fees and commissions receivable	(11,692)	(61,100)	(3,562)	(22,947)
(Decrease)/increase in fees and commissions payable	(1,089)	1,225	(1,089)	1,225
(Decrease)/increase in income tax payable	(4,810)	1,278	(5,317)	(12,098)
(Increase) in future income tax benefit	(106,895)	(44,273)	(27,541)	(4,951)
(Decrease) in provision for deferred income tax	(32,852)	47,896	–	–
(Increase)/decrease in interest receivable	(1,069)	42,691	403	53,955
Increase in interest payable	38,009	108,145	54,952	41,528
Increase in employment provisions	47,327	93,900	29,692	93,819
(Increase)/decrease in debtors, prepayments and accrued expenses	391,118	(568,636)	105,414	190,269
Net increase/(decrease) in money market and other deposits	2,525,856	(565,785)	2,646,764	(538,422)
(Increase)/decrease in financial instruments	(1,876,037)	(679,668)	(1,740,658)	(165,571)
Net (increase)/decrease in Life Company investment assets	(397,959)	107,195	–	–

Net Cash Flows from Operating Activities	(168,955)	(525,987)	257,858	173,055
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Movements in balance sheet items are disclosed net of the acquisition and disposal of businesses/controlled entities, refer (d) below.

As at 31 March 2001

27. Notes to the Statements of Cash Flows continued

(c) Cash flows arising from the following activities are presented on a net basis in the Statement of Cash Flows:

- deposits and withdrawals from money market and other deposit accounts;
- customer loans granted and repaid;
- sales and purchases of dealing securities and capital markets instruments; and
- payments and proceeds from commodities, foreign exchange and options trading.

(d) (Disposal)/Acquisition of Businesses/Controlled Entities:

Details of the aggregate cash flows and consideration relating to the disposal (2000: acquisition) of businesses and controlled entities, and the aggregate assets and liabilities of the businesses and controlled entities at the date of acquisition are detailed below:

	Consolidated 2001 \$'000	Consolidated 2000 \$'000	Bank 2001 \$'000	Bank 2000 \$'000
Cash inflow/(outflow)	81,577	(110,000)	38,678	(122,000)
Cash	–	32,592	–	32,592
Securities purchased under resale agreements	–	3,808,919	–	3,808,919
Securities	–	3,950,764	–	4,029,471
Loans and advances	–	2,820,459	–	2,821,695
Other assets	(363,385)	1,313,295	(137,987)	1,404,686
Investments in controlled entities	–	–	11,470	71,872
Due from controlled entities	–	–	–	415,540
Total Assets	(363,385)	11,926,029	(126,517)	12,584,775
Deposits and borrowings	179,351	(4,949,392)	–	(5,027,938)
Securities borrowed	–	(3,500,001)	–	(3,608,528)
Securities sold under repurchase agreements	–	(1,210,000)	–	(1,210,000)
Other liabilities	–	(2,136,703)	–	(2,246,321)
Provision for deferred income tax	102,457	–	36,261	–
Due to controlled entities	–	–	–	(350,055)
Total Liabilities	281,808	(11,796,096)	36,261	(12,442,842)
Total Net Assets (Disposed)/Acquired	(81,577)	129,933	(90,256)	141,933
(Loss on Disposal)/Discount on Acquisition	–	19,933	(51,578)	19,933
(e) Financing Arrangements				
Total Used	31,746	–	–	–
Total Unused	83,254	3,000,000	–	3,000,000
Total Overdraft Facilities	115,000	3,000,000	–	3,000,000

Macquarie Equities (Asia) Limited, a controlled entity of the Bank incorporated in Hong Kong, has a HKD 200,000,000 overdraft facility. The facility may be drawn down at any time and is subject to annual review. Should the facility be drawn upon, interest will be charged at a maximum rate of HIBOR plus 100 basis points per annum. Fees are charged on the undrawn amount at a maximum of 0.375% per annum.

Macquarie Finance (NZ) Limited, a controlled entity of the Bank incorporated in New Zealand, has a NZD 75,000,000 overdraft facility of which NZD 38,275,000 has been drawn at 31 March 2001. The overdraft is a 364 day rolling facility. The next roll date is 17 April 2001. Interest is payable on the drawn amount only at a rate of 6.4% per annum.

The overdraft facility, current at 31 March 2000, matured on 31 July 2000.

The Bank has not obtained any additional commercial standby facilities because there are liquidity controls in place which limit the extent of any cash flow mismatch.

	Consolidated 2001 \$'000	Consolidated 2000 \$'000	Bank 2001 \$'000	Bank 2000 \$'000
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28. Dividends and Distributions from Controlled Entities

During the financial year the Bank brought to account the following dividends from controlled entities, being post acquisition profits:

Bond Street Australia Limited	–	–	3,100	–
City Link Management Limited	–	–	950	–
Felter Pty Limited	–	–	15,092	11,455
Gatesun Pty Limited	–	–	–	1,000
Hills Motorway Management Limited	–	–	400	–
Horizon Energy Investment Management Limited	–	–	1,050	–
Industrial Property Management Trust	–	–	3,456	765
Macquarie 29th Aviation Leasing Pty Limited	–	–	21,500	25,000
Macquarie Acceptances Limited	–	–	3,000	36,500
Macquarie Asset Services Limited	–	–	–	1,000
Macquarie CountryWide Management Limited	–	–	4,250	–
Macquarie Direct Property Management Limited	–	–	2,500	–
Macquarie Equities Limited	–	–	–	18,500
Macquarie Infrastructure Debt Management Limited	–	–	350	–
Macquarie Industrial Management Limited	–	–	9	–
Macquarie Infrastructure Investment Management Limited	–	–	17,000	–
Macquarie Leasing Pty Limited	–	–	–	2,000
Macquarie Leisure Management Limited	–	–	850	–
Macquarie Life Limited	–	–	15,550	11,500
Macquarie N.T. Leasing Pty Limited	–	–	6,329	–
Macquarie Office Management Limited	–	–	2,000	–
Macquarie Securitisation Limited	–	–	9,000	–
Macquarie Securities (UK) Limited	–	–	–	10,850
Macquarie Specialised Asset Management Limited	–	–	250	–
Macquarie Specialised Asset Management 2 Limited	–	–	50	–
Macquarie Technology Ventures Pty Limited	–	–	950	–
MAIL Holdings Limited	–	–	11,480	13,955
Oarale Pty Limited	–	–	–	1,200
SECURE Australia Management Pty Limited	–	–	150	–
SPAL Limited	–	–	15,927	12,090
Syndicated Asset Management Pty Limited	–	–	150	–
Urban Pacific Limited	–	–	–	2,000
Total Dividends and Distributions from Controlled Entities	–	–	135,343	147,815

As at 31 March 2001

29. Joint Ventures and Associated Entities

Unincorporated Joint Ventures

The economic entity has participating interests in the following unincorporated joint ventures:

Group Entity Holding Interest	Joint Venture Name	Participating Interest %	Interest in Assets Employed	
			2001 \$'000	2000 \$'000
Ensenaba Pty Ltd	Soap Joint Venture	3.0	397	397
Macquarie Australia Technology Pty Ltd	Canberra Technology Partnership No.1	0.1	5	5
Macquarie Australia Technology Pty Ltd	Canberra Technology Partnership No.2	99.9	8,219	8,133
Macquarie Australia Technology Pty Ltd	QLD Technology P'Ship No.1	99.9	17,496	17,334
Aluminium Casting Pty Ltd *	Aluminium Die Casting Joint Venture	-	-	468
Dentire Pty Ltd *	Montech On Line Joint Venture	-	-	1,234
Macquarie Securities Pty Ltd *	Datacraft Syndicate No. 1	-	-	30,718
Macquarie Syndication (No.1) Pty Ltd *	AWA Syndicate No. 6	-	-	64,413
Macquarie Syndication (No.2) Pty Ltd *	EMSYS Syndicate No. 1	-	-	48,865
Macquarie Syndication (No.3) Pty Ltd *	Transgenic R&D Syndicate No. 1	-	-	61,345
Macquarie Syndication (No.5) Pty Ltd *	Anti Viral R&D Syndicate	-	-	44,283
Macquarie Syndication (No.6) Pty Ltd *	Rumentek Syndicate	-	-	43,903
Macquarie Syndication (No.9) Pty Ltd *	Air Traffic Control No. 1 Syndicate	-	-	1,141
Macquarie Syndication (No.10) Pty Ltd *	Air Traffic & Aviation Systems Management Syndicate	-	-	7,544
Macquarie Syndication (No.11) Pty Ltd *	Omni Telecommunications R&D Syndicate	-	-	334
Macquarie Syndication (No.14) Pty Ltd *	AMRAD Biotechnical Projects R&D Syndicate	-	-	5
Penchant Pty Limited *	AWA Syndicate No. 4	-	-	44,407
Stenquab Pty Ltd *	The Education Joint Venture	-	-	1,433
Total Interest in Assets Employed of Unincorporated Joint Ventures			26,117	375,962

* During the financial year, the Bank sold the controlled entities that held the interests in these unincorporated joint ventures.

The principal activities of these joint ventures are to foster, develop and commercialise new technologies. The economic entity's interest is classified as "Amounts due from research and development joint ventures", refer Note 13 – Other Assets.

The assets are secured by cash deposits of \$Nil (2000: \$251,050,081).

29. Joint Ventures and Associated Entities continued

Group Entity Holding Investment	Associated Entity Name	Participating Interest %	2001 \$'000	2000 \$'000
Associated Entities				
Macquarie Alliances Pty Limited	Trading Room Pty Limited (b) ***	50	-	-
Macquarie Bank Limited	303 Collins Street Trust (a)	56	10,734	10,886
Macquarie Bank Limited	Artsim Pty Limited (b)	23	1,716	1,646
Macquarie Bank Limited	AMMB Asset Management (Malaysia) (c)	30	1,716	597
Macquarie Bank Limited	AMMB Investment Services (Malaysia) (c)	30	1,716	597
Macquarie Bank Limited	The Cannery Unit Trust (a)	20	503	2,770
Macquarie Bank Limited	China Housing Investment Fund No. 6 (a)	83	3,099	5,710
Macquarie Bank Limited	ICA Property Development Fund No. 1 P/L (a)	9	300	-
Macquarie Bank Limited	Innofin Pty Limited (c)	50	2,678	-
Macquarie Bank Limited	Macquarie Goodman Management Limited (a)	40	19,319	-
Macquarie Bank Limited	Medallist Golf Development Trust (a) ***	70	-	-
Macquarie Bank Limited	Medallist Holdings Inc. (USA) (a)	80	1	-
Macquarie Bank Limited	Mining Equipment Company Pty Limited (d)	45	271	-
Macquarie Bank Limited	Securiclear Pty Limited (c)	50	25	-
Macquarie Bank Limited	South African Infrastructure Funds Managers (Proprietary) Limited (South Africa) (c) ***	50	-	-
Macquarie Bank Limited	Tasman Economics Pty Limited (c)	27	310	-
Macquarie Bank Limited	OMNI Investments Pty Limited (e)	30	1,030	969
Macquarie Delaware Inc.	Macquarie Capital Partners LLC (a)	40	3,815	-
Macquarie Holdings (USA) Inc.	MP Management LLC (c)	50	243	-
Macquarie Holdings (USA) Inc.	Macquarie Private Trustee Limited (c)	50	12	-
Macquarie Property China Pty Limited	Macquarie Construction Investment Consulting and Management Co. Limited (China) (a)	33	315	450
Macquarie Property China Pty Limited	Austian (Tianjin) Property Development Co. Limited (China) (a)	50	1,453	2,229
Macquarie Property China Pty Limited	Tianjin Macquarie Property Development Management Co. Limited (China) (a)	50	1,395	1,397
Macquarie Property Management (International) Limited	Shanghai AMP Property Company Limited (China) (a)	14	2,261	-
Urban Pacific Limited	Edenbrooke Pty Limited (a) ***	50	-	-
Urban Pacific Springthorpe Investments P/L	Springthorpe Syndicate (a)	28	2,540	-
Macquarie Bank Limited	Kellyville Development Trust (a) *	-	-	2,393
Macquarie Bank Limited	realestate.com.au Limited (b) **	-	-	1,958
Macquarie Bank Limited	Unilodge Australia Limited (a) *	-	-	197
Macquarie Property (NZ) Limited	Dixon Street Property Partnership (a) *	-	-	238
Total Investment in Associated Entities			55,452	32,037

* The Bank sold its interest in these associated entities during the financial year.

** The Bank's holding has been sold down to 13%.

*** Value of the investment held by the economic entity is less than \$1,000.

(a) Property development/management entity

(b) Media, television and internet investments

(c) Funds management and investment banking services

(d) Mining equipment leasing

(e) Theme park and consulting services

29. Joint Ventures and Associated Entities continued

	Consolidated	
	2001 \$'000	2000 \$'000
Reconciliation of Investment in Associated Entities		
Balance at the beginning of the financial year	32,037	25,096
Adjustment resulting from change in accounting policy for investments in associates	–	(610)
Associates acquired during the financial year	32,385	3,806
Share of associates' operating profit/(loss) after income tax for the financial year	(315)	3,745
Associates disposed of during the financial year	(5,976)	–
Share of associates' equity buybacks	(2,679)	–
Total Investment in Associated Entities	55,452	32,037

30. Related Party Information

Macquarie Bank Limited is the parent entity of all entities listed in Note 18 – Investments in Controlled Entities. All transactions undertaken during the financial year with those entities are eliminated in the consolidated financial report. The transactions principally arise from the provision of banking services, the granting of loans, acceptance of funds on deposit and other financial services. Support services are also provided by the Bank to controlled entities. Amounts due from and due to controlled entities, at balance date, are shown in the Balance Sheet. Interest received or receivable from and paid or payable to controlled entities is disclosed in Note 2 – Operating Profit. Dividends received and receivable by the Bank from controlled entities are disclosed in Note 28 – Dividends and Distributions from Controlled Entities.

Directors

The Directors who held office during the financial year were:

Executive Directors:

D.S. Clarke, AO *Executive Chairman*
A.E. Moss, *Managing Director and Chief Executive Officer*
M.R.G. Johnson, *Deputy Chairman*

Non-Executive Directors:

B.N. Kelman, AO, CBE
J.G. Allpass
L.G. Cox, AO
B.R. Martin
H.K. McCann
H.M. Nugent

Directors' Remuneration

Eligible termination payments paid to retiring Directors as part of a retirement scheme are included in remuneration. These amounts are only paid, six months after retirement, if certain disqualifying events do not occur. If such events occur the amounts are forfeited. That portion of performance-related remuneration subject to restrictions noted in Note 31 – Remuneration Policy for Directors and Executive Officers is excluded from the disclosures following.

In addition to the remuneration listed below, fees were paid for consulting services provided during the financial year by Mr L.G. Cox \$492,825 (2000: \$490,041) and by Mr J.G. Allpass \$26,750 (2000: \$26,750). In addition, Mr Allpass received fees for attendance at due diligence committee meetings of \$9,000 (2000: \$26,000).

The remuneration paid to Directors has been calculated in accordance with AASB 1017 "Related Party Disclosures" and AASB 1028 "Accounting for Employee Entitlements".

	Consolidated 2001 \$'000	Consolidated 2000 \$'000	Bank 2001 \$'000	Bank 2000 \$'000
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30. Related Party Information continued

Directors' Remuneration continued

Remuneration received or receivable by Directors of the Bank from it and all its controlled entities:

Base remuneration	1,812	1,710	1,812	1,710
Performance-related remuneration	7,240	6,985	7,240	6,985
Remuneration recognised in the Profit and Loss Statement	9,052	8,695	9,052	8,695
Value of options granted	657	664	657	664
Total Directors' Remuneration	9,709	9,359	9,709	9,359

The number of Voting Directors whose remuneration fell within the following bands was:

	Number 2001	Number 2000
\$60,000 and \$69,999	–	2
\$70,000 and \$79,999	–	1
\$90,000 and \$99,999	2	–
\$100,000 and \$109,999	1	1
\$120,000 and \$129,999	1	–
\$140,000 and \$149,999	1	1
\$150,000 and \$159,999	–	1
\$160,000 and \$169,999	1	–
\$1,400,000 and \$1,409,999	1	–
\$1,670,000 and \$1,679,999	–	1
\$2,030,000 and \$2,039,999	–	1
\$2,550,000 and \$2,559,999	1	–
\$5,020,000 and \$5,029,999	1	–
\$5,050,000 and \$5,059,999	–	1

Directors' Loans

Loans and guarantee facilities provided to Directors of the Bank and to parties related to them are made in the ordinary course of business on normal commercial terms and conditions.

	2001 \$'000	2000 \$'000
Loans outstanding at the beginning of the financial year	4,489	3,843
Advances (M.R.G. Johnson)	48	1,239
Repayments (D.S. Clarke, M.R.G. Johnson, L.G. Cox)	(1,981)	(593)
Total Directors' Loans	2,556	4,489

During the financial year the Bank brought to account interest income from loans made to Directors of \$272,000 (2000: \$213,000). The aggregate amount of guarantee facilities (undrawn) at 31 March 2001 was \$1,439,000 (2000: \$1,070,000).

Loans and other financial instrument transactions are made by the Bank in the ordinary course of business with related parties. Relief from disclosure of these transactions (with the exception of transactions with Directors) is granted by the Australian Securities and Investments Commission in Class Order 98/110 dated 10 July 1998. The Class Order requires the Directors to issue a statutory declaration, signed by two Directors, stating that the Bank has systems of internal controls and procedures which provide assurance that any loans or other financial instrument transactions which are not entered into on normal terms and conditions are drawn to the attention of the Directors so that they may be disclosed in the financial report. The Bank will lodge the statutory declaration with the Australian Securities and Investments Commission with this financial report.

As at 31 March 2001

30. Related Party Information continued

Directors' Equity Participation

At 31 March 2001 the following Directors or entities related to them have relevant interests in the following shares and share options of the Bank:

	Share Options		Fully Paid Ordinary Shares	
	2001	2000	2001	2000
D.S. Clarke	343,750 *	318,750 *	448,385	463,368
A.E. Moss	366,371 *	716,371 *	324,857	474,857
M.R.G. Johnson	150,000 *	450,000 *	550,000	600,000
B.N. Kelman	2,500 **	–	86,961	79,833
J.G. Allpass	2,500 **	–	10,229	10,229
L.G. Cox	2,500 **	130,000	360,827	217,430
B.R. Martin	2,500 **	–	3,817	2,198
H.K. McCann	2,500 **	–	3,238	1,000
H.M. Nugent	2,083 **	–	2,989	2,430
Aggregate acquired during the financial year	89,583	115,000	949,958	46,687
Aggregate disposed of during the financial year	830,000	–	1,010,000	100,000

* These share options are subject to the exercise conditions now applying to all new grants of options to Executive Directors.

** These share options were issued on 8 August 2000 pursuant to the Non-Executive Directors Share Option Plan. They have an exercise price of \$23.94 and are exercisable at any time (subject to staff trading rules). They were issued following shareholder approval at the Bank's 2000 Annual General Meeting.

Mr J.G. Allpass has an interest in 4,000 (2000: 4,000) endowment warrants over ordinary shares of the Bank. These warrants expire on 30 June 2007.

Mr B.N. Kelman is a Director of the entity which acts as the trustee of the Macquarie Bank Superannuation Fund which at 31 March 2001 had an interest in 136,621 (2000: 157,164) fully paid ordinary shares of the Bank.

During the financial year Directors received dividends relating to the above mentioned shareholdings at the same rate as other shareholders.

Other Transactions with Directors

During the financial year Directors had monies on deposit with the Bank within normal customer relationships on terms and conditions no more favourable than those available to other customers.

31. Remuneration Policy for Directors and Executive Officers

Non-Executive Voting Directors

The Board of Directors ("the Board") maintains a Compensation Committee ("the Committee") which currently comprises David Clarke (Chairman), Bryan Kelman and John Allpass. The Committee reviews compensation arrangements for all Directors, both Voting and Non-Voting. The Committee is also responsible for reviewing and approving recommendations for annual staff remuneration made to it by the Bank's management. The review includes allocations made to Directors and executive staff under the profit share and Employee Option Plan. The Committee may obtain the advice of external consultants on the appropriateness of remuneration packages and other employment conditions if required. The Committee meets as the need arises. Recommendations of the Committee are submitted to the Directors for approval.

Non-Executive Voting Directors are remunerated for their services from the maximum aggregate amount (currently \$1,200,000 p.a.) approved by shareholders for that purpose. Executive Voting Directors are not remunerated for acting as Voting Directors. With effect from 1 July 1999, the remuneration for a Non-Executive Deputy Chair is \$146,700 p.a. while all other Non-Executive Directors' base remuneration is set at the rate of \$80,000 p.a. The following additional remuneration is also payable to Non-Executive Directors for additional duties. These rates will be reviewed effective 1 July 2001.

- Chairman of the Audit and Compliance Committee \$26,700 p.a.
- Member of the Audit and Compliance Committee \$20,000 p.a.
- Member of the Compensation Committee \$3,500 p.a.
- Member of the Nominating Committee \$3,500 p.a.
- Chairman of Macquarie Life Limited \$24,000 p.a.
- Director of Macquarie Life Limited \$16,000 p.a.
- Chairman of Bond Street Australia Limited \$20,000 p.a.
- Director of Bond Street Australia Limited \$13,500 p.a.
- Chairman of Macquarie Investment Management Limited Compliance Committee \$20,000 p.a.
- Member of Macquarie Investment Management Limited Compliance Committee \$13,500 p.a.
- Director of Macquarie Bank Superannuation Pty Limited \$16,000 p.a.

Following approval at the Bank's 1999 Annual General Meeting, Non-Executive Voting Directors may be effectively remunerated in part by way of shares via the Macquarie Bank Non-Executive Directors Share Acquisition Plan. Such shares would be acquired on-market at prevailing market prices. Mr Cox has participated in the Bank's Employee Option Plan pursuant to his role as a senior consultant to the Corporate Advisory and Institutional Stockbroking Group.

Shareholders also approved at the Bank's 2000 Annual General Meeting, the Macquarie Bank Non-Executive Director Option Plan, under which each of the Bank's Non-Executive Voting Directors will be invited to apply for five year options over fully paid shares in the Bank, in 2000, 2001 and 2002, valued at the time of determination (being 26 May 2000 for options issued in relation to the financial year ended 31 March 2000 and 1 July for options issued each financial year thereafter) at

no more than 20% of the then base Non-Executive Voting Director annual fee, provided the Bank meets predetermined performance benchmarks. An Australian Stock Exchange Limited listing rule waiver was granted to allow this three year approval.

Executive Directors and Executive Officers
The Bank's remuneration policy for Executive Directors and Executive Officers is designed to promote superior performance and long-term commitment to the Bank. Executive staff receive a base remuneration which is market related, together with performance based remuneration which is met out of staff profit sharing pools. The Bank's Executive Directors (which include Executive Voting Directors and Executive Officers) have participated in a Directors' Profit Share Scheme ("DPS") under which the Bank makes provision for performance based remuneration. Allocations under the scheme have been dependent upon after-tax profit exceeding a predetermined target rate of return on shareholders' equity. The target rate was changed from time to time in the event of sustained changes to long-term interest rates. The target rate for the financial year ended 31 March 2001 was 8% p.a. after tax. As the rate of return (before provision for performance based remuneration) increases above the target rate, the provision is calculated as an increasing proportion of earnings.

For the Bank's 2002 financial year and onwards, a revised profit sharing mechanism is in place whereby all staff, including Executive Directors, share in a pool determined annually as a proportion of after-tax profit plus a proportion of earnings in excess of the Bank's estimated cost of capital.

The whole of the profit sharing provision for each financial year is charged against earnings in that year. However, in order to encourage long-term commitment, a portion of each Executive Director's allocation is subject to restrictions for up to ten years. These restrictions expire six months after retirement, if certain disqualifying events have not occurred. The effect of this is to provide substantial incentives in relation to superior profitability but low or no participation for below average performance.

The proportion of after-tax profit and proportion of earnings in excess of the Bank's cost of capital is reviewed periodically. Where appropriate, changes are recommended to the Committee and then to the full Board. Overall, remuneration policies, including the amount of provision for performance related remuneration, are subject to the discretion of the Directors and can be changed to reflect competitive market and business conditions where it is in the interests of the Bank and its shareholders to do so.

Until 1995, Executive Directors and Executive Officers participated in the Bank's partly paid share scheme. This was replaced during 1995 by an options plan. Refer to Note 34 – Employee Equity Participation for further information on the now closed partly paid share scheme and the option plan.

Following shareholder approval at the Bank's 1999 Annual General Meeting, Executive Directors are able to request that part of their profit sharing bonus be allocated for the acquisition of shares on-market under the Macquarie Bank Staff Share Acquisition Plan.

As at 31 March 2001

31. Remuneration Policy for Directors and Executive Officers continued

Directors' and Executive Officers' Remuneration

Name and Position	Base Remuneration (a) \$	Performance Related Remuneration \$	Other Benefits (d) \$	Total Remuneration Expense \$	Options	Total Remuneration \$
Executive Directors						
D.S. Clarke	302,462	2,038,068	–	2,340,530	212,750	2,553,280
A.E. Moss	604,925	4,089,025	–	4,693,950	336,000	5,029,950
M.R.G. Johnson	290,739	1,112,549	–	1,403,288	–	1,403,288
Non-Executive Directors (b)						
B.N. Kelman	124,850	–	–	124,850	18,515	143,365
J.G. Allpass	143,621	–	51,329	194,950	18,515	213,465
L.G. Cox	74,247	–	498,578	572,825	18,515	591,340
B.R. Martin	106,312	–	6,688	113,000	18,515	131,515
H.K. McCann	90,000	–	10,000	100,000	18,515	118,515
H.M. Nugent	74,965	–	5,035	80,000	15,435	95,435
Executive Officers (c)						
N. Moore	464,245	3,772,979	–	4,237,224	615,200	4,852,424
A. Downe	433,764	2,322,440	–	2,756,204	232,700	2,988,904
R. Sheppard	467,762	1,925,483	–	2,393,245	293,000	2,686,245
B. Moss	433,764	2,102,115	–	2,535,879	107,400	2,643,279
A. Lucas	436,344	1,611,679	–	2,048,023	179,000	2,227,023

(a) Includes the Bank's contributions to superannuation schemes, other than for Non-Executive Directors.

(b) Non-Executive Directors' remuneration represents fees paid in connection with attending Board and Board Committee meetings and carrying out other duties. These duties are explained in the Annual Review.

(c) Executive Officers shown above are the five highest paid members of the Executive Committee who are not members of the Board. Management of the Bank is substantially delegated by the Board of Directors to the Executive Committee.

(d) Other benefits represents the Bank's contributions to superannuation schemes and consulting fees paid to Mr L.G. Cox and J.G. Allpass, refer Note 30 – Related Party Information.

31. Remuneration Policy for Directors and Executive Officers continued

Share Options Granted to Directors and Executive Officers

Options over unissued ordinary shares of the Bank granted during the financial year to Directors and the five most remunerated officers as part of their remuneration were as follows:

Name and Position	Date Options Granted	Number of Options Granted	Value of Options at Grant Date \$	Option Exercise Price \$	Date First Option Tranche Exercisable
Executive Directors					
D.S. Clarke	30 August 2000	25,000	8.51	23.94	1 July 2002 **
A.E. Moss	2 August 2000	50,000	6.72	23.94	1 July 2002 **
M.R.G. Johnson	–	–	–	–	–
Non-Executive Directors					
B.N. Kelman	8 August 2000	2,500	7.41	23.94	*
J.G. Allpass	8 August 2000	2,500	7.41	23.94	*
L.G. Cox	8 August 2000	2,500	7.41	23.94	*
B.R. Martin	8 August 2000	2,500	7.41	23.94	*
H.K. McCann	8 August 2000	2,500	7.41	23.94	*
H.M. Nugent	8 August 2000	2,083	7.41	23.94	*
Executive Officers					
N. Moore	21 July 2000	70,000	7.16	23.94	1 July 2002 **
	11 August 2000	15,000	7.60	23.94	1 July 2002 **
A. Downe	21 July 2000	32,500	7.16	23.94	1 July 2002 **
R. Sheppard	21 July 2000	25,000	7.16	23.94	1 July 2002 **
	11 August 2000	15,000	7.60	23.94	1 July 2002 **
B. Moss	21 July 2000	15,000	7.16	23.94	1 July 2002 **
A. Lucas	21 July 2000	25,000	7.16	23.94	1 July 2002 **

* Options may be exercised at any time (subject to staff trading rules).

** Options are issued subject to the exercise conditions referred to in Note 34 – Employee Equity Participation and are only exercisable in three equal tranches on or after 1 July 2002, 1 July 2003 and 1 July 2004.

The value of options at grant date represents the assessed fair value of options using the Black-Scholes option pricing framework adjusted to take account of option trading period restrictions, vesting timeframes and, where appropriate, vesting restrictions. The following key assumptions have been adopted:

- Risk free interest rate: 6.4%
- Life of options: 5 years
- Volatility of share price: 23.9%
- Dividend rate: 3.4%

The exercise price of new options granted is based on the weighted average market price during the calendar month of June.

Further information on the options, including the numbers of options granted to Directors and other executives, is set out in Note 34 – Employee Equity Participation.

As at 31 March 2001

	Consolidated 2001 \$'000	Consolidated 2000 \$'000	Bank 2001 \$'000	Bank 2000 \$'000
32. Executive Officers' Remuneration				
Remuneration received or receivable by executives principally involved in the management of the Bank and its controlled entities:				
Base remuneration	4,278	3,919	4,278	3,919
Performance-related remuneration *	22,228	21,474	22,228	21,474
Remuneration recognised in the Profit and Loss Statement	26,506	25,393	26,506	25,393
Value of options granted	2,640	3,958	2,640	3,958
Total Executive Officers' Remuneration	29,146	29,351	29,146	29,351

The number of executives whose remuneration fell within the following bands was:

	Number 2001	Number 2000	Number 2001	Number 2000
\$380,000 and \$389,999	1	-	1	-
\$920,000 and \$929,999	1	-	1	-
\$1,280,000 and \$1,289,000	1	-	1	-
\$1,400,000 and \$1,409,999	1	-	1	-
\$1,670,000 and \$1,679,999	-	1	-	1
\$1,760,000 and \$1,769,999	-	1	-	1
\$1,860,000 and \$1,869,999	-	1	-	1
\$2,030,000 and \$2,039,999	-	1	-	1
\$2,160,000 and \$2,169,999	1	-	1	-
\$2,220,000 and \$2,229,999	1	-	1	-
\$2,550,000 and \$2,559,999	1	-	1	-
\$2,640,000 and \$2,649,999	1	-	1	-
\$2,680,000 and \$2,689,999	1	-	1	-
\$2,860,000 and \$2,869,999	-	1	-	1
\$2,980,000 and \$2,989,999	1	-	1	-
\$3,030,000 and \$3,039,999	-	1	-	1
\$3,100,000 and \$3,109,999	-	1	-	1
\$3,110,000 and \$3,119,999	-	1	-	1
\$4,840,000 and \$4,849,999	-	1	-	1
\$4,850,000 and \$4,859,999	1	-	1	-
\$5,020,000 and \$5,029,999	1	-	1	-
\$5,050,000 and \$5,059,999	-	1	-	1

* That portion of performance-related remuneration subject to restrictions noted in Note 31 - Remuneration Policy for Directors and Executive Officers is excluded from the disclosures above.

The remuneration paid to executive officers has been calculated in accordance with AASB 1017 "Related Party Disclosures" and AASB 1028 "Accounting for Employee Entitlements".

33. Retirement Benefits

The amount paid by the economic entity to persons in a prescribed office (Non-Executive Directors) or a prescribed superannuation fund in connection with the retirement of these persons from the Bank was \$43,055 (2000: \$48,952). The Directors, having regard to the details involved, consider the provision of full particulars in regard to these payments would be unreasonable.

The economic entity contributed to defined contribution superannuation funds in connection with the retirement of employees. The economic entity does not have any liability to contribute to the superannuation funds beyond an annual percentage of employee earnings.

34. Employee Equity Participation

Partly Paid Share Scheme

Under the Bank's now closed partly paid share scheme (the "Scheme"), staff at Associate Director level and above were offered the opportunity of subscribing (either themselves or a nominee controlled by them) for partly paid ordinary shares. These were registered in the name of a nominee company, Lacuna Nominees Pty Limited. The total number of partly paid shares which could be on issue at one time was limited to 20% of the Bank's fully and partly paid issued shares. The total number of partly paid shares at present is Nil (2000: 575,000). No partly paid shares have been issued since June 1995 and no further issues are proposed.

Each partly paid share allotment was subject to an individual deed of allotment. The terms of these deeds developed over time and the following is a description of the Scheme as it generally applies to the partly paid shares on issue.

Most shares were effectively issued under the Scheme at a par value of \$1.00 plus a variable premium determined such that the sum of the par value and maximum premium for each issue of partly paid shares was equal to the market price of the fully paid shares (as determined by the Board) at the date of issue. With the exception of some partly paid shares issued early in the life of the Scheme, holders of partly paid shares have been subject to a two year "vesting period". A holder who ceases to be an employee must pay up the outstanding amounts within a reasonable period. All partly paid shares have now vested and have all now been paid up.

Each partly paid share participated equally in the fully paid ordinary share distributions in respect of any financial year above a participation threshold, equal to the maximum amount still to be paid up on the share multiplied by 11.5 and divided by 183. All bonus shares on partly paid shares since 1991 were subject to an arrangement

whereby on the sale of any such shares the Bank made a call on the underlying partly paid shares equal to the notional after-tax proceeds of the sale. Bonus shares on such shares were also subject to the same arrangement. The Bank also made calls on partly paid shares equal to the notional after-tax value of any cash dividends on partly paid and fully paid shares which are subject to the arrangement described above. The aggregate calls on a partly paid share were not less than \$1.00 nor greater than the net amount that would then be available from an arms length disposal of the share and any associated bonus shares derived from the share.

Subject to the approval of the Board and staff trading rules, partly paid shares were paid up at any time and became full voting ordinary shares ranking pari passu with all other fully paid ordinary shares then on issue.

Until they were fully paid, partly paid shares carried no voting rights, other than in the limited situations described in the Bank's Constitution.

Option Plan

In December 1995, the Bank introduced an Employee Option Plan (the "Plan"), effectively as a replacement for the Scheme. Staff eligible to participate are those of Associate Director level and above and consultants to the economic entity. At 31 March 2001 there were 887 (2000: 727) participants in the Plan.

Options, currently for five years, over fully paid unissued ordinary shares in the Bank are granted to Lacuna Nominees Pty Limited as nominee for the individual or the individual's controlled company.

The options are issued for no consideration. Options are granted at prevailing market prices. The exercise price of new options granted is generally based on the weighted average market price during the month prior to acceptance of employment for new employees or during the calendar month of June in respect of options granted as a result of annual promotions and compensation reviews.

As at 31 March 2001

34. Employee Equity Participation continued

The following is a summary of options which have been granted pursuant to the Plan:

Latest Date for Exercise of Options	Exercise Price	Balance as at 1 April 2000	Options Issued during the Financial Year	Options Exercised during the Financial Year	Options Lapsed during the Financial Year	Balance as at 31 March 2001	Latest Date for Exercise of Options	Exercise Price	Balance as at 1 April 2000	Options Issued during the Financial Year	Options Exercised during the Financial Year	Options Lapsed during the Financial Year	Balance as at 31 March 2001
5 January 2001 *	\$4.05	479,455	—	(479,455)	—	—	10 March 2003	\$11.39	20,000	—	(6,666)	—	13,334
29 January 2001 *	\$5.00	130,000	—	(130,000)	—	—	11 March 2003	\$13.20	20,000	—	—	—	20,000
28 February 2001 *	\$4.50	45,000	—	(45,000)	—	—	30 March 2003	\$11.53	20,000	—	—	—	20,000
1 March 2001 *	\$5.00	20,000	—	(20,000)	—	—	8 April 2003	\$11.95	50,000	—	(16,666)	—	33,334
14 May 2001 *	\$6.20	370	—	(370)	—	—	22 April 2003	\$13.48	20,000	—	(14,443)	(5,557)	—
22 July 2001 *	\$7.24	5,000	—	(5,000)	—	—	29 April 2003	\$12.34	20,000	—	—	—	20,000
19 August 2001	\$6.86	1,757,518	—	(1,099,250)	(3,750)	654,518	30 April 2003	\$13.15	20,000	—	—	—	20,000
21 August 2001	\$6.75	15,000	—	(15,000)	—	—	8 May 2003	\$13.48	20,000	—	(6,666)	—	13,334
28 August 2001	\$6.84	10,000	—	(10,000)	—	—	9 May 2003	\$14.35	20,000	—	(6,666)	—	13,334
1 October 2001	\$6.50	20,000	—	—	—	20,000	14 May 2003	\$13.82	20,000	—	(6,660)	—	13,340
6 January 2002	\$8.30	15,000	—	(7,500)	—	7,500	15 May 2003	\$14.32	17,000	—	(3,800)	—	13,200
13 January 2002	\$8.71	25,000	—	(12,500)	—	12,500	18 May 2003	\$13.28	20,000	—	—	—	20,000
16 January 2002	\$6.80	20,000	—	(20,000)	—	—	19 May 2003	\$14.09	20,000	—	—	—	20,000
4 March 2002	\$8.59	20,000	—	—	—	20,000	20 May 2003	\$14.47	17,000	—	(5,666)	—	11,334
26 March 2002	\$8.50	17,500	—	(8,750)	—	8,750	11 June 2003	\$14.31	17,000	—	(5,666)	—	11,334
27 March 2002	\$8.49	10,000	—	(5,000)	—	5,000	12 June 2003	\$14.89	50,000	—	—	—	50,000
7 April 2002	\$8.57	58,750	—	(37,500)	(5,000)	16,250	26 June 2003	\$14.52	17,000	—	—	—	17,000
8 April 2002	\$8.11	20,000	—	—	—	20,000	27 July 2003	\$14.89	17,000	—	—	—	17,000
16 April 2002	\$8.46	10,000	—	(5,000)	—	5,000	21 August 2003	\$14.47	57,500	—	(19,166)	—	38,334
18 April 2002	\$8.59	20,000	—	(15,000)	—	5,000	28 August 2003	\$14.29	3,903,963	—	(724,194)	(135,477)	3,044,292
23 May 2002	\$8.41	10,000	—	(5,000)	—	5,000	16 September 2003	\$14.83	42,500	—	—	—	42,500
26 May 2002	\$8.32	37,500	—	—	—	37,500	18 September 2003	\$14.59	17,000	—	—	—	17,000
28 May 2002	\$8.49	17,500	—	—	—	17,500	22 September 2003	\$14.67	17,000	—	(3,700)	—	13,300
29 May 2002	\$8.44	14,500	—	(6,400)	—	8,100	23 September 2003	\$13.11	17,000	—	—	—	17,000
24 June 2002	\$9.00	10,000	—	(5,000)	—	5,000	25 September 2003	\$14.62	34,000	—	(11,326)	—	22,674
25 June 2002	\$9.13	45,000	—	(12,500)	—	32,500	28 September 2003	\$13.54	42,500	—	—	—	42,500
18 July 2002	\$11.17	5,015,428	—	(1,420,692)	(37,784)	3,556,952	6 November 2003	\$14.48	17,000	—	—	—	17,000
8 August 2002	\$8.65	13,334	—	(6,666)	—	6,668	9 November 2003	\$12.61	17,000	—	—	(7,557)	9,443
11 August 2002	\$11.17	1,051,371	—	(700,000)	—	351,371	11 November 2003	\$13.50	17,000	—	(5,666)	—	11,334
12 August 2002	\$11.17	30,000	—	(15,000)	—	15,000	13 November 2003	\$13.28	17,000	—	—	(17,000)	—
23 October 2002	\$13.17	20,000	—	—	—	20,000	24 November 2003	\$14.54	17,000	—	—	—	17,000
24 October 2002	\$9.14	13,334	—	—	—	13,334	25 November 2003	\$13.03	17,000	—	—	—	17,000
7 November 2002	\$11.90	50,000	—	—	—	50,000	26 November 2003	\$13.40	110,500	—	(36,833)	—	73,667
10 November 2002	\$13.20	20,000	—	—	—	20,000	2 December 2003	\$12.25	17,000	—	—	—	17,000
24 November 2002	\$13.49	13,334	—	(6,332)	—	7,002	4 December 2003	\$14.65	17,000	—	—	—	17,000
25 November 2002	\$13.18	16,615	—	—	—	16,615	6 December 2003	\$12.73	17,000	—	—	—	17,000
2 December 2002	\$12.30	20,000	—	(13,332)	—	6,668	7 December 2003	\$15.23	42,500	—	—	—	42,500
4 December 2002	\$10.38	200,000	—	(200,000)	—	—	12 February 2004	\$15.06	17,000	—	—	—	17,000
18 December 2002	\$12.29	20,000	—	(6,666)	(13,334)	—	15 February 2004	\$13.32	42,500	—	—	—	42,500
19 December 2002	\$10.38	20,000	—	—	—	20,000	22 February 2004	\$14.55	42,500	—	—	—	42,500
22 December 2002	\$10.96	70,000	—	(46,664)	—	23,336	23 February 2004	\$14.18	34,000	—	(5,666)	—	28,334
23 December 2002	\$11.59	13,334	—	(6,666)	—	6,668	24 February 2004	\$14.58	17,000	—	—	—	17,000
							25 February 2004	\$15.60	17,000	—	—	—	17,000
							26 February 2004	\$14.53	110,500	—	—	—	110,500
							31 March 2004	\$18.89	142,500	—	—	—	142,500

* Exercisable into approximately 1.0385 shares per option.

As at 31 March 2001

34. Employee Equity Participation continued

Latest Date for Exercise of Options	Exercise Price	Balance as at 1 April 2000	Options Issued during the Financial Year	Options Exercised during the Financial Year	Options Lapsed during the Financial Year	Balance as at 31 March 2001	Latest Date for Exercise of Options	Exercise Price	Balance as at 1 April 2000	Options Issued during the Financial Year	Options Exercised during the Financial Year	Options Lapsed during the Financial Year	Balance as at 31 March 2001
23 April 2004	\$14.46	17,000	—	—	—	17,000	28 January 2005	\$23.22	32,500	—	—	—	32,500
27 April 2004	\$14.36	161,500	—	—	(17,000)	144,500	31 January 2005	\$20.55	42,500	—	—	(30,000)	12,500
28 April 2004	\$17.07	17,000	—	—	—	17,000	10 February 2005	\$20.05	100,000	—	—	—	100,000
29 April 2004	\$17.17	17,000	—	—	—	17,000	6 March 2005	\$18.51	32,500	—	—	—	32,500
30 April 2004	\$17.29	15,000	—	—	—	15,000	21 March 2005	\$21.16	5,000	—	—	—	5,000
11 May 2004	\$16.82	17,000	—	—	—	17,000	22 March 2005	\$24.14	5,000	—	—	—	5,000
4 June 2004	\$17.33	20,000	—	—	—	20,000	24 March 2005	\$24.56	5,000	—	—	—	5,000
8 June 2004	\$14.52	17,000	—	—	—	17,000	27 March 2005	\$24.44	7,500	—	—	—	7,500
15 June 2004	\$14.36	15,000	—	—	—	15,000	28 March 2005	\$23.76	32,500	—	—	—	32,500
25 June 2004	\$17.11	17,000	—	—	—	17,000	21 July 2005	\$23.94	—	4,174,436	—	(146,406)	4,028,030
28 June 2004	\$14.48	42,500	—	—	—	42,500	1 August 2005	\$20.14	—	5,000	—	—	5,000
13 August 2004	\$18.51	7,560,008	—	(37,490)	(374,667)	7,147,851	2 August 2005	\$23.94	—	50,000	—	—	50,000
16 August 2004	\$19.07	15,000	—	—	—	15,000	3 August 2005	\$18.51	—	20,000	—	—	20,000
17 August 2004	\$18.44	80,000	—	—	—	80,000	4 August 2005	\$20.18	—	5,000	—	(5,000)	—
18 August 2004	\$14.36	17,000	—	—	—	17,000	5 August 2005	\$24.29	—	5,000	—	—	5,000
19 August 2004	\$19.00	37,500	—	—	—	37,500	6 August 2005	\$24.76	—	12,500	—	(12,500)	—
20 August 2004	\$17.81	20,000	—	—	(20,000)	—	7 August 2005	\$24.69	—	30,000	—	—	30,000
23 August 2004	\$18.08	15,000	—	—	—	15,000	8 August 2005	\$23.94	—	14,583	—	—	14,583
24 August 2004	\$19.07	37,500	—	—	—	37,500	9 August 2005	\$24.12	—	5,000	—	—	5,000
25 August 2004	\$19.09	15,000	—	—	—	15,000	10 August 2005	\$25.71	—	5,000	—	—	5,000
26 August 2004	\$17.92	15,000	—	—	—	15,000	11 August 2005	\$23.94	—	135,600	—	—	135,600
30 August 2004	\$17.82	37,500	—	—	—	37,500	12 August 2005	\$25.49	—	5,000	—	—	5,000
31 August 2004	\$18.51	978,000	—	(4,998)	(85,836)	887,166	13 August 2005	\$23.06	—	5,000	—	—	5,000
3 September 2004	\$14.98	37,500	—	—	(37,500)	—	14 August 2005	\$24.16	—	12,500	—	—	12,500
6 September 2004	\$18.14	15,000	—	—	—	15,000	15 August 2005	\$24.24	—	5,000	—	—	5,000
7 September 2004	\$18.08	67,500	—	—	—	67,500	16 August 2005	\$23.17	—	5,000	—	(5,000)	—
24 September 2004	\$18.51	49,125	—	—	(15,000)	34,125	17 August 2005	\$23.63	—	5,000	—	—	5,000
27 September 2004	\$18.51	67,500	—	—	(17,500)	50,000	18 August 2005	\$23.76	—	5,000	—	—	5,000
11 October 2004	\$18.51	10,000	—	—	—	10,000	19 August 2005	\$24.43	—	12,500	—	—	12,500
9 November 2004	\$18.86	5,000	—	—	—	5,000	20 August 2005	\$24.04	—	5,000	—	—	5,000
10 November 2004	\$20.28	5,000	—	—	—	5,000	21 August 2005	\$21.50	—	5,000	—	—	5,000
12 November 2004	\$19.07	15,000	—	—	—	15,000	22 August 2005	\$23.02	—	12,500	—	—	12,500
15 November 2004	\$17.93	37,500	—	—	—	37,500	24 August 2005	\$24.56	—	17,500	—	—	17,500
16 November 2004	\$17.83	15,000	—	—	—	15,000	25 August 2005	\$25.37	—	5,000	—	—	5,000
25 November 2004	\$18.51	67,500	—	—	(32,500)	35,000	26 August 2005	\$25.65	—	5,000	—	—	5,000
29 November 2004	\$20.29	75,000	—	—	—	75,000	27 August 2005	\$25.05	—	12,500	—	—	12,500
30 November 2004	\$18.51	5,000	—	—	(5,000)	—	28 August 2005	\$25.66	—	5,000	—	—	5,000
1 December 2004	\$18.51	5,000	—	—	(5,000)	—	30 August 2005	\$23.94	—	125,764	—	—	125,764
3 December 2004	\$20.10	5,000	—	—	—	5,000	28 September 2005	\$25.59	—	5,000	—	—	5,000
6 December 2004	\$20.45	5,000	—	—	—	5,000	29 September 2005	\$25.85	—	5,000	—	—	5,000
7 December 2004	\$20.01	5,000	—	—	—	5,000	11 October 2005	\$20.18	—	5,000	—	—	5,000
9 December 2004	\$20.18	5,000	—	—	—	5,000	12 October 2005	\$25.01	—	5,000	—	—	5,000
10 December 2004	\$19.52	15,000	—	—	—	15,000	13 October 2005	\$24.36	—	12,500	—	—	12,500
13 December 2004	\$20.29	15,000	—	—	—	15,000	14 October 2005	\$25.59	—	10,000	—	—	10,000
20 January 2005	\$20.18	50,000	—	—	—	50,000	15 October 2005	\$26.12	—	12,500	—	—	12,500
21 January 2005	\$18.51	19,500	—	—	—	19,500	16 October 2005	\$25.72	—	12,500	—	—	12,500
24 January 2005	\$19.97	17,500	—	—	—	17,500	25 October 2005	\$24.06	—	5,000	—	—	5,000
25 January 2005	\$20.05	5,000	—	—	—	5,000	11 December 2005	\$27.56	—	5,000	—	—	5,000
27 January 2005	\$20.28	5,000	—	—	(5,000)	—	12 December 2005	\$26.57	—	17,500	—	—	17,500
							13 December 2005	\$24.80	—	32,500	—	—	32,500
							17 December 2005	\$27.54	—	5,000	—	—	5,000

As at 31 March 2001

34. Employee Equity Participation continued

Latest Date for Exercise of Options	Exercise Price	Balance as at 1 April 2000	Options Issued during the Financial Year	Options Exercised during the Financial Year	Options Lapsed during the Financial Year	Balance as at 31 March 2001
22 December 2005	\$24.24	–	5,000	–	–	5,000
27 December 2005	\$26.45	–	5,000	–	–	5,000
28 December 2005	\$27.63	–	5,000	–	–	5,000
29 December 2005	\$26.32	–	12,500	–	–	12,500
2 January 2006	\$27.28	–	32,500	–	–	32,500
3 January 2006	\$27.86	–	5,000	–	–	5,000
4 January 2006	\$26.88	–	5,000	–	–	5,000
5 January 2006	\$27.71	–	5,000	–	–	5,000
8 January 2006	\$26.95	–	5,000	–	–	5,000
9 January 2006	\$27.97	–	20,000	–	–	20,000
11 January 2006	\$27.15	–	12,500	–	–	12,500
12 January 2006	\$27.93	–	5,000	–	–	5,000
15 January 2006	\$27.81	–	5,000	–	–	5,000
16 January 2006	\$27.46	–	12,500	–	–	12,500
17 January 2006	\$27.71	–	5,000	–	–	5,000
18 January 2006	\$27.71	–	12,500	–	–	12,500
19 January 2006	\$28.29	–	12,500	–	–	12,500
23 January 2006	\$28.51	–	12,500	–	–	12,500
30 January 2006	\$27.83	–	5,000	–	–	5,000
31 January 2006	\$27.71	–	5,000	–	–	5,000
1 February 2006	\$27.98	–	100,000	–	–	100,000
2 February 2006	\$27.71	–	22,500	–	–	22,500
26 February 2006	\$18.51	–	12,500	–	–	12,500
27 February 2006	\$28.39	–	5,000	–	–	5,000
28 February 2006	\$28.15	–	5,000	–	–	5,000
13 March 2006	\$27.13	–	5,000	–	–	5,000
20 March 2006	\$28.19	–	5,000	–	–	5,000
26 March 2006	\$27.10	–	5,000	–	–	5,000
29 March 2006	\$27.66	–	5,000	–	–	5,000
Total Options on Issue		24,754,939	5,195,383	(5,288,181)	(1,039,368)	23,622,773

The market value of shares under these options at 31 March 2001 was \$652,579,104. No unissued shares, other than those referred to above, are under option as at the date of this report.

Options granted on or before 15 May 1996 were not exercisable within a vesting period of two years and a holder who ceased to be an employee after that time was required to exercise the options within a reasonable period. Options granted after 15 May 1996 and before 1997 promotions and compensation reviews had vesting periods ranging up to four years after the date of grant. Each new tranche of options was issued such that 25% of each tranche becomes exercisable after each of the first four anniversaries of the date of grant. Options granted thereafter vest as to one third of each tranche after the second, third and fourth anniversaries of the date of commencement of employment for new starters and, for existing employees, on 1 July two, three and four years after the allocation of the options. Subject to staff trading rules, options can be exercised after the vesting period at

any time up to expiry. In individual cases, such as where an employee leaves with the Bank's agreement towards the end of a vesting period, the Bank's Executive Committee has the power to waive the remainder of any vesting period and allow exercise of the relevant options.

In respect of each tranche of vested options granted to Executive Directors of the Bank after the 1997 Annual General Meeting:

– one third of the vested options may only be exercised if the Bank's average annual Return on Equity for the three previous financial years is at or above the 55th percentile of the corresponding figures for all companies in the then ASX All Industrials Index;

– another third of the vested options may only be exercised if the Bank's average annual Return on Equity for the three previous financial years is at or above the 65th percentile of the corresponding figures for all companies in the then ASX All Industrials Index; and

– the final third of the vested options may only be exercised if the Bank's average annual Return on Equity for the three previous financial years is at or above the 75th percentile of the corresponding figures for all companies in the then ASX All Industrials Index,

with the conditions to be examined quarterly from vesting until expiry of the options. Options which have vested but are not able to be exercised at a particular examination date, will be exercisable (until expiry) at or after future quarterly examination dates when and if the exercise conditions pertaining to any of those dates have been met.

The Plan Rules provide that the total number of options which can be on issue at any one time is limited such that the number of shares resulting from exercise of all unexercised options together with the number of partly paid shares then on issue do not exceed 20% of the number of the Bank's then fully paid ordinary shares plus the number of partly paid shares then on issue plus the number of shares resulting from exercise of all unexercised options. The Board has a second limitation on the number of options being the same calculation as in the Plan Rules except that any partly paid shares issued less than five years ago, which have been fully paid up and where the relevant executive is still with the Bank, will be treated as still being partly paid and any exercised options granted less than five years ago, where the executive is still with the Bank, will be treated as still being unexercised.

Since 31 March 2001, the following options have been issued or have lapsed:

Latest Date for Exercise of Options	Exercise Price	Options Issued Since 31 March 2001	Options Lapsed Since 31 March 2001
2 April 2006	\$28.00	5,000	–
11 April 2006	\$27.28	5,000	–
17 April 2006	\$27.04	12,500	–
18 April 2006	\$28.57	5,000	–
19 April 2006	\$28.55	5,000	–
20 April 2006	\$28.05	12,500	–
23 April 2006	\$28.50	5,000	–
24 April 2006	\$26.85	5,000	–
19 May 2003	\$14.09	–	(3,334)
28 August 2003	\$14.29	–	(5,834)
28 September 2003	\$13.54	–	(11,716)
24 February 2004	\$14.58	–	(17,000)
26 February 2004	\$14.53	–	(73,667)
13 August 2004	\$18.51	–	(7,880)
31 August 2004	\$18.51	–	(5,668)
27 September 2004	\$18.51	–	(7,640)
11 October 2004	\$18.51	–	(5,000)
16 November 2004	\$18.51	–	(9,583)
31 January 2005	\$20.55	–	(12,500)
21 July 2005	\$23.94	–	(37,973)
11 August 2005	\$23.94	–	(8,286)
16 October 2005	\$25.72	–	(12,500)
4 January 2006	\$26.88	–	(5,000)
Total		55,000	(223,581)

Fully paid ordinary shares issued on the exercise of options will rank pari passu with all other fully paid ordinary shares then on issue.

On 25 May 2000, the Board approved amendments to the Plan Rules referred to as the Deferred Exercise Share Options Plan ("DESOP"). Shares resulting from the exercise of options will now be placed under the DESOP, unless options holders request otherwise. Unless the Bank is aware of circumstances which, in the reasonable opinion of the Bank, indicate that the relevant Executive may have acted fraudulently, dishonestly or in a manner which is in breach of his/her obligations to the Bank or any associated entity, then this request will be granted.

Shares acquired under DESOP cannot be sold, transferred or disposed of for a period of six months from the date that the shares are transferred into a participating employee's name and are also subject to forfeiture by an employee in a number of circumstances including theft, fraud, dishonesty, or defalcation in relation to affairs of the Bank or a related entity or if they carry out an act or fail to do an act which brings the Bank or an associated entity into disrepute.

As at 31 March 2001

34. Employee Equity Participation continued

Shares held in the DESOP will be withdrawn on the earlier of:

- an employee's resignation from the Bank or a related company;
- upon request from the employee (after the expiration of the non-disposal period); and
- ten years from the date that the options were originally granted.

In other respects, shares rank equally with all other fully paid ordinary shares then on issue.

Options carry no dividend or voting rights but have standard adjustment clauses for bonus and rights issues, reconstructions etc.

Employee Share Plan

Following shareholder approval at the 1997 Annual General Meeting, the Bank introduced the Macquarie Bank Employee Share Plan ("ESP") whereby each financial year, eligible employees are offered up to \$1,000 worth of fully paid ordinary Bank shares for no cash payment. The Bank's staff profit sharing pools are adjusted downwards by the aggregate market value of the shares issued under the ESP.

Shares issued under the ESP cannot be sold until the earlier of three years after issue or the time when the participant is no longer employed by the Bank or a subsidiary of the Bank. In all other respects, shares issued rank equally with all other fully paid ordinary shares then on issue.

The number of shares each participant receives is the offer amount divided by the weighted average price at which the Bank's shares are traded on Australian Stock Exchange Limited on the seven days up to and including the date of allotment, rounded down to the nearest whole share.

The employees who are eligible for an offer are those permanent employees who have been continuously employed by the Bank or a subsidiary of the Bank since 1 April of the relevant year, are still employed by the Bank or a subsidiary of the Bank on the relevant allotment date and are Australian residents on both the closing date of an offer and on the relevant allotment date. Persons who are ineligible include all non-permanent staff, staff seconded to the Bank from external companies, staff on leave without pay, staff who have been given notice of dismissal from employment by the Bank or subsidiary of the Bank or who have tendered their resignation to avoid such a dismissal (even if they would, but for this requirement, be eligible to acquire shares) and any staff member that a Group Head believes should be ineligible based on poor performance.

The latest offer under the ESP was made during December 2000. A total of 1,288 staff participated in this offer. On 19 January 2001, the participants were each issued with 35 fully paid ordinary shares based on the offer amount of \$1,000 and the then calculated average market share price of \$28.28, that is, a total of 45,080 shares were issued. The shares were issued for no cash consideration.

Staff Share Acquisition Plan

Following shareholder approval at the 1999 Annual General Meeting, the Bank introduced the Macquarie Bank Staff Share Acquisition Plan ("SSAP") whereby each financial year, Australian based eligible employees are given the opportunity to nominate an amount of their pre-tax available profit share or future commission to purchase fully paid ordinary Bank shares ("Shares"). Total Share purchases under the SSAP are limited in any financial year to three per cent of the Bank's Shares as at the beginning of that financial year.

Shares are acquired at prevailing market prices. Any applicable brokerage, stamp duty, workers' compensation premiums and payroll tax are to the employee's account.

Shares acquired under the SSAP cannot be sold, transferred or disposed of for a period of six months from the date that the Shares are transferred into a participating employee's name except in special circumstances or the employee resigns. The Shares held in the SSAP are also subject to forfeiture by an employee in a number of circumstances including theft, fraud, dishonesty, or defalcation in relation to the affairs of the Bank or a related company or if they carry out an act or fail to do an act which brings the Bank or a related company into disrepute.

Shares held in the SSAP will be withdrawn on the earlier of:

- an employee's resignation from the Bank or a related company; and
- upon request by the employee (after the expiration of the non-disposal period); and
- ten years from the date that the Shares are registered in an employee's name.

In all other respects, Shares rank equally with all other fully paid ordinary shares then on issue.

Eligible employees are Australian-based permanent full-time or part-time employees of the Bank or a related company who either receive available profit share in the relevant year of at least \$1,000 in total or allocate at least \$1,000 in available commission towards the SSAP.

The second offer under the SSAP was made during May 2000. A total of 232 staff participated in the SSAP. On 10 July 2000, a total of 277,880 Shares were acquired.

	Consolidated 2001 \$'000	Consolidated 2000 \$'000	Bank 2001 \$'000	Bank 2000 \$'000
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35. Contingent Liabilities

Contingent liabilities exist in respect of:

Guarantees (a) (b)	136,733	142,360	597,203	409,335
Letters of credit (a)	15,607	58,529	141,680	58,529
Uncalled investments (c)	400	550	1,010	1,010
Controlled entity as Single Responsible Entity (d)	56,687	58,027	–	–
Underwriting facilities	122,600	369,800	7,800	27,800
Undrawn credit facilities	2,114,524	2,627,894	1,906,881	2,525,937
Cross-border leasing indemnities (e)	225,089	197,441	81,305	82,858

Total Contingent Liabilities	2,671,640	3,454,601	2,735,879	3,105,469
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Analysis of undrawn credit facilities by maturity:

Current	1,031,039	1,233,174	916,412	1,083,320
Non-current	1,083,485	1,394,720	990,469	1,442,617

Total Undrawn Credit Facilities	2,114,524	2,627,894	1,906,881	2,525,937
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- (a) All external guarantees, other than noted for Macquarie Investment Management Limited ("MIML") in (d) below, and letters of credit are provided by the Bank. Included in external guarantees are guarantees backed by cash of \$42,622,000 (2000: \$88,941,000).
- (b) The Bank has entered into a group guarantee with a number of controlled entities who act as Single Responsible Entities and the Australian Securities and Investments Commission for the purposes of the Net Tangible Assets calculation under the controlled entities' dealers licence conditions. The Bank has provided a guarantee of \$10,000,000 for 12 controlled entities, which is capped at \$5,000,000 in respect of any one entity.
- (c) Uncalled investments comprise units in Macquarie Investment Trust II \$400,000 (2000: \$550,000), shares in Bond Street Australia Limited \$505,000 (2000: \$505,000) and shares in Bond Street Custodians Limited \$505,000 (2000: \$505,000).
- (d) MIML covenants that while it acts as Single Responsible Entity of the Macquarie Cash Management Trust unitholders in that trust will be paid upon redemption or repurchase of a unit issued prior to 28 April 1985, where the unit holder has continuously held units from 28 April 1985, not less than the sum of \$1.00: \$55,047,000 (2000: \$56,246,000). At 31 March 2001 the audited financial report of the Macquarie Cash Management Trust discloses the value of units on issue and the income entitlement thereon aggregating \$7,340,842,000 (2000: \$6,414,291,000) and assets aggregating \$7,414,758,000 (2000: \$6,422,271,000).
MIML also guarantees the full value of investment deposits lodged in the Macquarie Approved Deposit Fund prior to 21 May 1985: \$1,640,000 (2000: \$1,781,000). At 31 March 2001 the unaudited accounts of the Macquarie Approved Deposit Fund disclose the value of unitholders' funds, aggregating \$1,034,394,000 (2000: \$1,207,191,000) and the assets of the Macquarie Approved Deposit Fund aggregating \$1,051,466,000 (2000: \$1,197,652,000).
- (e) Indemnities granted to counterparties in respect of termination and default events in cross-border leasing transactions.
- (f) Contingent liabilities exist in respect of claims and potential claims against entities in the economic entity. Where necessary appropriate provisions have been made in the financial report. The economic entity does not consider that the outcome of any such claims known to exist at the date of this report, either individually or in aggregate, are likely to have a material effect on its operations or financial position.

As at 31 March 2001

	Consolidated 2001 \$'000	Consolidated 2000 \$'000	Bank 2001 \$'000	Bank 2000 \$'000
36. Capital and Other Expenditure Commitments				
Not later than one year	7,980	1,530	7,980	1,530
Total Capital and Other Expenditure Commitments	7,980	1,530	7,980	1,530
37. Lease Commitments				
Non-cancellable operating leases expiring:				
Not later than one year	56,289	51,570	63,264	61,145
Later than one year and not later than five years	216,651	201,071	229,495	209,652
Later than five years	407,490	435,746	407,490	444,978
Total Operating Lease Commitments	680,430	688,387	700,249	715,775

Operating leases relate to commercial buildings and motor vehicles leased by the Bank's staff. The future lease commitments disclosed are net of any incentives received.

38. Objectives of Holding and Issuing Derivative Financial Instruments

The Bank is an active price maker in derivatives on interest rates, foreign exchange, commodities and equities. Its objective is to earn profits from the price making spread and from managing the residual exposures on hedged positions. Proprietary position taking is a small part of the Bank's trading activities. Risks on derivatives are managed together with all other trading positions in the same market. All trading positions, including derivatives, are marked to market daily.

The Bank also uses derivatives to hedge banking operations and for asset/liability management. Profits and losses on these transactions are brought to account over the life of the underlying transaction. The types of contracts which the Bank trades are detailed below:

Futures

Futures contracts provide the holder with the obligation to buy a specified financial instrument or commodity at a fixed price and fixed date in the future. Contracts may be closed early via cash settlement. Futures contracts are exchange traded.

Forwards and forward rate agreements

Forward contracts, which resemble futures contracts, are an agreement between two parties that a financial instrument or commodity will be traded at a fixed price and fixed date in the future. A forward rate agreement provides for two parties to exchange interest rate differentials based on an underlying principal amount at a fixed date in the future.

Swaps

Swap transactions provide for two parties to swap a series of cash flows in relation to an underlying principal amount, usually benefiting the parties by improving their respective costs of borrowing. Cross-currency swaps provide a tool for two parties to manage risk arising from movements in exchange rates.

Options

Option contracts provide the holder the right to buy or sell financial instruments or commodities at a fixed price over an agreed period or on a fixed date. The contract does not oblige the holder to buy or sell, however the writer must perform if the holder exercises the rights pertaining to the option.

39. Average Interest-Bearing Assets and Liabilities, and Related Interest

The average balances of interest-bearing assets and liabilities during the Financial Year are presented below:

	Average balance \$'000	Interest income/ (expense) \$'000	Average interest rate %
Consolidated 2001			
Interest-bearing assets			
Cash and liquid assets	157,543	8,620	5.5
Securities purchased under resale agreement	2,291,847	137,363	6.0
Securities	3,348,262	207,619	6.2
Due from other financial institutions	688,345	40,805	5.9
Due from governments	688,907	49,287	7.2
Loans and advances	5,552,916	463,228	8.3
Lease receivables	371,303	30,476	8.2
Other assets	360,373	24,412	8.4
Interest-bearing liabilities			
Due to other financial institutions	891,069	(50,396)	5.7
Securities sold under repurchase agreements	913,025	(53,791)	5.9
Securities borrowed	572,888	(35,545)	6.2
Deposits	4,204,976	(240,855)	5.7
Due to governments	235,940	(2,762)	1.2
Negotiable certificates of deposit	2,065,398	(130,515)	6.3
Notes payable	3,829,044	(237,554)	6.2
Other liabilities	260,520	(13,814)	5.3
Subordinated debt	284,797	(19,158)	6.7
Converting Preference Shares	150,000	(11,085)	7.4
Consolidated 2000			
Interest-bearing assets			
Cash and liquid assets	65,319	3,278	5.0
Securities purchased under resale agreements	3,014,555	157,356	5.2
Securities	3,873,462	234,573	6.1
Due from other financial institutions	872,949	47,737	5.5
Due from governments	611,369	45,046	7.4
Loans and advances	4,811,915	333,239	6.9
Lease receivables	321,867	24,645	7.7
Other assets	354,923	34,330	9.7
Interest-bearing liabilities			
Due to other financial institutions	371,723	(21,302)	4.1
Securities sold under repurchase agreements	984,600	(54,199)	5.5
Securities borrowed	2,762,464	(176,521)	6.4
Deposits	4,465,702	(223,511)	5.0
Due to governments	220,000	(31,003)	1.4
Negotiable certificates of deposit	2,466,259	(126,876)	5.1
Notes payable	1,444,221	(81,165)	5.6
Other liabilities	42,146	(2,023)	4.8
Subordinated debt	310,665	(20,308)	6.5
Converting Preference Shares	92,466	(6,827)	7.4

Interest is received/charged on balances due from/to clearing houses. Average interest income/expense is not recorded in respect of these balances as they fluctuate between receivables and payables on a day-to-day basis.

Average interest income and expense in relation to assets and liabilities set off in the Balance Sheet in accordance with applicable accounting standards are not included in the above analysis. Such interest and expense is shown gross in Note 2 – Operating Profit in accordance with the requirements of AASB 1004 "Revenue".

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40. Concentrations of Deposits and Borrowings

The following table details the source of deposits and borrowings, based upon the location of the relevant counterparty. Refer to "Liquidity Management" within Note 41 – Maturity Analysis of Selected Monetary Assets and Liabilities, and Liquidity Management, for a discussion on the sources of the economic entity's funding.

	Australia \$'000	Europe \$'000	North America \$'000	Asia \$'000	Other \$'000	Total \$'000
Consolidated 2001						
Due to other financial institutions	183,505	78,686	16,724	185,108	53,677	517,700
Due to clearing houses	11,753	–	1,267	–	–	13,020
Securities sold under repurchase agreements	661,907	903,368	–	135,427	–	1,700,702
Securities borrowed	583,144	144,175	–	32,935	–	760,254
Deposits	3,642,213	49,785	35,102	115,500	22,431	3,865,031
Due to governments	254,933	–	–	–	–	254,933
Negotiable certificates of deposit	2,080,971	414	201	330,284	–	2,411,870
Notes payable	256,779	8,336	547,135	4,775,620	–	5,587,870
Subordinated debt	120,000	–	102,936	32,610	–	255,546
Converting Preference Shares	150,000	–	–	–	–	150,000
Total Deposits and Borrowings by Location	7,945,205	1,184,764	703,365	5,607,484	76,108	15,516,926
Consolidated 2000						
Due to other financial institutions	267,052	99,605	35,346	333,048	21,183	756,234
Due to clearing houses	2,506	–	–	–	–	2,506
Securities sold under repurchase agreements	987,549	–	–	–	–	987,549
Securities borrowed	1,710,266	–	–	–	–	1,710,266
Deposits	3,812,222	68,422	20,411	48,838	11,810	3,961,703
Due to governments	220,605	–	–	–	–	220,605
Negotiable certificates of deposit	2,490,035	20,733	–	41,365	4,267	2,556,400
Notes payable	203,200	–	225,449	2,086,550	–	2,515,199
Subordinated debt	205,000	–	82,382	32,077	–	319,459
Converting Preference Shares	150,000	–	–	–	–	150,000
Total Deposits and Borrowings by Location	10,048,435	188,760	363,588	2,541,878	37,260	13,179,921

41. Maturity Analysis of Selected Monetary Assets and Liabilities, and Liquidity Management

The following table details the maturity distribution of selected monetary assets and liabilities.

	Consolidated 2001							
	At call \$'000	Over- drafts \$'000	3 months or less \$'000	3 months to 12 months \$'000	1 year to 5 years \$'000	Over 5 years \$'000	No maturity specified \$'000	Total \$'000
Assets								
Cash and liquid assets	243,588	–	–	–	–	–	–	243,588
Bullion	119,691	–	–	–	–	–	–	119,691
Due from clearing houses	51,000	–	–	–	–	–	–	51,000
Securities purchased under resale agreements	1,275,248	–	2,048,117	–	–	–	–	3,323,365
Securities								
– Trading	4,155,681	–	–	–	–	–	–	4,155,681
– Other	197,256	–	–	–	–	–	–	197,256
Due from other financial institutions	149,845	–	74,981	86,417	134,643	9,504	606	455,996
Due from governments	–	–	14,625	91,152	342,370	247,978	–	696,125
Loans and advances	532,840	64,936	901,889	537,441	3,604,414	589,716	–	6,231,236
Lease receivables	–	–	68,406	78,419	224,700	14,288	–	385,813
Life Company investment assets *	51,454	–	–	1,135,533	245,480	102,274	1,045,057	2,579,798
Investments	–	–	–	–	–	–	146,568	146,568
Total Assets	6,776,603	64,936	3,108,018	1,928,962	4,551,607	963,760	1,192,231	18,586,117
Liabilities								
Due to other financial institutions	183,505	–	329,196	4,999	–	–	–	517,700
Due to clearing houses	13,020	–	–	–	–	–	–	13,020
Securities sold under repurchase agreements	181,773	–	1,518,929	–	–	–	–	1,700,702
Securities borrowed	760,254	–	–	–	–	–	–	760,254
Deposits	1,857,664	–	777,644	100,975	1,107,775	20,973	–	3,865,031
Due to governments	–	–	101,876	135,993	17,064	–	–	254,933
Negotiable certificates of deposit	–	–	1,635,652	732,845	43,373	–	–	2,411,870
Notes payable	–	–	1,772,336	1,446,302	2,369,232	–	–	5,587,870
Life company policy liabilities	–	–	–	–	–	–	2,535,488	2,535,488
Subordinated debt	–	–	–	–	145,546	110,000	–	255,546
Converting Preference Shares	–	–	–	–	150,000	–	–	150,000
Total Liabilities	2,996,216	–	6,135,633	2,421,114	3,832,990	130,973	2,535,488	18,052,414

* The Life Company business offers an investment linked product. Policyholders are primarily exposed to the liquidity risk on life insurance investment assets. The members are subject to liquidity risk on the surplus in the Life Company statutory funds.

Maturities represent the remaining period at 31 March 2001 to the repayment date. The expected repayment dates on certain at-call deposits differ from the contractual dates, and as such they have been reported with a maturity of greater than one year. These deposits are considered to be longer term in nature with an expected repayment date of greater than one year. The volume of these deposits has been determined by stratifying at-call deposits by size and applying retention rates accordingly.

As at 31 March 2001

41. Maturity Analysis of Selected Monetary Assets and Liabilities, and Liquidity Management continued

	Consolidated 2000							Total \$'000
	At call \$'000	Over- drafts \$'000	3 months or less \$'000	3 months to 12 months \$'000	1 year to 5 years \$'000	Over 5 years \$'000	No maturity specified \$'000	
Assets								
Cash and liquid assets	219,227	-	-	-	-	-	-	219,227
Bullion	84,194	-	-	-	-	-	-	84,194
Due from clearing houses	106,723	-	-	-	-	-	-	106,723
Securities purchased under resale agreements	1,175,307	-	775,966	-	-	-	-	1,951,273
Securities								
- Trading	4,482,681	-	-	-	-	-	-	4,482,681
- Other	174,891	-	-	-	-	-	-	174,891
Due from other financial institutions	230,464	-	327,272	-	396,104	-	5,313	959,153
Due from governments	-	-	97,468	55,222	238,616	257,580	-	648,886
Loans and advances	463,917	149,794	703,351	569,578	2,185,203	499,776	-	4,571,619
Finance lease receivables	-	-	64,799	69,446	203,183	1,232	-	338,660
Life company investment assets *	163,415	-	-	1,280,390	307,064	138,129	1,020,993	2,909,991
Investments	-	-	-	-	-	-	65,629	65,629
Total Assets	7,100,819	149,794	1,968,856	1,974,636	3,330,170	896,717	1,091,935	16,512,927
Liabilities								
Due to other financial institutions	195,424	-	560,810	-	-	-	-	756,234
Due to clearing houses	2,506	-	-	-	-	-	-	2,506
Securities sold under Repurchase agreements	256,489	-	731,060	-	-	-	-	987,549
Securities borrowed	1,710,266	-	-	-	-	-	-	1,710,266
Deposits	1,838,181	-	437,484	273,800	1,310,138	102,100	-	3,961,703
Due to governments	73,621	-	-	132,352	14,632	-	-	220,605
Negotiable certificates of deposit	-	-	1,752,865	423,790	379,745	-	-	2,556,400
Notes payable	-	-	856,135	635,368	1,023,696	-	-	2,515,199
Life company policy liabilities	-	-	-	-	-	-	2,802,796	2,802,796
Subordinated debt	-	-	-	-	142,362	177,097	-	319,459
Converting Preference Shares	-	-	-	-	150,000	-	-	150,000
Total Liabilities	4,076,487	-	4,338,354	1,465,310	3,020,573	279,197	2,802,796	15,982,717

* The Life Company business offers an investment linked product. Policyholders are primarily exposed to the liquidity risk on life insurance investment assets. The members are subject to liquidity risk on the surplus in the Life Company statutory funds.

Maturities represent the remaining period at 31 March 2000 to the repayment date. The expected repayment dates on certain at-call deposits differ from the contractual dates, and as such they have been reported with a maturity of greater than one year. These deposits are considered to be longer term in nature with an expected repayment date of greater than one year. The volume of these deposits has been determined by stratifying at-call deposits by size and applying retention rates accordingly.

41. Maturity Analysis of Monetary Assets and Liabilities, and Liquidity Management continued

Liquidity Management

The liquidity policy of the Bank is set by the Board and agreed with the Australian Prudential Regulation Authority. This policy is reviewed regularly by the Risk Management Division to ensure it continues to meet the needs of the Bank under all market circumstances. The Bank's liquidity policy requires that:

1. Core assets (that is, on-balance sheet assets that cannot be liquefied quickly) plus liquidity buffers are funded with deposits/borrowings with a minimum maturity greater than 1 week (5 working days).
2. Specified percentages of borrowings have maturities beyond 6 and 12 months. A limit is also set on the maximum percentage of deposits maturing within the next three months and in any one month, and
3. The Bank must keep at least a certain percentage of total assets in highly liquid securities (Commonwealth and State Government debt, NCDs and Bank Bills).

Within these parameters, on a day-to-day basis, liquidity management is the responsibility of the Funding Desk within the Treasury and Commodities Group.

The overall objective of the Bank's liquidity management process is to achieve a sound deposit base with a wide spread of core depositors. The Bank has focused its attention on small and medium sized corporate depositors who do not generally access the professional market. Retail deposits are accessed through the Bank's branches in Sydney, Melbourne and Brisbane and through a number of geographically dispersed agents. These agents are an important source of stable deposits. Deposits from other financial institutions and larger corporate entities who use the professional market are used as a source of funding for short-term trading positions only.

The offshore Debt Instrument Programme, which enables funding in a variety of currencies and for various terms, has been expanded and continues to provide a broad source of funds for the Bank. Another source of funding has been the domestic corporate bond market.

42. Interest Rate Risk and Face Value

Changes in market interest rates affect the level of future cash flows. The following table details the exposure of the economic entity's financial assets and financial liabilities to interest rate risk. The amount shown represents the face value of financial assets and liabilities, or the equivalent asset or liability arising from a derivative financial instrument.

The interest rate shown is the effective interest rate or weighted average effective interest rate in respect of a class of financial assets or liabilities. For floating rate instruments the rate is the current market rate; for fixed rate instruments the rate is an historical rate. The bandings reflect the next contractual repricing date of the financial asset or liability.

As at 31 March 2001

42. Interest Rate Risk and Face Value continued

	Weighted average effective interest rate %	Floating interest rate maturities \$'000	1 month or less \$'000	Consolidated 2001 Fixed interest rate repricing			Over 5 years \$'000	Non interest bearing \$'000	Total \$'000
				1 month to 3 months \$'000	3 months to 12 months \$'000	1 year to 5 years \$'000			
On-Balance Sheet Financial Assets									
Cash and liquid assets	3.5	243,588	—	—	—	—	—	—	243,588
Bullion	—	—	—	—	—	—	—	119,691	119,691
Due from clearing houses	3.8	51,000	—	—	—	—	—	—	51,000
Securities purchased under resale agreements	5.1	2,624,011	699,354	—	—	—	—	—	3,323,365
Securities	3.8	—	987,741	938,654	117,519	608,775	393,000	1,307,248	4,352,937
Due from other financial institutions	7.6	161,417	141,379	149,793	2,801	—	—	606	455,996
Due from governments	6.1	—	393,617	161,373	141,135	—	—	—	696,125
Loans and advances	7.6	1,116,660	1,385,673	2,328,352	456,210	898,179	46,162	—	6,231,236
Lease receivables	7.5	—	56,232	34,990	65,003	215,222	14,366	—	385,813
Other assets	0.0	176,389	—	—	—	—	—	8,802,977	8,979,366
Life Company investment assets *	3.5	51,454	—	—	1,135,533	245,480	102,274	1,045,057	2,579,798
Investments	—	—	—	—	—	—	—	146,568	146,568
Fixed assets	—	—	—	—	—	—	—	108,347	108,347
Future income tax benefit	—	—	—	—	—	—	—	174,035	174,035
Total On-Balance Sheet Financial Assets		4,424,519	3,663,996	3,613,162	1,918,201	1,967,656	555,802	11,704,529	27,847,865
On-Balance Sheet Financial Liabilities									
Due to other financial institutions	4.1	188,504	211,392	117,804	—	—	—	—	517,700
Due to clearing houses	—	—	—	—	—	—	—	13,020	13,020
Securities sold under repurchase agreements	5.3	346,759	1,353,943	—	—	—	—	—	1,700,702
Securities borrowed	3.0	—	—	—	—	60,377	397,994	301,883	760,254
Deposits	4.2	2,353,501	743,437	431,919	83,912	231,289	20,973	—	3,865,031
Due to governments	1.3	—	16,891	84,985	135,993	17,064	—	—	254,933
Negotiable certificates of deposit	5.7	—	1,827,038	462,576	120,792	1,464	—	—	2,411,870
Notes payable	5.4	—	2,199,544	2,617,647	703,631	67,048	—	—	5,587,870
Other liabilities	0.3	577,068	—	—	—	—	—	7,517,787	8,094,855
Life Company policy liabilities	—	—	—	—	—	—	—	2,535,488	2,535,488
Provision for dividend and distributions	—	—	—	—	—	—	—	97,856	97,856
Provision for income tax	—	—	—	—	—	—	—	24,031	24,031
Provision for deferred income tax	—	—	—	—	—	—	—	137,864	137,864
Provision for employee entitlements	—	—	—	—	—	—	—	49,139	49,139
Provision for uncertainties	—	—	—	—	—	—	—	54,258	54,258
Subordinated debt	6.2	—	245,546	—	—	10,000	—	—	255,546
Converting Preference Shares	7.4	—	—	—	—	150,000	—	—	150,000
Total On-Balance Sheet Financial Liabilities		3,465,832	6,597,791	3,714,931	1,044,328	537,242	418,967	10,731,326	26,510,417
Off-Balance Sheet Financial Instruments		—	32,779	2,335,933	272,804	(1,099,601)	132,830	—	1,674,745
Analysis of Interest Sensitivity Gap									
Net		958,687	(2,901,016)	2,234,164	1,146,677	330,813	269,665		
Cumulative Interest Sensitivity Gap		958,687	(1,942,329)	291,835	1,438,512	1,769,325	2,038,990		

* The Life Company business offers an investment linked product. Policyholders are primarily exposed to the interest rate risk on life insurance investment assets. The members are subject to interest rate risk on the surplus in the Life Company statutory funds.

The interest rate risk table is prepared in accordance with the requirements of AASB 1033 "Presentation and Disclosure of Financial Instruments" and as such it does not include off-balance sheet derivative financial instruments relating to currencies, commodities or equities, nor certain off-balance sheet securities purchase and sale agreements, all of which are also interest rate sensitive. Therefore, for internal risk management, the Bank does not use the repricing information in the way presented in the table. Interest rate risk, like all market risk, is measured and controlled on the basis of a wide range of rate movement scenarios, including worst case scenarios, calculated daily and covering all interest rate sensitive instruments. The Bank also calculates daily Value At Risk measures for all market risks, including interest rate risk.

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42. Interest Rate Risk and Face Value continued

	Weighted average effective interest rate %	Floating interest rate maturities \$'000	Consolidated 2000					Non interest bearing \$'000	Total \$'000
			1 month or less \$'000	1 month to 3 months \$'000	Fixed interest rate repricing 3 months to 12 months \$'000	1 year to 5 years \$'000	Over 5 years \$'000		
On-Balance Sheet Financial Assets									
Cash and liquid assets	2.2	219,227	–	–	–	–	–	–	219,227
Bullion	–	–	–	–	–	–	–	84,194	84,194
Due from clearing houses	5.5	106,723	–	–	–	–	–	–	106,723
Securities purchased under resale agreements	5.2	1,130,187	142,966	678,120	–	–	–	–	1,951,273
Securities	5.0	–	678,993	721,718	290,596	828,019	1,176,823	961,423	4,657,572
Due from other financial institutions	8.3	156,329	328,998	–	468,513	–	–	5,313	959,153
Due from governments	6.1	–	320,267	220,845	102,013	–	5,761	–	648,886
Loans and advances	7.6	528,541	816,551	2,327,300	373,779	485,754	39,694	–	4,571,619
Lease receivables	7.8	–	36,062	106,578	47,536	148,484	–	–	338,660
Other assets	0.5	29,555	–	–	–	–	354,923	6,335,735	6,720,213
Life Company investment assets *	3.8	163,415	–	–	1,280,390	307,064	138,129	1,020,993	2,909,991
Investments	–	–	–	–	–	–	–	65,629	65,629
Fixed assets	–	–	–	–	–	–	–	88,736	88,736
Future income tax benefit	–	–	–	–	–	–	–	67,140	67,140
Total On-Balance Sheet Financial Assets		2,333,977	2,323,837	4,054,561	2,562,827	1,769,321	1,715,330	8,629,163	23,389,016
On-Balance Sheet Financial Liabilities									
Due to other financial institutions	5.2	231,745	218,077	298,364	–	–	–	8,048	756,234
Due to clearing houses	–	–	–	–	–	–	–	2,506	2,506
Securities sold under repurchase agreements	5.4	77,264	910,285	–	–	–	–	–	987,549
Securities borrowed	4.7	–	–	–	–	–	920,888	377,306	1,710,266
Deposits	5.6	3,688,107	97,729	112,217	57,591	6,059	–	–	3,961,703
Due to governments	1.3	–	–	73,621	132,352	14,632	–	–	220,605
Negotiable certificates of deposit	5.8	–	1,543,183	752,427	228,790	32,000	–	–	2,556,400
Notes payable	6.3	–	629,807	1,234,095	651,297	–	–	–	2,515,199
Other liabilities	1.0	146,345	–	–	–	–	–	5,643,546	5,789,891
Life Company policy liabilities	–	–	–	–	–	–	–	2,802,796	2,802,796
Provision for dividend and distributions	–	–	–	–	–	–	–	95,394	95,394
Provision for income tax	–	–	–	–	–	–	–	28,841	28,841
Provision for deferred income tax	–	–	–	–	–	–	–	170,716	170,716
Provision for employee entitlements	–	–	–	–	–	–	–	39,777	39,777
Provision for uncertainties	–	–	–	–	–	–	–	46,810	46,810
Subordinated debt	6.5	–	259,459	–	45,000	15,000	–	–	319,459
Converting Preference Shares	7.4	–	–	–	–	150,000	–	–	150,000
Total On-Balance Sheet Financial Liabilities		4,143,461	3,658,540	2,470,724	1,115,030	1,138,579	377,306	9,250,506	22,154,146
Off-Balance Sheet Financial Instruments		–	(2,184,454)	781,567	(2,946,911)	4,327,389	116,103	–	93,694
Analysis of Interest Sensitivity Gap									
Net		(1,809,484)	(3,519,157)	2,365,404	(1,499,114)	4,958,131	1,454,127		
Cumulative Interest Sensitivity Gap		(1,809,484)	(5,328,641)	(2,963,237)	(4,462,351)	495,780	1,949,907		

* The Life Company business offers an investment linked product. Policyholders are primarily exposed to the interest rate risk on life insurance investment assets. The members are subject to interest rate risk on the surplus in the Life Company statutory funds.

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42. Interest Rate Risk and Face Value continued

The table below shows the face value of off-balance sheet financial assets and liabilities not included in the previous table.

The bandings represent the respective maturity or expiry date.

	1 month or less \$'000	1 month to 3 months \$'000	3 months to 12 months \$'000	1 year to 5 years \$'000	Over 5 years \$'000	Total \$'000
Consolidated 2001						
Foreign exchange contracts	18,427,222	12,251,089	18,730,390	13,608,166	1,788,724	64,805,591
Commodity contracts	348,051	327,925	458,962	113,904	–	1,248,842
Equity contracts	540,674	6,412,643	7,345,956	688,693	408	14,988,374
Total Face Value of Off-Balance Sheet Financial Assets and Liabilities	19,315,947	18,991,657	26,535,308	14,410,763	1,789,132	81,042,807
Consolidated 2000						
Foreign exchange contracts	15,924,119	12,524,673	12,258,968	25,083,391	3,945,959	69,737,110
Commodity contracts	916,171	877,889	1,445,246	274,746	51,650	3,565,702
Equity contracts	956,136	3,265,187	3,381,186	1,484,687	–	9,087,196
Total Face Value of Off-Balance Sheet Financial Assets and Liabilities	17,796,426	16,667,749	17,085,400	26,842,824	3,997,609	82,390,008

43. Credit Risk and Net Fair Value

Net fair value reflects the present value of future cash flows associated with a financial asset or liability, including the cost of exchange or settlement where appropriate. Net fair value is a combination of the quoted market price and valuation techniques based upon option pricing models. The carrying value of on-balance sheet financial assets is not materially different to the net fair value of these items.

The net fair value in respect of financial assets represents maximum credit risk, which is the potential loss arising through the default of counterparties to financial instruments. In accordance with AASB 1033 "Presentation and Disclosure of Financial Instruments" the amount at risk excludes the value of any collateral or other security provided by the counterparty.

	Consolidated 2001				
	Credit risk/net fair value by counterparty				
	Central bank \$'000	Governments \$'000	Other financial institutions \$'000	Other \$'000	Total \$'000
On-Balance Sheet Financial Assets					
Cash and liquid assets	133,258	–	110,330	–	243,588
Bullion	–	42,483	356	76,852	119,691
Due from clearing houses	–	–	–	51,000	51,000
Securities purchased under resale agreements	–	273,948	2,018,728	1,030,689	3,323,365
Securities	–	750,563	1,582,156	2,020,218	4,352,937
Due from other financial institutions	–	–	455,996	–	455,996
Due from governments	–	696,125	–	–	696,125
Loans and advances	–	–	–	6,231,236	6,231,236
Lease receivables	–	–	–	385,813	385,813
Other assets	–	358,999	3,089,108	5,531,259	8,979,366
Life Company investment assets *	–	–	–	2,579,798	2,579,798
Investments	–	–	–	146,568	146,568
Total On-Balance Sheet Financial Assets	133,258	2,122,118	7,256,674	18,053,433	27,565,483
Reconciliation of Other Assets					
On-balance sheet revaluations of off-balance sheet financial assets					
Interest rate contracts	–	103,719	985,237	797,861	1,886,817
Foreign exchange contracts	–	255,268	1,695,504	2,580,976	4,531,748
Commodity contracts	–	12	408,367	603,028	1,011,407
Equity contracts	–	–	–	62,515	62,515
Total On-Balance Sheet Revaluations of Off-Balance Sheet Financial Assets	–	358,999	3,089,108	4,044,380	7,492,487
Other on-balance sheet assets	–	–	–	1,486,879	1,486,879
Total Other Assets	–	358,999	3,089,108	5,531,259	8,979,366

* The Life Company business offers an investment linked product. Policyholders are primarily exposed to the credit risk on life insurance investment assets. The members are subject to interest rate risk on the surplus in the Life Company statutory funds.

As at 31 March 2001

43. Credit Risk and Net Fair Value continued

Consolidated 2000
Credit risk/net fair value by counterparty

	Central bank \$'000	Governments \$'000	Other financial institutions \$'000	Other \$'000	Total \$'000
On-Balance Sheet Financial Assets					
Cash and liquid assets	88,816	–	130,411	–	219,227
Bullion	–	33,305	8,039	42,850	84,194
Due from clearing houses	–	–	–	106,723	106,723
Securities purchased under resale agreements	–	1,144,371	–	806,902	1,951,273
Securities	–	1,915,993	951,412	1,790,167	4,657,572
Due from other financial institutions	–	–	959,153	–	959,153
Due from governments	–	648,886	–	–	648,886
Loans and advances	–	–	–	4,571,619	4,571,619
Lease receivables	–	–	–	338,660	338,660
Other assets	–	244,676	1,969,640	4,505,897	6,720,213
Life Company investment assets *	–	–	–	2,909,991	2,909,991
Investments	–	–	–	65,629	65,629
Total On-Balance Sheet Financial Assets	88,816	3,987,231	4,018,655	15,138,438	23,233,140
Reconciliation of Other Assets					
On-balance sheet revaluations of off-balance sheet financial assets					
Interest rate contracts	–	117,293	746,154	42,282	905,729
Foreign exchange contracts	–	126,512	873,832	1,214,121	2,214,465
Commodity contracts	–	871	349,654	626,137	976,662
Equity contracts	–	–	–	576,208	576,208
Total On-Balance Sheet Revaluations of Off-Balance Sheet Financial Assets	–	244,676	1,969,640	2,458,748	4,673,064
Other on-balance sheet assets	–	–	–	2,047,149	2,047,149
Total Other Assets	–	244,676	1,969,640	4,505,897	6,720,213

* The Life Company business offers an investment linked product. Policyholders are primarily exposed to the credit risk on life insurance investment assets. The members are subject to interest rate risk on the surplus in the Life Company statutory funds.

43. Credit Risk and Net Fair Value continued

Consolidated 2001
Credit risk/net fair value by region of exposure

	Australia \$'000	Europe \$'000	North America \$'000	Asia \$'000	Other \$'000	Total \$'000
On-Balance Sheet Financial Assets						
Cash and liquid assets	156,458	8,038	42,510	36,244	338	243,588
Bullion	57,273	–	–	62,418	–	119,691
Due from clearing houses	34,409	3,394	–	845	12,352	51,000
Securities purchased under resale agreements	2,395,405	891,377	34,406	2,177	–	3,323,365
Securities	3,639,949	284,681	51,936	376,371	–	4,352,937
Due from other financial institutions	268,278	142,944	6,748	35,807	2,219	455,996
Due from governments	696,125	–	–	–	–	696,125
Loans and advances	5,422,441	109,463	43,474	474,923	180,935	6,231,236
Lease receivables	385,212	–	–	601	–	385,813
Other assets	5,634,908	1,882,177	1,106,143	353,569	2,569	8,979,366
Life Company investment assets *	2,579,798	–	–	–	–	2,579,798
Investments	101,714	891	4,477	25,985	13,501	146,568
Total On-Balance Sheet Financial Assets	21,371,970	3,322,965	1,289,694	1,368,940	211,914	27,565,483
Reconciliation of Other Assets						
On-balance sheet revaluations of off-balance sheet financial assets						
Interest rate contracts	1,245,737	309,728	308,937	22,415	–	1,886,817
Foreign exchange contracts	2,802,615	1,021,910	534,271	172,870	82	4,531,748
Commodity contracts	433,098	320,388	231,537	26,335	49	1,011,407
Equity contracts	35,584	–	–	26,931	–	62,515
Total On-Balance Sheet Revaluations of Off-Balance Sheet Financial Assets	4,517,034	1,652,026	1,074,745	248,551	131	7,492,487
Other on-balance sheet assets	1,117,874	230,151	31,398	105,018	2,438	1,486,879
Total Other Assets	5,634,908	1,882,177	1,106,143	353,569	2,569	8,979,366

* The Life Company business offers an investment linked product. Policy holders are primarily exposed to the credit risk on life insurance investment assets. The members are subject to interest rate risk on the surplus in the Life Company statutory funds.

As at 31 March 2001

43. Credit Risk and Net Fair Value continued

Consolidated 2000
Credit risk/net fair value by region of exposure

	Australia \$'000	Europe \$'000	North America \$'000	Asia \$'000	Other \$'000	Total \$'000
On-Balance Sheet Financial Assets						
Cash and liquid assets	149,469	9,047	34,395	26,316	–	219,227
Bullion	39,299	8,039	–	36,856	–	84,194
Due from clearing houses	106,159	564	–	–	–	106,723
Securities purchased under resale agreements	1,391,997	559,276	–	–	–	1,951,273
Securities	4,641,788	–	1,043	14,741	–	4,657,572
Due from other financial institutions	768,016	183,620	1,488	6,029	–	959,153
Due from governments	648,886	–	–	–	–	648,886
Loans and advances	4,001,697	79,756	88,352	303,785	98,029	4,571,619
Finance lease receivables	338,660	–	–	–	–	338,660
Other assets	5,015,073	922,840	683,651	96,216	2,433	6,720,213
Life Company investment assets *	2,909,991	–	–	–	–	2,909,991
Investments	41,927	795	2,568	13,734	6,605	65,629
Total On-Balance Sheet Financial Assets	20,052,962	1,763,937	811,497	497,677	107,067	23,233,140
Reconciliation of Other Assets						
On-balance sheet revaluations of off-balance sheet financial assets						
Interest rate contracts	393,667	240,112	264,883	7,067	–	905,729
Foreign exchange contracts	1,467,646	455,577	231,609	59,633	–	2,214,465
Commodity contracts	565,525	220,859	169,896	19,046	1,336	976,662
Equity contracts	576,208	–	–	–	–	576,208
Total On-Balance Sheet Revaluations of Off-Balance Sheet Financial Assets	3,003,046	916,548	666,388	85,746	1,336	4,673,064
Other on-balance sheet assets	2,012,027	6,292	17,263	10,470	1,097	2,047,149
Total Other Assets	5,015,073	922,840	683,651	96,216	2,433	6,720,213

* The Life Company business offers an investment linked product. Policyholders are primarily exposed to the credit risk on life insurance investment assets. The members are subject to interest rate risk on the surplus in the Life Company statutory funds.

43. Credit Risk and Net Fair Value continued

The following table details the net fair value of off-balance sheet financial liabilities:

	Australia \$'000	Europe \$'000	North America \$'000	Asia \$'000	Other \$'000	Total \$'000
Consolidated 2001						
On-Balance Sheet Revaluations of Off-Balance Sheet Financial Liabilities						
Interest rate contracts	877,916	303,995	413,228	19,371	2,773	1,617,283
Foreign exchange contracts	2,230,793	779,398	477,969	246,747	–	3,734,907
Commodity contracts	214,100	211,585	178,870	44,220	37,235	686,010
Equity contracts	61,295	–	–	–	–	61,295
Total On-Balance Sheet Revaluations of Off-Balance Sheet Financial Liabilities	3,384,104	1,294,978	1,070,067	310,338	40,008	6,099,495
Consolidated 2000						
On-Balance Sheet Revaluations of Off-Balance Sheet Financial Liabilities						
Interest rate contracts	575,490	287,438	251,771	14,111	–	1,128,810
Foreign exchange contracts	1,383,905	296,428	170,443	61,196	–	1,911,972
Commodity contracts	310,493	284,137	62,731	12,031	31,434	700,826
Equity contracts	564,220	–	–	–	–	564,220
Total On-Balance Sheet Revaluations of Off-balance Sheet Financial Liabilities	2,834,108	868,003	484,945	87,338	31,434	4,305,828

44. Coopers & Lybrand and Price Waterhouse Merger

Coopers & Lybrand and Price Waterhouse merged on 1 July 1998. The merged firm, PricewaterhouseCoopers, is the auditor of the consolidated entity.

A small number of PricewaterhouseCoopers partners have loans with the Bank. Australian Securities and Investments Commission Class Order 98/1868 dated 22 September 1998 was received from the ASIC which "grandfathers" all indebtedness of these partners. This Class Order requires:

- the Bank to report to the ASIC within 30 days of its occurrence, any event of default or any enforcement action taken on these loans;
- the Directors of the Bank to report to the ASIC within seven days after signing the Directors' Report whether, in the opinion of the Board Audit and Compliance Committee, the Class Order has been complied with; and
- PricewaterhouseCoopers to report to the ASIC within seven days after signing the Independent Audit Report whether the audit has been influenced by the indebtedness.

76 Directors' Declaration Independent Audit Report

Directors' Declaration

The Directors declare that the financial report and notes set out on pages 8 to 75:

- (a) comply with Accounting Standards, the Corporations Regulations and other mandatory professional reporting requirements; and
- (b) give a true and fair view of the Bank's and consolidated entity's financial position as at 31 March 2001 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

In the Directors' opinion:

- (a) the financial report and notes are in accordance with the Corporations Law; and
- (b) there are reasonable grounds to believe that the Bank will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.



D.S. Clarke
Director



A.E. Moss
Director
Sydney
24 May 2001

Independent Audit Report to the Members of Macquarie Bank Limited

Scope

We have audited the financial report of Macquarie Bank Limited ("the Bank") for the financial year ended 31 March 2001 as set out on pages 8 to 76. The Bank's Directors are responsible for the financial report which includes the financial statements of the Bank and the consolidated financial statements of the economic entity comprising the Bank and the entities it controlled at the end of, or during, the financial year. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the Bank.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements and the Corporations Law in Australia, so as to present a view which is consistent with our understanding of the Bank's and the economic entity's financial position, and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial report of the Bank is in accordance with:

- (a) the Corporations Law, including:
 - (i) giving a true and fair view of the Bank's and economic entity's financial position as at 31 March 2001 and of their performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements.



PricewaterhouseCoopers
Chartered Accountants



D.H. Armstrong
Partner
Sydney
24 May 2001

77 Investor Information

Twenty Largest Ordinary Shareholders at 17 May 2001

	Ordinary Shares	% of Ordinary Shares
Chase Manhattan Nominees Limited	15,933,739	9.06
National Nominees Limited	14,549,260	8.27
Westpac Custodian Nominees Limited	8,167,331	4.64
NRMA Nominees Pty Limited	7,971,951	4.53
HSBC Custody Nominees (Australia) Limited	6,466,033	3.68
Queensland Investment Corporation	5,682,633	3.23
Permanent Trustee Australia Limited <FIR0020 A/C>	5,607,582	3.19
Citicorp Nominees Pty Limited	3,837,503	2.18
Permanent Trustee Australia Limited <FIR0018 A/C>	3,721,266	2.12
Permanent Trustee Australia Limited <FIR0027 A/C>	3,685,456	2.10
Argo Investments Limited	3,226,120	1.83
AMP Life Limited	2,872,824	1.63
Perpetual Trustees Nominees Limited	2,860,579	1.63
ING Life Limited	2,640,580	1.50
Permanent Trustee Australia Limited <FIR0014 A/C>	2,633,780	1.50
The National Mutual Life Association of Australasia Limited	2,112,509	1.20
Zurich Australia Limited	2,097,808	1.19
Perpetual Trustees Victoria Limited <MTRAEF A/C>	2,041,573	1.16
ANZ Nominees Limited	1,970,501	1.12
Lacuna Nominees Pty Limited	1,824,937	1.04
	99,903,965	56.80

Lacuna Nominees Pty Limited is the nominee for current and former senior executive shareholdings relating to the Bank's now closed Partly Paid Share Scheme.

Substantial Shareholders

At 17 May 2001 the following shareholders were registered by the Company as substantial shareholders, having declared a relevant interest in accordance with the Corporations Law, in the voting shares below:

Holder	Ordinary Shares	Date of Notice
CBA Group Companies	24,683,846	28 February 2001
Merrill Lynch Investment Managers Group	9,536,311	27 March 2001
Permanent Trustee Company Limited	11,620,011	21 April 1999

Spread of Shareholdings

Detail of the spread of ordinary shareholders at 17 May 2001 were as follows:

	Ordinary Shares
1-1,000 shares	11,722
1,001-5,000	3,409
5,001-10,000	474
10,001-100,000	566
100,001 shares and over	144
	16,315

28 shareholders (representing 163 ordinary shares) held less than a marketable parcel.

All 23,454,192 options on issue at 17 May 2001 are held by Lacuna Nominees Pty Limited as nominee for participants in the Bank's Employee Option Plan.

Twenty Largest Converting Preference Shareholders at 17 May 2001

	Converting Preference Shares	% of Converting Preference Shares
Challenger Life No 2 Limited	137,517	9.17
AMP Life Limited	130,000	8.67
Investment Services Nominees Pty Limited	80,030	5.34
National Nominees Limited	79,567	5.30
Commonwealth Custodial Services Limited <No 15 A/C>	77,885	5.19
Citicorp Nominees Pty Limited	50,000	3.33
Perpetual Nominees Limited <No 2 A/C>	49,266	3.28
Chase Manhattan Nominees Limited	48,665	3.24
Mr Alfred Orenstein and Mrs Lucy Orenstein	46,500	3.10
Westpac Custodian Nominees Limited	34,900	2.33
Calex Nominees Pty Limited	27,382	1.83
Brencorp No 2 Pty Limited <CT A/C>	25,000	1.67
Perpetual Trustees Nominees Limited	22,940	1.53
The University of Melbourne	18,500	1.23
Questor Financial Services Limited <TPS RF A/C>	17,576	1.17
Perpetual Trustee Company Limited <Flexiplan A/C>	15,625	1.04
Permanent Trustee Company Limited <KAP0004>	15,485	1.03
Lucy Orenstein	15,000	1.00
MLC Lifetime Company Limited	13,438	0.90
Perpetual Nominees Limited <PPTINC A/C>	12,800	0.85
	918,076	61.20

Spread of Converting Preference Shareholdings

Details of the spread of Converting Preference shareholders at 17 May 2001 were as follows:

1–1,000 shares	528
1,001–5,000	105
5,001–10,000	18
10,001–100,000	19
100,001 shares and over	2
	672

4 Converting Preference shareholders held less than a marketable parcel.

Twenty Largest Macquarie Income Security Holders at 17 May 2001

	Macquarie Income Securities	% of Macquarie Income Securities
National Nominees Limited	212,638	5.32
Citicorp Nominees Pty Limited	200,500	5.01
National Mutual Life Association of Australasia Limited	160,000	4.00
Treaty Services Pty Limited	123,753	3.09
JP Morgan Custodial Services Pty Limited <AFI A/C>	90,000	2.25
Permanent Trustee Australia Limited <FIR0043 A/C>	73,451	1.84
Commonwealth Custodial Services Limited <No 15 A/C>	72,316	1.81
Westpac Financial Services Limited	64,314	1.61
JP Morgan Custodial Services Pty Limited <SUBCUS A/C>	55,717	1.39
Gehar Pty Ltd	50,000	1.25
Perpetual Trustee Company Ltd <FLEXIPLAN A/C>	45,233	1.13
Toltex Human Resources Pty Ltd	38,647	0.97
UBS Warburg Private Clients Nominees Pty Ltd	33,293	0.83
Tower Trust Limited	30,240	0.76
Commonwealth Custodial Services Limited <Stateguard Managed A/C>	29,750	0.74
Challenger Life No 2 Limited	26,000	0.65
Westpac Custodian Nominees Limited	26,000	0.65
Temple Society Central Fund	25,500	0.64
Albert Investments Pty Ltd	25,000	0.63
J Albert And Son Pty Limited	25,000	0.63
	1,407,352	35.20

Spread of Shareholdings

Detail of the spread of Macquarie Income Security holders at 17 May 2001 were as follows:

1–1,000 shares	4,586
1,001–5,000	313
5,001–10,000	33
10,001–100,000	36
100,001 shares and over	4
	4,972

5 Macquarie Income Security holders held less than a marketable parcel.

Year ended 31 March	1997	1998	1999	2000	2001
Profit and Loss (\$ million)					
Operating income	530.1	664.7	815.1	1,186.5	1,455.9
Operating expenses	391.9	497.9	597.3	885.1	1,130.6
Operating profit before income tax	138.2	166.9	217.8	301.4	325.3
Income tax expense	21.3	25.7	52.8	79.0	53.3
Operating profit after income tax	116.9	141.2	165.0	222.4	272.0
Outside equity interest in operating loss	-	-	-	0.2	1.3
Macquarie Income Securities distribution	-	-	-	12.4	31.3
Operating profit after income tax attributable to ordinary equity holders	116.9	141.2	165.0	210.2	242.0
Balance Sheet (\$ million)					
Total assets	6,142	7,929	9,456	23,389	27,848
Total liabilities and loan capital	5,642	7,348	8,805	22,154	26,510
Shareholders' equity (inclusive of outside equity interests)	500	581	651	1,235	1,334
Risk weighted assets	4,686	4,967	4,987	8,511	9,860
Total loan assets (a)	2,682	3,158	4,002	6,518	7,769
Impaired assets (net of provisions)	46	12	44	23	32
Share Information					
Cash dividends per share (cents per share)					
1st Half	18.0	21.0	30.0	34.0	41.0
2nd Half	25.0	30.0	38.0	52.0	52.0
Total	43.0	51.0	68.0	86.0	93.0
Basic earnings per share (cents)	74.9	88.1	101.3	124.33	138.88
Share price at 31 March (\$)	8.50	14.35	19.10	26.40	27.63
Issued capital (million shares) (b)	151.4	157.6	161.1	171.2	175.9
Market capitalisation at 31 March (fully paid ordinary shares) (\$ million)	1,287	2,262	3,077	4,520	4,858
Ratios					
Return on average ordinary shareholders' funds					
	25.2%	26.1%	26.8%	28.1%	27.1%
Payout ratio	60.5%	57.9%	67.2%	70.0%	67.5%
Tier 1 ratio	12.9%	11.7%	13.0%	14.5%	12.9%
Capital adequacy ratio	13.2%	16.4%	17.3%	18.4%	16.0%
Impaired assets as % of loan assets	1.7%	0.4%	1.1%	0.3%	0.4%
Net loan losses as % of loan assets	0.0%	0.0%	0.1%	0.1%	0.1%
Funds Under Management (\$ billion)					
Listed	1.5	2.3	3.0	4.2	6.9
Unlisted	-	-	-	-	-
Retail	7.2	8.9	9.8	9.6	10.6
Wholesale	8.6	10.5	10.0	12.5	13.4
Total	17.3	21.7	22.8	26.3	30.9
Staff Numbers	1,965	2,474	3,119 (c)	4,070 (c)	4,467(c)

(a) Includes loans & advances, leases receivable, balances due from other financial institutions and balances due from governments.

(b) Number of fully paid shares at 31 March, excluding options and partly paid shares.

(c) Includes both permanent staff and contractors.

Contact Directory

Directory of offices from which Macquarie Bank and/or its subsidiaries or affiliates conduct operations.

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No country codes have been included. When telephoning Australia or New Zealand, the first '0' in the area code should not be dialled.