

MACQUARIE BANK LIMITED
INTERIM REPORT 30 SEPTEMBER 2001



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INTERIM REPORT

Macquarie Bank Limited

INTERIM RESULT

Macquarie Bank (the Bank) is pleased to announce a strong result for the half-year to 30 September 2001. The result was achieved against a backdrop of volatile global markets and challenging conditions and reflects the diversity of the Bank's Australian and international businesses.

Consolidated after-tax profit attributable to ordinary shareholders was \$130.2 million, compared with \$107.9 million in the previous corresponding period, an increase of 21 per cent. Profit before tax attributable to ordinary shareholders increased by 21 per cent on the previous corresponding period to \$168.1 million. The increase was due to continued growth in both Australian income (up 20 per cent) and international income (up 17 per cent). The diversity of the Bank's income base has meant that volatility in the financial markets has not had a material adverse effect on operations. Of the Bank's total income, 33 per cent consists of income from medium to long-term arrangements.

The annualised after-tax return on average ordinary shareholders' funds was 25.5 per cent. Basic earnings per share (EPS) was 72.7 cents, up 17 per cent from the previous corresponding period. The increase in EPS was due to growth of 21 per cent in profit after tax attributable to ordinary shareholders, offset by growth of 4 per cent in the weighted average number of issued shares.

A highlight of the half-year result was the continued increase in the contribution from the Bank's international activities. This contribution now represents approximately 37 per cent of total profit.

The Bank also had a record six months in Australian equities-related businesses, achieved in part because of increases in market share as overseas-headquartered investment banks reduced their services to the Australian market.

Total operating income rose by 18 per cent from the previous corresponding period to \$800.0 million. Net fees and commissions contributed 65 per cent of the Bank's income, an increase of 33 per cent on the previous corresponding period. The Investment Banking Group made a significant contribution, in particular through the success of its infrastructure funds, including the Macquarie Infrastructure Group. Fund management fees across the Bank increased through growth in funds under management and improved performance of those funds.

Trading income contributed 25 per cent of the Bank's income, a slight decline on the previous corresponding period. The Equity Markets Group produced an improved contribution from domestic operations but this was offset by significant decreases in international

operations. The Treasury and Commodities Group's income increased largely due to increased income from the Foreign Exchange Division, generated by a greater volume of trading associated with increased market volatility.

Net interest income contributed 11 per cent to total income. The 10 per cent decrease in net interest income on the prior corresponding period was due to a greater contribution from the net interest margin earned on the increased average volume of interest-earning assets being partially offset by increased funding requirements of the trading businesses.

Total operating expenses rose 18 per cent from the previous corresponding period. Employment costs represented 69.5 per cent of operating expenses, a rise of 21 per cent due primarily to an increase in staff numbers. Non-employment costs increased 12 per cent as a result of general business growth, tempered by the Bank's continued cost control emphasis.

The \$500 million capital raising completed on 12 September has expanded the Bank's Tier 1 capital base from \$1.3 billion at 30 September 2000 to \$1.8 billion. In addition, the Bank's Tier 1 capital ratio increased from 13.4 per cent to 17.4 per cent over the same period.

All of the Groups made good contributions to earnings with the exception of the Financial Services and Equity Markets Groups.

The Investment Banking Group contributed significantly to the result. Its contribution was enhanced by a \$69.2 million performance fee received from its management of the Macquarie Infrastructure Group. The Treasury and Commodities Group recorded a very satisfactory result, continuing its record of good income diversity in relatively volatile markets. The Banking and Property Group had an excellent six months with strong performances across all of its business areas, notably mortgages, securitisation and margin lending. The Equity Markets Group's contribution to the result was well down on the prior corresponding period due to significantly reduced income from its international activities, which were impacted by regulatory issues in Hong Kong and subdued market conditions in this and other international locations. The Funds Management Group's contribution rose very strongly on the prior corresponding period, with pleasing performances across all funds including top quartile rankings in its three diversified funds. After 18 months, the Financial Services Group's three-year transition plan to enhance the Bank's retail distribution capabilities is progressing well ahead of schedule. During the period, this Group recorded a small loss which was, however, slightly better than expected.

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RELATIVE CONTRIBUTIONS BY OPERATING GROUP (%)

	Half-year to 30 Sept 2001	Full-year to 31 Mar 2001	
Investment Banking Group	Corporate Finance (incorporating specialist funds)	31	19
	Structured Finance and Cross-border Leasing	14	18
	Investment Banking (other)	19	9
	Treasury and Commodities	16	20
	Banking and Property	15	14
	Equity Markets	5	19
	Funds Management	2	3
	Financial Services	(2)	(3)
	Other	0	1
	Total	100	100

The figures set out in this table are relative to the Bank's overall performance. They should be taken as a guide only to relative contributions and are derived from management accounts. Comparatives have been restated to reflect the establishment of the Investment Banking Group.

CONSOLIDATED GROUP PROFIT (\$ million)

Half-year to 30 Sept	2001	2000	Change (%)
Total operating income	800.0	679.8	18
Total operating expenses	(618.8)	(525.8)	18
Profit before tax	181.2	154.0	18
Income tax expense	(37.4)	(31.0)	-
Net profit after tax	143.8	123.0	-
Outside equity interests	1.0	0.4	-
Macquarie Income Securities distribution	(14.6)	(15.5)	-
Profit Attributable to Ordinary Shareholders	130.2	107.9	21

N.B. Pre-tax profit attributable to ordinary shareholders of \$168.1 million is derived using pre-tax profit of \$181.3 million, plus outside equity interests in the pre-tax loss of a controlled entity of \$1.6 million, less the distribution of Macquarie Income Securities of \$14.6 million.

CONTRIBUTION TO OPERATING INCOME (%)

	Half-year to 30 Sept 2001	Half-year to 30 Sept 2000
Fee and commission income	64.8	57.5
Trading income	24.7	29.0
Interest and similar income	11.2	14.6
Other	(0.7)	(1.1)
Total Operating Income	100	100

BALANCE SHEET AND CAPITAL ADEQUACY RATIOS

Total assets at 30 September 2001 increased 11 per cent from \$27.8 billion at 31 March 2001.

Securities purchased under resale agreements rose 14 per cent from \$3.3 billion at 31 March 2001 to \$3.8 billion at 30 September 2001. Balances due from other financial institutions increased significantly from \$0.5 billion at 31 March 2001 to \$1.8 billion at 30 September 2001.

Loans and advances decreased from \$6.2 billion at 31 March 2001 to \$5.8 billion at 30 September 2001. New business growth of \$1.0 billion was offset by a mortgage securitisation in September 2001. The business growth was primarily a result of securitised lending.

Securities increased significantly from \$4.4 billion at 31 March 2001 to \$6.5 billion. This was due primarily to the Bank acting as an arranger and participant in a structured venture with a client, for the purchase of a portfolio of investment securities.

Unrealised revaluation gains on financial instruments reduced by \$0.7 billion primarily as a result of movements in the foreign exchange and interest rate markets.

Risk-weighted assets increased 6 per cent from \$9.9 billion at 31 March 2001 to \$10.5 billion at 30 September 2001. These movements result from asset growth and a change in the mix of risk-weighted assets driven by changes in the balance sheet components as described above.

Recently, the Bank undertook two capital raising initiatives:

- a placement of \$500.0 million of ordinary shares to institutional and professional investors in September
- a Share Purchase Plan offer to Australian and New Zealand shareholders in October, raising an additional \$17.8 million.

The capital raised through these activities has not been earmarked for any specific transaction but will be used to support the Bank's broad strategic development, including the purchase of seed investments in specialist funds.

The Bank's capital adequacy ratio of 20.0 per cent and its Tier 1 ratio of 17.4 per cent continue to exceed the minimum levels set by the Australian Prudential Regulation Authority.

CAPITAL ADEQUACY

	30 Sept 2001	31 Mar 2001	30 Sept 2000
Tier 1 Capital (\$m)	1,822	1,272	1,302
Total Capital (\$m)	2,095	1,581	1,586
Risk-Weighted Assets (\$m)	10,469	9,860	9,746
Tier 1 Ratio (%)	17.4	12.9	13.4
Capital Adequacy Ratio (%)	20.0	16.0	16.3

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IMPAIRED LOANS

The Bank had no material exposure to the major corporate collapses that marked the half-year to 30 September 2001. However, total impaired assets increased to \$45.7 million for the period ending 30 September 2001, up from \$18.8 million for the prior corresponding period. This increase was primarily attributable to a number of smaller exposures in the resources sector, none of which is material in its own right.

IMPAIRED LOANS (NET OF SPECIFIC PROVISIONS) (\$ million)

	30 Sept 2001	31 Mar 2001	30 Sept 2000
Non-performance	45.7	23.2	9.8
Other real estate owned	-	8.5	9.0
Total Impaired Assets	45.7	31.7	18.8
Percentage of Loan Assets	0.5%	0.4%	0.4%

CREDIT RATINGS

The Bank's credit ratings reflect a history of strong financial performance, quality and diversity of business activities, a strong management team and well established liquidity and risk management practices. The Bank's credit ratings have recently been reconfirmed at their current levels, ensuring the Bank is well rated in relation to its international peers.

	Short-term	Long-term
Standard & Poor's	A1	A
Moody's	P1	A2
Fitch	F1	A+

INVESTMENT BANKING GROUP

The Investment Banking Group brings together the Bank's wholesale structuring, financing, underwriting, advisory, institutional stockbroking and research capabilities. Results for this period are significantly up on the prior corresponding period, from a diverse domestic and international income base. The Group's already strong result was buoyed by the performance fee received from the management of Macquarie Infrastructure Group.

The Investment Banking Group comprises:

- Corporate and Structured Finance, consisting of Corporate Finance, Structured Finance, Infrastructure and Specialised Funds, Cross-border Leasing and Equity Capital Markets
- Macquarie Capital, which provides tailored financial solutions using the Bank's balance sheet
- Macquarie Equities Limited (MEL) and Macquarie Research Equities (MRE), combining dedicated domestic and international distribution capabilities with a highly-ranked research team to provide a full range of institutional and corporate stockbroking services to local and offshore investors.

Within the **Corporate and Structured Finance Division**, Corporate Finance delivers advisory, specialised fund management and capital raising services to corporate and government clients. Advisory services include project financing, takeovers, mergers and acquisitions, corporate restructuring and other strategic and financial advice.

Activities are aligned into industry groups, which achieved the following major transactions for the period.

- Infrastructure – The highlight for the period was Macquarie Infrastructure Group's (MIG) 40 per cent strategic investment in Cintra Concesiones de Infraestructuras de Transporte S.A. (Cintra) and associated \$A1.7 billion capital raising. This was the largest secondary market capital raising in Australia during the period. The acquisition gives MIG a substantial ownership interest in one of the world's largest privatised toll roads, Highway 407 in Toronto, Canada. It positions MIG as one of the largest and most geographically diversified toll road groups in the world. MIG has had an impressive performance, with current market capitalisation at approximately \$A6 billion, ranking it in the top 30 listed entities in Australia.

Solid growth was achieved in international infrastructure funds including: the Global Infrastructure Fund (GIF), which holds the right to acquire the concession interest of the Soojungsan tunnel in Korea; the South African Infrastructure Fund (SAIF), which acquired significant stakes in major South African toll roads; and the establishment of the Macquarie Airports Group (MAG), with an initial close of €365 million, two-thirds of which was raised from international institutions. MAG's first investment is a 50 per cent interest in Bristol International Airport in the United Kingdom.

Other key transactions included: advising on the 1,400 kilometre Alice Springs-Darwin railway link; advising and participating in the acquisition of TransAlta's electricity transmission system in Alberta, Canada; and advising on the Moray Coast Wastewater plant in Scotland.

- Financial Institutions – Highlights included: acting as joint lead manager for the Suncorp-Metway \$250 million issue of unlisted reset preference shares; acting as joint lead manager for Macquarie Bank's \$500 million placement of ordinary shares; advising ANZ on the \$100 million acquisition of Bank of Hawaii's operations in the South Pacific; advising the NRMA on its \$400 million share buyback; and the sell-down of 55 per cent of Bridge DFS.
- Industrials – Highlights included: advising the Coca-Cola Company on the \$A2.26 billion acquisition of bottling assets in the Philippines; advising Brambles on its dual-listed companies merger with GKN plc.
- Property – Highlights included: the role of underwriter and arranger for the \$45 million Macquarie Goodman Industrial Trust placement; currently advising Homemaker Retail Group in relation to a \$206 million takeover offer by General Property Trust; currently advising Macquarie Office Trust in its takeover offer for 50 per cent of Two Park Street Trust (TPS); and currently acting as lead manager for Macquarie Office Trust's \$90 million RePS issue to fund the TPS acquisition.
- Resources – Highlights included: currently advising Normandy Mining in its response to the AngloGold takeover offer; and acting as lead manager and underwriter for Australian Worldwide Exploration on a combined placement and non-renounceable rights issue.
- Telecommunications, Media, Entertainment and Technology – Highlights included: advising Telecom NZ on the formation of a third generation mobile telephony joint venture with Hutchison Group; selling Ten Network's stake in Southern Cross; and a joint role in Aristocrat Leisure's \$160 million placement and \$US130 million US convertible bond issue.

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Equity Capital Markets has maintained a strong position in the market. During the period 20 transactions were completed, raising approximately \$4.2 billion for clients and maintaining Macquarie's strong market share with a number two ranking by value of transactions to 30 September 2001 (Thomson Financial Securities Data). Other transactions included capital raisings for Origin Energy, Medical Imaging, Austal and ResMed.

Strategic expansion is producing results with a growing number of international transactions being completed. An office was opened in Vienna to support European activities. Through the Cintra acquisition, staff are also being located in Madrid. In New York, additional teams have been established with specialised skills in private debt placement and whole of company securitisation. During the period Four Corners Capital Management, a new funds management business in the US, was also established.

Structured Finance provides assistance on corporate and project financing transactions where a wide range of structuring, tax and accounting issues require the technical skills to ensure maximum benefits are realised from the transactions. In addition, Structured Finance has completed a number of infrastructure bond transactions, and arranged and packaged retail offerings.

Completed transactions for the period include structuring a RM1 billion stapled bond transaction for Tenaga in Malaysia, and developing the Apollo Trust, a hedge fund investment tailored for individuals.

Cross-border Leasing advises on and arranges finance for major capital expenditures over a variety of assets including aircraft, trains and power and telecommunications assets, for a range of international clients. Macquarie remains a dominant player in this area globally. During the period, major cross-border lease financings were completed for a wide range of parties including France Telecom, British Telecom Cellnet, Telecom Corporation of New Zealand (TCNZ), Skyguide (Swiss Air Traffic Control), Aer Lingus and Singapore International Airlines.

This business has seen a significant downturn in activity over the last 12 months due to both lower interest rates and business uncertainty in the US. Business was further impacted by the tragic events of 11 September which caused the viability of many of the aircraft transactions contemplated in the market to become doubtful. However, Macquarie has traditionally been able to increase its market share in these circumstances and it is confident that this can be achieved in the current environment.

Macquarie Capital continued to strengthen its position as a leading financial services provider to corporate, professional and government sectors for both large and small deals. At 30 September 2001 the portfolio of gross loans and leases exceeded \$2.3 billion across a range of asset classes including technology, IT equipment, motor vehicles and telecommunications assets. The Division continued to grow its financing and leasing businesses, using websites to deliver innovative trading channels for assets.

The profit contribution from **Macquarie Equities Limited (MEL)** and **Macquarie Research Equities (MRE)** was well up in a challenging period. MRE continues to offer extensive research of Australian and New Zealand stocks, covering 96 per cent of the combined market. Complementing its highly-ranked Australian-based analysts, MRE now has teams of analysts in London, Hong Kong, New York and New Zealand.

Outlook

The short-term performance of the Investment Banking Group is likely to be influenced by a reduction in industrial M&A activity and the Group's success rate in investment banking transactions. As noted above, market conditions have impacted cross-border leasing income and although this situation is expected to continue in the short term, Cross-border Leasing is increasing market share and is well positioned for when conditions improve. Overall, the Group expects to strengthen its capabilities in the coming months, including through the development of specialist funds, and to deliver a solid performance for the year.

TREASURY AND COMMODITIES GROUP

The Treasury and Commodities Group made a very satisfactory contribution to the Bank's half-year result with good contributions in volatile markets from most major businesses. Foreign Exchange achieved an excellent result, significantly higher than its contribution in the prior corresponding period. Debt Markets and Agricultural Commodities both made reduced contributions primarily reflecting the strength of their performances in the prior corresponding period.

The **Foreign Exchange Division** provides 24-hour interbank price-making services in Australian dollar spot, forwards and options and provides interbank pricing in Yen and Euro during the Sydney timezone. The result for the half-year was achieved with strong contributions from both spot and derivatives trading, capitalising on volatility in the Australian dollar.

The **Agricultural Commodities Division** provides risk management solutions to the agricultural industry globally, with its core business being the provision of tailored, over-the-counter hedging transactions. The result for the half-year was good even though the Division experienced market disruptions and sustained low commodity prices, particularly in coffee and sugar.

The **Metals and Mining Division** provides 24-hour price-making facilities for base and precious metals, as well as loan financing and structured hedging facilities for mining companies and projects. Although metals markets were at or near historic lows resulting in lower market volumes, the Division generally experienced good levels of activity. Additionally, its result for the half-year was an increase on the prior corresponding period, notwithstanding increased credit provisions due to the higher Australian dollar gold price.

The **Treasury Division** (formerly Money Market Division) is responsible for the Bank's balance sheet, liquidity and interest rate management. The funding program included a number of successful placements, including a \$US250 million floating rate note and a \$250 million domestic bond issue. The Division posted a very strong result while maintaining a conservative approach to the management of the Bank's balance sheet.

The **Futures Division** maintained its position as a leading broker and clearer on the Sydney Futures Exchange. The Division increased its London presence during the half and expects to commence clearing London International Financial Futures and Options Exchange (LIFFE) and London Clearing House contracts prior to calendar year end. The good result achieved in the half-year was driven by its leading market position which capitalised on high market turnover.

The **Debt Markets Division** is involved in debt origination and structuring, trading and sales and interest rate derivatives. The Division is independently recognised as a market leader in the arrangement, structuring and placement of rated mortgage, asset-backed and project-based structured deals. The Division's satisfactory performance in the half-year reflects a steady flow of capital market deals and risk management structuring opportunities.

Risk Advisory Services has specialised teams that focus on providing independent risk and financial management advice to clients in the commodity markets and in treasury. It also has a specialised team responsible for the outsourced management of over \$4 billion of debt and asset portfolios for clients.

The **Trading Funds Division** is a diversified trading group which takes a portfolio approach to risk, the aim being to provide a high return with low volatility. The Division achieved a poor result in the half-year and remedial action, including the introduction of more modest trading limits, has been taken to reduce the cost base and improve trading profitability.

Outlook

The Treasury and Commodities Group operates in a range of global financial markets in which it is difficult to forecast returns. The Group does, however, retain a focus on growing its activities and increasing profitability from existing and new businesses. In particular, the Group is making good progress in increasing the contribution from annuity income to complement its strong trading and risk management activities.

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BANKING AND PROPERTY GROUP

The Banking and Property Group had a good half-year with all businesses performing well.

Banking achieved strong growth across all revenue categories due to improved national marketing activities enhancing its focus on key industry groups. The Division generated greater than anticipated earnings despite contracting margins in the deposit book. Asset quality overall was sound, with a modest increase in specific loan provisions.

Property Finance, which lends to Australia's property development community, had another good half-year. Buoyant housing markets in Sydney, Melbourne and Brisbane helped drive a solid result, while diversification into new, higher-volume products and non-residential markets began paying dividends. The deal pipeline for Property Finance's Australian businesses remains high. In a bid to expand its business further, Property Finance established a presence in Seattle, in the US.

Property Investment Management (PIM) had a good half-year. During the period PIM's listed trusts raised \$154 million in capital and acquired \$262 million in property bringing the combined funds under management for the property divisions to \$2.8 billion. Macquarie Office Trust and Macquarie Goodman Industrial Trust were ranked number one in their respective property sub-sectors for the five years to 30 September 2001, according to the UBS Warburg S&P/ASX Property 200 Accumulation Indices. Macquarie Direct Property Management raised \$18 million from the retail market, to buy an office building at 461 Bourke Street, Melbourne for its seventh syndication, BM Direct Property Trust. Like the previous six syndications it closed oversubscribed.

Property Investment Banking completed the final sales in its \$1.2 billion asset disposal program for the Australian Federal Government. The Division also launched the \$150 million Concept Blue, a residential project in Melbourne. Its wholly-owned residential development subsidiary, Urban Pacific, was awarded the prestigious \$210 million Clarkson project by the Western Australian Government.

Medallist Golf Developments, a joint venture with Greg Norman's Great White Shark Enterprises, now has a development portfolio of seven projects with an end value of more than \$670 million.

Mortgages and Securitisation enjoyed a record half-year, culminating in the \$2.3 billion PUMA bond issue, its largest ever. New business was up on the previous corresponding period, supported by stronger investor and first home buyer markets. Mortgages and Securitisation further increased its origination capacity through a 10 per cent equity investment in Australia's largest mortgage broker, Australian Finance Group Limited, complementing its partnerships with Mortgage House of Australia and Aussie Home Loans Limited.

Margin Lending experienced record growth for both its margin lending and protected lending products. Market share was increased by leveraging the Macquarie brand and marketing through a growing network of financial planners, accountants and stockbrokers. It remains the only provider in the industry with a full range of equity gearing products. Margin Lending was also appointed lender to the Macquarie Investment Manager and the ASGARD Investment Funds Account.

Outlook

The Banking and Property Group is well positioned to maintain a strong level of performance. The Group anticipates that the softening seen in many international economies will flow through to property markets. This will lead to significant opportunities, particularly in the sourcing of international property funds management opportunities for Australian investors, and in exporting Macquarie's property funds management expertise to emerging markets.

EQUITY MARKETS GROUP

The Equity Markets Group's result for the half-year was adversely impacted by poor trading conditions in some of the markets in which it operates, most notably Hong Kong. This was offset to a limited extent by a strong contribution from the Australian business, taking full advantage of buoyant retail demand and high levels of corporate activity. However, overall net income was significantly reduced compared to the prior corresponding period.

The **Hong Kong** business suffered from a significant drop in retail warrant activity with local investors turning to alternative investments as the Hang Seng Index fell. This was then compounded in June by a regulatory restructure by the Hong Kong Securities and Futures Commission that effectively caused the cessation of warrant issuance in this market. The overall effect was a very significant reduction in contribution to profit from this business.

The **Australian** operation made the most of favourable trading conditions during the six months to 30 September 2001. Risk arbitrage trading was profitable on the back of strong corporate activity. Product issuance, in particular instalment warrants, reached record levels with Macquarie continuing to be the leading issuer. There was also a steady stream of deals in unlisted products throughout the period.

In its fourth year of operation, the **South African** equity derivatives venture with The Standard Bank of South Africa produced another excellent result. Deal flow remained strong for the six months and the business continued to be the leading warrant issuer and market-maker in over-the-counter structured equity derivatives in South Africa.

The **Japanese** equity derivatives business venture with Mizuho Securities continues to experience very difficult trading conditions and consequent subdued customer deal flows, as the Japanese stock market plunged to eighteen-year lows. The business is currently expanding its resources in order to take advantage of an expected improvement in market conditions.

The Group's **European** business, which commenced trading last year from London, incurred a small loss for the half-year due to high operating expenses as trading activities became established. Product issuance will commence shortly.

Early this year, the Group commenced equity derivatives trading in **Brazil**, from the Bank's office in Sao Paulo. The focus is on providing equity structured products to the sizeable local pension fund industry and initial deal flows have proved very encouraging.

Outlook

The outlook for the Equity Markets Group for the next six months remains very uncertain following the events of 11 September and subsequent extreme market volatility around the globe. However, the Group expects some improvement in Hong Kong once the regulatory issues affecting warrant issuance in that market have been resolved. It is confident that its underlying businesses are well positioned to take full advantage of trading opportunities as they arise.

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FUNDS MANAGEMENT GROUP

The Funds Management Group is the Bank's primary manufacturer of funds management products and services. It also markets its capabilities to the institutional market in Australia and internationally.

Facing difficult market conditions, the Group's strong performance-based fees and cost controls have contributed to a substantial increase in profitability on the prior corresponding period. Total funds under management have increased by 8 per cent to \$24.5 billion since 31 March 2001.

The Group comprises two Divisions:

- Macquarie Funds Management, which operates the Group's wholly-owned funds management businesses in Australian and international markets
- International, which establishes and operates joint ventures in international markets.

Macquarie Funds Management has experienced continued growth, with funds under management increasing by 6 per cent to \$23.6 billion during the period.

Significant improvement has been achieved in the active equity funds. Changes in the investment process and risk controls implemented at the beginning of 2001 are now providing clients with improved performance at lower risk. This has also resulted in diversified funds including Capital Stable, Balanced and Growth Funds achieving top quartile returns over the past year.

Performance in all other established funds continues to be very pleasing and flows into new funds have been strong, including the Diversified Treasury Fund (\$225 million), the Global Bond Solution (\$285 million) and the range of True Index funds (\$844 million).

To take advantage of opportunities in international markets, the Division has begun to export its capabilities through wholly-owned operations. Based on the track record of its low risk equities funds in Australia, the Division has established operations in Hong Kong offering these capabilities to the local institutional market, with very pleasing performance to date. In November, the Division is establishing a presence in London, to initially promote its capabilities in low risk equities to the UK market.

Applying the Group's expertise into newer deregulating markets, the **International Division** currently oversees joint ventures in Malaysia, with the Arab-Malaysian Merchant Bank Berhad (in which Macquarie Bank holds 30 per cent equity) and South Korea, with IMM & Co., Ltd (65 per cent equity).

Total funds under management for the Division's joint ventures increased 80 per cent over the period to \$2.1 billion.

The Malaysian joint venture has experienced strong growth in funds under management, increasing by 27 per cent to \$1.4 billion over the period. The business significantly increased its market share in retail and institutional markets and is now the largest institutional asset manager in Malaysia.

The Korean venture, launched in December 2000, has also experienced strong growth in funds under management, increasing ten-fold to \$0.7 billion. The business manages equity, fixed interest and diversified funds for retail and institutional investors, including some of Korea's leading institutions. Further products are currently under development for launch in the coming year.

Outlook

With the establishment of a number of new businesses and growth in existing businesses, the Group's strong international growth is set to continue. Within Australia, the business expects to gain an increasing share of the growing market for funds management products and services, particularly with the Group's continued improved performance in active equities and diversified funds.

FINANCIAL SERVICES GROUP

The Financial Services Group provides Macquarie's third party adviser partners and retail client base of 400,000 investors with an integrated investment service and deep client relationships.

As previously announced, the Group has implemented a range of technology and change initiatives aimed at enabling its sales, service and marketing units to address the retail investor in a cohesive manner.

The original three-year investment program is now approximately 80 per cent complete after almost two years and although the Group recorded a modest loss during the period, the program is ahead of schedule.

The majority of the Group's staff now have access to a complete view of client portfolios, transactions, activities and other insights, through the customer relationship management system. Significant operational improvements are expected in the coming 12 months as the Group's straight-through processing system is launched.

While the Group expects the major benefits from this program of initiatives to accrue over the coming six to 12 months, cross-sales revenues for many products have already improved and were up more than 100 per cent over the corresponding period last year. These improvements also benefit the product manufacturing Groups within the Bank, such as the Funds Management Group, Equity Markets Group, Banking and Property Group and the Investment Banking Group.

The Group comprises three major Divisions: Macquarie Financial Services, Macquarie Adviser Services, and Client Contact Centres and Shared Services.

Macquarie Financial Services provides stockbroking, financial planning, private banking and other wealth management services. It operates one of Australia's largest retail stockbrokers and, since June 2001, one of New Zealand's largest advisory teams (following the recruitment of a large team of stockbrokers in Auckland, Wellington and Christchurch).

Stockbroking revenue during the period was solid, although conditions are expected to contract in the second half of the year. New issuance, a major source of revenue, was at lower levels than last year. This drop in income is expected to be somewhat replaced by increases in financial planning income as the Division's planning team grows.

Macquarie Adviser Services provides a range of support and sales functions to a network of over 9,000 independent financial advisers throughout Australia. The Division's portfolio administration service (or wrap account), Macquarie Portfolio Manager, continued to grow rapidly during the past six months, reaching \$2 billion in September 2001, up from \$620 million in September 2000.

Macquarie's Cash Management Trust also continued rapid growth, surpassing \$8 billion during the half-year and fuelled substantially by post-11 September increases in portfolio allocations to cash by financial advisers.

As the Group's IT Development Program enters its final stages, the **Client Contact Centres and Shared Services Division** has been shifting its focus from technology and change initiatives to enhancing the effectiveness of the direct client sales call centre in order to deliver superior and efficient client service.

Focus has been placed on improving the Group's client service operation, in particular to its third party adviser distribution network. In February, the Group announced that it was consolidating its client service operations from five centres to two, locating third party adviser services in a new centre in Brisbane and the remaining client services operations in Sydney. The Brisbane centre commenced operations in August.

The Group also announced in June that its joint venture with f2, the Fairfax Group's internet subsidiary, was dissolved in light of low market volumes and increasingly intense price competition in the online broking market.

Outlook

Overall, the change programs that have been implemented are on track and if present market conditions continue, the Group expects to pass the break-even point during financial year 2003.

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DIRECT INVESTMENT

Macquarie Direct Investment reported a break-even result for the half-year, reflecting the fact that there was only one realisation during the period. This was the sale of Macquarie Investment Trust II's remaining shares in Volante.

During the period the principal focus of the Division was on finalising new investments. The demand for private equity in Australia was very strong during this half, reflecting the fact that the public equity markets were subdued and bank credit was increasingly tight. In this environment, the Division invested a record amount of capital into five new investments. These were: SMS Management and Technology Limited; Western Metals; Retail Venture Partners; Pacific Auto; and Service Corporation International Australia.

As a result of this activity, Macquarie Investment Trust III (MITIII) is now called to 70 per cent of its available capital.

Planning is now under way to launch Macquarie Investment Trust IV early in 2002. This will be a \$350-400 million fund, which will continue the direct investment business that is currently handled by MIT III. Planning is also at an advanced stage to launch a mezzanine trust later this calendar year. It is expected that this fund will raise \$150-200 million.

TOTAL GROUP FUNDS UNDER MANAGEMENT

Funds under management were \$34.5 billion at 30 September 2001, an increase of \$3.6 billion from 31 March 2001, resulting from growth across all segments. The Macquarie Cash Management Trust grew to \$8.2 billion during the half-year and continues to be the largest cash management trust in the Australian market. Funds under management are those assets that the Group actively manages and the underlying business is wealth creation. These assets are detailed below.

FUNDS UNDER MANAGEMENT (\$ billion)

	30 Sept 2001	31 Mar 2001	30 Sept 2000
Listed Trusts	8.6	6.9	4.5
Unlisted			
Retail	11.3	10.6	10.4
Wholesale	14.6	13.4	12.5
Total	34.5	30.9	27.4

INTERIM DIVIDEND

The Board has resolved to pay an interim dividend of 41 cents per fully paid ordinary share, in respect of the half-year to 30 September 2001 franked to 70 per cent. The record date for the dividend will be 3 December 2001 and the dividend will be paid on 19 December 2001. This represents a payout ratio of approximately 62 per cent of first-half earnings. The Dividend Reinvestment Plan approved by shareholders at this year's Annual General Meeting will not be activated in the current period.

The Bank will also pay a dividend on the Converting Preference Shares on 17 December 2001. The dividend will be in accordance with the terms of issue of those shares and will be franked to 70 per cent. The record date for this dividend will also be 3 December 2001.

OUTLOOK

The Bank's diverse businesses enable it to continue to do well despite challenging market conditions. Traditionally the Bank has gained market share when international competitors rationalise their businesses and the current period should be no exception.

The Bank is investing significantly in growth by demonstrating commitment to its clients, continuing to grow staff numbers (albeit at a slower rate) and continuing to focus on cost management.

The Bank's second half last year benefited significantly from exceptional transactions. Factors which may influence the Bank's short-term performance in the current period include the success rate in investment banking transactions and conditions in international equities markets.

Specifically, the Bank expects some improvement in the Equity Markets Group's operations in Hong Kong once the regulatory issues affecting warrant issuance are resolved. Although market conditions are impacting cross-border leasing revenues, Macquarie's market share in this business has increased and is well positioned to benefit from higher levels of activity.

As foreshadowed when undertaking the placement in September, there is a good pipeline of exciting specialist funds opportunities in progress, mainly in the property and infrastructure areas in Australia, North America and Asia.

If present market conditions continue, we expect the Financial Services Group to pass break-even during 2003.

While the Bank's businesses are in good shape both in Australia and internationally, we are not immune to market conditions and the result for the full year will again be influenced by conditions in the markets in which we operate. We remain positive about the strategic initiatives which we have in progress and the medium to long-term outlook for the Bank's businesses.



D.S. Clarke
Director



A.E. Moss
Director

DIRECTORS' REPORT for the half-year ended 30 September 2001

In accordance with a resolution of the Voting Directors (the Directors) of Macquarie Bank Limited (the Bank), the Directors submit herewith the Statement of Financial Position as at 30 September 2001, the Statement of Financial Performance and Statement of Cash Flows of the Bank and its controlled entities (together, the economic entity) for the half-year ended on that date (the period) 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, *Deputy Chairman*

Non-Executive Directors

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

Mr B.N. Kelman, AO, CBE held office as a Non-Executive Director of the Bank from the beginning of the period until his retirement on 26 July 2001.

RESULT

The consolidated profit from ordinary activities for the period attributable to ordinary equity holders after provision for income tax was \$130,238,000 (2000: \$107,940,000).

DIVIDENDS AND DISTRIBUTIONS

The Bank paid or provided the following dividends and distributions during the period:

Security	Payment Date	Payment Type	\$	In respect of year ending/period	
Ordinary shares	3 July 2001	Final	91,451,651	31 March 2001	Paid
	19 December 2001	Interim	80,993,953	31 March 2002	Provided
Macquarie Income Securities	17 April 2001	Periodic	7,753,209	15 January to 16 April 2001	Paid
	16 July 2001	Periodic	7,150,685	17 April to 15 July 2001	Paid
	15 October 2001	Periodic	6,117,808	16 July to 30 September 2001	Provided
Converting Preference Shares	15 June 2001	Periodic	5,519,850	15 December 2000 to 14 June 2001	Paid
	17 December 2001	Periodic	3,275,507	15 June to 30 September 2001	Provided

REVIEW OF OPERATIONS

A review of the operations of the economic entity and the results of those operations for the period are contained in the Chairman's and Managing Director's Interim Report.

ROUNDING OF AMOUNTS

In accordance with Class Order 98/0100 issued by the Australian Securities & Investments Commission ("ASIC") amounts in the Directors' Report and the Financial Report have been rounded off to the nearest thousand dollars unless otherwise indicated.



D.S. Clarke
Director



A.E. Moss
Director

Sydney, 14 November 2001

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE
for the half-year ended 30 September 2001

	Notes	Half-year to 30 Sept 01 \$'000	Half-year to 31 Mar 01 \$'000	Half-year to 30 Sept 00 \$'000
Net interest and similar income	2	89,234	79,828	99,317
Trading income	2	197,760	232,926	196,774
Net fee and commission income	2	518,253	475,141	390,872
Other (expenses)/income	2	(5,217)	4,697	(7,193)
Total Income from Ordinary Activities	2	800,030	792,592	679,770
Employment expenses	2	(430,376)	(417,598)	(356,966)
Occupancy expenses	2	(40,453)	(40,369)	(35,821)
Non-salary technology expenses	2	(34,850)	(37,594)	(31,601)
Other expenses	2	(113,081)	(125,736)	(101,359)
Total Expenses from Ordinary Activities	2	(618,760)	(621,297)	(525,747)
Profit from ordinary activities before income tax		181,270	171,295	154,023
Income tax expense	3	(37,390)	(22,322)	(31,030)
Profit from Ordinary Activities after Income Tax		143,880	148,973	122,993
Net loss attributable to outside equity interest		975	882	428
Distribution paid or provided on Macquarie Income Securities	4	(14,617)	(15,831)	(15,481)
Profit from Ordinary Activities after Income Tax Attributable to Ordinary Equity Holders		130,238	134,024	107,940
		Cents per Share		
Earnings per Share	5	72.7	76.5	62.4

The accompanying notes form part of the Financial Report.

MACQUARIE BANK LIMITED

and its controlled entities

CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 30 September 2001

	Notes	As at 30 Sept 01 \$'000	As at 31 Mar 01 \$'000	As at 30 Sept 00 \$'000
ASSETS				
Cash and liquid assets		221,670	243,588	338,496
Bullion		111,780	108,927	93,920
Due from clearing houses		76,784	51,000	54,599
Securities purchased under resale agreement		3,786,552	3,323,365	2,118,449
Securities	6	6,521,942	4,352,937	3,864,978
Due from other financial institutions		1,773,028	456,352	824,825
Due from governments		625,923	705,381	682,119
Loans and advances	7	5,861,962	6,237,735	5,742,855
Lease receivables		462,700	385,813	343,601
Unrealised revaluation gains on financial instruments		6,843,962	7,492,487	5,106,004
Other assets	8	1,526,948	1,486,879	2,015,569
Life Company investment assets		2,530,777	2,579,798	2,814,998
Investments		153,295	141,221	78,754
Fixed assets		130,285	108,347	92,769
Future income tax benefit		199,941	174,035	85,275
Total Assets		30,827,549	27,847,865	24,257,211
LIABILITIES				
Due to other financial institutions		470,722	517,700	346,919
Due to clearing houses		4,172	13,020	28,380
Securities sold under repurchase agreement		1,991,106	1,700,702	794,545
Securities borrowed		1,016,514	760,254	1,114,639
Deposits		4,205,598	3,865,031	4,081,829
Due to governments		286,041	254,933	242,541
Negotiable certificates of deposit		2,620,719	2,411,870	1,872,517
Notes payable		6,763,854	5,587,870	4,881,180
Unrealised revaluation gains on financial instruments		6,166,695	6,099,496	4,459,027
Other liabilities	9	1,674,198	1,995,359	1,600,308
Life Company policy liabilities		2,503,798	2,535,488	2,690,021
Provision for dividend and distributions	4	87,112	97,856	78,420
Provision for income tax		27,433	24,031	71,793
Provision for deferred income tax		122,389	137,864	150,530
Provision for employee entitlements		55,664	49,139	46,962
Provision for uncertainties	10	57,578	54,258	53,603
Total Liabilities excluding Loan Capital		28,053,593	26,104,871	22,513,214
Loan Capital				
Subordinated debt		255,715	255,546	286,189
Converting Preference Shares		150,000	150,000	150,000
Total Liabilities		28,459,308	26,510,417	22,949,403
EQUITY				
Contributed Equity				
Ordinary share capital	11	980,227	391,635	406,486
Macquarie Income Securities	11	391,303	391,303	391,303
Retained earnings	12	600,219	550,975	508,403
Total Equity		1,971,749	1,333,913	1,306,192
Outside equity interests in controlled entities		396,492	3,535	1,616
Total Liabilities, Equity and Outside Equity Interests		30,827,549	27,847,865	24,257,211

The accompanying notes form part of the Financial Report.

CONSOLIDATED STATEMENT OF CASH FLOWS
for the half-year ended 30 September 2001

	Half-year to 30 Sept 01 \$'000	Half-year to 31 Mar 01 \$'000	Half-year to 30 Sept 00 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest and bill discounts received	536,395	537,584	479,829
Interest and other costs of finance (paid)	(475,418)	(383,995)	(406,263)
Dividends and trust distributions received	38,133	44,042	27,390
Fees, royalties and commissions received	528,079	576,860	379,684
Fees and commissions (paid)	(89,524)	(82,676)	(49,508)
Net Life Company (policy payments)	(22,736)	(234,795)	(144,858)
Net proceeds/(payments) from dealing in financial instruments and commodities	84,095	(1,677,593)	159,374
Net increase/(decrease) in money market and other deposit accounts	1,756,688	1,207,481	1,318,375
Employment expenses (paid)	(517,710)	(266,776)	(460,461)
Net receipts/(payments) from debtors and creditors (inclusive of GST)	(243,957)	413,785	(388,835)
Income taxes (paid)	(37,300)	(114,906)	(26,399)
Net Cash Flows from Operating Activities	1,556,745	19,011	888,328
CASH FLOWS FROM INVESTING ACTIVITIES			
Customer loans repaid/(granted)	(906,188)	61,791	(1,173,269)
Recovery of loans previously written off	831	293	34
Leases repaid/(granted)	(6,116)	(116,841)	151,698
Purchase of investment securities	(1,503,367)	-	-
Proceeds on sale of controlled entities	-	81,577	-
Net realisation of investments by Life Company	91,456	57,803	212,493
Payments for fixed assets	(48,439)	(46,738)	(19,898)
Proceeds on sale of fixed assets	4,298	1,484	3,528
Net Cash Flows from Investing Activities	(2,367,525)	39,369	(825,414)
CASH FLOWS FROM FINANCING ACTIVITIES			
On-market buyback of ordinary share capital	-	(36,000)	-
Proceeds from the issue of ordinary share capital	588,592	25,994	33,671
Proceeds from outside equity interest	393,935	-	-
Repayment of subordinated debt	-	(40,000)	(45,000)
Dividends and distributions paid	(111,875)	(93,397)	(109,845)
Net Cash Flows from Financing Activities	870,652	(143,403)	(121,174)
Net (Decrease)/Increase in Cash Held	59,872	(85,023)	(58,260)
Cash at the beginning of the period	178,217	263,240	321,500
Cash at the end of the Period	238,089	178,217	263,240

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
as at 30 September 2001**

1. BASIS OF PREPARATION

This general purpose financial report for the half-year ended 30 September 2001 ("the period") has been prepared in accordance with Accounting Standard AASB 1029 'Half-Year Accounts and Consolidated Accounts', other mandatory professional reporting requirements (Urgent Issues Group Consensus Views), other authoritative pronouncements of the Australian Accounting Standards Board, the Corporations Act 2001 and Class Order 98/0111 issued by ASIC, which provides relief from certain asset and liability classifications in AASB 1029.

This Financial Report comprises the consolidated financial statements of Macquarie Bank Limited (the Bank) and the entities it controlled at the end of or during the period (together, the economic entity).

It is recommended that this Financial Report be read in conjunction with the 31 March 2001 Financial Report of the Bank and any announcements made by the Bank during the period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies are consistent with those of the previous financial year and corresponding half-year, unless otherwise stated. Where necessary, comparative figures have been adjusted to conform with changes in presentation at 30 September 2001.

2. PROFIT FROM ORDINARY ACTIVITIES

	Half-year to 30 Sept 01 \$'000	Half-year to 31 Mar 01 \$'000	Half-year to 30 Sept 00 \$'000
Consolidated profit from ordinary activities before income tax has been determined after crediting as income/(charging as expense):			
Interest and Similar Income			
Interest income received/receivable	485,362	486,234	452,969
Interest expense paid/payable	(432,767)	(446,414)	(392,923)
Lease rental income	36,639	40,008	39,271
Total Net Interest and Similar Income	89,234	79,828	99,317
Trading Income			
Arising from trading instruments	110,894	156,486	138,322
Net gains on foreign currency trading	49,677	32,398	31,204
Dividends received/receivable	37,189	44,042	27,248
Total Trading Income	197,760	232,926	196,774
Fee and Commission Income			
- income	598,357	523,313	444,885
- expense	(92,480)	(68,133)	(68,837)
Life Company			
- income	18,017	24,256	18,569
- expense	(5,641)	(4,295)	(3,745)
Total Fee and Commission Income	518,253	475,141	390,872

MACQUARIE BANK LIMITED
and its controlled entities

2. PROFIT FROM ORDINARY ACTIVITIES (continued)

	Half-year to 30 Sept 01 \$'000	Half-year to 31 Mar 01 \$'000	Half-year to 30 Sept 00 \$'000
Other Income/(Expenses)			
Share of net profit/(loss) of associates accounted for using the equity method	1,753	614	(929)
Income/(expense) arising from other securities	3,728	(1,097)	505
Dividends and distributions received/receivable	2,156	3,634	2,279
Provision for uncertainties (refer Note 10)	(3,320)	(655)	(6,793)
Charge for Specific Provisions:			
Recovery of loans previously written off	831	293	34
Recovery of loans previously provided for (refer Note 10)	957	783	434
Specific provisions for loan losses (refer Note 10)	(14,545)	(4,814)	(1,523)
Loan losses written off	(331)	(2,344)	(933)
Life Company investment income on surplus in statutory funds	2,660	1,568	1,649
Other income	7,783	17,602	748
Other expenses	(6,889)	(10,887)	(2,664)
Total Other (Expenses)/Income	(5,217)	4,697	(7,193)
Total Income from Ordinary Activities	800,030	792,592	679,770
Employment Expenses			
Provision for annual leave	(5,380)	(550)	(5,231)
Provision for long service leave	(1,941)	(1,130)	(3,065)
Salary and salary related costs, superannuation, performance related profit share and staff training	(423,055)	(415,918)	(348,670)
Total Employment Expenses	(430,376)	(417,598)	(356,966)
Occupancy Expenses			
Operating lease rental	(30,789)	(30,758)	(24,381)
Depreciation: furniture, fittings and leasehold improvements	(6,314)	(5,575)	(5,817)
Other	(3,350)	(4,036)	(5,623)
Total Occupancy Expenses	(40,453)	(40,369)	(35,821)
Non-Salary Technology Expenses			
Depreciation: computer equipment	(12,680)	(13,375)	(10,219)
Information services	(15,270)	(15,436)	(14,040)
Other	(6,900)	(8,783)	(7,342)
Total Non-Salary Technology Expenses	(34,850)	(37,594)	(31,601)
Other Expenses			
Auditors' remuneration			
Auditors' remuneration for auditing services	(902)	(1,289)	(407)
Auditors' remuneration for other services	(1,487)	(2,218)	(1,487)
Total auditors' remuneration	(2,389)	(3,507)	(1,894)

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
as at 30 September 2001**

2. PROFIT FROM ORDINARY ACTIVITIES (continued)

	Half-year to 30 Sept 01 \$'000	Half-year to 31 Mar 01 \$'000	Half-year to 30 Sept 00 \$'000
Other depreciation: communication equipment	(2,668)	(2,654)	(2,396)
(Loss) on sale of fixed assets	(541)	(1,016)	(961)
Legal and professional fees	(24,539)	(36,236)	(22,740)
Travel expenses	(21,120)	(19,428)	(19,127)
Communication expenses	(9,780)	(8,960)	(11,096)
Other expenses	(52,044)	(53,935)	(43,145)
Total Other Expenses	(113,081)	(125,736)	(101,359)
Total Expenses from Ordinary Activities	(618,760)	(621,297)	(525,747)

3. INCOME TAX EXPENSE

Prima facie income tax on profit from ordinary activities is reconciled to the income tax expense charged to the Statement of Financial Performance as follows:

Income tax (expense) on profit from ordinary activities*	(61,632)	(58,245)	(55,448)
Add/(deduct) tax effect of permanent differences:			
Effect of change in tax rates	(1,970)	(1,162)	(2,137)
Rebatable dividend income	536	1,007	597
Dividend paid/provided on Converting Preference Shares	(1,887)	(1,877)	(1,998)
Distribution paid/provided on Macquarie Income Securities	4,970	5,383	5,573
Recoupment of group tax losses	6,906	7,645	8,245
Rate differential on offshore income	8,275	15,949	12,075
Net effect of different tax rates for Life Company	2,056	2,063	1,855
Other	5,356	6,915	208
	24,242	35,923	24,418
Total Income Tax (Expense)	(37,390)	(22,322)	(31,030)

* Prima facie income tax on profit from ordinary activities is calculated at the rate of 34 per cent (2000: 36 per cent).

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

A corporate tax rate reduction from 34 per cent to 30 per cent comes into effect for the economic entity on 1 October 2001. The deferred tax balances of the economic entity have been restated as at 30 September 2001 after taking into account the likely reversal date and nature of these balances.

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

MACQUARIE BANK LIMITED

and its controlled entities

4. DIVIDENDS AND DISTRIBUTIONS

	Half-year to 30 Sept 01 \$'000	Half-year to 31 Mar 01 \$'000	Half-year to 30 Sept 00 \$'000
Ordinary Share Capital			
Total Dividends Provided	80,994	91,452	71,840

The interim ordinary dividend for the financial year ending 31 March 2002 is 70 per cent franked at 30 per cent. The final ordinary dividend for the financial year ended 31 March 2001 was 70 per cent franked at 30 per cent. The interim ordinary dividend for the financial year ended 31 March 2001 was 70 per cent franked at 34 per cent.

Convertible Preference Shares

Dividends on these shares of \$5,550,000 (2000: \$5,550,000) have been charged to the Statement of Financial Performance as interest expense in accordance with AASB 1033 "Presentation and Disclosure of Financial Instruments".

The dividend to be paid on 17 December 2001 will be 70 per cent franked at 30 per cent. The dividend paid on 15 June 2001 was 70 per cent franked at 34 per cent. The dividend paid on 15 December 2000 was 70 per cent franked at 34 per cent.

Macquarie Income Securities

Distributions paid	8,499	9,427	8,901
Distribution payable	6,118	6,404	6,580
Total Distribution Paid or Provided	14,617	15,831	15,481

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

5. EARNINGS PER SHARE

		Cents per Share	
Basic Earnings Per Share	72.7	76.5	62.4
Diluted earnings per share is not materially different from basic earnings per share.			
Reconciliation of Earnings used in the Calculation of Earnings per Share			
Profit from ordinary activities after income tax	143,880	148,973	122,993
Net profit attributable to outside equity interest	975	882	428
Distribution paid or provided on Macquarie Income Securities	(14,617)	(15,831)	(15,481)
Total Earnings used in the Calculation of Earnings per Share	130,238	134,024	107,940

MACQUARIE BANK LIMITED
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**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
as at 30 September 2001**

5. EARNINGS PER SHARE (continued)

	Half-year to 30 Sept 01 \$'000	Half-year to 31 Mar 01 \$'000	Half-year to 30 Sept 00 \$'000
Weighted Average Fully Paid Ordinary Shares used in the Calculation of Earnings per Share			
Weighted average ordinary fully paid shares			
Weighted average fully paid equivalent of partly paid shares	179,132,994	174,029,958	172,628,633
Distribution paid or provided on Macquarie Income Securities	-	198,425	343,115
Total Weighted Average Ordinary Shares Outstanding during the Period used in the Calculation of Basic Earnings per Share	179,132,994	174,228,383	172,971,748

The weighted average number of ordinary shares has been calculated using potential ordinary shares in accordance with Accounting Standard AASB 1027 "Earnings per Share".

6. SECURITIES

	As at 30 Sept 01 \$'000	As at 31 Mar 01 \$'000	As at 30 Sept 00 \$'000
Trading Securities			
Commonwealth government securities	256,932	329,824	136,711
Treasury notes	139,366	73,469	199,246
Other government securities	309,998	300,654	693,169
Other OECD government securities	32,298	34,876	11,172
Certificates of deposit	957,116	612,532	441,292
Bank bills	486,365	801,387	269,953
Quoted equity securities	1,515,127	1,197,777	1,192,057
Other debt securities	1,125,730	805,162	718,678
Total Trading Securities	4,822,932	4,155,681	3,662,278
Other Securities			
Investment securities	1,530,416	27,049	26,025
Units in unit trusts	61,796	91,190	74,786
Equity securities	1,095	1,095	4,587
Other securities	105,703	77,922	97,302
Total Other Securities	1,699,010	197,256	202,700
Total Securities	6,521,942	4,352,937	3,864,978

MACQUARIE BANK LIMITED

and its controlled entities

7. LOANS AND ADVANCES (IMPAIRED ASSETS)

	As at 30 Sept 01 \$'000	As at 31 Mar 01 \$'000	As at 30 Sept 00 \$'000
Loans and advances include impaired assets which are classified as:			
Non-Accrual Loans Without Specific Provisions for Impairment	3,316	7,886	4,344
Non-accrual loans with specific provisions for impairment	67,339	27,135	13,397
Less specific provisions	(24,965)	(11,790)	(7,991)
Total Non-Accrual Loans with Specific Provisions for Impairment	42,374	15,345	5,406
Real estate acquired through the enforcement of security*	-	12,380	13,000
Less specific provisions	-	(3,880)	(3,981)
Total Real Estate Acquired Through the Enforcement of Security	-	8,500	9,019
Total Net Impaired Assets	45,690	31,731	18,769
Revenue Recognised in Respect of Impaired Assets			
Interest on non-accrual loans	250	143	108
Other revenue	-	-	28
Total Revenue Recognised in Respect of Impaired Assets	250	143	136
Revenue Forgone on Impaired Assets			
Interest	2,581	1,990	1,331
Other revenue	-	-	31
Total Revenue Forgone on Impaired Assets	2,581	1,990	1,366

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

8. OTHER ASSETS

Debtors and prepayments	776,087	790,646	720,085
Amounts due from research and development joint ventures	17,893	26,117	390,171
Amounts due from brokers and clients	447,253	416,853	296,892
Life Company statutory funds receivables	83,091	64,060	60,584
Property purchased for sale and development	22,697	19,977	35,565
Other	179,927	169,226	512,272
Total Other Assets	1,526,948	1,486,879	2,015,569

MACQUARIE BANK LIMITED
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**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
as at 30 September 2001**

9. OTHER LIABILITIES

	As at 30 Sept 01 \$'000	As at 31 Mar 01 \$'000	As at 30 Sept 00 \$'000
Creditors	402,837	473,246	263,154
Accrued charges, employee and sundry provisions	497,525	623,836	470,357
Amounts due to brokers and clients	647,720	774,689	556,829
Life Company statutory funds creditors and borrowings	57,155	63,030	129,622
Other	68,961	60,558	180,346
Total Other Liabilities	1,674,198	1,995,359	1,600,308

10. PROVISION FOR UNCERTAINTIES AND SPECIFIC PROVISIONS

The provision for uncertainties is a general provision and is intended to cover the inherent risk of loss arising from the non-recovery of amounts receivable or contingently owing. The specific provisions relate to loan assets* exposures where doubtful loans have been identified and provided for.

	Half-year to 30 Sept 01		Half-year to 31 March 01		Half-year to 30 Sept 00	
	Specific \$'000	Uncertainties \$'000	Specific \$'000	Uncertainties \$'000	Specific \$'000	Uncertainties \$'000
Balances at the beginning of the period	15,670	54,258	11,972	53,603	11,201	46,810
Provided during the period	14,545	3,320	4,814	655	1,523	6,793
Bad debts written off	(4,293)	-	(333)	-	(318)	-
Written back during the period	(957)	-	(783)	-	(434)	-
Balances at the End of the Period	24,965	57,578	15,670	54,258	11,972	53,603
Specific Provision as a Percentage of Loan Assets	0.29%		0.20%		0.16%	
Provision for Uncertainties as a Percentage of Risk Weighted Exposures	0.55%		0.55%		0.55%	

* Loan assets for the purpose of this disclosure include 'Due from Other Financial Institutions', 'Due from Governments', 'Lease Receivables' and 'Loans and Advances'.

MACQUARIE BANK LIMITED

and its controlled entities

11. CONTRIBUTED EQUITY

	Half-year to 30 Sept 01 \$'000	Half-year to 31 Mar 01 \$'000	Half-year to 30 Sept 00 \$'000
Ordinary Share Capital			
Opening balance 175,868,560 fully paid ordinary shares	391,635	406,367	371,969
Opening balance Nil partly paid ordinary shares*	-	119	846
	391,635	406,486	372,815
Placement of 14,285,715 ordinary shares on 20 September 2001	500,000	-	-
Transaction costs for placement of shares	(2,500)	-	-
Issue of 6,882,286 shares on exercise of options	91,092	19,588	32,384
Issue of shares pursuant to the employee share plan**	-	1,275	-
Conversion of Nil partly paid shares to fully paid and calls on other partly paid shares	-	286	1,287
On-market buyback of 1,290,834 shares***	-	(36,000)	-
Total Ordinary Share Capital	980,227	391,635	406,486
Reconciliation of Total Ordinary Share Capital			
197,036,561 fully paid ordinary shares	980,227	391,635	406,367
Nil partly paid ordinary shares	-	-	119
Total Ordinary Share Capital	980,227	391,635	406,486
Macquarie Income Securities			
Balance at beginning of the period	391,303	391,303	390,053
Transaction costs for issue of securities	-	-	1,250
Total Macquarie Income Securities	391,303	391,303	391,303

On 6 November 2001 the Bank issued a further 509,666 fully paid ordinary shares pursuant to the Macquarie Bank Limited Share Purchase Plan. The total proceeds from the issue of these shares was \$17,838,310. These shares are entitled to participate in the dividend to be paid on 19 December 2001.

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

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

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

12. RETAINED EARNINGS

Balance at the beginning of the period	550,975	508,403	472,303
Profit from ordinary activities after income tax attributable to ordinary equity holders	130,238	134,024	107,940
Dividends provided on ordinary share capital	(80,994)	(91,452)	(71,840)
Total Retained Earnings	600,219	550,975	508,403

MACQUARIE BANK LIMITED
and its controlled entities

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
as at 30 September 2001**

13. AVERAGE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Half-year to 30 Sept 2001		
	Av Balance \$'000	Inc/(Exp) \$'000	Av Rate %
ASSETS			
Interest Bearing Assets			
Cash and liquid assets	52,519	1,119	4.2
Securities purchased under resale agreement	3,540,470	83,596	4.7
Securities	4,120,924	102,417	5.0
Due from other financial institutions	749,271	18,497	4.9
Due from governments	774,472	26,645	6.9
Loans and advances	6,639,840	242,874	7.4
Lease receivables	405,201	14,146	7.0
Other assets	75,255	1,836	4.9
Total Interest Bearing Assets	16,357,952	491,130	
Total Non-Interest Bearing Assets	12,701,914	-	
Total Assets	29,059,866	491,130	
LIABILITIES			
Interest Bearing Liabilities			
Due to other financial institutions	566,117	(11,793)	4.2
Securities sold under repurchase agreements	1,385,184	(33,052)	4.8
Securities borrowed	855,003	(22,934)	5.4
Deposits	3,877,712	(91,550)	4.7
Due to governments	253,943	(1,780)	1.4
Negotiable certificates of deposit	2,504,208	(64,417)	5.1
Notes payable	7,379,719	(170,109)	4.7
Other liabilities	254,136	(5,581)	4.4
Loan Capital			
Subordinated debt	250,302	(6,995)	5.6
Converting Preference Shares	150,000	(5,550)	7.4
Total Interest Bearing Liabilities	17,476,324	(413,761)	
Total Non-Interest Bearing Liabilities	9,839,100	-	
Total Liabilities	27,315,424	(413,761)	
EQUITY			
Contributed Equity			
Ordinary share capital	449,008		
Macquarie Income Securities	391,303		
Retained earnings	573,277		
Total Shareholders' Equity	1,413,588		
Outside equity interests in controlled entities	330,854		
Total Liabilities, Equity and Outside Equity Interests	29,059,866		

Interest is received/charged on balances due from/to clearing houses. Average interest income/expense is not recorded in respect of these balances as they fluctuate between receivables and payables on a day-to-day basis. Average interest income and expense in relation to assets and liabilities set off in the Statement of Financial Position in accordance with applicable accounting standards is not included in the above analysis. Such interest and expense is shown gross in Note 2 - Profit from Ordinary Activities in accordance with the requirements of Accounting Standard AASB 1004 'Revenue'.

Half-year to 31 Mar 2001			Half-year to 30 Sept 2000		
Av Balance \$'000	Inc/(Exp) \$'000	Av Rate %	Av Balance \$'000	Inc/(Exp) \$'000	Av Rate %
238,139	6,190	5.2	76,946	2,430	6.3
2,550,621	74,945	5.9	2,033,073	62,418	6.1
3,240,791	98,495	6.1	3,455,733	109,124	6.3
525,832	16,592	6.3	850,858	24,213	5.7
639,554	22,175	7.0	738,260	27,112	7.3
6,022,848	252,991	8.4	5,082,984	210,237	8.3
351,964	15,254	8.7	390,641	15,223	7.8
217,679	6,632	6.1	383,067	17,779	9.3
13,787,428	493,274		13,011,562	468,536	
11,845,081	-		11,007,761	-	
25,632,509	493,274		24,019,323	468,536	
809,405	(21,858)	5.4	1,204,265	(28,538)	4.7
955,234	(27,797)	5.8	870,817	(25,994)	6.0
519,910	(16,018)	6.2	625,866	(19,527)	6.2
4,381,261	(121,825)	5.6	4,028,691	(119,031)	5.9
240,347	(2,762)	2.3	-	-	-
2,264,868	(69,946)	6.2	1,865,928	(60,569)	6.5
4,752,814	(142,336)	6.0	2,905,275	(95,218)	6.6
230,610	(5,563)	4.8	290,430	(8,251)	5.7
267,788	(9,130)	6.8	301,804	(10,028)	6.6
150,000	(5,535)	7.4	150,000	(5,550)	7.4
14,572,237	(422,770)		12,243,076	(372,706)	
9,735,433	-		10,522,459	-	
24,307,670	(422,770)		22,765,535	(372,206)	
395,746			378,941		
391,303			391,303		
535,397			482,329		
1,322,446			1,252,573		
2,393			1,215		
25,632,509			24,019,323		

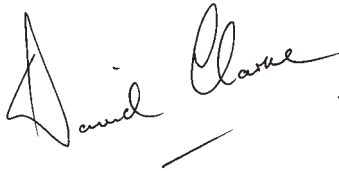
DIRECTORS' DECLARATION

The Directors declare that the financial statements and notes set out on pages 14 to 26:

- (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) give a true and fair view of the economic entity's financial position as at 30 September 2001 and of its performance, as represented by the results of its operations and its cash flows for the half-year ended on that date.

In the Directors' opinion there are reasonable grounds to believe that Macquarie Bank Limited will be able to pay its debts as and when they become due and payable.

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



D.S. Clarke
Director



A.E. Moss
Director

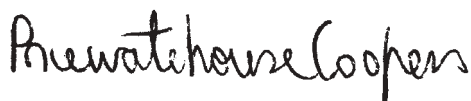
Sydney,
14 November 2001

INDEPENDENT REVIEW REPORT TO THE MEMBERS OF
MACQUARIE BANK LIMITED
as at 30 September 2001

SCOPE

We have reviewed the Financial Report of Macquarie Bank Limited (the Bank) for the half-year ended 30 September 2001 as set out on pages 14 to 27. The Bank's Directors are responsible for the Financial Report which includes the consolidated financial statements of the economic entity comprising the Bank and the entities it controlled at the end of, or during, the half-year. We have performed an independent review of the Financial Report in order for the Bank to lodge the Financial Report with the Australian Securities & Investments Commission. This review was performed in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the Financial Report is not presented fairly in accordance with Accounting Standard AASB 1029 'Half-Year Accounts and Consolidated Accounts', other mandatory professional reporting requirements and the Corporations Act 2001 in Australia, so as to present a view which is consistent with our understanding of the economic entity's financial position, and performance as represented by the results of its operations and its cash flows.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. The review is limited primarily to inquiries of Bank personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit thus the level of assurance provided is less than that given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.



PricewaterhouseCoopers
Chartered Accountants



D.H. Armstrong
Partner

STATEMENT

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year Financial Report of the Bank is not in accordance with:

- (a) the Corporations Act 2001; including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 September 2001 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 1029 'Half-Year Accounts and Consolidated Accounts' and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements.

Sydney,
14 November 2001

FIVE YEAR SUMMARY

Macquarie Bank Limited

	1997	Years ended 31 March				Half-year	
		1998	1999	2000	2001	2002	
FINANCIAL PERFORMANCE (\$ million)							
Total income from ordinary activities	530.1	664.7	815.1	1,186.5	1,472.3	800.0	
Total expenses from ordinary activities	391.9	497.8	597.3	885.1	1,147.0	618.8	
Profit from ordinary activities before income tax	138.2	166.9	217.8	301.4	325.3	181.2	
Income tax (expense)	21.3	25.7	52.8	79.0	53.3	37.4	
Profit from ordinary activities after income tax	116.9	141.2	165.0	222.4	272.0	143.8	
Outside equity interest	-	-	-	0.2	1.3	1.0	
Macquarie Income Securities Distribution	-	-	-	12.4	31.3	14.6	
Profit from ordinary activities after income tax attributable to ordinary equity holders	116.9	141.2	165.0	210.2	242.0	130.2	
FINANCIAL POSITION (\$ million)							
Total assets	6,142	7,929	9,456	23,389	27,848	30,827	
Total liabilities	5,642	7,348	8,805	22,154	26,510	28,459	
Shareholders' equity (net of outside equity interest)	500	581	651	1,235	1,334	1,972	
Risk weighted assets	4,686	4,967	4,987	8,511	9,860	10,469	
Total loan assets (a)	2,682	3,158	4,002	6,518	7,785	8,724	
Impaired assets (net of provisions)	46	12	44	23	32	46	
SHARE INFORMATION							
Cash dividends per share (adjusted cents per share)							
1st Half	18.0	21.0	30.0	34.0	41.0	41.0	
2nd Half	25.0	30.0	38.0	52.0	52.0	-	
Total	43.0	51.0	68.0	86.0	93.0	41.0	
Basic earnings per share	74.9	88.1	101.3	124.3	138.9	72.7	
Share price at 31 March/30 September	8.50	14.35	19.10	26.40	27.63	36.00	
Ordinary share capital (million shares) (b)	151.4	157.6	161.1	171.2	175.9	197.0	
Market capitalisation at 31 March/30 September (fully paid ordinary shares) (\$ million)	1,287	2,262	3,077	4,520	4,858	7,093	
RATIOS							
Return on average ordinary shareholders' funds	25.2%	26.1%	26.8%	28.1%	27.1%	25.5%	
Payout ratio	60.5%	57.9%	67.2%	70.0%	67.5%	62.2%	
Capital adequacy ratio	13.2%	16.4%	17.3%	18.4%	16.0%	20.0%	
Tier 1 Capital adequacy ratio	12.9%	11.7%	13.0%	14.5%	12.9%	17.4%	
Impaired assets as % of loan assets	1.8%	0.4%	1.1%	0.3%	0.4%	0.5%	
Net loan losses as % of loan assets	0.0%	0.0%	0.1%	0.1%	0.1%	0.3%	
FUNDS UNDER MANAGEMENT (\$ billion)							
Listed	1.5	2.3	3.0	4.2	6.9	8.6	
Unlisted							
Retail	7.2	8.9	9.8	9.6	10.6	11.3	
Wholesale	8.6	10.5	10.0	12.5	13.4	14.6	
Total	17.3	21.7	22.8	26.3	30.9	34.5	
STAFF NUMBERS	1,965	2,474	3,119(c)	4,070(c)	4,467(c)	4,526(c)	

(a) Includes loans and advances, lease receivables, balances due from other financial institutions and balances due from governments.

(b) Number of fully paid shares at 31 March/30 September, excluding options and partly paid shares.

(c) Includes both permanent staff (full-time, part-time and fixed-term) and contractors (including consultants and secondees).

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

