

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 1996

In accordance with a resolution of the Voting Directors ("the Directors") of Macquarie Bank Limited, the Directors submit herewith the balance sheet at 31st March, 1996 and statements of profit and loss and cash flows and notes thereto of the Bank and its controlled entities for the financial year ended on that date and report as follows:

Directors

At the date of this report Directors of the Bank are:

Executive Directors:

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

Non Executive Directors:

B.N. Kelman, AO, CBE *Deputy Chairman*
J.G. Allpass
L.G. Cox
H.R. Freedberg
J.F. Kirk, AC
B.R. Martin

The above Directors each held office as a Director of the Bank throughout the year ended 31st March, 1996 except for Mr L.G. Cox who was appointed on 2nd January, 1996. Certain other Directors ceased to hold office during the year. Mr R.W. Heley's position as an alternate Director ceased on 11th May, 1995. Mr S.P. Charles resigned on 25th May, 1995. Mr F.G. Hilmer did not seek reappointment at the end of his term of office on 10th July, 1995.

Details of Directors' qualifications, experience and special responsibilities are shown in the Schedule hereto.

Directors' Meetings

The number of Directors' meetings and meetings of Committees of the Board and the number of meetings attended by each of the Directors of the Bank during the financial year was:-

	Board meetings		Committee meetings	
	eligible to attend	attended	eligible to attend	attended
D.S. Clarke	14	13	7	7
A.E. Moss	14	14		
M.R.G. Johnson	14	8		
B.N. Kelman	14	9	2	2
J.G. Allpass	14	14	5	5
S.P. Charles (resigned 25th May, 1995)	2	2		
L.G. Cox (appointed 2nd January, 1996)	4	3		
H.R. Freedberg	14	1		
F.G. Hilmer (retired 10th July, 1995)	4	2		
J.F. Kirk	14	13	7	7
B.R. Martin	14	14		
R.W. Heley (appointment ceased on 11th May, 1995)	1	0		

The committee meetings held during the year were in respect of the Compensation Committee (2) and the Audit Committee (5).

Principal Activities

The principal activities of the Bank and its controlled entities during the year ended 31st March, 1996 were:

Conduct of banking business;
 Acceptance of deposits;
 Provision of short and medium term finance including lease finance and leveraged leasing;
 Provision of foreign currency services to clients;
 Underwriting, subunderwriting and dealing in marketable securities;
 Provision of corporate and financial advice to clients;
 Provision of valuations, purchase, sale and lease back services to property investors;
 Floor member of the Sydney Futures Exchange Limited;
 Sydney Futures Exchange Clearing House member;
 Member of Australian Stock Exchange Limited;

Associate broker clearing member of the London Metal Exchange;
 Provision of financial services to clients including swaps, options and derivative products;
 Bullion dealer and commodities trader;
 North American Securities Dealers Quotation licensed broker dealer;
 Broker member of the Hong Kong Stock Exchange;
 Trust and investments manager;
 Retail and institutional funds management;
 Conduct of life insurance business; and
 Securitisation of mortgages and other assets.

Result

The consolidated profit for the year ended 31st March, 1996 attributable to members of the economic entity after provision for income tax was \$93,173,000 (1995: \$76,071,000).

Dividends

During the year ended 31st March, 1996 the Bank declared and paid a dividend of \$4,488,449 from retained earnings. This dividend was reinvested in 1,100,110 ordinary shares of \$1.00 each fully paid at a premium of \$3.08 per share.

The Bank paid a dividend of \$41,625,678 that had been declared in respect of the year ended 31st March, 1995. This dividend was not reinvested in new shares of the Bank.

An interim dividend of \$52,405,673 in respect of the year ended 31st March, 1996 has been provided for in the accounts. This dividend will not be reinvested in new shares of the Bank.

No other dividends have been recommended, declared or paid during the financial year.

State of Affairs

In addition to the 1,100,110 ordinary shares, issued in conjunction with the reinvestment dividend, the Bank allotted 7,473,075 ordinary shares of \$1.00 each fully paid as a bonus issue by a distribution from the share premium reserve.

DIRECTORS' REPORT CONTINUED

In the opinion of the Directors there were no other significant changes in the state of affairs of the economic entity that occurred during the financial year under review not otherwise disclosed in this report or the consolidated accounts.

Events Subsequent to Balance Date

At the date of this report, the Directors are not aware of any matter or circumstance which has arisen that has significantly affected or may significantly affect the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in the financial years subsequent to 31st March, 1996 not otherwise disclosed in this report or the consolidated accounts.

Review of Operations

A review of the operations of the Bank and its controlled entities and the results of those operations for the year are contained in the Chairman's and Managing Director's Report.

Likely Developments

Disclosure of information relating to the future developments in the operations of the economic entity which would not, in the opinion of the Directors, be prejudicial to the economic entity's interests is contained in the Chairman's and Managing Director's Report.

Share Options

Information on the Bank's share option scheme and options granted during or since the financial year end is contained

in Note 29 to the accounts – Employee Equity Participation.

No person holding an option has or had, by virtue of the option, a right to participate in a share issue of any other corporation.

No unissued shares, other than those referred to above, are under option as at the date of this report.

Directors' Interests and Benefits

Other than any benefit that may have been derived from loans provided by and to the Bank or a controlled entity and any amounts received in respect of previously accrued remuneration no Director has, during the year, become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the consolidated accounts, or the fixed salary of a fulltime employee of the Bank or of a related entity) by reason of a contract made by the Bank or a related entity with the Director, or with a firm of which he is a member, or with an entity in which he has a substantial financial interest, with the exception of consulting fees paid to Mr J.G. Allpass and Mr L.G. Cox.

Directors' interests, as at the date of this report, are disclosed in Note 27 to the accounts – Related Party Information.

Directors' Indemnification

Under the Bank's Articles of Association, the Bank indemnifies:

(a) all past and present officers of the Bank and all past and present officers of wholly-owned subsidiaries of the Bank, including at this time, the Directors named in this Report, Dennis Leong, the Secretary, Catherine Dickson, the Assistant Secretary, and persons concerned in or taking part in the management of the Bank against all liabilities incurred by them in their respective capacities in successfully

defending proceedings against them; and

(b) all past and present officers of the Bank, including at this time, the persons named in paragraph (a) above, against liabilities incurred by them, in their respective capacities as an officer of the Bank or of a wholly-owned subsidiary of the Bank, to other persons (other than the Bank or its related bodies corporate), unless the liability arises out of conduct involving a lack of good faith.

Continuous Disclosure

The Directors approved the introduction of a Continuous Disclosure Programme in December 1994. This consists of an independent reporting system by which senior management and the Board can be notified of events which are reportable to the market under Australian Stock Exchange Limited Listing Rule 3A(1).

Rounding of Amounts

The economic entity is of the kind referred to in Corporations Regulation 3.6.05(6) and in accordance with Section 311 of the Corporations Law and that Regulation amounts in the accounts have been rounded off to the nearest thousand dollars unless otherwise indicated.



D.S. Clarke, *Director*



A.E. Moss, *Director*

Sydney
3rd June, 1996.

DIRECTORS' REPORT SCHEDULE

Directors' Experience and Special Responsibilities

David S. Clarke, AO, B Ec(Hons)(Syd), MBA(Harv) (54)

Executive Chairman of Board since the Bank's inception in 1985

Chairman of Board Compensation Committee

Chairman of Board Nominating Committee

Member of Board Audit Committee

Mr Clarke has 30 years experience in banking and merchant banking; previously 5 years in stockbroking. He was Joint Managing Director of Hill Samuel Australia Limited from 1971-1977, Managing Director from 1977-1984, and has been Executive Chairman since 1984. Mr Clarke is also Chairman of Goodman Fielder Limited, Brian McGuigan Wines Limited, the Menzies Research Centre and the Wine Committee of the Royal Agricultural Society. He is President of the National Council of the Australian Opera. Mr Clarke is also a Director of the Australian Rugby Union Limited, a member of Australian Stock Exchange Limited, the Royal Agricultural Society Council, the Executive Committee of the Royal Agricultural Society, as well as the Board of Trustees of the Financial Markets Foundation for Children.

Bryan N. Kelman, AO, CBE, B Eng(Syd) (70)

Deputy Chairman of Board since

September 1992

Member of Board since the Bank's inception in 1985

Member of Board Compensation Committee

Member of Board Nominating Committee

Mr Kelman has 46 years experience in industry. He is a former Chairman and Managing Director of Ready Mixed Concrete (UK) Limited. Mr Kelman joined CSR Limited in 1966 and was a Deputy General Manager of the company for 10 years from 1972-1982. He was Chief Executive Officer from 1983-1987 and remains a Director of CSR. Mr Kelman is Chairman of Homestake Gold of Australia Limited, Compact Steel Pty Limited, W.A. Steel Limited, Enviropower Pty Limited, Hypertec Pty Ltd, and the CSIRO Centre for Molecular Engineering and Technology. He is a Director of Spotless Services Limited. He served on the Trade Development Council from 1976-1981 and was Chairman for the last three years of that period. Mr Kelman is also a former Chairman of the State Superannuation Investment & Management Corporation and the State Authorities Superannuation Board.

Allan E. Moss, BA LLB (Hons)(Syd), MBA (Harv) (46)

Managing Director since 1993

Member of Board since 1989

Mr Moss joined Hill Samuel Australia (predecessor to Macquarie Bank Limited) in the Corporate Services Group in 1977 and in 1982 became a Director of Hill Samuel Australia. In 1983, he led the team responsible for preparing the

submission to the Australian Government for the formation of Macquarie Bank. The following year, he founded the Financial Management Division which is responsible for the Bank's credit and other prudential controls. In 1986, Mr Moss was made responsible for the Corporate Banking Group. He was appointed Head of the Financial Markets Group in 1988 and Deputy Managing Director the following year. Mr Moss became Managing Director in 1993.

John G. Allpass, FCA, FCPA, FAICD (55)

Member of Board since January 1994

Chairman of Board Audit Committee

Mr Allpass has 32 years experience in the accounting profession. He was Managing Partner of KPMG Peat Marwick's Queensland practice for nine years until 1993. He was also a member of the KPMG Peat Marwick National Board and a number of other national committees. He currently holds a number of other appointments including directorships of Queensland Investment Corporation and Heat and Control Pty Ltd and councillor of the Australian Institute of Company Directors Queensland Division. He was also Chairman of the Hamilton Island Group of Companies for two years and has served in a number of other corporate appointments.

DIRECTORS' REPORT SCHEDULE CONTINUED

Laurence G. Cox, B Com(Melb), FCPA, FSIA (57)

Joint Chairman of Macquarie Corporate Finance Limited

Member of Board since January 1996

Mr Cox has 35 years experience in Australia's financial markets. He is the immediate past Chairman of Australian Stock Exchange Limited (1989-1994). Mr Cox was a Director of ASX from its inception in 1987 and was a Director of the Securities Exchanges Guarantee Corporation from 1987-1995. He was formerly Executive Chairman of the Potter Warburg Group of Companies and a Director of S G Warburg Securities of London. Mr Cox was a member of the Executive Committee of the Internationale Bourses des Valuers (1990-1992) and he is currently a member of the International Markets Advisory Board of the NASDAQ Stock Market (USA). He was also a member of the Executive Committee of the Australian Japan Business Co-operation Committee from 1991-1995. He is Chairman of Transurban City Link Limited, Fortis Australia Limited and the Murdoch Institute for Research into Birth Defects, and a Councillor of Geelong Grammar School.

Hugh R. Freedberg (50)

Member of Board since May 1994

Mr Freedberg has 21 years experience in retail and wholesale financial services. He is currently Chief Executive of the Hill Samuel Group. Past positions include General Manager for American Express Co in various parts of the world, and Chief Executive of one of Salomon Inc's subsidiaries in the UK. In the UK, Mr Freedberg has been Chairman, Association of Mortgage Lenders, Deputy Chairman, Council of Mortgage Lenders and Chairman, Council of Mortgage Lenders Secondary Markets Sub-Committee.

Mark R.G. Johnson, LLB(Hons)(Melb), MBA(Harv) (55)

Executive Director

Joint Chairman of Macquarie Corporate Finance Limited

Member of Board since February 1987

Mr Johnson has 30 years experience in banking and merchant banking. He joined Macquarie Bank in February 1987 as a Director of the Bank and Chairman of the Corporate Services Division. Mr Johnson was Joint Managing Director of Hill Samuel Australia Limited with Mr Clarke from 1971-1977 and an Executive Director of Hill Samuel & Co., London until 1980. He was founding Director of the Australian Bank in 1981 and resigned from that position in 1986 before rejoining Macquarie Bank. Mr Johnson is a director of the Australian Gas Light Company, Australis Media Limited, Biota Holdings Limited, Pioneer International Limited, and Victor Chang Cardiac Research Institute Limited.

James F. Kirk, AC, FCPA, NHON DSc(Newcastle) (75)

Member of Board since the Bank's inception in 1985

*Member of Board Audit Committee
Member of Board Compensation Committee*

Mr Kirk has 58 years experience in industry. He was formerly Chairman of The Australian Bicentennial Authority, Landcare Australia Limited, and Chairman and Managing Director of Esso Australia Limited.

Barrie R. Martin, B Ec, FAII (60)

Member of Board since August 1993

Member of Board Nominating Committee

Mr Martin has 28 years experience in the insurance industry. He is Chairman of Prudential Corporation Australia Limited and was Managing Director of The Prudential Group in Australia and New Zealand from 1984-1994. Mr Martin was Chairman of the Life Insurance Federation of Australia from 1990-1992 and was Chairman of The Council of the Insurance Employers Industrial Association from 1990-1992. Mr Martin stepped down from the position of Deputy President of the State Chamber of Commerce (NSW) in 1991. He was President of the Council of the Australian Insurance Institute from 1994-1995, and is a Member of the Executive Committee of the Committee for Economic Development of Australia. Mr Martin is Chairman of The Brandenburg Orchestra and Alpha Healthcare Limited, and is a member of the Insurance Industry Complaints Council.

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PROFIT AND LOSS ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH, 1996

	Notes	Consolidated 1996 \$'000	Consolidated 1995 \$'000	Bank 1996 \$'000	Bank 1995 \$'000
Net interest income	1	79,772	68,367	50,986	46,358
Trading income	1	92,789	68,421	71,031	54,422
Fee and commission income	1	262,631	218,277	153,163	104,633
Total operating income	2	435,192	355,065	275,180	205,413
Employment expenses	2	(208,646)	(177,324)	(145,684)	(123,984)
Accommodation expenses	2	(31,920)	(28,355)	(22,883)	(20,157)
Non salary technology expenses	2	(23,262)	(20,919)	(19,013)	(16,727)
Other operating expenses	2	(72,308)	(58,261)	(18,228)	(18,227)
Total operating expenses		(336,136)	(284,859)	(205,808)	(179,095)
Operating profit before income tax	2	99,056	70,206	69,372	26,318
Income tax (expense)/benefit	4	(5,883)	5,865	16,962	33,249
Operating profit after income tax		93,173	76,071	86,334	59,567
Retained earnings at the start of the year		210,623	177,925	74,938	58,744
Adjustment resulting from a change in accounting policy	1	(1,202)	–	(1,202)	–
Amounts transferred from reserves	19	–	–	(3,049)	–
Less: Dividends paid or provided	5	(56,895)	(43,373)	(56,895)	(43,373)
Retained earnings at the end of the year		245,699	210,623	100,126	74,938
		Cents per Share			
Earnings per share	6	63.38	56.04		

The accompanying notes form part of these accounts.

BALANCE SHEET

AT 31ST MARCH, 1996

	Notes	Consolidated 1996 \$'000	Consolidated 1995 \$'000	Bank 1996 \$'000	Bank 1995 \$'000
Assets					
Coins, notes and cash at bankers		68,722	43,821	12,121	19,406
Bullion		75,124	49,004	75,124	49,004
Due from clearing houses		83,365	8,729	67,707	–
Securities	7	1,224,040	1,411,664	663,365	1,101,996
Loans and advances	8,18	2,029,175	1,833,221	1,774,328	1,559,698
Balances due from other banks	9	233,356	128,724	197,574	78,971
Balances due from governments	10	258,269	224,349	82,102	117,390
Lease receivables	11	167,518	175,792	110,060	117,268
Other assets	12	885,441	622,313	426,961	285,539
Amounts due from controlled entities		–	–	549,936	362,146
Investments	13	20,756	19,654	7,093	5,463
Fixed assets	14	38,612	44,763	35,534	40,559
Future income tax benefit	15	89,275	62,122	69,849	30,348
Investments in controlled entities	16	–	–	424,629	412,898
Total Assets		5,173,653	4,624,156	4,496,383	4,180,686
Liabilities					
Deposits		1,973,398	1,920,680	1,846,334	1,746,872
Balances due to other banks		526,129	336,972	181,248	204,224
Due to clearing houses		83,651	59,750	83,651	59,123
Negotiable certificates of deposit		869,976	985,541	869,976	985,539
Securities borrowed		144,666	63,501	47,860	50,682
Other liabilities	17	678,397	467,966	434,155	308,829
Amounts due to controlled entities		–	–	270,053	144,793
Provision for dividend	5	52,406	41,626	52,406	41,626
Provision for income tax		6,599	6,855	6,253	5,116
Deferred tax liability	15	134,490	116,101	5,722	13,562
Provision for employee entitlements		16,650	13,389	14,085	11,196
Provision for uncertainties	18	25,777	21,700	23,126	19,049
Total Liabilities		4,512,139	4,034,081	3,834,869	3,590,611
Capital and Reserves					
Issued capital	19	142,903	130,556	142,903	130,556
Share premium reserve	19	38,912	38,540	38,912	38,540
Investment revaluation reserve	19	–	–	145,573	135,685
Retained earnings		245,699	210,623	100,126	74,938
Total share capital and reserves attributable to members of Macquarie Bank Limited		427,514	379,719	427,514	379,719
Subordinated Debt	20	234,000	210,356	234,000	210,356
		661,514	590,075	661,514	590,075
Total Liabilities and Shareholders' Equity		5,173,653	4,624,156	4,496,383	4,180,686

The accompanying notes form part of these accounts.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST MARCH, 1996

	Notes	Consolidated 1996 \$'000	Consolidated 1995 \$'000	Bank 1996 \$'000	Bank 1995 \$'000
Cash flows from operating activities					
Interest and bill discounts received		408,811	351,247	358,719	289,411
Interest and other costs of finance paid		(337,263)	(282,201)	(336,038)	(249,052)
Dividends and trust income received		37,330	56,564	116,515	72,564
Fees, royalties and commissions received		225,274	282,491	118,171	96,688
Fees and commissions paid		(52,870)	(79,745)	(33,687)	(45,919)
Net payments and proceeds from dealing in financial instruments, foreign exchange and commodities		341,279	460,586	491,849	(51,412)
Customer loans granted and repaid		(253,272)	(457,934)	(347,228)	(186,329)
Recovery of loans previously written off		3,630	2,923	3,630	2,923
Leases granted and repaid		(25,428)	11,150	41,517	(25,118)
Net increase in money market and other deposit accounts		116,720	192,918	(35,934)	174,091
Cash paid to suppliers and employees		(310,353)	(476,624)	(267,654)	(35,595)
Income taxes paid		(14,229)	(3,679)	(5,420)	(3,503)
Net cash provided by operating activities	32	139,629	57,696	104,440	38,749
Cash flows from investing activities					
Investment in subsidiaries		-	-	(4,891)	(10,029)
Payments for property, plant and equipment		(13,016)	(27,914)	(13,012)	(25,670)
Proceeds on sale of property, plant and equipment		2,278	91	2,612	84
Proceeds on sale of Controlled Entities	32	-	9,344	-	9,344
Net cash flows from investing activities		(10,738)	(18,479)	(15,291)	(26,271)
Cash flows from financing activities					
Proceeds from the issue of share capital		12,719	7,453	12,719	7,453
Proceeds from issue of subordinated debt		23,644	29,000	23,644	29,000
Dividends paid		(46,114)	(32,424)	(46,114)	(32,424)
Net cash flows from financing activities		(9,751)	4,029	(9,751)	4,029
Net increase/(decrease) in cash held		119,140	43,246	79,398	16,507
Cash at the beginning of the year		32,389	(10,857)	(128)	(16,635)
Cash at the end of the year	32	151,529	32,389	79,270	(128)

NOTES TO AND FORMING PART OF THE ACCOUNTS

AT 31ST MARCH, 1996

1

Principal Accounting Policies

Macquarie Bank Limited, incorporated in the Australian Capital Territory, is a 'prescribed corporation' in terms of the Banking Act, 1959 and Part 4.5 of the Corporations Law. The significant accounting policies adopted in the preparation of these accounts and those of the previous year, except as otherwise stated, are:-

i) Basis of Preparation

These accounts have been drawn up in accordance with the Banking Act, applicable accounting standards and Urgent Issues Group Consensus Views, Australian Accounting Standards, the Corporations Law and Schedule 5 of the Corporations Regulations to the extent applicable to a Bank.

They have been prepared on the basis of historical cost except where otherwise stated. Where necessary comparative figures have been adjusted to conform with changes in presentation in the current year.

ii) Consolidation

These accounts comprise the accounts of Macquarie Bank Limited ("the Bank"), being the chief 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.

Where a controlled entity has been sold (or acquired) during the year, its results are included in consolidated profit up to the date of sale (or from the date of acquisition). All inter-entity balances and transactions have been eliminated on consolidation.

iii) Operating Income

The revenue of the economic entity and the Bank in the profit & loss accounts is shown as net interest income, trading income and fee and commission income. These amounts represent the aggregation of the results of like businesses as reported in the economic entity's internal management accounts.

- Net interest income includes all non-trading interest businesses in the Corporate Banking Group and in Money Market;
- Trading income represents client generated business and principal position taking in the trading businesses of the Equities and Treasury & Commodities Groups; and
- Fee and commission income combines the results of all the economic entity's agency businesses including Funds Management, Equities, Futures and all advisory businesses.

Net interest income varies from interest disclosures in Note 2 – Operating Profit principally because of the free funds effect of the economic entity's capital.

iv) Life Insurance Business

The Bank conducts life insurance business through a controlled entity Macquarie Life Limited ("MLL"). The consolidated accounts include the results of MLL's shareholder's fund.

NOTES CONTINUED

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Principal Accounting Policies (cont.)

Except for shareholder's interests in the surplus of MLL's statutory funds, no other amounts of the statutory funds have been consolidated as the Bank does not have direct or indirect control of these funds, as defined by AASB 1024, Consolidated Accounts, due to the provisions of the Life Insurance Act 1945.

v) Assets Under Management

Within the economic entity certain controlled entities act as a trustee and/or manager for a number of investment funds and trusts. The value of assets managed by the economic entity exceeds \$17.8 billion (1995: \$12.8 billion).

These funds and trusts have not been consolidated in the accounts, as individual entities within the economic entity do not have control of the funds and trusts as defined by AASB 1024.

Commissions and fees earned in respect of the Bank's funds management and trustee activities are included in the operating profit for the year.

vi) Change in Accounting Policy

In previous years non-current employee entitlements to long service leave were accrued in respect of employees with more than 5 years service and at current wage and salary rates. The Directors have adopted AASB 1028, Accounting for Employee Entitlements, in preparing these financial statements and in order to comply with that standard these entitlements are now accrued in respect of all employees, based on estimated future wage and salary rates and at discounted amounts. A net adjustment of \$1,201,600 was made directly

to retained earnings at the beginning of the year to recognise the increase in the provision for non-current employee entitlements upon the adoption of the standard. The effect of this change in accounting policy was immaterial to the results of the year.

vii) Interest Income

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

viii) Fees

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

ix) Income Tax

The principles of the liability method of tax effect accounting have been applied whereby the income tax expense for the year is calculated by reference to the accounting profit after allowing for permanent differences between accounting profit and taxable income.

Future income tax benefits relating to tax losses are only brought to account when their realisation is virtually certain.

x) Foreign Currencies

All foreign currency assets and liabilities have been translated into Australian currency at the rates of exchange prevailing at balance date. Transactions in foreign currencies have been recorded at the rates of exchange ruling at transaction dates. Gains or losses arising on transactions and from dealing in foreign exchange have been included in the operating profit for the year.

Forward foreign exchange contracts, entered into in the normal course of business, are accounted for as specified in the accounting policy (xi) note below.

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

1

Principal Accounting Policies (cont.)**xi) Financial Instruments**

Financial instruments include futures, forwards, swaps and options in the interest rate, foreign exchange, equity and commodity markets. The Bank uses these derivative instruments for trading activities and in conjunction with the management of existing assets and liabilities.

Transactions that are entered into for trading purposes or used as hedges of other trading instruments are carried at market value, with resultant gains and losses recognised in operating profit for the year.

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.

xii) Securities

Trading securities are recorded at market value. Gains and losses realised from the sale of trading securities and unrealised market value adjustments are reflected in the operating profit for the year.

Other securities are shown at the lower of cost and net realisable value. Where the Directors are of the opinion that there has been a permanent diminution in the value of securities, the carrying amount of such securities is written down to its recoverable amount.

Securities borrowed and securities loaned represent equities and fixed interest securities transacted in the normal course of business. These securities are carried at market value.

xiii) Credit Review

All loans and advances are subject to continuous 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 all doubtful debts.

The definition of impaired assets is consistent with the Reserve Bank of Australia's statement on "Recognition and Measurement of 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).

xiv) Leases

The finance concept has been used to account for lease transactions whereby income is brought to account progressively over the life of the lease consistent with the outstanding investment balance.

xv) Investments

Investments in non related entities intended for long term retention are shown at cost. Changes in market values of these investments are not taken into account unless the Directors consider there has been a permanent diminution in value.

xvi) Property Purchased for Resale

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

xvii) Fixed Assets

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

Art	10%
Computer Equipment*	33 1/3%
Furniture & Fittings	10%
Plant & Equipment	20%
Leasehold Improvements	20%
Motor Vehicles	20%

*Includes any purchased software which has been capitalised.

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

The costs of repair and maintenance are expensed as incurred. The internal development cost of new software is expensed.

Where the economic 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 economic lives would be reduced as

NOTES CONTINUED

1

Principal Accounting Policies (cont.)

appropriate. Adjustments arising from such restatements and on disposal of fixed assets are taken into account in determining operating profit for the year. Fixed assets are not carried in the balance sheet in excess of their recoverable amount.

xviii) Investments in Controlled Entities

Interests in controlled entities are revalued by Directors to reflect the Bank's share of net assets at book value less any permanent impairment. Differences between book value of net assets and cost of controlled entities are included in investment revaluation reserve (see Note 16 – Controlled Entities). No capital gains tax has been provided on the revaluation as it is not expected that any such liability will crystallise.

xix) Investments in Joint Ventures

The economic entity's interest in joint ventures where supported by put options is included in other assets. Where commercialisation income can be conservatively estimated it has been brought to account to the extent that it is supported by the put option.

xx) Valuation of Non-Current Assets

In assessing recoverable amounts for particular classes of non-current assets the relevant cash flows have not been discounted to their present value unless otherwise stated.

xxi) Provision for Uncertainties

The economic entity makes a general provision for uncertainties to cover the possibility of loss arising from non-recovery of amounts receivable or contingently owing. 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 group's portfolio, a charge would be made against current year profit to adjust the provision.

xxii) Preference Shares

Redeemable preference shares which are issued to third parties are included in the accounts as a liability to the extent that such issues are for the purpose of short term financing. Dividends paid or payable to third parties on such preference shares are included as deductions from operating profit on an accrual basis.

Holdings of certain redeemable preference shares which are issued as financing instruments are included in the accounts as balances or amounts due. Dividends received or receivable on preference shares held are brought to account on an accrual basis.

xxiii) Statements of Cash Flows

For the purposes of the Statements of Cash Flows, cash includes cash on hand, clearing account balances and balances due from clearing banks.

2

Operating Profit**Operating Profit was arrived at after crediting as income/(charging) as expense:**

	Consolidated 1996 \$'000	Consolidated 1995 \$'000	Bank 1996 \$'000	Bank 1995 \$'000
Interest income received/receivable				
– controlled entities	–	–	39,319	37,555
– other entities	389,288	352,689	303,784	259,490
Interest expense paid/payable				
– controlled entities	–	–	(9,262)	(6,219)
– other entities	(324,961)	(294,813)	(301,244)	(257,792)
Lease rental income	37,815	29,399	21,192	17,343
Net gains on foreign currency trading	27,148	28,315	27,148	28,315
Dividends received/receivable				
– controlled entities	–	–	77,050	61,700
– other entities	37,330	56,564	35,675	45,752
Provision for uncertainties	(4,077)	(2,388)	(4,077)	(2,388)
Charge for bad & doubtful debts:-				
– recovery of loans previously written off	3,630	2,923	3,630	2,923
– recovery of loans previously provided for	5,053	1,628	5,053	1,628
– specific provisions for loan losses	(3,580)	(1,438)	(3,580)	(1,438)
– loan losses written off	(10)	(1,587)	(10)	(1,587)
Other income	267,556	183,773	80,502	20,131
Total operating income	435,192	355,065	275,180	205,413
Employment Expenses				
Provision for holiday pay	(524)	(1,769)	(271)	(829)
Provision for long service leave	(1,500)	(1,829)	(877)	(1,093)
Salary and salary related costs, superannuation, performance related profit share and staff training	(206,622)	(173,726)	(144,536)	(122,062)
Total employment expenses	(208,646)	(177,324)	(145,684)	(123,984)
Accommodation Expenses				
Operating lease rental	(21,892)	(19,877)	(14,352)	(13,575)
Depreciation	(6,973)	(5,604)	(6,450)	(4,826)
Other	(3,055)	(2,874)	(2,081)	(1,756)
Total accommodation expenses	(31,920)	(28,355)	(22,883)	(20,157)
Non-Salary Technology Expenses				
Depreciation	(7,390)	(5,991)	(7,273)	(5,748)
Other	(15,872)	(14,928)	(11,740)	(10,979)
Total non-salary technology expenses	(23,262)	(20,919)	(19,013)	(16,727)

NOTES CONTINUED

	Consolidated	Consolidated	Bank	Bank
	1996	1995	1996	1995
	\$'000	\$'000	\$'000	\$'000
2 Operating Profit (cont.)				
Other Operating Expenses				
Auditors' remuneration*				
– auditors' remuneration for auditing services	(630)	(525)	(550)	(465)
– auditors' remuneration for other services	(991)	(365)	(991)	(226)
Total auditors' remuneration	(1,621)	(890)	(1,541)	(691)
Other depreciation	(1,709)	(1,610)	(1,564)	(1,434)
Loss on sale of property, plant & equipment	(155)	(716)	(138)	(372)
Write down of land and buildings	(662)	–	–	–
Other operating expenses	(68,161)	(55,045)	(14,985)	(15,730)
Total other operating expenses	(72,308)	(58,261)	(18,228)	(18,227)
Total Operating Expenses	(336,136)	(284,859)	(205,808)	(179,095)

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

3 Segment Information

The Bank and its controlled entities operate as an investment bank principally in Australia. Some of the Bank'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. As such the only segment information available in respect of the economic entity's businesses is the revenue disclosures in the profit & loss accounts.

4

Income Tax (Expense)/Benefit

Prima facie tax on operating profit is reconciled to the income tax expense/(benefit) charged in the profit and loss account as follows:

	Consolidated	Consolidated	Bank	Bank
	1996	1995	1996	1995
	\$'000	\$'000	\$'000	\$'000
Tax (expense)/benefit on operating profit*	(34,783)	(23,168)	(24,912)	(8,685)
Add/(deduct) tax effect of permanent differences				
Rebatable dividend income	15,033	16,729	42,609	34,350
Non deductible expenses	(1,249)	(340)	(1,002)	(335)
Recoupment of group tax losses	10,851	11,888	-	11,639
Other items	3,826	756	(5,946)	(3,720)
Adjustment to deferred tax liability and future income tax benefit as a result of the increase in tax rate to 36%	439	-	6,213	-
	28,900	29,033	41,874	41,934
Income tax (expense)/benefit in profit and loss account	(5,883)	5,865	16,962	33,249
Income tax (expense)/benefit comprises movements in:				
- Current tax expense	(8,750)	(8,052)	(8,403)	(10,909)
- Deferred tax benefit	2,867	13,917	25,365	44,158
	(5,883)	5,865	16,962	33,249

Macquarie Bank Limited and its controlled entities have tax years ending on 30th September.

The Macquarie Bank Group 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 1991 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 these accounts the Directors have considered the information currently available and have taken legal advice as to the Bank's tax liability and in accordance with this believe that provisions made are adequate.

*Prima facie tax on operating profit is calculated at the rate of 33% on profits from 1st April, 1995 to 30th September, 1995 and at a rate of 36% on profits from 1st October, 1995 to 31st March, 1996 at 36% (1995: 33%).

NOTES CONTINUED

	Consolidated	Consolidated	Bank	Bank
	1996	1995	1996	1995
	\$'000	\$'000	\$'000	\$'000
5 Dividends Paid or Provided				
Dividend paid	4,489	1,747	4,489	1,747
Dividend provided	52,406	41,626	52,406	41,626
Total Dividends Paid or Provided	56,895	43,373	56,895	43,373

	Cents Per Share			
	Number	Number		
6 Earnings Per Share				
Basic earnings per share	63.38	56.04		
Diluted earnings per share is not materially different from basic earnings per share.				
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share. The weighted average number of ordinary shares has been calculated using potential ordinary shares in accordance with AASB 1027, Earnings per Share.	147,034,264	135,751,153		
	Consolidated	Consolidated	Bank	Bank
	1996	1995	1996	1995
	\$'000	\$'000	\$'000	\$'000

7 Securities				
Trading Securities				
Australian government bonds	175,750	151,301	141,087	151,301
Treasury notes and other government securities	171,070	143,107	171,070	117,700
Bills discounted	468,887	499,111	74,295	287,619
Quoted securities held as part of arbitrage activities	396,425	617,521	265,072	545,252
Units in unit trusts	11,700	-	11,700	-
	1,223,832	1,411,040	663,224	1,101,872
Other Securities				
Units in unit trusts	50	16	20	2
Unquoted shares	158	608	121	122
	208	624	141	124
Total Securities	1,224,040	1,411,664	663,365	1,101,996

Consolidated	Consolidated	Bank	Bank
1996	1995	1996	1995
\$'000	\$'000	\$'000	\$'000

8 Loans and Advances (Impaired Assets)

Loans and advances, net of specific provisions of \$7,838,000 (1995: \$11,856,000) Bank and economic entity, include impaired assets which are classified as:

(a) Non-accrual with:

(i) no performance	16,725	19,065	16,725	19,065
(ii) partial performance	27,897	23,747	26,454	22,298
(iii) full performance with provisions	508	–	508	–

The current average income being received on partial performance loans is 7.1% per annum (1995: 6.5%)

(b) Restructured

4,997	–	4,997	–
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(c) Other Real Estate Owned

6,738	5,776	6,738	5,776
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Total Impaired Assets	56,865	48,588	55,422	47,139
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9 Balances Due From Other Banks

Balance due from clearing bank	83,093	39,589	83,093	39,589
Loans to other banks	108,929	49,762	73,147	9
Non-callable deposit – Reserve Bank of Australia	41,334	39,373	41,334	39,373
Total Balances due from Other Banks	233,356	128,724	197,574	78,971

10 Balances Due From Governments

Balances due from governments include loans and lease receivables due from Commonwealth, State and Local governments in Australia.

Gross lease receivables	400,250	376,178	81,267	126,413
Unearned income	(154,053)	(172,288)	–	(10,051)
	246,197	203,890	81,267	116,362
Loans and Advances	12,072	20,459	835	1,028
Total Balances due from Governments	258,269	224,349	82,102	117,390

11 Lease Receivables

Gross receivables	190,815	205,300	129,335	141,855
Unearned income	(23,297)	(29,508)	(19,275)	(24,587)
Total Lease Receivables	167,518	175,792	110,060	117,268

NOTES CONTINUED

	Consolidated 1996 \$'000	Consolidated 1995 \$'000	Bank 1996 \$'000	Bank 1995 \$'000
12 Other Assets				
Amounts due from R&D joint ventures (see Note 23)	250,444	229,700	-	-
Amounts due from brokers and clients	208,266	130,649	7,417	10,156
Unrealised gains on trading financial instruments	164,770	58,393	134,060	53,219
Debtors and prepayments	111,641	65,576	153,465	132,579
Stock lending debtors	52,636	43,804	52,636	43,804
Other	84,858	85,784	79,383	45,781
Property purchased for resale at cost	12,826	8,407	-	-
Total Other Assets	885,441	622,313	426,961	285,539
13 Investments				
Investments in Non Related Entities				
Quoted:				
Ordinary shares and units in unit trusts at written down value*	4,603	3,289	-	-
Ordinary shares and units in unit trusts at cost*	250	3,217	-	-
	4,853	6,506	-	-
Unquoted:				
Ordinary shares at written down value	4,840	3,635	2,905	2,697
Units in unit trusts at cost	11,063	9,513	4,188	2,766
	15,903	13,148	7,093	5,463
Total Investments	20,756	19,654	7,093	5,463
*Market value of quoted investments	4,853	6,506	-	-
14 Fixed Assets				
Land and Buildings				
At Directors' valuation 1996 (1995: valuation 1994)	926	1,589	-	-
Accumulated depreciation	(146)	(126)	-	-
	780	1,463	-	-
Property, plant and equipment				
At cost	93,602	87,328	89,604	83,048
Accumulated depreciation	(55,770)	(44,028)	(54,070)	(42,489)
	37,832	43,300	35,534	40,559
Total Fixed Assets	38,612	44,763	35,534	40,559

Assets relating to staff car loans disclosed in 1995 as fixed assets under finance lease have been reclassified as lease receivables.

15

Future Income Tax Benefit/(Deferred Tax Liability)

	Consolidated 1996 \$'000	Consolidated 1995 \$'000	Bank 1996 \$'000	Bank 1995 \$'000
Deferred tax liability	(213,700)	(147,884)	(43,794)	(42,492)
Future income tax benefit applied against deferred tax liability	79,210	31,783	38,072	28,930
	(134,490)	(116,101)	(5,722)	(13,562)
Future income tax benefit not applied against deferred tax liability	89,275	62,122	69,849	30,348

Future income tax benefit is applied against deferred tax liability to the extent that both are expected to be realised in the same period. Future income tax benefit not applied against deferred tax liability relates to long term provisions and accruals which will not be realised until after 1997.

16

Controlled Entities

	Contribution to Consolidated Profits 1996 \$'000	Contribution to Consolidated Profits 1995 \$'000	Investment in Controlled Entities At Cost 1996 \$'000	Investment in Controlled Entities At Cost 1995 \$'000
Place of Incorporation				
Macquarie Bank Limited	32,725	14,414		
Aleatory Pty Limited	-	-	400	400
B.E.S.T. Management Pty Limited ###				
Bond Street Australia Limited	94	6	500	500
Bond Street Custodians Limited			5,000	5,000
Bond Street Lease Management Pty Limited				
Boston Australia Limited	4,044	4,180	45,094	45,094
Boston Leasing Pty Limited				
City Link Management Limited	354	-	50	-
CountryWide Retail Management Limited			50	-
Elytron Pty Limited				
Felter Pty Limited** ###				
Tryptic Pty Limited ###				
Gatesun Pty Limited	1,233	-		
Gondor Pty Limited				
Haffing Pty Limited			100	100
Hills Motorway Management Limited	221	151	50	50
Indemco Pty Limited (formerly Fox Ground Pty Limited)	2	-		
Jigsaw Pty Limited	619	(260)	2,674	2,674
Joyce Indpac Limited				
Koorileah Pty Limited				
Banteer Investments Pty Limited		Sth Africa	20,000	20,000
Macquarie Acceptances Limited				
Bacala Pty Limited	207	111		

NOTES CONTINUED

16

Controlled Entities (cont.)

	Place of Incorporation	Contribution to Consolidated Profits 1996 \$'000	Contribution to Consolidated Profits 1995 \$'000	Investment in Controlled Entities At Cost 1996 \$'000	Investment in Controlled Entities At Cost 1995 \$'000
Bond Street Investments Pty Limited		(56)	804		
Macquarie Thirty-Fourth Aviation Leasing Pty Limited		10	–		
Macquarie Thirty-Seventh Aviation Leasing Pty Limited		54	721		
Macquarie Thirty-Third Aviation Leasing Pty Limited		18	–		
Bond Street Management Limited		184	1,144		
Chalce Pty Limited					
Cilea Limited***					
Foucault Pty Limited ###					
French Park Pty Limited					
Galanthus Pty Limited		122	168		
Gasteria Limited***					
Gillman Pty Limited					
Gloriole Pty Limited ###					
Lanrod Pty Limited ###					
Valcora Pty Limited ###		309	314		
Jevington Investments #	UK				
Macquarie Nominees ACT Pty Limited					
Hillsam Nominees Pty Limited					
Idameneo (No. 31) Pty Limited				1	1
Macquarie Asset Management Limited					
Corot Pty Limited		(4)	26		
Jubilee Pty Limited					
Macquarie Deposits Pty Limited					
Macquarie IT Pty Limited (formerly Judicious Pty Limited)					
Macquarie NZ Holdings Limited					
Macquarie Group New Zealand Limited*	NZ				
Macquarie New Zealand Limited*	NZ	231	(1,100)		
Liana Pty Limited		845	653		
Moresby Enterprises Limited	NZ				
Macquarie Property NZ Limited*	NZ				
New Zealand Cash Management Trust Limited*	NZ				
Telbane Pty Limited					
Thaxted Pty Limited		51	46		
Parlon Pty Limited		31	26		
Totara Pty Limited		(650)	7		
Tywyn Pty Limited					
Macquarie Australia Pty Limited ###		(60)	226		
Macquarie Investment (Hong Kong) Limited*	HK	948	537		
Macquarie Leasing Pty Limited				1	1
Sucette Pty Limited		411	416		
Macquarie Bank Superannuation (No. 2) Pty Limited					
Macquarie Bank Superannuation Pty Limited					

16

Controlled Entities (cont.)

	Place of Incorporation	Contribution to Consolidated Profits 1996 \$'000	Contribution to Consolidated Profits 1995 \$'000	Investment in Controlled Entities At Cost 1996 \$'000	Investment in Controlled Entities At Cost 1995 \$'000
Macquarie Equities Limited		1,500	825	3,000	3,000
Belike Nominees Pty Limited					
Dexin Nominees Pty Limited					
Equitias Nominees Limited (formerly Anchor Bond Pty Limited)					
Idameneo (No. 79) Nominees Pty Limited				1	1
Rema Nominees Pty Limited					
Macquarie Equities (US) Holdings Pty Limited					
Macquarie Holdings (USA) Inc*	USA	186	39		
Macquarie Equities (USA) Inc*	USA	107	34		
Macquarie Factoring Limited***				1	1
Macquarie Finance Limited				1	1
Macquarie Syndication (No. 4) Pty Limited					
Macquarie First Aviation Leasing Pty Limited					
Macquarie Funds Management Limited					
Macquarie Investment Management Limited		918	502	1	1
Macquarie Lease Management Pty Limited				1	1
Macquarie Lease Nominees Pty Limited				1	1
Macquarie Leasing Qld Pty Limited		193	–	1	1
Gabija Pty Limited					
Riverut Pty Limited					
Macquarie Leasing Vic Pty Limited				1	1
Macquarie Mortgage Management Pty Limited				1	1
Macquarie Property Management Limited		870	880	150	150
Macquarie Property Services Pty Limited		488	673		
Macquarie Property Services Qld Pty Limited		31	67		
Macquarie Property Services (Vic) Pty Limited		–	245		
Macquarie Risk Management Pty Limited				1	1
Macquarie Syndication (No. 1) Pty Limited		615	599		
Macquarie Syndication (No. 2) Pty Limited		300	382		
Macquarie Syndication (No. 3) Pty Limited		703	766		
Macquarie Thirteenth Aviation Leasing Pty Limited					
Macquarie Thirty-Ninth Aviation Leasing Pty Limited					
Macquarie Twelfth Aviation Leasing Pty Limited					
Macquarie Twentieth Aviation Leasing Pty Limited					
Macquarie Twenty-Eighth Aviation Leasing Pty Limited		956	57		
Macquarie Twenty-Seventh Aviation Leasing Pty Limited					
Macquarie Twenty-Third Aviation Leasing Pty Limited					
Macquarie Underwriting Limited		5,063	1,213	1	1
MBL Realty Investment Management Pty Limited					
Memnon Pty Limited					
Olary Pty Limited					
Risk Averse Money Managers Pty Limited		5	(1)		
Australian Index Money Managers Limited		5	3		

NOTES CONTINUED

16

Controlled Entities (cont.)

	Place of Incorporation	Contribution to Consolidated Profits 1996 \$'000	Contribution to Consolidated Profits 1995 \$'000	Investment in Controlled Entities At Cost 1996 \$'000	Investment in Controlled Entities At Cost 1995 \$'000
Tankerton Pty Limited***					
Teynham Pty Limited***					
Therfield Pty Limited***					
Thonock Pty Limited***					
Macquarie Asia Holdings Pty Limited					
Macquarie Indonesia Holdings Pty Limited					
Macquarie Commercial Leasing Vic. Pty Limited		949	–	701	701
Softwood View Pty Limited					
Macquarie Corporate Finance (UK) Limited*	UK	–	33		
Macquarie Corporate Finance (USA) Inc.* (formerly Macquarie Metals Incorporated)	USA	(169)	(287)	1,660	1,771
Macquarie Derivatives (Hong Kong) Pty Limited (formerly Macquarie Kim Eng Derivatives Pty Limited)		(1,216)	(690)		
Macquarie Equipment Finance Pty Limited					
Macquarie Fourteenth Aviation Leasing Pty Limited		127	–	300	300
Macquarie Infrastructure Investment Management Limited				50	–
Macquarie Innovations Pty Limited					
Macquarie International Capital Markets Limited	HK	(551)	–	2	–
Macquarie Investment Pte Limited #	Singapore				
Macquarie Investment Services Limited					
Macquarie Leasing NSW Pty Limited		(7)	–	101	101
Acuba Pty Limited					
Macquarie Leasing (NZ) Limited*	NZ				
Macquarie Leasing (UK) Limited	UK	12	–		
Macquarie Life Limited		8,289	8,264	11,200	11,200
Macquarie N.T. Leasing Pty Limited		650	602	10	10
Macquarie Options Limited* (formerly Macquarie Kim Eng Options Pty Limited)	HK	224	(49)	4,954	529
Macquarie Options Pty Limited		8,438	6,317	4,950	4,950
Macquarie Property Services (ACT) Pty Limited					
Macquarie Property International Pty Limited					
Macquarie Property Asia Pty Limited					
Macquarie Property China Pty Limited		(740)	(31)		
Macquarie (Tianjin) Property Services Co. Limited	China	(4)	–		
Sedulous Investments Pty Limited					
Macquarie Residential Mortgages Pty Limited		1	–	500	500
Macquarie Securities (UK) Limited*	UK	(1,272)	2,360	4,484	5,089
Macquarie Finance (UK) Limited	UK				
Macquarie Securities Limited (NZ)* (formerly Macquarie Securities Limited)	NZ				
Ojai Holdings Limited*	NZ				
National Cash Management Trust Limited*	NZ				

16

Controlled Entities (cont.)

	Contribution to Consolidated Profits 1996 \$'000	Contribution to Consolidated Profits 1995 \$'000	Investment in Controlled Entities At Cost 1996 \$'000	Investment in Controlled Entities At Cost 1995 \$'000
Place of Incorporation				
Macquarie Securities Pty Limited	117	179	8,348	8,348
Macquarie Services (Hong Kong) Limited	(32)	–		
Macquarie Syndication (No. 5) Pty Limited	430	487	12,584	12,584
Macquarie Syndication (No. 6) Pty Limited	303	472	11,081	11,081
Macquarie Syndication (No. 7) Pty Limited	(3)	(10)	323	–
Macquarie Syndication (No. 9) Pty Limited	(190)	(356)	311	311
Macquarie Syndication (No.10) Pty Limited	(1,374)	(949)	1,511	852
Macquarie Syndication (No.11) Pty Limited	(79)	–	47	–
Macquarie Syndication (No.12) Pty Limited				
Macquarie Syndication (No.13) Pty Limited				
Macquarie Syndication (No.14) Pty Limited	(1)	–	1	–
Macquarie Syndication (No.15) Pty Limited				
Macquarie Syndication (No.16) Pty Limited				
Macquarie Syndication (No.17) Pty Limited				
Macquarie Syndication (No.18) Pty Limited				
Macquarie Syndication (No.19) Pty Limited				
Macquarie Syndication (No.20) Pty Limited				
Macquarie Syndication (No.21) Pty Limited				
Macquarie Syndication (No.22) Pty Limited				
Macquarie Syndication (No.23) Pty Limited				
Macquarie Tourism and Leisure Limited (formerly Fords Bridge Pty Limited)				
Macquarie Twenty-Ninth Aviation Leasing Pty Limited				
Macquarie Corporate Finance Limited	18,691	14,219		
Macquarie Asset Finance Limited	863	6,801		
Macquarie Infrastructure Limited				
Macquarie Infrastructure No. 2 Limited				
MAIL Holdings Limited	–	210	79,273	79,273
CASL Financial Services Pty Limited				
Macquarie Australia International Limited	2,595	2,813		
CASL Nominees Pty Limited				
Macquarie Risk Advisory Services Limited	319	593		
MAST Management Limited (formerly Macquarie Investments Limited)				
Pacific Rim Operations Limited				
Paray Pty Limited			1	–
Penchant Pty Limited ###	804	447	13,239	13,239
Placate Pty Limited	(90)	–		
Polbuoy Pty Limited				
PUMA Finance Limited				
PUMA Management Limited	867	784	50	50
PUMA Mortgage Management Pty Limited			500	500
Randow Pty Limited				
Residco Pty Limited	98	–		
Royal Parade Apartments Pty Limited				

NOTES CONTINUED

16

Controlled Entities (cont.)

	Place of Incorporation	Contribution to Consolidated Profits 1996 \$'000	Contribution to Consolidated Profits 1995 \$'000	Investment in Controlled Entities At Cost 1996 \$'000	Investment in Controlled Entities At Cost 1995 \$'000
Secure Australia Limited					
SECURE Australia Management Pty Limited (formerly EnergyCard Pty Limited)					
South Coast Motorway Limited					
SPAL Limited		1,277	5,001	45,794	45,794
Subscriber Television Asset Rentals Pty Limited					
Syndicated Asset Management Pty Limited					
Zoffanies Pty Limited					
Other controlled entities are:					
Abaflow Finance Corporation		-	119		
Bondi Unit Trust					
Lygon Street Unit Trust					
Coldava Limited					
French Park Unit Trust					
Galanthus Australia Pty Limited (formerly Galanthus Limited)		(10)	(86)		
Galanthus Leasing Pty Limited ###		7	(87)		
Lindcraft Limited***					
Pebcorp Pty Limited***					
Renmix Pty Limited***					
Zelenka Pty Limited ###					
Hawthorn Business Centre Unit Trust					
Kallerad Pty Limited					
Kallerad Unit Trust					
Mac Fund One Trust					
Macquarie Equity Investment Trust					
Motto Farm Unit Trust					
Mount Annan Unit Trust					
Parsees Pty Limited ###					
Shell Vermont Unit Trust					
Utopia Pty Limited ###					
Corporate Capital Equipment Financing Pty Ltd					
Decally Pty Limited					
Fragola Pty Limited					
Mendlesham Corporation Pty Limited		3	5		
Naysin Pty Limited					
Old Brampton Corporation Pty Limited					
Ophidian Pty Limited					
Ornate Pty Limited					
Poltava Pty Limited		1	4		
Praen Pty Limited		(38)	32		
Grosvenor Office Equipment Hire Pty Limited					
Reconnoitre Pty Limited					
Residium Pty Limited					
Resinal Pty Limited		1	-		
Second Resinal Pty Limited					

16

Controlled Entities (cont.)

Place of Incorporation	Contribution to Consolidated Profits 1996 \$'000	Contribution to Consolidated Profits 1995 \$'000	Investment in Controlled Entities At Cost 1996 \$'000	Investment in Controlled Entities At Cost 1995 \$'000
Dalou Pty Limited				
Fortescue Gardens Pty Limited				
Rovenda Pty Limited				
Rovny Pty Limited				
Samspin Limited				
Shadoof Pty Limited ###				
Thoresby Pty Limited***				
Votrait No. 610 Pty Limited				
Votrait No. 611 Pty Limited				
	93,173	76,071	279,056	274,164
Investment revaluation reserve on entities controlled at year end ##			145,573	138,734
	93,173	76,071	424,629	412,898
<p>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%.</p> <p>* Audited by other Price Waterhouse firms.</p> <p>** Holdings of redeemable preference shares in this entity have been accounted for as described in Note 1.</p> <p>*** In voluntary liquidation.</p> <p># These entities have been audited by other firms.</p> <p>## In 1995 the investment revaluation reserve includes \$3,049,000 in respect of entities no longer part of the economic entity (See Note 19 – Capital and Reserves).</p> <p>### These entities became proprietary companies during the year.</p>				
	Consolidated 1996 \$'000	Consolidated 1995 \$'000	Bank 1996 \$'000	Bank 1995 \$'000

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Other Liabilities

Unrealised losses on trading financial instruments	127,911	50,265	117,688	40,891
Amounts due to brokers and clients	214,097	175,084	15,596	48,274
Creditors	106,971	80,279	94,757	71,778
Accrued charges and sundry provisions	122,866	100,383	159,847	120,474
Other	106,552	61,955	46,267	27,412
Total Other Liabilities	678,397	467,966	434,155	308,829

NOTES CONTINUED

	Consolidated Specific Provision		Provision for Uncertainties	
	1996 \$'000	1995 \$'000	1996 \$'000	1995 \$'000
18 Provision for Uncertainties and Specific Provisions				
The provision for uncertainties is not specific and is intended to cover the possibility of loss arising from the non-recovery of amounts receivable or contingently owing.				
The specific provisions relate to Loans and Advances (Note 8) where doubtful loans have been identified and provided for.				
Opening Balance	11,856	12,149	21,700	19,312
Provided during the year	3,580	1,438	4,077	2,388
Bad debts written off	(2,545)	(103)	-	-
Written back during the year	(5,053)	(1,628)	-	-
Closing Balance	7,838	11,856	25,777	21,700
Specific provision as a % of loan assets	0.32%	0.53%	0.64%	0.58%
Provision for uncertainties as a % of risk weighted exposures				
	Consolidated	Consolidated	Bank	Bank
	1996	1995	1996	1995
	\$'000	\$'000	\$'000	\$'000

	Consolidated		Bank	
	1996 \$'000	1995 \$'000	1996 \$'000	1995 \$'000
19 Capital and Reserves				
Authorised Capital				
200,000,000 shares of \$1.00 each	200,000	200,000	200,000	200,000
2,000,000 shares of \$0.50 each	1,000	1,000	1,000	1,000
	201,000	201,000	201,000	201,000
Issued Capital				
138,745,486 Ordinary Shares of \$1.00 each fully paid	138,745	128,247	138,745	128,247
16,258,768 Ordinary Shares of \$1.00 each at a premium and partly paid*	4,158	2,309	4,158	2,309
1 Preference (Dividend Access) Share of \$0.50 fully paid				
	142,903	130,556	142,903	130,556

19

Capital and Reserves (cont.)**Share Premium Reserve**

	Consolidated	Consolidated	Bank	Bank
	1996	1995	1996	1995
	\$'000	\$'000	\$'000	\$'000
Balance at the start of the year	38,540	41,841	38,540	41,841
Premium paid on partly paid shares	4,457	2,866	4,457	2,866
Amount arising on the issue of 1,100,110 ordinary shares at a premium of \$3.08 per share	3,388	1,426	3,388	1,426
Amount applied to bonus issue	(7,473)	(7,593)	(7,473)	(7,593)
	38,912	38,540	38,912	38,540

Investment Revaluation Reserve

Balance at the start of the year	-	-	135,685	119,181
Revaluation of investment in controlled entities at Directors' valuation**	-	-	6,839	16,504
Amounts transferred to retained earnings	-	-	3,049	-
	-	-	145,573	135,685

At 31st March, 1996 options granted to employees over 3,345,000 unissued ordinary shares had not been exercised. Refer to Note 29 – Employee Equity Participation.

* These shares have been issued to senior staff under the Bank's Partly Paid Share Scheme.

** During the year the Bank brought to account dividends from controlled entities of \$77,050,000 (1995: \$61,700,000) as shown in Note 26 – 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 increase in the revaluation reserve in the year is the net effect of these dividends and the increase in worth of controlled entities over the year.

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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 Macquarie Bank Limited.

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

3rd January, 1996	-	10,000	-	10,000
19th August, 1996	5,000	5,000	5,000	5,000
31st May, 2000	34,971	36,327	34,971	36,327
1st August, 2000 †	50,000	50,000	50,000	50,000
1st April, 2003	10,000	10,000	10,000	10,000
1st April, 2004	70,029	70,029	70,029	70,029
1st April, 2005	29,000	29,000	29,000	29,000
16th January, 2006	35,000	-	35,000	-
	234,000	210,356	234,000	210,356

In accordance with Reserve Bank of Australia 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 22nd April, 1993.

NOTES CONTINUED

21 Retirement Benefits

The amount paid by the Bank and economic entity to persons in a prescribed office or to a prescribed superannuation fund in connection with the retirement of these persons from Macquarie Bank was \$16,750 (1995:\$24,000). The Directors, having regard to the details involved, consider the provision of full particulars in regard to these payments would be unreasonable.

The Bank and its controlled entities 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.

22 Contingent Liabilities

At 31st March, 1996 contingent liabilities existed in respect of:

- (a) Bills discounted and not matured at 31st March, 1996 bearing the acceptance or prior endorsement of a trading Bank \$nil (1995: \$247,870,000) economic entity and \$nil (1995: \$70,625,000) Bank. For the year ended 31st March, 1996 all bills sold by the economic entity were settled through Austraclear and were not endorsed by the Bank or any of its controlled entities.
- (b) Guarantees given in the ordinary course of business: \$41,644,000 (1995: \$29,038,000) economic entity and \$153,701,000 (1995: \$292,745,000) Bank.
- (c) Letters of credit: \$25,220,000 (1995: \$62,833,000) economic entity and \$32,833,000 (1995: \$82,825,000) Bank.
- (d) Uncalled investment in units in the Macquarie Investment Trust: \$1,500,000 (1995: \$1,500,000) economic entity and \$nil (1995: \$nil) Bank and in Macquarie Investment Trust II: \$4,125,000 (1995: \$nil) economic entity and \$nil (1995: \$nil) Bank.
- (e) A controlled entity, Macquarie Investment Management Limited, covenants that while it acts as manager of the Macquarie Cash Management Trust unitholders in that Trust will be paid upon redemption or repurchase of a unit issued prior to 28th April, 1985, or a unit issued after 28th April, 1985 where the unitholder has continuously held units from 28th April, 1985 not less than the sum of \$1.00: \$96,016,000 (1995: \$97,678,000). At 31st March, 1996 the audited accounts of the Macquarie Cash Management Trust disclose the value of units on issue and the income entitlement thereon aggregating \$2,370,003,000 (1995: \$1,627,911,000) and the assets of the Macquarie Cash Management Trust aggregating \$2,405,474,000 (1995: \$1,649,507,000). The assets of the Macquarie Cash Management Trust consist entirely of deposits with, loans to or securities issued, guaranteed, accepted, drawn or endorsed by the Australian Government, the Government of an Australian State or Territory, an Australian Trading Bank or major overseas Bank, or dealers authorised by the Reserve Bank of Australia, and income accrued thereon or deposits or loans secured by securities issued, accepted or endorsed by the above and income accrued thereon.

The manager also guarantees the full value of investment deposits lodged in the Macquarie Approved Deposit Fund prior to 21st May, 1985: \$2,505,000 (1995: \$3,461,000). At 31st March, 1996 the unaudited accounts of the Macquarie Approved Deposit Fund disclose the value of unitholders' funds, aggregating \$1,137,441,000 (1995: \$1,006,928,000) and the assets of the Macquarie Approved Deposit Fund aggregating \$1,148,946,000 (1995: \$1,020,530,000).

22 **Contingent Liabilities (cont.)**

Requests by unitholders to redeem units in the trusts managed by the entity are met by the trustees of the relevant trusts redeeming the investors' units out of trust assets. As a manager of a number of unit trusts, the entity has, under the terms of the relevant trust deeds, covenanted to repurchase units in the trusts at the request of any unitholder at a redemption price calculated in accordance with the trust deed. The entity complies with this obligation by managing the liquidity of the trusts to ensure that each trust will be able to meet any requests to redeem units. At 31st March, 1996 the relevant trusts had sufficient assets to meet any redemption requests.

- (f) Underwriting facilities: \$336,700,000 (1995: \$81,700,000) economic entity and \$156,700,000 (1995: \$81,700,000) Bank. Of these facilities, \$153,000,000 (1995: \$nil) economic entity and \$20,000,000 (1995: \$nil) Bank have been sub-underwritten.
- (g) Undrawn credit facilities: \$552,773,000 (1995: \$252,040,000) economic entity and \$549,365,000 (1995: \$323,600,000) Bank.
- (h) The Bank has issued 40,000,000 QanMacs of face value \$2.00 each maturing on 29th September, 2000. QanMacs are unsecured debt obligations of the Bank and in the event of the winding up of the Bank would rank equally with other unsecured obligations of the Bank, and ahead of subordinated debt. Interest is paid when a cash dividend is paid on ordinary shares in Qantas Airways Limited in an amount equal to the dividend paid on one Qantas share. QanMacs are quoted ED securities on ASX. At any time prior to maturity, holders have the right to require Macquarie Underwriting Limited to purchase QanMacs on certain dates at a price equal to the price of Qantas shares.
- (i) HIH Casualty and General Insurance Limited ("HIH") has commenced legal action against the Bank and other parties in respect of alleged breaches of contract and duty relating to HIH's risk participation in loan facilities made available to a borrower. Damages of the order of \$30 million are claimed against the Bank and other parties. The Bank will defend the action and has been advised by its solicitors that HIH will not succeed in any of its claims and that, in any event, the Bank has recourse against other parties.
- (j) The Bank has issued 500,000 Capital Notes of face value \$100.00 each maturing on 1st August, 2000. Interest is payable at a rate of 9.75% p.a. Capital Notes are quoted ED securities on ASX. Capital Notes are unsecured subordinated debt obligations of the Bank. The trustee is Permanent Nominees (Aust.) Limited.
- (k) Indemnities granted to counterparties in respect of termination and default events in cross border leasing transactions: \$16,374,000 (1995: \$14,081,000) economic entity and \$10,324,000 (1995: \$8,031,000) Bank.
- (l) Contingent liabilities exist in respect of claims and potential claims against entities in the economic entity. Where necessary appropriate provision has been made in the accounts. 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.

NOTES CONTINUED

23 Joint Ventures

The economic entity, through its controlled entities, has participating interests in the following joint ventures, the principal activities of which are to foster, develop and commercialise new technologies.

Controlled Entity holding Joint Venture	Joint Venture Name	Participating Interest %	Interest In Assets Employed	
			1996 \$'000	1995 \$'000
Penchant Pty Limited	AWA Syndicate No. 4	99.0	33,023	32,102
Macquarie Syndication (No.1) Pty Ltd	AWA Syndicate No. 6	90.0	43,430	39,556
Macquarie Syndication (No.3) Pty Ltd	Transgenic R&D Syndicate No. 1	99.0	40,439	36,433
Macquarie Syndication (No.5) Pty Ltd	Anti Viral R&D Syndicate	98.0	29,815	27,004
Macquarie Syndication (No.6) Pty Ltd	Rumentek Syndicate	99.0	28,845	25,549
Macquarie Securities Pty Ltd	Datacraft Syndicate No. 1	99.0	21,262	19,259
Jigsaw Pty Ltd	Biotechnology Syndicate No. 2	99.0	–	13,197
Macquarie Syndication (No.2) Pty Ltd	EMSYS Syndicate No. 1	99.0	33,352	30,311
Macquarie Syndication (No.9) Pty Ltd	Air Traffic Control No. 1 Syndicate	15.0	895	378
Macquarie Syndication (No.10) Pty Ltd	Air Traffic & Aviation	25.3	5,084	1,106
	Systems Management Syndicate			
Macquarie Syndication (No.11) Pty Ltd	Omni Telecommunications	3.5	216	–
	R&D Syndicate			
Macquarie Syndication (No.14) Pty Ltd	AMRAD Biotechnical Projects	0.1	3	–
	R&D Syndicate			

The economic entity's interests in the assets of these joint ventures are included in the balance sheet as other assets. The assets are secured by cash deposits of \$161,406,000 (1995: \$159,987,000). The contribution of the joint ventures to the profit of the economic entity is shown in Note 16 – Controlled Entities.

24 Forward Commitments

In the normal course of business the Bank and its controlled entities have contingent commitments in respect of future funding arrangements including underwriting commitments in respect of promissory note facilities, foreign exchange contracts, forward rate agreements, options, interest rate swaps, repurchase agreements and guarantees granted to clients.

Consolidated	Consolidated	Bank	Bank
1996	1995	1996	1995
\$'000	\$'000	\$'000	\$'000

25 Lease Commitments

(a) Finance Leases

Finance leases relating to staff car loans disclosed in 1995 as fixed assets have been reclassified as lease receivables.

(b) Operating Leases

Not later than one year	21,267	20,357	20,052	19,504
Later than one year and not later than two years	21,486	20,200	20,856	19,953
Later than two years and not later than five years	44,589	55,797	43,725	55,533
Later than five years	17,704	15,451	17,704	15,387
Total Operating Lease Commitments	105,046	111,805	102,337	110,377

26 Dividends from Controlled Entities

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

Boston Australia Limited	2,600	8,000
Felter Pty Limited	11,258	10,168
Macquarie Acceptances Limited	6,875	–
Macquarie Equities Limited	1,125	–
Macquarie Life Limited	650	1,200
Macquarie Options Pty Limited	17,300	–
Macquarie 29th Aviation Leasing Pty Limited	15,000	21,500
MAIL Holdings Limited	7,832	10,074
Puma Management Limited	2,500	–
SPAL Limited	11,910	10,758
	77,050	61,700

NOTES CONTINUED

Consolidated	Consolidated	Bank	Bank
1996	1995	1996	1995
\$'000	\$'000	\$'000	\$'000

27 Related Party Information

During the year there have been transactions between the Bank and its 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 receivable by the Bank from controlled entities are disclosed in Note 26 – Dividends from Controlled Entities.

Directors' Remuneration:

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

Base remuneration	1,202	1,176	1,202	1,176
Performance related	3,843	2,194	3,843	2,194
	5,045	3,370	5,045	3,370

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

	1996	1995
	Number	Number
\$0 and \$9,999	2	–
\$10,000 and \$19,999	–	1
\$30,000 and \$39,999	–	3
\$40,000 and \$49,999	4	4
\$60,000 and \$69,999	1	–
\$70,000 and \$79,999	1	–
\$750,000 and \$759,999	–	1
\$810,000 and \$819,999	–	1
\$1,120,000 and \$1,129,999	1	–
\$1,270,000 and \$1,279,999	1	–
\$1,490,000 and \$1,499,999	–	1
\$2,300,000 and \$2,309,999	1	–

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.

The remuneration paid to Directors has been calculated in accordance with AASB 1028, Accounting for Employee Entitlements.

The aggregate amount brought to account during the year in respect of consulting services provided by Mr J.G. Allpass and Mr L.G. Cox was \$19,875 and \$61,898 respectively.

27 Related Party Information (cont.)

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.

	1996	1995
	\$'000	\$'000
Loans outstanding at the start of the year	8,657	9,030
Advances (D.S. Clarke, J.G. Allpass, L.G. Cox & J.F. Kirk)	1,299	61
Repayments (M.R.G. Johnson)	(71)	(434)
Loans outstanding at the end of the year	9,885	8,657

During the year the Bank brought to account interest income from loans made to Directors of \$863,543 (1995: \$617,570). The aggregate amount of guarantee facilities (undrawn) at 31st March, 1996 was \$254,557 (1995: \$286,158).

At the date of the Directors' Report the following Directors or entities controlled by them have relevant interests in the following shares and share options of the Bank.

	1996	1995	1996	1995	1996	1995
	Share Options	Share Options	Partly Paid	Partly Paid	Fully Paid	Fully Paid
D.S. Clarke	-	-	753,426	753,426	379,837	326,126
A.E. Moss	-	-	750,000	601,371	378,550	317,062
M.R.G. Johnson	-	-	450,000	450,000	449,514	399,544
B.N. Kelman	-	-	-	-	96,136	90,796
J.G. Allpass	-	-	-	-	6,000	-
L.G. Cox	130,000	-	-	-	200,000	-
J.F. Kirk	-	-	-	-	103,936	98,162
B.R. Martin	-	-	-	-	2,117	2,000

All Directors' share options were issued during the year and were granted on the same terms and conditions as those granted to other employees.

Mr B.N. Kelman is a Director of the entity which acts as the trustee of the Macquarie Bank Superannuation Fund which has an interest in 204,387 (1995: 155,515) Ordinary Shares of \$1.00 each fully paid of the Bank.

During the year Directors received dividends and bonus shares relating to the abovementioned shareholdings at the same rate as other fully and partly paid shareholders.

Other Transactions with Directors:

During the 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.

NOTES CONTINUED

28

Executive Officers' Remuneration

Remuneration received or receivable by executives principally involved in the management of the Bank and its controlled entities:

	Consolidated 1996 \$'000	Consolidated 1995 \$'000	Bank 1996 \$'000	Bank 1995 \$'000
Base remuneration	3,314	3,259	3,314	3,259
Performance related	11,131	6,899	11,131	6,899
	14,445	10,158	14,445	10,158

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

\$550,000 and \$559,999	-	1	-	1
\$750,000 and \$759,999	-	2	-	2
\$810,000 and \$819,999	-	1	-	1
\$900,000 and \$909,999	1	1	1	1
\$950,000 and \$959,999	-	1	-	1
\$1,090,000 and \$1,099,999	-	1	-	1
\$1,120,000 and \$1,129,999	1	-	1	-
\$1,240,000 and \$1,249,999	1	-	1	-
\$1,270,000 and \$1,279,999	1	-	1	-
\$1,340,000 and \$1,349,999	-	1	-	1
\$1,390,000 and \$1,399,999	1	-	1	-
\$1,400,000 and \$1,409,999	1	-	1	-
\$1,470,000 and \$1,479,999	1	1	1	1
\$1,490,000 and \$1,499,999	-	1	-	1
\$1,550,000 and \$1,559,999	1	-	1	-
\$1,750,000 and \$1,759,999	1	-	1	-
\$2,300,000 and \$2,309,999	1	-	1	-

Eligible termination payments paid to retiring executive officers 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.

The remuneration paid to executive officers has been calculated in accordance with AASB 1028, Accounting for Employee Entitlements.

29 Employee Equity Participation

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 have been 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 capital. The total number of partly paid shares at present is 16.3 million representing approximately 10.4% of the Bank's fully and partly paid issued capital. No partly paid shares have been issued since June 1995 and no further issues are proposed. At 31st March, 1996 there were approximately 230 employees participating in the Scheme.

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

Most shares have effectively been issued under the Scheme at the 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 is the market price of the fully paid shares (as determined by the Board) at the date of issue. However, some partly paid shares issued early in the life of the Scheme (principally those issued at \$1.83) were issued at a fixed premium. With the exception, once again, 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". If an employee ceases to be an employee within this vesting period, the holder effectively forfeits the entitlement to those shares and any bonus shares derived therefrom. In individual cases, mainly where employees resign with the Bank's agreement close to the end of the vesting period, the Bank may agree to waive the remainder of the vesting period. A holder who ceases to be an employee after that time must pay up the outstanding amounts within a reasonable period.

Each partly paid share participates equally in the fully paid ordinary share distributions above a participation threshold, which is 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 have been subject to an arrangement whereby the Bank will make a call on the underlying partly paid shares equal to the notional after tax proceeds of any sale of any such shares. Bonus shares on such shares are also subject to the same arrangement. The Bank also makes 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. For partly paid shares not issued at a fixed premium, the aggregate calls on the partly paid share may not be 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, partly paid shares may be paid up at any time and become full voting ordinary shares ranking *pari passu* with all other fully paid ordinary shares then on issue.

Until they are fully paid, partly paid shares carry no voting rights, other than in the limited situations described in the Bank's Articles of Association.

NOTES CONTINUED

29

Employee Equity Participation (cont.)

Share Scheme (cont.)

As at 31st March, 1996 the following partly paid shares were on issue:

Maximum Issue Price	Number	Amount Paid \$	Maximum Unpaid Amount \$
\$1.83	1,601,031	1,031,752	1,898,135
\$2.30	281,850	149,022	499,233
\$3.10	2,030,000	872,101	5,420,899
\$3.15	1,421,850	300,549	4,178,279
\$3.20	882,808	337,519	2,487,466
\$3.22	1,135,000	403,540	3,251,160
\$3.30	1,340,000	447,354	3,974,646
\$3.36	1,305,000	292,919	4,091,881
\$3.50	2,280,000	285,748	7,694,252
\$3.58	70,000	8,129	242,471
\$3.75	40,000	10,691	139,309
\$4.17	20,000	1,199	82,201
\$4.25	50,000	2,757	209,743
\$4.36	100,000	1,729	434,271
\$4.42	20,000	382	88,018
\$4.47	20,000	411	88,989
\$4.53	20,000	429	90,171
\$4.62	40,000	1,387	183,413
\$4.80	50,000	1,234	238,766
\$4.95	50,000	500	247,000
\$4.99	40,000	400	199,200
\$5.01	20,000	292	99,908
\$5.02	20,000	298	100,102
\$5.03	20,000	200	100,400
\$5.04	20,000	200	100,600
\$5.09	20,000	328	101,472
\$5.34	20,000	200	106,600
\$5.50	3,251,229	32,512	17,849,247
\$5.63	20,000	244	112,356
\$5.64	20,000	248	112,552
\$5.65	50,000	630	281,870
	16,258,768	4,184,904	54,704,610

29

Employee Equity Participation (cont.)**Share Scheme (cont.)**

Subsequent to the balance date, 70,000 partly paid shares issued at a maximum price of \$5.50 and 50,000 partly paid shares issued at a maximum price of \$5.65 have been fully paid up. At the reporting date, the number of fully paid ordinary shares on issue is 138,865,486 and the number of partly paid shares on issue is 16,138,768. The total amount paid up on partly paid shares was \$4.184 million and the maximum amount unpaid on these shares was \$54.038 million.

During the year the Bank issued 3,731,229 partly paid shares with a market value at the dates of issue of \$20,276,000. The amount paid up on these shares and brought to account was \$37,312.

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 Group. At 31st March, 1996 there were approximately 140 participants in the Plan.

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

The options are issued for no consideration. Options granted on or before 15th May, 1996 are exercisable at the market price of the fully paid shares at the date of acceptance of employment if being issued to a new employee, or the market price at 1st July in respect of employees receiving options due to annual promotions and compensation reviews. The exercise price of options granted after 15th May, 1996 will be based on the weighted average market price over the five trading days prior to acceptance of employment for new employees or over the last five trading days in June in respect of options granted as a result of annual promotions and compensation reviews.

The following options were granted pursuant to the Plan during the year and were still available at year end:

Issue Date of Option	Number of Options Granted	Exercise Price	Date of Expiry
5 January 1996	3,050,000	\$4.05	5 January 2001
27 February 1996	15,000	\$4.05	27 February 2001
8 January 1996	20,000	\$4.50	8 January 2001
28 February 1996	70,000	\$4.50	28 February 2001
29 January 1996	130,000	\$5.00	29 January 2001
31 January 1996	20,000	\$5.00	31 January 2001
1 March 1996	20,000	\$5.00	1 March 2001
25 March 1996	20,000	\$5.50	25 March 2001
	3,345,000		

NOTES CONTINUED

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Employee Equity Participation (cont.)

In addition, a further 30,000 options were issued with an exercise price of \$4.05 but lapsed before year end.

Since 31st March, 1996 the following options have been issued:-

Issue Date of Option	Number of Options Granted	Exercise Price	Date of Expiry
26 April 1996	50,000	\$5.00	26 April 2001
10 May 1996	20,000	\$6.00	10 May 2001
14 May 1996	20,000	\$6.20	14 May 2001
15 May 1996	40,000	\$6.50	15 May 2001

A further 20,000 options exercisable at \$4.05 have lapsed so that at 3rd June, 1996 the number of options still available is 3,455,000. The market value of shares under these options at 31st March, 1996 was \$6.00.

No unissued shares, other than those referred to above, are under option as at the date of this report.

Options granted on or before 15th May, 1996 are not exercisable within a vesting period of two years and a holder who ceases to be an employee after that time must exercise the options within a reasonable period. Options granted after 15th May, 1996 will have vesting periods ranging up to four years after the date of grant. Each new tranche of options will be issued such that 25% of each tranche becomes exercisable on each of the first four anniversaries of the date of grant. Options can be exercised after the vesting period at any time up to expiry. In individual cases, mainly where an employee leaves with the Bank's agreement close to 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.

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. On 15th May, 1996 the Board adopted 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 eight years ago, which have been fully paid up and where the relevant executive is still with the Group, 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 (but in the case of options with a term longer than five years, they will remain in the calculation as unexercised options for the shorter of their expiry term and eight years). This second limitation is subject to Board review over time. Fully paid ordinary shares issued on the exercise of options will rank pari passu 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.

No ordinary shares have been issued to the date of this report under this plan. On 30th May, 1996, the Board approved the issue of invitations for a further 3,984,850 options pursuant to the Plan. These are expected to be granted in July, 1996.

30 Future Income Tax Benefit

Potential future income tax benefits of approximately \$40,000,000 (1995: \$49,000,000) attributable to tax losses carried forward by a controlled entity have not been brought to account in the controlled entity and in the consolidated accounts at 31st March, 1996 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.

31 Balance Sheet Format

Relief from the requirement to present the consolidated accounts in the format required by subclauses 7(1), 7(2), 7(3) and Clause 13 of Schedule 5 of the Corporations Law, insofar as those provisions require the disclosure of assets and liabilities in current and noncurrent format, was granted by the Australian Securities Commission in an Order dated 24th June, 1992. Two conditions attach to this relief. First, the disclosure of assets and liabilities is to comply with International Accounting Standard 30 'Disclosures in the Financial Statements of Banks and Similar Financial Institutions'. This standard, recognising that the current/noncurrent classification is inappropriate in a financial institution, states that a Bank should present a balance sheet that groups assets and liabilities by nature and lists them in an order that reflects their relative liquidity. This represents the Bank's existing practice. Second, information relating to the total assets and liabilities of controlled entities that are not prescribed corporations is to be shown by way of a note. This information is accordingly presented below. These figures represent an aggregation only, without the elimination adjustments which can only occur on consolidation with the parent entity.

	1996	1995
	\$'000	\$'000
Total Assets	2,181,231	1,479,497
Total Liabilities	(1,683,675)	(1,007,539)

NOTES CONTINUED

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Notes to the Statements of Cash Flows

	Consolidated	Consolidated	Bank	Bank
	1996	1995	1996	1995
	\$'000	\$'000	\$'000	\$'000
a) Reconciliation of Cash				
Cash at the end of the year as shown in the Statements of Cash Flows is reconciled to the related items in the balance sheet as follows:				
Coins, notes and cash at bankers	68,722	43,821	12,121	19,406
Due from clearing houses	83,365	8,729	67,707	–
Due to clearing houses	(83,651)	(59,750)	(83,651)	(59,123)
Balances due from clearing bank (Note 9)	83,093	39,589	83,093	39,589
	151,529	32,389	79,270	(128)
b) Reconciliation of Operating Profit after Income Tax to Net Cash provided by Operating Activities				
Operating profit after income tax	93,173	76,071	86,335	59,567
Add non-cash items:				
Provision for uncertainties	4,077	2,388	4,077	2,388
Specific provisions	(4,018)	(293)	(4,018)	(293)
Depreciation	16,073	12,968	15,287	12,774
Adjustment to retained earnings	(1,202)	–	(1,202)	–
Write down of land and buildings	663	–	–	–
Changes in assets and liabilities, adjusted for the sale of controlled entities during the financial year				
Customer loans granted and repaid	(250,727)	(457,640)	(337,216)	(172,055)
Leases granted and repaid	(25,428)	11,150	41,517	(25,118)
Increase/(decrease) in income tax payable	(256)	(5,650)	728	(6,767)
Increase/(decrease) in deferred tax payable	(8,766)	(3,381)	(31,253)	(44,157)
Loss/(profit) on sale of property, plant and equipment	155	716	138	372
Profit on sale of controlled entities	–	(5,542)	–	–
Dividends receivable but not paid	–	–	3,790	(35,500)
Decrease in interest receivable	(18,292)	(1,442)	(5,576)	(7,634)
Increase/(decrease) in interest payable	9,590	12,612	(11,180)	14,959
Decrease/(increase) in fees and commissions receivable	(18,720)	(18,357)	(376)	2,875
Increase/(decrease) in fees and commissions payable	(4,543)	4,078	(16)	(228)
Increase/(decrease) in accrued expenses	7,511	(197,750)	(79,468)	137,728
Net increase in savings, money market and other deposit accounts	116,720	192,918	(35,934)	174,091
Decrease/(increase) in financial instruments, foreign exchange and commodities	223,619	434,850	458,807	(74,253)
Net Cash provided by Operating Activities	139,629	57,696	104,440	38,749

Consolidated	Consolidated	Bank	Bank
1996	1995	1996	1995
\$'000	\$'000	\$'000	\$'000

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Notes to the Statements of Cash Flows (cont.)

Movement in balance sheet items are disclosed net of the sale of controlled entities, refer (c) below.

c) Details of entities disposed of are as follows:

Accrued Royalties	-	33,325	-	33,325
Future Income Tax Benefit	-	461	-	461
Borrowings	-	(18,987)	-	(18,987)
Deferred Income Tax Liability	-	(10,997)	-	(10,997)
Net Assets Disposed Of	-	3,802	-	3,802
Profit on Disposal	-	5,542	-	5,542
Proceeds on sale of Controlled Entities	-	9,344	-	9,344

d) Cash flows arising from the following activities are presented on a net basis in the Statements 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.

DIRECTORS' STATEMENT

In accordance with a resolution of the Directors of Macquarie Bank Limited:

1. In the opinion of the Directors:

- (a) the accounts of the Bank are drawn up so as to give a true and fair view of the results and cash flows for the financial year ended 31st March, 1996 and the state of affairs as at 31st March, 1996 of the Bank and the economic entity;
 - (b) the consolidated accounts have been made out in accordance with Divisions 4, 4A and 4B of Part 3.6 of the Corporations Law and give a true and fair view of the matters with which they deal; and
 - (c) at the date of this statement there are reasonable grounds to believe that the Bank will be able to pay its debts as and when they fall due.
2. The accounts and the consolidated accounts have been drawn up in accordance with applicable accounting standards and Urgent Issues Group Consensus Views.

For and on behalf of the Board



D.S. Clarke, *Director*



A.E. Moss, *Director*

Sydney

3rd June, 1996

INDEPENDENT AUDIT REPORT

To the Members of Macquarie Bank Limited

Scope

We have audited the financial statements of the Bank for the financial year ended 31st March, 1996 as set out on pages 56 to 92. The financial statements consist of the accounts of the Bank and the consolidated accounts of the economic entity comprising the Bank and the entities it controlled at the end of, or during, the financial year. The Bank's directors are responsible for the preparation and presentation of the financial statements and the information they contain. We have conducted an independent audit of these financial statements in order to express an opinion on them 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 statements are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, 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 statements are presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements, being Urgent Issues Group Consensus Views and the Corporations Law, so as to present a view which is consistent with our understanding of the Bank's and the economic entity's state of affairs, the results of their operations and their cash flows.

We have not acted as auditors of the controlled entities identified in Note 16 to the financial statements. We have, however, received sufficient information and explanations concerning these controlled entities to enable us to form an opinion on the consolidated accounts.

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

Audit Opinion

In our opinion, the financial statements of the Bank are properly drawn up:

- (a) so as to give a true and fair view of:
 - (i) the state of affairs at 31st March, 1996 and the results and cash flows for the financial year ended on that date of the Bank and the economic entity; and
 - (ii) the other matters required by Division 4, 4A and 4B of Part 3.6 of the Corporations Law to be dealt with in the financial statements;
- (b) in accordance with the provisions of the Corporations Law, in that the financial statements comply with the provisions of the Banking Act 1959;
- (c) in accordance with applicable accounting standards and other mandatory professional reporting requirements.

Price Waterhouse
Chartered Accountants

Sydney
3rd June, 1996

B. W. D. Morgan *Partner*

LIST OF SHAREHOLDERS

Macquarie Bank Limited's equity is held by three principal groups – the UK based Hill Samuel Group, the management and staff of the Bank and various Australian and overseas professional investors.

At 30 April 1996, the top twenty shareholders of the Bank's fully paid ordinary shares were:

Shareholder	Fully Paid Shares	% of Fully Paid Shares
1 Hill Samuel & Co BV	19,218,296	13.85%
2 Lacuna Nominees Pty Limited	12,748,955	9.19%
3 National Nominees Limited (Superannuation Scheme for Australian Universities)	12,570,186	9.06%
4 Queensland Investment Corporation	9,580,795	6.90%
5 NRMA Investments Pty Limited	9,322,083	6.72%
6 Prudential Corporation Australia Limited	8,051,356	5.80%
7 Australian Mutual Provident Society	5,178,596	3.73%
8 Meall Pty Limited	3,470,599	2.50%
9 ANZ Nominees Limited (Australia Post Superannuation)	3,316,059	2.39%
10 Citicorp Nominees Pty Limited (J Rothschild Capital Management Limited)	3,223,543	2.32%
11 Argo Investments Limited	3,106,635	2.24%
12 Chase Manhattan Nominees Limited (Haematite Pty Limited)	2,648,631	1.91%
13 Water Industry Superannuation Fund	1,489,764	1.07%
14 Citicorp Nominees Pty Limited (Perpetual Far East Growth Fund)	1,450,000	1.04%
15 Wilton Pty Limited	1,384,282	1.00%
16 Perpetual Trustees Victoria Limited	1,345,110	0.97%
17 Ligarius Pty Limited	1,267,205	0.91%
18 Citicorp Nominees Pty Limited (Legal & General Assurance Society)	1,140,000	0.82%
19 Victorian Superannuation Board	1,118,971	0.81%
20 Vynotas Pty Ltd (Norwich Union)	1,101,679	0.79%

At 30 April 1996, the top twenty shareholders held 102,732,745 fully paid ordinary shares or 74.01% of such shares.

Lacuna Nominees Pty Limited is the nominee for current and former senior executive shareholdings relating to the Bank's Partly Paid Share Scheme. Wilton Pty Limited is a trustee for, and Meall Pty Limited a nominee for, staff and ex-staff shareholdings. Shares registered in the name of Meall Pty Limited and some of those registered in the name of Lacuna Nominees Pty Limited are in the process of being registered in the names of the beneficial owners.

LIST OF DIRECTORS

The following persons are Voting Directors of the Bank under the Company's Articles of Association and exercise the powers of directors for the purposes of the Corporations Law.

Executive Directors

David S. Clarke AO*
Executive Chairman
 Allan E. Moss*
Managing Director
 Mark R.G. Johnson*

Non-Executive Directors

John G. Allpass
 Laurence G. Cox
 Hugh R. Freedberg
 Bryan N. Kelman, AO, CBE
 James F. Kirk, AC
 Barrie R. Martin

The following persons are Non-Voting Directors of the Bank under the Company's Articles of Association and do not exercise the powers of directors for the purposes of the Corporations Law.

Executive Directors

David C. Adams*
 Andrew H. Barnes
 Michael T. Beck
 Mark E. Bennett
 William D. Best
 Helen V. Brown
 Gail M. Burke
 John R. Caldon*
 Michael Carapiet
 Stephen W. Cook
 Andrew J. Downe
 Warwick W. Evans
 Garry A. Farrell
 Anthony J. Ferguson
 Anthony Gill
 A. John Green
 John M. Green
 Raymond P. Hall*
 Simon G. Hannes
 Belinda J. Hutchinson
 Richard H. Jenkins*
 Anthony L. Kahn
 Raymond Y. Kwok
 Paul D. Leaming
 Russell A. Leslie
 Andrew A. Lockhart
 Alastair F. Lucas*
 Michael E. McFarlane
 Simon V. McKeon

W. James McMeekan
 Nicholas R. Minogue
 Nicholas W. Moore
 Warwick G. Morris
 William J. Moss
 Richard A. Pegum
 Daniel Phillips
 David G. Poole
 Michael J. Price
 Paul J. Robertson
 W. Richard Sheppard*
 William J. Shields
 Edward G. Tait
 Bruce N. Terry
 Ottmar Weiss
 Charles W. S. Wheeler
 Peter W. Yates

* Denotes member of the Executive Committee

FIVE YEAR SUMMARY

Year ended 31 March	1992	1993	1994	1995	1996
Profit & Loss (\$Million)					
Total operating income	242.8	281.0	338.6	355.1	435.2
Operating expenses	166.4	202.8	245.4	284.9	336.1
Operating profit before income tax	76.4	78.2	93.2	70.2	99.1
Income tax (expense) benefit	(29.2)	(18.4)	(19.3)	5.9	(5.9)
Operating profit after income tax	47.2	59.8	73.9	76.1	93.2
Balance Sheet (\$Million)					
Total assets	2,390	3,167	4,260	4,624	5,174
Total liabilities	2,062	2,762	3,740	4,034	4,512
Shareholders funds	273	289	340	380	428
Capital and subordinated debt	328	405	521	590	662
Total loan assets (a)	1,201	1,562	1,743	2,233	2,455
Impaired assets (net of provisions)	94	84	51	49	57
Share Information					
Basic earnings per share (¢)	44.7	50.5	58.8	56.0	63.4
Cash dividend per share (¢)	14.65	20.0	25.0	31.0	36.0
Share price at 31 March					
Unadjusted (\$)	3.50	3.25	6.00	4.80	6.00
Adjusted (\$) (b)	2.62	2.65	5.35	4.53	6.00
Bonus issue ratio (c)	1:11.25	1:10.5	1:17	1:17	(c)
Issued capital (million shares) (d)	101.7	104.9	118.8	128.2	138.7
Market capitalisation at 31 March (fully paid ordinary shares) \$ million	356	341	713	616	832
Ratios					
Return on Average Shareholders Funds	18.5%	21.3%	23.5%	21.1%	23.1%
Capital Adequacy Ratio	12.7%	13.4%	13.8%	15.4%	15.4%
Impaired Assets as % of Loan Assets	7.8%	5.4%	2.9%	2.2%	2.3%
Net Loan Losses as % of Loan Assets	0.6%	0.2%	0.0%	0.0%	0.0%
Assets Under Management (\$Billion)					
Retail	4.2	4.5	4.7	4.7	5.6
Wholesale	3.3	4.0	4.5	6.3	7.5
Listed Trusts	0.1	0.2	0.3	0.8	1.7
Mortgages	–	0.1	0.2	0.9	2.7
Other	0.1	0.1	0.1	0.1	0.3
Total	7.7	8.9	9.8	12.8	17.8
Staff Numbers					
	1,200	1,329	1,428	1,704	1,732

(a) Includes loans & advances, leases, and balances due from governments

(b) Adjusted for bonus issues, up to and including 1995 bonus issue.

(c) Ratio for bonus issues made after year end. No bonus had been declared for June 1996 at the date of this report.

(d) Number of fully paid shares at 31 March, excluding options and partly paid shares. Issued capital will increase if the Board declares a bonus issue in June 1996.

DIRECTORY

Directory of offices from which Macquarie Bank and/or its subsidiary companies conduct operations.

AUSTRALIA

Sydney

Head Office and Sydney Branch:

20 Bond Street
Sydney NSW 2000
Telephone: (02) 237 3333
Telex: 122246
Fax: (02) 237 3350

Level 7
91 Phillip Street
Parramatta NSW 2150
Telephone: (02) 891 0067
Fax: (02) 891 1771

Melbourne

Melbourne Office and Branch:

101 Collins Street
Melbourne VIC 3000
Telephone: (03) 9655 8000
Fax: (03) 9655 8080

Brisbane

Brisbane Office and Branch:

300 Queen Street
Brisbane QLD 4000
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Fax: (07) 3233 5399

Perth

Level 27, Allendale Square
77 St. George's Terrace
Perth WA 6000
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Fax: (09) 224 0633

Cairns

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15 Lake Street
Cairns QLD 4870
Telephone: (070) 512 988
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OVERSEAS

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209 Queen Street
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(0171) 776 7066 (Foreign Exchange)
(0171) 776 7000 (Project & Structured Finance)
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Hobart TAS 7000
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Fax: (002) 24 1067

Canberra

Level 4, 10 Rudd Street
Canberra ACT 2601
Telephone: (06) 247 0677
Fax: (06) 247 2858
Country Callers: 1800 046 204

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KPMG Registrars Pty Ltd
Telephone: (02) 232 4211
Fax: (02) 232 3719

NET ADDRESS

<http://www.macquarie.com.au>

Please Note

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

Sydney telephone numbers will change as from 29 July, 1996. You will need to add a "9" to the beginning of the telephone number. The area code remains the same.