Macquarie Bank celebrated a number of milestones during the year. December 1999 marked the 30th anniversary of our establishment (the Bank began trading in 1969 as Hill Samuel Australia, a wholly-owned subsidiary of the British merchant bank). With organic growth and the acquisition of the investment banking business of Bankers Trust Australia Limited, the number of staff grew to over 4,000, in 15 countries. And in August 1999 the Bank's head office relocated to new premises in the historic GPO building at No.1 Martin Place, Sydney.

The cover photograph shows detail of the Holey Dollar taken from the skysign on the Bank's new headquarters at No.1 Martin Place.

Contents

Annual Review 2000

Macquarie Bank's annual report consists of two documents – the 2000 Annual Review (incorporating the Concise Report to shareholders) and the 2000 Financial Report. The 2000 Annual Review details the Bank's operations and provides a summary of the financial statements.

If you would like to receive a copy of the 2000 Financial Report which details the statutory accounts in full please call us on (02) 8232 3333. Alternatively, you can access the 2000 Financial Reports at www.macquarie.com.au

Annual Review 2000

The Holey Dollar

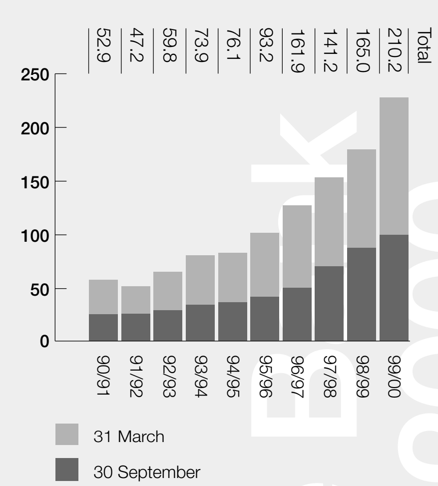
In 1813 Lachlan Macquarie, Governor of the colony of New South Wales, overcame an acute currency shortage by purchasing Spanish silver dollars (then worth five shillings), punching out the centres and creating two new coins – the 'Holey Dollar' (valued at five shillings) and the 'Dump' (valued at one shilling and three pence). This single move not only doubled the number of coins in circulation but increased their total worth by 25 per cent and prevented the coins from leaving the colony.

Governor Macquarie's creation of the Holey Dollar was an inspired solution to a difficult problem and for this reason it was chosen as the symbol of the Macquarie Bank Group.

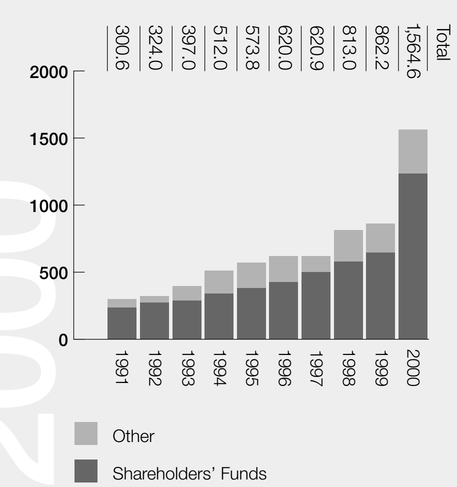
- Operating profit after tax attributable to ordinary shareholders increased 27.4 per cent to $210.2 million (124.3 cents per share)
- Return on average ordinary shareholders' funds rose to 28.1 per cent
- Dividend of 86 cents per share (65 per cent franked) for the year
- Growing market shares in Australasia and internationally contributed to the strong result

- Moody's Investors Service upgraded the debt ratings of the Bank (long-term deposits to A2 from A3 and short-term deposits to Prime-1 from Prime-2)
- Businesses and staff from the acquisition of the investment banking business of Bankers Trust Australia Limited are now fully integrated
- International income accounted for 21 per cent of the Bank's income
- Total loan capital and shareholders' equity grew by $743 million to $1.705 billion. Year-end capital adequacy ratio was 18.4 per cent and Tier 1 capital adequacy ratio was 14.5 per cent

Reported Annual Net Profit ($million)



Net Capital Base (regulatory)
$million at 31 March



Chairman's and Managing Director's Report

Macquarie's success is a reflection of the energy, ability and commitment of our staff and on behalf of the Board we thank them for their outstanding contribution over the past year. Macquarie continued to experience substantial growth in staff numbers, with a 30 per cent increase in staff from 3,119 to 4,070. The year saw over 3,900 movements between and within premises completed between July 1999 and February 2000, culminating in the relocation of head office to No.1 Martin Place in Sydney.

Result

Macquarie Bank enjoyed a record result in the year to March 2000. Consolidated after-tax profit attributable to ordinary shareholders increased 27.4 per cent to $210.2 million. Consolidated pre-tax profit increased to $301.4 million. The after-tax return on average ordinary shareholders' funds was 28.1 per cent per annum. These very pleasing results were achieved in what proved to be a very exciting year in the Bank's history.

The past year was characterised by development and change. The acquisition of the investment banking business of Bankers Trust Australia Limited (BTIB), the relocation of the Bank's headquarters in Sydney and continued international expansion were highlights of a very busy year across the Bank.

The diversity of products and services offered by Macquarie has continued to grow. Of particular note are the activities of Macquarie Technology Investment Banking (a Division within the Asset and Infrastructure Group) and the acquired businesses of Agricultural Commodities and Debt Markets (within the Treasury and Commodities Group). Remaining committed to a strategy of selective international expansion and seeking only to enter markets where there is perceived to be a genuine opportunity to add value, the Bank increased its international network of offices to include Chicago, Vancouver, Sao Paulo, Tokyo and Cape Town.

Balance and diversity of contributions from across the businesses and markets both domestically and internationally characterised the results of the six operating Groups. Asset and Infrastructure Group and Equities Group substantially increased their contributions to the overall result. The Asset and Infrastructure Group's strong result reflected strong growth in Project and Structured Finance attributable to global market leading positions and a strong contribution from the Macquarie Technology Investment Banking business. The Equities Group result reflected good results across all businesses with impressive contributions from the international businesses.

The Treasury and Commodities Group result was up on last year, reflecting solid performances from its traditional businesses: Metals and Mining, Foreign Exchange, Money Market and Futures. The acquired Agricultural Commodities business performed very well. The new Debt Markets business achieved good levels of client business, producing a modest net contribution.

Corporate Finance Group had a very strong year, reflecting high levels of mergers and acquisition activity in the Australasian market and improved market positioning for the Equity Capital Markets Division.

The Banking and Property Group performed well, with earnings up on last year. The Investment Services Group increased assets under management, but earnings declined as a result of systems expenses.

The contribution from the staff and businesses acquired from BTIB in Australia exceeded the expectations communicated to shareholders at the time of the acquisition. At that time, it was announced that the acquisition would be at least earnings per share neutral.

Total operating income rose by 45.6 per cent to $1,186 million. Both trading income and fee and commission income were up on the previous year. Fee and commission income contributed approximately 56 per cent of income for the Bank and rose 20.2 per cent on the previous corresponding period.

The Bank continued to experience substantial growth in staff numbers, with a record increase in staff of 30 per cent from 3,119 to 4,070 in the 12 months to 31 March 2000. This rise was responsible for a 49 per cent increase in employment costs, which continue to be the Bank's largest expense. These costs include a significant performance component linked to overall profitability.

Last year changes to our approach to the retail market were announced with the creation of Macquarie Financial Services (MFS), a Division within the Equities Group. MFS brought together the distribution capabilities of the Equities Group's private client business with the Investment Services Group's funds management products. We have now decided to extend these changes further, reflecting our long-term commitment to the Australasian retail financial services market.

Effective 1 June 2000 Macquarie has established a seventh operating Group, the Financial Services Group (FSG), that will comprise the retail marketing, sales, advisory and customer service activities from across Macquarie. The balance of the Investment Services Group will form the new Funds Management Group.

In the year to March 2000 the Bank's non-salary technology spend was up 45 per cent on the previous year. The Bank continues to invest heavily in information technology in order to both enhance efficiency and improve client service, as we recognise that, increasingly, systems capabilities provide fundamental competitive advantage.

All Macquarie businesses are developing and exploring opportunities to service clients by, and to develop products for, electronic distribution.

We have over 260 products and services currently being distributed via the internet and a further 18 projects in development. To complement these initiatives, during the year Macquarie established the eDivision to pursue technology-related opportunities in the banking sector.

Review of Operations

The Asset and Infrastructure Group enjoyed an exceptionally strong year. The Group's Project and Structured Finance Division (PSF) maintained its position as a world leader in project and other structured financings and was ranked the No.1 project finance adviser in the Asia Pacific region and No.2 globally by industry publication *Project Finance International.*

The Division continued to be active in the areas of infrastructure, structured finance and cross-border leases. Worldwide, the Group completed more than $20 billion of transactions during the year.

In addition to the strong performance of PSF, the Macquarie Technology Investment Banking Division (MTIB) made an outstanding contribution to the Group's result.

A highlight was the realisation of a profit of more than $50 million in relation to MTIB's holding in LookSmart Limited (a US-based internet company, now also listed on the Australian Stock Exchange (ASX)). The Bank continues to hold another 1.5 million shares in the NASDAQ-listed LookSmart Limited, which are held in escrow until August 2000.

Infrastructure and Specialised Funds (ISF) now manages over $7 billion in funds invested in infrastructure assets through vehicles including the Macquarie Infrastructure Group (MIG). The acquisition of interests in European toll roads and bridges through two subsidiaries of European conglomerate Kvaerner plc was a highlight for ISF and makes MIG one of the world's largest owners of toll roads.

Macquarie Capital continued to strengthen its position as a quality financial services provider to the corporate, professional, government and small business sectors. This position was improved by the integration of the BTIB loan book and, by year end, the gross portfolio of loans and leases in Macquarie Capital had grown to $3.3 billion.

The Equities Group made a record contribution to the Bank's result supported by buoyant market conditions and increased market shares across its Divisions.

Equity Markets Division made a significant contribution, with particularly strong results from Australia, Hong Kong and South Africa. A joint venture with Industrial Bank of Japan commenced during the year, and strong contributions from this alliance are expected in the coming year.

Macquarie Equities Limited (MEL) again improved its performance, in terms of both market share and client rankings. In addition, an independent survey of Australian research analysts ranked 22 of MEL's analysts in top five positions within their field of specialisation.

In August 1999 MEL and J B Were announced their intention to establish a joint venture company to provide equities clearing and settlement services. The new company, SecuriClear Pty Ltd, will offer services to both partners and to other participants in the Australian marketplace.

Macquarie Financial Services has consolidated its position as one of the leading retail broking houses in Australia. MFS now has around 200,000 clients. During the year, the Division benefited from the increased flow of transactions from Equity Capital Markets (the Bank's underwriting business), enabling MFS to offer its clients access to floats and other share offers.

The Treasury and Commodities Group continues to contribute record results. Agricultural Commodities, a business specialising in the trading of agricultural-based derivative products and a former business of BTIB, had a very good year. In addition to undertaking the BTIB agricultural business, the Agricultural Commodities Division also absorbed Macquarie's successful wool risk management business which has benefited from the greater capacity of the Division.

Note:
The figures set out in this table are proportionate contributions by business Group to the Bank's performance. They should be taken as a guide only to relative contributions and are derived from management accounts.

Relative Contributions to Consolidated Profit by Operating Group %

Year ended 31 March	2000	1999
Asset and Infrastructure	33	27
Equities	21	13
Treasury and Commodities	18	22
Corporate Finance	12	15
Banking and Property	9	11
Investment Services	5	10
Direct Investment	2	2
Total	**100**	**100**

Consolidated Group Profits

Year ended 31 March	2000 ($m)	1999 ($m)	% Change
Total operating income	1,186.5	815.1	45.6
Total operating expenses	(885.1)	(597.3)	48.2
Pre-tax profit	301.4	217.8	38.4
Income tax expense	(79.0)	(52.8)	49.6
Profit after tax	222.4	165.0	34.8
Outside equity interests	0.2	0.0	n/a
Distribution on Macquarie Income Securities	(12.4)	0.0	n/a
Profit after tax attributable to ordinary shareholders	210.2	165.0	27.4

The Group's traditional businesses also made substantial contributions. Foreign Exchange capitalised on increased market share and currency instability to conclude the year strongly. Changes in the Bank's funding requirements, predominantly brought about by the BTIB acquisition, saw the Money Market Division managing a larger balance sheet. While prudently managing the Bank's balance sheet, the Division was able to capture a strong profit on the back of market movements.

The Metals and Mining Division continued to leverage its leading market shares to produce a good result. The Futures Division experienced moderate growth during the year through its increasing market share, ranking No.1 in its markets on turnover for the second half.

Debt Markets, another significant BTIB business, made a modest net contribution to the overall Group profit. Good levels of client business were achieved, although difficult conditions within the trading areas of the business prevented a more substantial contribution. The Capital Management Division, which undertakes principal trading activities, experienced difficult market conditions which resulted in a poor performance. However, the Division's performance is expected to improve in the coming year. Risk Advisory's contribution was in line with expectations and greater growth is anticipated for the coming year due to increasing demand for advisory services.

The Corporate Finance Group achieved a strong increase on the previous year despite a fall in percentage contribution to the Bank's underlying profit. Corporate Advisory maintained its leading market share in Australian and New Zealand transactions, advising over 110 clients on more than 135 mandates. The overall contribution was supported by a number of significant transactions including the Smorgon Steel Group's takeover of Metalcorp Limited, Telecom New Zealand's acquisition of a majority interest in AAPT and Granada's acquisition of a strategic equity interest in the Seven Network.

The Equity Capital Markets Division had an outstanding year with income well up on the previous year. The Division completed 39 transactions worth over $4 billion. The result reflects the Division's improved standing in initial public offerings and other underwriting activities, complemented by a buoyant market.

The Banking and Property Group performed well during the year. Divisions making significant contributions included Property Finance, Banking Solutions, Mortgages and Property Investment Management.

Property Finance continued to successfully provide debt and equity funding solutions for property development projects and launched a new fund for institutional and wholesale investment in one of the Bank's risk participation products. The Banking Solutions Division experienced record growth in its Professional and Business Banking business. Macquarie Mortgages, the retail face of the Mortgages Division, was restructured and now offers a range of new products. It achieved 88 per cent growth in assets during the year. Wholesale origination of mortgages continued to expand through a number of new origination agreements and a strengthening of the Division's relationship with Aussie Home Loans. Property Investment Management Division, manager of the Bank's four listed property trusts, achieved significant growth with total assets under management increasing 24 per cent to $1.8 billion.

Other Divisions continue to strengthen their businesses, including Property Investment Banking (PIB), a leading full-service property and development advisory group, and Medallist, a golf-related real estate development partnership with Greg Norman's Great White Shark Enterprises. PIB now manages projects worth over $320 million in China and, through Urban Pacific Limited, participates in $400 million of Australian-based projects. Through its interest in Medallist, Macquarie is now involved in managing around $550 million worth of projects in Australia and North America.

The Investment Services Group's contribution to the overall result was down on last year due largely to systems and technology expenses. At year end the Group had $21.3 billion in funds under management.

The Retail Funds Division's flagship product, the Macquarie Cash Management Trust, continued to lead the market, with inflows of more than $700 million during the year taking the Trust to $6.3 billion at 31 March 2000. The Division also broadened its product range to include the Macquarie Private Equity Multifund and the Enhanced Index Trust and added new features and external managers for the Macquarie Superannuation Allocated Pension and Superannuation/ Rollover plans.

The Asset Management Division's Enhanced Equities and Enhanced Fixed Interest products produced top quartile performance, resulting in a number of new mandates being secured.

During the year, wholesale funds under management increased by 12.2 per cent to $11 billion, with growth directed towards the Institutional Funds Division's enhanced, listed equities, listed property and private equity funds.

The year's highlight for the Portfolio Services Division was the successful launch of the Macquarie Portfolio Manager, an internet-based portfolio administration service (or wrap account) for retail financial advisers and their clients. Previously the Division provided outsourced services to external fund managers. However, this business has been wound down and the focus is now on improving internal portfolio management services through the Portfolio Manager system.

The International Division, which is dedicated to pursuing opportunities to export the Group's product innovation and asset management expertise to global markets, had a successful year. The Division secured a number of new alliances including joint ventures in Korea and in South Africa. The Division also continued its successful joint venture with Arab-Malaysian Merchant Bank in Malaysia.

International Activities

Income from international businesses continued to make an important contribution, with 21 per cent of the Bank's income produced offshore during the year. This contribution is expected to grow in line with Macquarie's increasing expansion into select international markets and businesses, where the Bank can add genuine value. Macquarie is now represented in Europe, North and South America, Africa, Asia and Australasia, with a network of over 20 offices outside Australia, including the major financial cities of London, New York, Chicago, Tokyo, Hong Kong and Singapore.

Considerable activity emanated from Asia and Australasia, with new offices and enhanced teams operating in a number of the major centres of the region.

In Korea, in addition to the Treasury and Commodities Group's relationship with Kookmin Bank of South Korea, the Investment Services Group announced a relationship with IMM Asset Management and the Asset and Infrastructure Group announced an alliance with Shinhan Bank. These relationships align Macquarie's expertise with the strong reputation and local market knowledge of the partner organisations.

The Hong Kong office, our largest office in Asia, continued to grow successfully. It includes teams from Project and Structured Finance, Macquarie Equities, Equity Markets, Banking and Property Group and Corporate Finance. The BTIB acquisition brought with it a Debt Markets team in Hong Kong. The China Housing Investment Funds continue to be the focus of Property Investment Banking's activity in China. The Group is exploring other opportunities based on the success of these initiatives. Kuala Lumpur is a key base for the Project and Structured Finance Division's activities in the region.

During the year the Bank's activities in Japan increased, with the Project and Structured Finance Division opening an office in Tokyo to better service clients in that market. The equities derivatives joint venture announced last year with Industrial Bank of Japan (IBJ), which combines Macquarie's derivative trading, structuring and technological expertise with IBJ's distribution capacity, is proceeding successfully.

In New Zealand, the Corporate Advisory and Project and Structured Finance Divisions secured an impressive range of mandates. Macquarie's Corporate Advisory Division was ranked No.1 by value of transactions in the market by Thomson Financial Securities Data. A number of strategic initiatives are in place to develop Macquarie's presence in the New Zealand market, with the goal of establishing Macquarie as the largest full service investment bank in the country.

Macquarie's approach to the South African market reflects the Bank's broader international strategy of partnering with a strong local provider. The Bank's equities derivatives joint venture with Standard Bank of South Africa continues to generate significant profits. Just prior to year end, the Investment Services Group announced a joint venture arrangement with Sanlam Ltd, one of South Africa's largest fund managers and providers of retail financial products. The Asset and Infrastructure Group was recently awarded a mandate to manage an infrastructure fund jointly with Old Mutual Asset Management. A Macquarie team has relocated to Cape Town to manage the fund.

In addition, the Project and Structured Finance business will establish a presence in South Africa.

Europe continues to provide solid levels of activity for our businesses operating from London and Munich. Project and Structured Finance and Infrastructure and Specialised Funds had a very successful year securing advisory mandates and investing in key assets. The Treasury and Commodities Group's membership of the London Metal Exchange (LME) provides the basis for our price-making activities in base metals. Macquarie is one of the leading participants in the LME globally. Macquarie Equities continued to enjoy healthy market share in the distribution of Australian equities in Europe. Equity Markets has recently commenced a pan-European equities derivatives business based in London.

At year end, Macquarie had six offices in North America servicing a diverse range of clients and markets. New York, the largest office, covers Agricultural Commodities, Metals and Mining, Debt Markets, Macquarie Equities and Project and Structured Finance. Agricultural Commodities also provides agricultural over-the-counter hedging and futures services in Chicago. Macquarie Technology Investment Banking has a presence in San Francisco, sourcing and advising both Australian and North American clients in the technology sector. The Medallist joint venture, which develops golf courses and associated real estate, is based in Jupiter, Florida.

During the period, Corporate Finance announced the opening of a second Canadian office, in Vancouver, to better service the growing resources client base it has developed over the past two years. Project and Structured Finance will remain in Toronto where it has established a market presence and secured a number of mandates.

Agricultural Commodities is currently the only Division with a presence in South America, with an office in Sao Paulo. This is one of six international locations from where the Division provides risk management solutions to the agricultural industry globally.

The rapid growth and development of the Bank's international operations has been matched by developments in the risk management and support services provided primarily from the headquarters in Sydney.

Management and Organisational Change

David Adams, Head of the Investment Services Group, has foreshadowed his desire to retire from the Bank in about one year. While David is not retiring from the Bank for some time, he has stepped down from his role as Group Head. We would like to take this opportunity to acknowledge his enormous contribution to the Bank over a period of almost 20 years. In that time, David led the development of the Cash Management Trust, the early establishment of the Banking Services Division and the growth of our Investment Services businesses to a Group managing over $20 billion of funds. He also served for many years as Group Head and a member of the Bank's Executive Committee.

This year the Bank was pleased to announce the promotion of 27 Executive Directors. This is a large number of promotions compared to previous years and reflects the success and substantial growth across a wide range of businesses. At 1 July 2000 the Bank will have 101 Executive Directors, providing a great depth of skill and experience to drive the organisation.

As noted, the Bank recently announced a major restructure of its retail areas. A new Group will be formed and will be the focal point for the Bank's marketing, sales, advisory and customer service activities for retail clients. The Group will be known as the Financial Services Group and will contain around 900 of the Bank's employees.

This large organisational change will require considerable commitment from both staff and management. Deputy Managing Director Richard Sheppard will oversee the restructure and act as Group Head until a permanent appointment is secured. Day-to-day management will be the responsibility of the FSG Management Committee which is drawn from existing business heads. The Management Committee includes Gail Burke who has accepted the role of Head of Client Services and Operations. An external search has been initiated to fill the role of Chief Information Officer, a position which Gail has filled, with distinction, since 1989. Until this appointment is made, Gail will continue in both roles.

The formation of FSG will result in structural changes for the Investment Services Group from which a large portion of the retail businesses will be transferred. Greg Matthews and David Deverall have been appointed Joint Heads of the restructured Investment Services Group, which will be renamed the Funds Management Group to more appropriately reflect its asset management and institutional sales focus. The international funds management activities in South Africa, South Korea and Malaysia will also form part of this Group.

The organisational changes are reflected in the organisational chart on pages 14 and 15.

People

At Macquarie we regularly remind staff that in the markets in which we operate the only constant is change. This year in particular our people wholeheartedly and successfully embraced change. Macquarie aims to recruit and retain the very best people for whom change means opportunity, which is a source of drive and energy. However, we do not take our people for granted and on behalf of the Board we thank them all for their outstanding contribution over the past year.

As the Bank continues to expand domestically and internationally, we are committed to ensuring that the successful Macquarie culture continues to grow with the organisation in order to bring out the best in our people and to remain focussed on our clients' needs. This culture is encapsulated in What We Stand For, the Bank's values statement. Significant time is dedicated to training and staff communication both in Australia and throughout our growing offshore businesses.

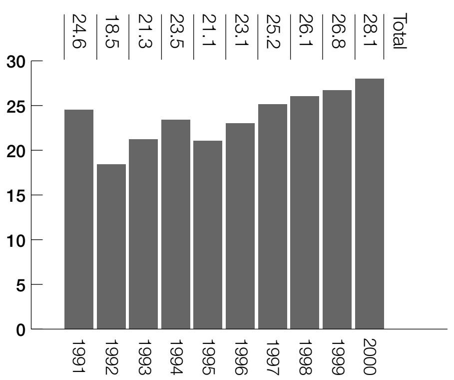
As the pace of change and the level of competition in investment banking continues to accelerate, we are confident that our people have the ability to respond to the rapidly changing markets in which we operate. The strongest asset of an investment bank is its people and it is an asset that we value highly and strive to protect.

Shareholders

The number of holders of Macquarie Bank ordinary shares increased over the year from approximately 11,000 to over 13,700. During the year, the Bank also welcomed a number of new investors to Macquarie through two new ASX listed securities, namely the Macquarie Bank Converting Preference Shares (CPS) and the Macquarie Income Securities (MIS). There are currently approximately 300 CPS holders and approximately 4,500 MIS holders.

Management and staff have a significant holding of the Bank's fully paid ordinary shares and hold all of the Bank's partly paid shares and options.

Return on Average Shareholders' Funds
% pa year ended 31 March



Ratings

	Long Term	Short Term
Standard & Poor's	A	A1
FitchIBCA	A+	F1
Moody's Investors Service	A2	P1
Thomson BankWatch	AA-	TBW1
Japan Rating & Investment Information	A+	a-1

Balance Sheet

The Group's balance sheet and capital base have undergone significant change during the year. At 31 March 2000, total assets of the Macquarie Bank Group were $23.4 billion compared with $9.5 billion a year earlier, and down 15 per cent from $27.6 billion at the half year. The increase in the balance sheet was driven by the BTIB acquisition ($11.9 billion) and the consolidation of Macquarie Life Limited's statutory funds as a result of the introduction of Accounting Standard AASB 1038 Life Insurance Business ($2.9 billion). The reduction in the balance sheet from September 1999 is due to reduced repurchase and securities positions, run-off of non-core BTIB assets acquired and the successful securitisation of $310 million of residential mortgages written by the Bank. An increase in risk weighted assets, from $5.0 billion to $8.5 billion, was driven primarily by the BTIB acquisition.

Despite the growth in balance sheet and risk weighted assets, the total capital adequacy ratio stands at 18.4 per cent with the Tier 1 ratio at 14.5 per cent, up from 17.3 per cent and 13 per cent respectively at 31 March 1999. The strong capital position is well above the minimum ratio imposed by the Australian Prudential Regulation Authority of 8 per cent group capital adequacy ratio and 4 per cent Tier 1 ratio and has been achieved via the following activities during the year:

– placement of $100 million of ordinary shares
– placement of $150 million of Australian Stock Exchange-listed Converting Preference Shares
– prospectus issue of $400 million of Australian Stock Exchange-listed Macquarie Income Securities
– retained earnings.

To complement the Bank's strong capital base and increased business, the Group's offshore funding programme has been expanded from US$1 billion to US$3 billion with the capability to issue term paper up to 30 years.

Loans and advances, lease receivables, balances due from governments and balances due from financial institutions (total loan assets) totalled $6.5 billion at 31 March 2000, compared to $4.0 billion a year earlier. This has been driven primarily by the BTIB acquisition. Asset quality remains high, with impaired assets still below 1 per cent of loan assets and loan losses of less than 0.1 per cent of loan assets.

The Group's credit ratings have been given a boost with Moody's upgrading the Group from P2/A3 to P1/A2 in the second half of the year following the successful integration of BTIB. The Group's credit ratings continue to reflect its diversified earnings base, access to funding sources, balance sheet quality and capital base.

Total Group Assets Under Administration

Total Group assets under management and administration have now reached $37.2 billion, an increase of 12.7 per cent since 31 March 1999. Details of these assets are given on page 73 of this Annual Review. Assets under management are those assets that the Group actively manages where the underlying business is wealth creation. Assets under administration are assets that the Group either monitors or services but its primary role is not increasing the assets' value.

Dividend

The Board has resolved to pay a final cash dividend of 52 cents per fully paid share (1999: 38 cents) in respect of the year to 31 March 2000. The record date for the dividend is 9 June 2000 and the dividend will be paid on 4 July 2000. The total annual dividend of 86 cents (1999: 68 cents) represents a pay-out ratio of approximately 70 per cent of the year's after-tax earnings attributable to ordinary shareholders. This is at the upper end of the Bank's stated dividend policy of paying out 65–70 per cent of annual earnings, and is consistent with the Bank's current healthy capital adequacy position. The final dividend is 65 per cent franked, at the 34 per cent company tax rate.

The extent of franking of future dividends is dependent on the Bank's Australian taxable income. Franking of future dividends is expected to be in line with this dividend.

The Bank will also pay a final dividend on the Converting Preference Shares. The dividend will be in accordance with the terms of issue of those shares and will also be franked to 65 per cent, at the current 36 per cent company tax rate. The record date for this dividend will be 7 June 2000.

Goods and Services Tax

Senior management are actively involved in, and are committed to, the Goods and Services Tax (GST) Project. The Bank has created a GST Steering Committee to monitor the project and report to senior management on a regular basis.

A separate GST Project Office has also been established to manage the project on a day-to-day basis and provide the business units with advice and a central project management methodology.

The total cost of the project is being charged to the Profit and Loss account as expenses are incurred. The Bank will also incur additional costs from 1 July 2000 due to its inability to recover all the GST paid on inputs. Neither of these costs are material to the Bank's results.

The Macquarie Foundation

Each year, The Macquarie Foundation makes donations to support a diverse range of organisations working to improve the communities in which Macquarie operates. The Foundation's funds are accumulated through a formula based on annual profits. Since its inception donations made by The Foundation exceed $4 million. Education, arts, health, research and welfare are major beneficiaries.

The activities of The Foundation are complemented by the donation of surplus computer equipment to a range of community groups, and by the encouragement of individual philanthropy through a staff matching programme.

During the year a scholarship was established in conjunction with the Queensland Government to enable a graduate from Malaysia to undertake a PhD over three years with a thesis in information technology at the Queensland University of Technology.

The aim of this and other Macquarie scholarships is to contribute to the development and maintenance of business skills in the community. The Macquarie Bank Graduate Scholarship, which was established 17 years ago, is awarded annually to enable study for a business administration degree at the university of the recipient's choice.

Another project undertaken during the year was the provision of funds to the National Trust of Australia for the restoration and conservation of Governor Lachlan Macquarie's mausoleum on the Isle of Mull in Scotland.

Outlook

The record result of 1999/2000 was driven by a number of factors including continued growth across the Bank's businesses, favourable market conditions, continued expansion offshore, the successful acquisition and integration of BTIB and, most importantly, by the skills and commitment of our staff.

The strong growth in staff numbers and continued investment in systems reflects the Bank's confidence that we will remain well positioned to grow in the markets in which we operate. Staff growth during 2000/2001 is expected to be more moderate. We are confident that our strong market positions, diversity of businesses and risk management procedures will stand us in good stead in the year ahead.

We are conscious that economic conditions over which we have no control can affect the markets in which we operate. At the time of writing there have been several monetary policy tightenings by Australian and international central banks, and equity markets have become somewhat less buoyant following recent market corrections.

As outlined in this Review, we are planning to increase our commitment to the retail financial services market and this will require significant systems and other investment. The benefits of this investment will take some years to be reflected in earnings.

The outlook for the next 12 months is therefore, as usual, difficult to forecast given the many influences on our businesses. In the long term, we remain confident that the Bank and its businesses will successfully exploit the growth opportunities which are available.

David Clarke
Executive Chairman

Allan Moss
Managing Director and Chief Executive Officer

Sydney
26 May 2000

Management and Organisation

From 1 June 2000 Macquarie Bank will have seven operating Groups – Asset and Infrastructure, Treasury and Commodities, Corporate Finance, Equities, Banking and Property, Funds Management (previously Investment Services) and the newly formed Financial Services Group.

The Financial Services Group will be the Bank's focal point for sales, advisory and customer services activities for retail clients seeking a quality and value-added approach. It will service these clients directly and through third party financial advisers. It will do so using established technologies and increasingly through new technologies such as wrap products and the internet.

The composition and role of the Bank's Board and its Committees are set out in the Corporate Governance section of this Review. Business activities are carried out by the Divisions which focus on particular products and markets. With the exception of the Direct Investment Division, these Divisions are coordinated within the seven principal operating Groups listed above.

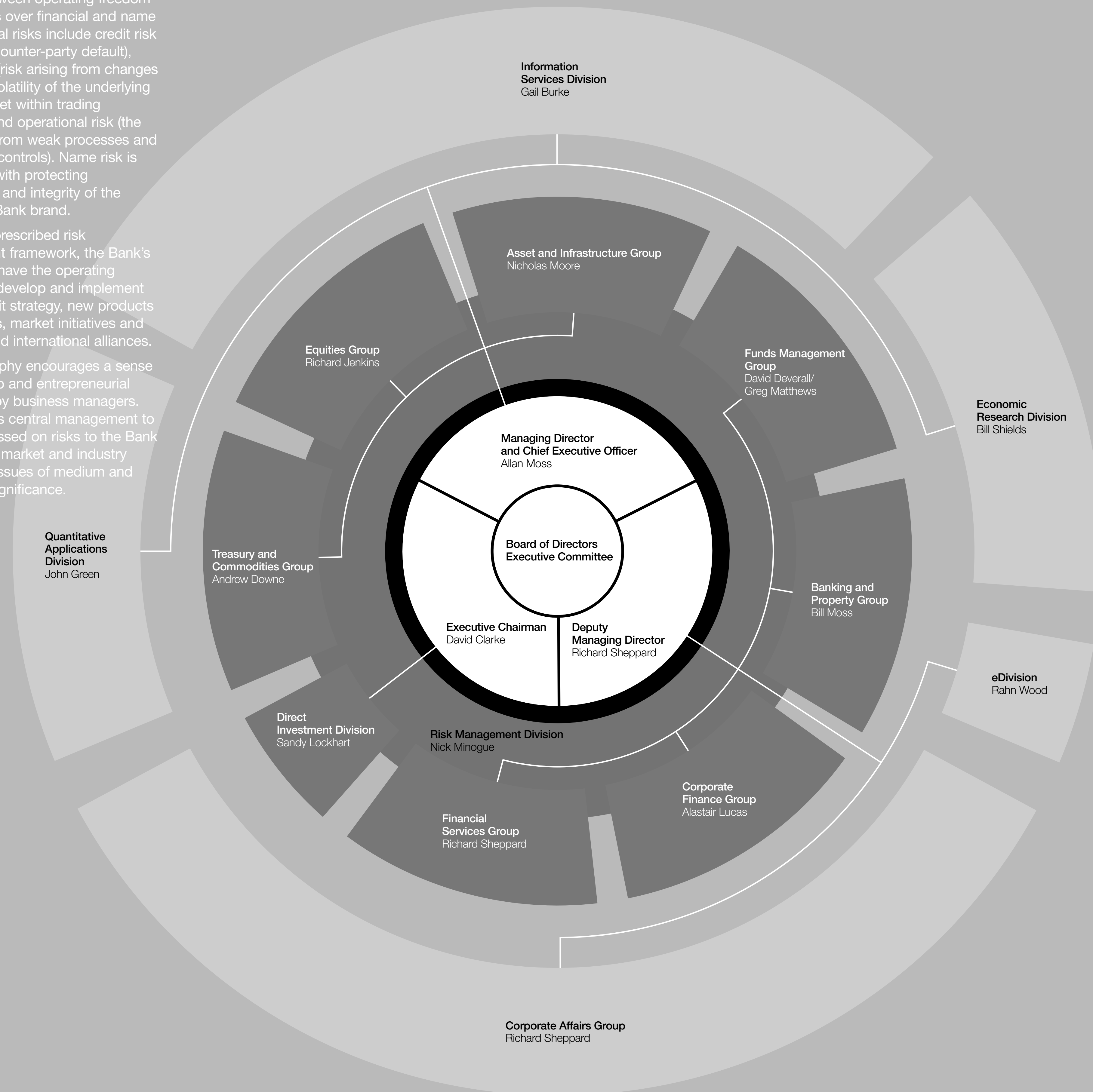
These Groups are supported by a number of support areas, namely the Corporate Affairs Group (Administration, Corporate Communications, Company Secretarial, Financial Operations and Taxation), the Information Services Division (systems and communications technology), the Risk Management Division, Economic Research Division and the Quantitative Applications Division. The Directory of Groups and Divisions is set out on pages 74 and 75.

The management of the Bank is substantially delegated to the Executive Committee. Within overall guidelines and specific discretions set by the Board and Executive Committee, substantial discretion is exercised by Executive Directors and other senior management in the conduct of the various businesses.

In addition to maintaining high ethical and professional standards, Macquarie's management style aims to provide its businesses with a balance between operating freedom and controls over financial and name risk. Financial risks include credit risk (the risk of counter-party default), market risk (risk arising from changes in price or volatility of the underlying index or asset within trading portfolios) and operational risk (the risk arising from weak processes and operational controls). Name risk is concerned with protecting the strength and integrity of the Macquarie Bank brand.

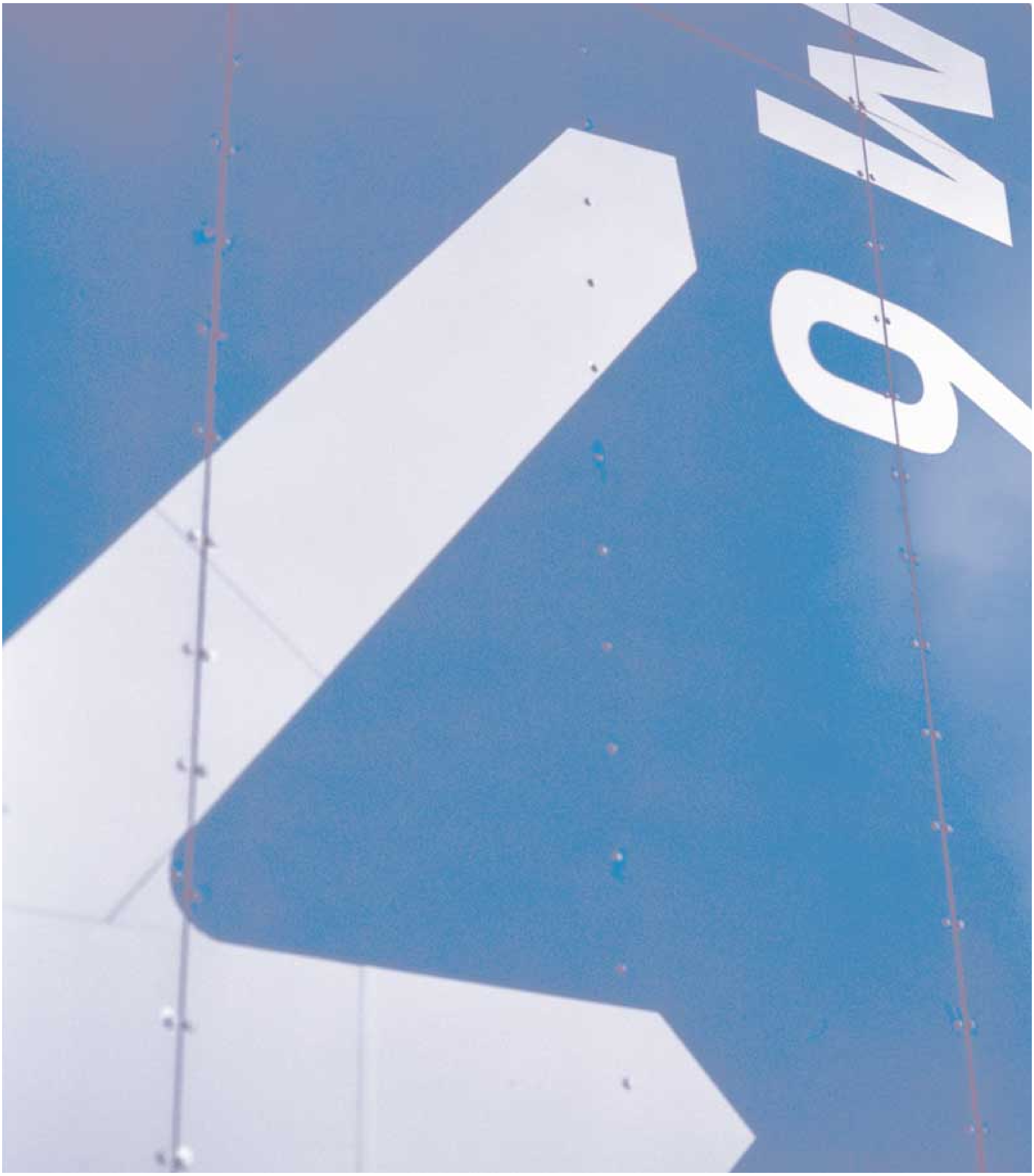
Within this prescribed risk management framework, the Bank's businesses have the operating freedom to develop and implement business unit strategy, new products and services, market initiatives and domestic and international alliances.

This philosophy encourages a sense of ownership and entrepreneurial endeavour by business managers. It also allows central management to remain focussed on risks to the Bank arising from market and industry forces and issues of medium and long-term significance.



Asset and Infrastructure Group

The Macquarie Infrastructure Group (MIG), managed by the Infrastructure and Specialised Funds Division, acquired two infrastructure subsidiaries of Norwegian conglomerate Kvaerner, providing a major foothold in European infrastructure. MIG is now one of the largest owners of toll roads in the Western world. Toll roads in which MIG has a substantial interest handle more than one million vehicles per day.



The Asset and Infrastructure Group continues to make a large contribution to the Bank's result.

The **Project and Structured Finance Division (PSF)** is responsible for the Group's origination activities, which include project and infrastructure finance transactions, cross-border leasing and structured finance.

PSF holds a leading position in these markets both in Australia and internationally, and its success in this area was recognised internationally when Macquarie was awarded '1999 No.1 Infrastructure Financial Adviser in Australasia' by industry publication *Privatisation International*. This award was in addition to the recent 1999 *Project Finance International* annual 'Advisory Mandates Won' awards, where Macquarie achieved the No.1 ranking in Asia Pacific and No.2 ranking globally.

Over the last 12 months, PSF has again been at the forefront of the infrastructure, structured finance and cross-border leasing markets, completing transactions with a total value of more than $20 billion. PSF's international presence has spread through the establishment of an office in Tokyo, the addition of a project finance team to its New York operations and the addition of project finance and structured finance to an existing joint venture with Shinhan Bank in South Korea. PSF is now active in Australia, New Zealand, Malaysia, Hong Kong and South East Asia, North America, Canada, South Africa, Japan, South Korea, the United Kingdom and Europe.

Highlights for the year included:

- advising InterGen on its $1.4 billion Millmerran greenfield coal-fired power station, Australia's first power development without a power purchase agreement
- advising National Express on its acquisitions of Bayside Trains, Swanston Trams and V/Line Passenger franchises in Victoria, a world first in terms of franchising a public transport system
- advising AGL on its acquisition of the ETSA Power retail electricity business in South Australia
- advising Johor Water Company in relation to a $300 million fund raising for the first fully privatised water treatment and distribution concession in Malaysia.

PSF has maintained its role as a global leader in the arrangement of cross-border lease finance, successfully arranging finance for assets in a range of jurisdictions for a range of clients:

- aircraft for Qantas Airways, Cathay Pacific Airways, KLM Royal Dutch Airlines, Aer Lingus and Austrian Airlines
- rolling stock for Austrian Railways and Vienna Transport
- telecommunications equipment for Telekom Austria, Helsinki Telephone Corporation, Telecom New Zealand, Telstra, Swiss Telecommunications and France Telecom
- ships for SK Shipping.

The Division is developing an international business in structured finance to complement its strengths in cross-border leasing, with a focus on opportunities in Hong Kong, London, New York, Kuala Lumpur and Wellington.

The Australian structured finance business was boosted by the BTIB acquisition, making PSF the largest underwriter of infrastructure bonds in Australia.

The Division continued to develop its media and film business in structured finance. A highlight was the launch of a prospectus to raise $20 million from retail investors for investment into the Australian film and television industry under the Commonwealth Government's Filmed Licensed Investment Corporation (FLIC) Act. In addition, strong links were established with major US film studios which are expected to generate significant business opportunities over the coming 12 months.

The **Infrastructure and Specialised Funds Division (ISF)** manages a range of investments in infrastructure assets totalling over $7 billion at 31 March 2000, an increase of 40 per cent on the previous year. The entities managed by ISF include:

- Macquarie Infrastructure Group (MIG), a top 100 publicly listed entity with a market capitalisation of approximately $1.1 billion at 31 March 2000
- the unlisted $135 million High Yield Infrastructure Debt Trust, launched in 1997
- the Hills Motorway Trust, financing vehicle for the M2 Motorway in Sydney
- the Horizon Energy Investment Group, which listed on ASX in January 2000
- the Transurban City Link Unit Trust, financing vehicle for the City Link toll road in Melbourne
- the Airport Motorway Group, developer of the Eastern Distributor toll road in Sydney.

A highlight of the year was the acquisition by MIG of two infrastructure subsidiaries of Norwegian conglomerate Kvaerner, which provided a major foothold in European infrastructure. These subsidiaries held significant equity positions in four toll roads and three other assets in the UK and Portugal.

Other highlights included:

- the financial closure of a commitment by MIG to develop Germany's first toll road in the city of Rostock
- a $428 million capital raising by MIG, the largest rights issue on ASX during 1999
- the successful opening of the Eastern Distributor toll road in Sydney, eight months ahead of schedule and on budget
- management of the $470 million debt refinancing of the Hills Motorway Trust
- the establishment of a joint venture with Old Mutual Asset Management to manage the ZAR800 million (approximately $200 million) South Africa Infrastructure Fund.

Macquarie Technology Investment Banking (MTIB) partners with entrepreneurs to build and grow high technology businesses through a broad range of venture services including advice on growth and financial strategies, execution of private equity raising, strategic alliances and mergers and acquisitions. Where relevant, the Division draws on the specialist mergers and acquisitions and public company capital raising expertise of Macquarie's Corporate Finance Group in order to provide a total solution to client requirements. The Division also provides venture capital through MTIB's venture capital arm, Macquarie Technology Funds Management (MTFM).

MTIB focusses primarily on five core sectors: e-commerce, internet, enterprise software, networking infrastructure and life sciences. As at year end, the MTIB team included more than 20 executives based in Sydney, Melbourne, San Francisco and New York.

MTIB's clients are primarily Australian high technology entrepreneurs seeking to build global companies, or international high technology companies expanding into the Asia Pacific region.

During the year, MTIB continued to advise LookSmart Limited on a range of activities including the acquisition of Start Corporation Proprietary Ltd, the spin-off of dStore Pty Limited, a US$208 million joint venture with British Telecommunications plc and the listing of LookSmart on ASX (following LookSmart's successful NASDAQ listing in August 1999). A major highlight was the booking of more than $50 million from the disposal of shares in the NASDAQ-listed LookSmart Limited. Macquarie continues to hold approximately 1.5 million shares, around two-thirds of its original holding. The Division also advised a range of other companies including Wine Planet Holdings Limited, Redfern Photonics Pty Limited and Intellisol, Inc., and facilitated the incubation of a number of new businesses.

The year saw the second closing of the Macquarie Technology Fund (MTF), bringing the total fund size to $48.3 million and the closing of the $30 million Acer Technology Partners Fund, co-managed by MTFM. A number of MTF's investments are now publicly listed, including Protel International Limited (ASX listing), LookSmart (NASDAQ listing) and OneBox.com, Inc. (sold to NASDAQ-listed Phone.com, Inc.). During the year, MTF realised the investment in Protel and also closed a number of new investments, including Intellisol, Kgrind Pty Limited, Pinpoint Corporation, Telera, Inc., Greengrocer.com.au Pty Limited and SEEK Communications Pty Limited, taking total commitments to over $24 million across a portfolio of 11 companies.

Macquarie Capital continued to strengthen its position as a quality financial services provider to the corporate, professional, government and small business sectors. This position has been enhanced by the integration of the BTIB loan book.

At 31 March 2000, the Division's portfolio of gross loans and leases had grown to more than $3.3 billion, reflecting a combination of the acquisition of the BTIB assets and organic growth.

The Division is the manager of 80 Research & Development (R&D) syndicates, 35 of which were taken on as part of the BTIB acquisition. Macquarie is the majority investor in seven syndicates, which it established in the period up to 1993.

The Industry Research & Development Board (IR&DB) and the Australian Taxation Office (ATO) monitor R&D syndicates, and the Division is actively liaising with them in discharging its syndicate responsibilities.A significant number of syndicates are due to be wound up over the next year.

The Bank understands that the ATO has concerns in relation to core technology valuations adopted by syndicates throughout the industry.

The Bank recently received a draft position paper from the ATO relating to one of the syndicates in which the Bank is the majority investor. While the final outcome of any regulatory action is uncertain, the Bank believes it has conducted its R&D activities in accordance with the legislative and regulatory requirements and accordingly the Bank does not consider that any adverse impact would be material.

Macquarie Leasing provides asset finance for the acquisition of a variety of equipment including motor vehicles and office equipment. This year (the second year of operation), saw strong growth in the receivables base, positioning Macquarie Leasing as a growing participant in this market segment. Credit quality remained very high with losses being well within industry norms.

Macquarie IT provides IT finance solutions for the government and corporate market in Australasia. It is one of the largest independent providers of IT-related operating lease finance in the region. *Macquarie IT* has recently led the way in the development of 'e-procurement' systems and solutions for the corporate and government sector.

Outlook

The Asset and Infrastructure Group continues to develop its business, with staff growth expected in all existing locations. New offices in Frankfurt and Seoul will open during the year.

All business areas are well positioned for the coming year, adapting appropriately to the various changes in their respective markets and continuing to develop new products. PSF has a significant number of advisory, leasing and debt financing mandates in place and is expected to perform well. ISF is developing a number of new funds which should be launched in the year ahead and is reviewing a range of new assets for its existing funds. MTIB has a strong pipeline of advisory and equity raising mandates in place as well as a number of potential equity investment opportunities for MTF. Macquarie Capital is growing its existing asset finance and IT solutions businesses while seeking further opportunities in new asset markets.

Equities Group

The year has seen Macquarie Equities continue its involvement in corporate and underwriting transactions, including the selldown of four million shares which enabled the listing of internet search provider LookSmart on ASX. The transaction demonstrates the depth of resources within the Equities Group, combining domestic and international institutional sales, research and a significant retail distribution capability. Macquarie Equities worked closely with the Equity Capital Markets Division, which arranged the structuring and ASX listing of the LookSmart securities.

The Equities Group posted a record result this year, with all Divisions achieving record contributions. Market conditions, especially in the second half, aided by substantial investor interest and volumes were a key factor behind this result. Market share in key businesses continued to increase as did the contribution from the Group's offshore operations. The Group is involved in many initiatives utilising new electronic commerce techniques to improve efficiency and productivity.

Equity Markets undertakes the Bank's principal trading and market-making activities in equities and equity derivatives, originates equity-based financial products for retail and wholesale clients and runs the Bank's structuring and stock banking operations. It provides products, services and solutions for intermediaries and corporate, institutional and retail clients out of offices in Australia, Hong Kong and South Africa. It currently has active operations in Australia, Europe, Hong Kong, Japan and South Africa, in the latter two markets through alliances with IBJ Securities Co Ltd (IBJS) and The Standard Bank of South Africa, respectively.

The Division issues product and makes markets in exchange-traded options over both equities and equity indices, warrants over both equities and equity indices, over-the-counter options and convertible securities. Additionally, structured hedging and price making services are also provided to the Bank's clients. The Division also offers a wide range of unlisted equity-based financial products, enabling investors to tailor their equity market exposure for increased income, growth, gearing and/or risk.

The Division enjoyed a record year in varied trading conditions around the world, with all locations producing strong results. More than half the Division's net income was generated from offshore markets.

While the Australian stockmarket enjoyed a good year, extending its bullish run for much of the period, many Asian markets were relatively quiet for most of 1999 until investor confidence returned to the region towards the end of the calendar year. Trading conditions have subsequently been favourable.

The Division's Australian operations enjoyed a record year, and also successfully integrated a team from BTIB during the second half. Equity Markets continues to hold leading market shares in all retail product classes and is an innovator in this area. The Division introduced a number of innovative warrants that enable investors to gain diversified exposure to the market. In addition, a range of unlisted retail products was successfully launched and has become a significant source of revenue for the Division.

The Division had an excellent year trading in Hong Kong equity derivatives. The business was profitable during the difficult trading conditions in the first half and was well placed to take full advantage of the subsequent upturn in market volumes. The Division recommenced its retail warrant issuance programme and this made a significant contribution during the second half.

The Japanese equity derivatives venture with IBJS commenced trading in May 1999. This long-term partnership has been established to combine Macquarie's derivative trading and structuring experience and technological expertise with the IBJ Group's distribution capability in the Japanese market. Activities include the trading of equities and equity options, warrants, derivatives and the origination of structured products for the Japanese market.

The South African equity derivatives venture with The Standard Bank of South Africa had an exceptional result in what is only its second year of operation. It has established itself as the leading market-maker in over-the-counter structured equity derivatives and as one of the largest warrant issuers in the South African market.

The Division recently set up a trading operation in Europe. Activities will initially focus on the trading and origination of equities, derivatives and structured products on the United Kingdom, German, French, Swiss and Pan-European markets.

Macquarie Equities Limited (MEL) provides a full range of institutional and corporate stockbroking services to local and offshore investors. The Division combines dedicated domestic and international sales teams with a highly ranked research team. This year has been very successful in terms of market share, corporate activity and client ratings and the Division enjoyed a record result, substantially increasing profit over the prior year.

This year MEL has experienced an increase in corporate and underwriting transactions. The Division worked closely with the Corporate Finance Group on transactions such as the LookSmart selldown, Telstra 2 issue, Bank of Queensland selldown, Great Southern Plantations IPO and Telecom New Zealand's bid for AAPT. MEL established a small companies sales and research team during the year which has seen increased corporate, underwriting and broking revenue from this segment of the market.

The Division's analysts have increased their rankings during the year. Each year independent consultants rank the analysts researching each sector of the Australian Stock Exchange. This year MEL has experienced an increase in the number of top 5 ranked analysts to over 22. The increase in analyst rankings has been reflected in panel reviews received by MEL. The majority of fund managers undertake a panel review periodically, ranking the level of service received from institutional brokers.

Both domestic and international sales teams (including London, Munich, New York and Hong Kong) posted record results for the year. The Division is now positioned as a leading broker of Australian equities in these markets, resulting in increased geographical diversity of revenues. Approximately 50 per cent of revenue is currently generated from offshore clients.

The Division continued to increase its presence in the Asian region over the past year, growing the size of its Hong Kong team. It is now also establishing a Singapore presence. The Division commenced broking Hong Kong equities two years ago and continues to record strong revenue growth from this market despite subdued market conditions. The first underwriting on the Hong Kong exchange was undertaken during the year with great success, and strong growth is expected from Hong Kong again this year. The Division will continue to review other Asian opportunities with a view to offering greater service to the existing global client base.

In August 1999 MEL and J B Were announced their intention to establish a joint venture company to provide equities clearing and settlement services. The new company, SecuriClear Pty Limited, will offer services to both partners and to other participants in the Australian marketplace. SecuriClear has established premises in Kent Street, Sydney and has commenced operations, processing Australian equity transactions for both Macquarie and J B Were.

Macquarie Financial Services (MFS) made a solid contribution to the Group's result. MFS was formed a year ago with the merger of two internal businesses, followed by the acquisition of three regional stockbrokers and the later absorption of staff from BT Alex Brown. It is now one of the most successful financial services distribution businesses in Australia servicing around 200,000 clients.

MFS is a broad-based distributor of retail financial services products focussing on the premium end of the market, nationally, through a variety of distribution channels, including face-to-face, the telephone, the internet and shopfronts. Some 200 advisers leverage Macquarie's powerful research and technology capabilities to provide personalised and flexible services to suit individual needs.

During the year, the six businesses mentioned above were fully integrated, a national infrastructure developed and a strategy to identify and develop new profit streams agreed. As a result, MFS has moved away from transaction-based client management to a total client relationship management approach based on asset gathering.

This focus has resulted in considerable success in cross-selling annuity-stream products through the Division's advisers.

The Division's distribution capability was supported by strong product sourcing of Macquarie and non-Macquarie products including:

- an alternative Macquarie cash product to appeal to clients seeking a higher interest rate
- a range of property syndication investments
- private equity products and a number of initial public offerings
- a new direct wrap-style product, offering clients access to a diverse range of investment opportunities, solid research, share trading and consolidated reporting.

Increases in direct trading and sales of managed investments, cash and superannuation products helped confirm Macquarie's significant position in these markets. This growth was partially due to consolidation of the Division's financial planning channel. MFS is now capable of distributing financial planning services through its stockbrokers, enabling clients to access these services at any point in MFS's distribution system.

MFS will become part of the Financial Services Group from 1 June 2000.

Outlook

The Equities Group achieved an excellent result driven by productivity increases and extremely favourable market conditions. The new year has so far produced far more testing market conditions accompanied by reduced volumes which has had a dampening effect on the performance of our agency broking businesses. If these conditions persist, the Group would not expect to achieve a continuation of growth in profits similar to that of the past year. However, a number of new initiatives, including the continuation of the Group's geographic diversification, should insulate the Equities Group from the detrimental effect of a market downturn in any one particular market.

Treasury and Commodities Group

The Agricultural Commodities Division has partnered with Brazil's federally-owned commercial bank, Banco do Brasil, to offer Brazilian primary producers price risk protection historically only available to large corporations. Macquarie will provide coffee and soy options to primary producers, enabling them to comprehensively manage market risk and secure prices through derivatives. The Division provides risk management solutions to the agricultural industry globally.

The Treasury and Commodities Group consists of eight distinct businesses, participating in a broad range of financial markets trading activities with operations in countries including Australia, Hong Kong, Korea, Japan, the United Kingdom, the United States and Brazil. The Group again performed extremely well in what was a highly eventful year. The Bank's acquisition of BTIB in July 1999 significantly enhanced the capabilities of the Group, particularly in the areas of debt markets, agricultural commodities and principal trading. In addition, the year saw the Group perform strongly in generally depressed but occasionally volatile commodities markets.

The **Metals and Mining Division** offers 24-hour price-making facilities for base and precious metals, and financing and structured hedging facilities for metals projects. The Division maintained its long record of strong profitability and has continued the growth of its international activities. The last calendar quarter of 1999 witnessed extreme levels of gold market volatility with the Division's credit and market risk controls withstanding conditions which are believed to have severely tested many other market participants.

The base metals business focusses on servicing a wide variety of producers, consumers and trader customers throughout Asia and the Americas. Macquarie is one of the principal providers of liquidity in the Asian time zone, making prices to customers as principal for London Metal Exchange and over-the-counter transactions around the clock. Notwithstanding an increasing number of bank competitors, the Division retained its position as a leading banker to the Australian gold mining industry and is now actively involved in financing projects around the globe.

During the year, the Division added a New York presence to service customers in the Americas. Structured metals hedging transactions constitute a large part of the Division's business, an area in which it continues to be at the forefront of product development.

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 time-zone. The Division had a very profitable year with significant contributions from both the spot and derivative trading areas.

The BTIB acquisition resulted in the creation of a more diversified Division with greater depth. This growth, coupled with continued volatility in all currency and interest rate markets, enabled the Division to leverage greater market share and profitability. The structured risk management desk again had a year marked by continuing profitability and new product generation, increasing its customer base to include more international counterparts.

The **Money Market Division** is responsible for funding, liquidity and balance sheet interest rate risk management of the Bank. In response to a significantly increased asset base, the Bank's debt instrument programme was increased from US$1 billion to US$3 billion during the year. The year's funding programme included the successful placement of an inaugural domestic issue in the public debt market, an issue of $400 million of Macquarie Income Securities and two Floating Rate Note issues in the Eurobond Market. These deals were very well received and quickly distributed to a wide range of investors, reflecting the increasing recognition of the Macquarie name offshore as well as the upgrade in the Bank's ratings. The Division delivered a strong profit result for the year, again demonstrating its ability to prudently manage balance sheet risk while still taking advantage of market movements.

The year was one of unprecedented change for the **Futures Division** despite the fact that domestic futures market volumes were steady. The Division, assisted by the BTIB acquisition, lifted its market share significantly and regularly ranked No.1 in turnover in the second half of the year. The Futures Division successfully managed the impact of the Sydney Futures Exchange transition from open-outcry trading to an electronic market. The move to electronic trading has yielded a number of efficiencies for the Division, which are expected to continue into the coming year as technology makes further inroads into manual processes, especially clearing. The Division is devoting substantial effort to enhancing its platform for electronic delivery of services including clearing, research and direct trading.

Risk Advisory Services (RAS) had another successful year with continued growth in the business. RAS has specialised teams who focus on servicing the commodity markets (energy, agricultural and resources) and the treasury sector. It also has a specialised team responsible for the outsourced management of over $900 million of debt and asset portfolios for clients. On average, the team has generated 0.5 per cent per annum in interest savings for its clients over the last three years. The range of services RAS offers continues to grow as it responds to opportunities in the marketplace and to client demands. These services include capital structure and debt structure reviews, fund raising and hedging advice, financial policy development, asset allocation advice, debt and asset benchmarks, establishing new treasury/trading operations and developing industry price management techniques.

The **Debt Markets Division** was transformed from a niche debt business to one with broad debt capabilities when it took on a large team from BTIB. The business now covers debt origination, trading, sales, research, asset structuring and derivative-based risk management solutions for governments, corporations and institutions. The Division had good levels of client activity and made a modest contribution to the Group's profit.

Under the Macquarie banner, the former BTIB business continues to be a significant force in the Australian debt market landscape. It holds a market leading position in the asset-backed securitisation industry, in mortgage, equipment and motor vehicle securities as well as the more tailored structured variety. The Division has a top tier fixed income capability and the largest profile outside the major trading banks in commercial and euro-commercial paper. Its risk management or derivative product reach includes swaps, options and tailored solutions to cover all aspects of customer debt risk management.

The **Agricultural Commodities Division** provides risk management solutions to the agricultural industry globally. Its core business is in the provision of tailored, over-the-counter hedging transactions. In addition it provides an agricultural futures service through Macquarie Futures Inc. in Chicago. The agricultural commodities business came to Macquarie through the BTIB acquisition. It has been successfully integrated into the Bank and is now fully operational in its six global locations. Macquarie's successful wool risk management business, which operates Macquarie Wool Futures, has been consolidated into the Division, benefiting from the Division's broader capability.

Agricultural Commodities has had a profitable start under the Macquarie umbrella. Clients have been very accepting of the transition to Macquarie. The Division recently reached an agreement with Brazil's federally-owned Banco do Brasil to provide coffee and soy options to its customer base, resulting in broader reach for the business in Brazil.

The **Capital Management Division** undertakes principal trading activities. The Division follows two strategies, discretionary trading based on technical and fundamental analysis of markets and model trading based on historical price information. It focusses on well established and liquid global fixed income, foreign exchange and equities markets. The recent difficulty in market conditions has been a constraint on the performance of the Division and Macquarie will continue to be prudent in its allocation of risk capital.

Outlook

The Treasury and Commodities Group is a niche participant in markets driven by global consolidation. Its focus on adding value for clients through innovative product and superior service continues to provide opportunities for selective expansion as the Group and the Bank grow. The outlook for the Group is positive with a further increase in profitability expected over the coming year.

Corporate Finance Group

The Corporate Finance Group's telecommunications, media, e-commerce and technology group advised on a range of major transactions in the Australasian market during the year. In its role as adviser to Telecom New Zealand on the acquisition of a controlling interest in AAPT, the Group was able to draw on the extensive resources of the Macquarie Bank network. In particular, Macquarie Research, Macquarie Equities and Equity Capital Markets worked with the Group to deliver a complete and cohesive result for the client.

The Corporate Finance Group performed strongly throughout the year, achieving a record result. This performance continues a long period of consistently strong results for the Group and underscores Macquarie's pre-eminent position in corporate finance in the Australasian region over the last decade. In 1999 Thomson Financial Securities Data ranked Macquarie second for mergers and acquisitions advisory roles completed and equal third for number of equity capital raisings.

Following the BTIB acquisition, the Group has further consolidated its position as the largest corporate finance team in the region, enabling extensive coverage throughout Australia and New Zealand, as well as in Asia and North America.

The Group consists of two Divisions, Corporate Advisory and Equity Capital Markets.

The **Corporate Advisory Division** provides strategic advice to corporate and public sector clients on mergers and acquisitions, divestments, privatisations, corporate restructuring and other strategic and financial services. Macquarie is one of Australia's leading mergers and acquisitions advisers and in the year to 31 March 2000 it advised more than 110 clients on 135 mandates worldwide and completed transactions worth over $14 billion.

The **Equity Capital Markets Division** advises on, manages and underwrites the full range of equity capital market products including initial public offers (IPOs), rights issues, selldowns, placements, buy-backs and issuance of hybrid securities. The Division also provides advice on capital management and communication with institutional investors. Macquarie completed 39 transactions for the year (compared with 25 for the previous year) and raised over $4 billion for its clients.

The high level of activity experienced by the Group during the year was the result of a number of factors – continuing rationalisation and restructuring of industries including manufacturing, financial services and resources; rapid growth of the telecommunications, infrastructure and e-commerce sectors; and increasing levels of takeover activity across a broad range of sectors.

International growth has continued with the establishment of a presence in Malaysia to cover the South East Asia region and a second office in Canada to expand North American coverage, following the establishment of a number of important relationships in that region.

The Group's services are complemented by the research capabilities and significant distribution network of Macquarie Equities, enabling it to provide a complete range of capital markets and corporate finance services to clients.

Corporate Finance has continued to pursue a strategy of industry specialisation, offering domestic and international clients a comprehensive range of advisory and equity capital market skills relevant to their sector.

In the telecommunications, media, e-commerce and technology sector, the Group has advised on a range of major transactions in the Australasian market. It advised Telecom New Zealand on its successful acquisition of a majority interest in AAPT. It also assisted Granada Media in acquiring a strategic equity interest in the Seven Network. This was in conjunction with the establishment of a significant new production company, Red Heart, through the merger of Seven's production business and Artist Services. Macquarie has established a position as a leading underwriter/arranger of emerging technology companies, completing IPOs for Protel, Volante, Max Multimedia and realestate.com.

The Group assisted Resmed to list on ASX in the first Chess Depository Interests (CDIs) transaction. CDIs were also used to list LookSmart in a selldown. Placements were completed for Adacel, HarvestRoad, Prophecy International, Nautronix and Access 1. Macquarie was a Co-Lead Manager in the Commonwealth Government's Telstra 2 offering.

The Group continued to advise major corporates in the resources sector on significant assignments both domestically and, increasingly, offshore. These assignments included advice to Acacia Resources on takeover bids from Delta Gold and Anglo Gold, and to South African gold producer Durban Roodeport Deep on its successful bid for Hargraves Resources. In addition, the Group completed its first ex-Australia placement for RNA Holdings, a Hong Kong-based gold refining company.

In the finance and insurance sector, Macquarie was the Sole Lead Manager for the selldown by the State of Queensland of its substantial shareholding in the Bank of Queensland, Sole Lead Manager and underwriter for placements for QBE Insurance and Adelaide Bank and Co-manager for the demutualisation of Tower. Following the BTIB acquisition, the Group structured and joint-lead managed the placements of ordinary shares, converting preference shares and Macquarie Income Securities for the Bank.

Corporate Finance was involved in a number of major assignments in the manufacturing sector, providing advice to CSR on the divestment of its softwood plantation as well as solid timber processing assets in South Australia and Victoria; Boral on the separation of its building materials and energy businesses into two listed companies; Smorgon Steel on its acquisition of Metalcorp; Schroder Venture Managers on its divestment of Programmed Maintenance Services via a public listing; and Howard Smith on the divestment of Goninan.

In the leisure and entertainment sector, significant assignments undertaken included advice to Publishing and Broadcasting on its acquisition of Crown Casino through a scheme of arrangement; the Northern Territory Government on the sale of the Northern Territory TAB; and the NSW-based TAB on a range of acquisitions and strategic initiatives.

In the transport sector, the Group advised PGA on the merger of its logistics business with that of Mayne Nickless; Holyman on its takeover defence; and Dana Corporation on the divestment of its Truckline Parts Centres business.

The Group continued its strong involvement with the utilities and infrastructure sector and undertook an ordinary share placement, rights and convertible notes issue for Envestra, with funds raised being used for the acquisition of the Stratus Network's gas distribution business in Victoria; a rights issue for Macquarie Infrastructure Group; and the completion of the Horizon Energy IPO. Macquarie continues to work on the Alinta Gas privatisation and IPO.

In the food and beverages sector, Corporate Finance advised WD & HO Wills on its merger with Rothmans Holdings; Joe White Maltings on its takeover defence; and Bartter Enterprises on its acquisition of Steggles poultry business from Goodman Fielder.

The Group's specialist property team had an active year; it advised Principal Financial Services on its successful bid for BT Hotels and Goodman Hardie on its acquisition of Capcount Property Trust and completed capital raisings for Homemaker Retail Property Trust, Macquarie Leisure Trust and Australand Holdings.

In the retail and distribution sector, the Group jointly advised Foodland on the acquisition of minority interests in Progressive Enterprises, and Woolworths on a divestment assignment.

Other successful capital raisings during the year included the Great Southern Plantations IPO and the Sigma placement and rights issue in conjunction with its ASX listing.

Equity Capital Markets advised a number of its clients on capital management and the substantial changes in that area, and continued to lead the domestic convertibles market with issues for Envestra, Macquarie Bank and Futuris.

In New Zealand, the Group had another outstanding year, achieving the No.1 position in the 1999 Thomson Financial Securities Data league tables. Major roles included advice to Air New Zealand on the acquisition of News Limited's 50 per cent stake in Ansett Australia; Edison Mission Energy on the acquisition of a strategic stake in Contact Energy; and Tauranga Civic Holdings on the divestment of a strategic shareholding in Trustpower to AGL.

The Group also played a major role in preparing the Independent Appraiser Report in respect of the proposed merger of Fletcher Challenge Paper with Fletcher Challenge Canada.

Outlook

The Corporate Finance Group's continued focus on quality companies in all sectors of the economy and the strength of its relationships with these companies provides a positive outlook for the next 12 months and beyond. The Group is confident that its strong market position, increasing sector specialisation and the full year effect of its expanded team provides an excellent platform for continued growth.

The new financial year has commenced strongly, with a number of significant capital raising and advisory mandates. These include the recent appointment of Macquarie as a Global Co-ordinator for the NRMA listing and advising Smorgon Steel on its recently announced takeover bid for Email.

Banking and Property Group

Medallist Golf Developments continued to expand, undertaking new developments in Palm Springs, California, and Springfield, Queensland, during the year. Combined with existing projects in Australia and the USA, Medallist is now developing projects worth approximately $550 million. Medallist is a real estate development alliance between Macquarie and Greg Norman's Great White Shark Enterprises. It capitalises on the property investment banking skills of Macquarie, the course design experience of Greg Norman Golf Course Design and the Norman brand.

The Banking and Property Group performed strongly, with key contributors including Property Finance, Banking Solutions, Mortgages and Property Investment Management. The year was marked by investment in a range of new businesses and products as the Group remained firmly focussed on exploiting new opportunities to drive long-term growth.

Property Investment Management grew strongly with total assets under management increasing 27 per cent to $1.9 billion. Highlights included:

- re-branding of each of the listed trusts to take advantage of the Macquarie name. The trusts are now known as Macquarie CountryWide Trust (MCW), Macquarie Office Trust (MOF), Macquarie Industrial Trust (MIP) and Macquarie Leisure Trust (MLE)
- the introduction of a performance-based fee structure for MCW, MOF and MIP. Macquarie is the first property fund manager to introduce this structure
- MCW, MOF and MIP ranking in the top 10 listed property trusts by BDO Nelson Parkhill, for the third consecutive year. All three trusts continued to outperform the market
- confirmation of each of the larger trusts – MCW, MOF and MIP – in the ASX 200 index (MLE in the ASX 300), resulting in new demand from index-based investors.

Direct Property completed two new offerings including its biggest to date, a $50 million purchase of an office building in the Sydney CBD. It now manages five syndications with total assets of $123 million.

Strategic Business Development launched a number of new research initiatives during the year. Among them were AsiaWide, an Asia Pacific property vehicle for institutional investors and Macquarie Implemented Property Service, which provides investors with access to domestic and international property investment opportunities. Hotel Investment Banking undertook a number of advisory projects in Australia and overseas.

Property Finance continued to successfully provide debt and equity funding solutions for property development projects via private syndications, mezzanine debt and risk participation loans (RPL). A number of major RPL projects were undertaken during the year in Melbourne, Sydney, Perth and Brisbane. The projects covered most types of property development including residential towers, suburban subdivisions, inner-city lifestyle projects and a mixture of commercial and retail. Investment loans were also in strong demand secured by mortgaged properties spread across the major capital cities.

In a further significant move, Property Finance gave institutional and wholesale investors their first opportunity to invest in its risk participation product through the Macquarie Property Development Finance Syndicate No.1, which successfully raised $15 million.

Property Investment Banking (PIB) maintained its position as Australia's leading full-service property and development advisory group. PIB completed a number of portfolio reviews and divestments for commercial and government clients with portfolio values in excess of $1.5 billion.

Urban Pacific Limited, which the Bank acquired in 1998, continued to perform above expectations and participated in projects in Sydney, Adelaide, Brisbane and Melbourne worth in excess of $400 million.

The Macquarie-managed US$58.5 million AMP China Housing programme was established. The programme has commenced its first housing project in Shanghai and is investigating additional development opportunities in other major cities. It brings the total value of Macquarie's projects under management in China to $320 million.

Medallist Golf Developments, the branded real estate development venture between Greg Norman's Great White Shark Enterprises and Macquarie, continued to expand with new development projects in PGA West, Palm Springs, California, and in Springfield, Queensland, in addition to expansion of the golf management venture into Japan with Troon Golf. When combined with the existing projects in Australia and the USA, Medallist is now developing projects worth approximately $550 million.

This year Medallist also established a capital fund with AMP Asset Management, which continues to assess projects throughout Australia and North America. Springfield was the initial project settled in this fund. Medallist operates out of offices in Jupiter (Florida), Sydney and Melbourne.

The **Mortgage Division** continued to grow via wholesale origination and through Macquarie Mortgages, the Division's direct mortgage business. Macquarie Mortgages was revitalised with a range of new products. Following a restructure in October 1999, it achieved an 88 per cent growth in assets during the year. Broadening its distribution strategy was a major priority, which Macquarie Mortgages achieved through the rapidly expanding financial planning industry; through relationships with other third party distributors such as the Canterbury Bankstown Rugby League Club and the Melbourne Football Club; and directly via an enhanced internet presence.

Wholesale origination continued to expand with the signing of a number of new origination agreements, including an extension of the Aussie Home Loans relationship, reinforcing Macquarie's position as the leading funder of non-bank mortgages in Australia.

Macquarie Securitisation reinforced its international market leader status as Australia's pre-eminent arranger and issuer of mortgage-backed securities and was rated No.2 Asia Pacific Issuer of the Year in 1999 by the International Securitisation Report. During the year, Securitisation also securitised third party originated and managed mortgage assets through the Bank's POLAR Securitisation Programme, the first of its kind for Macquarie.

On the international front, a number of initiatives are progressing, especially in China and other parts of Asia.

Banking Solutions achieved record growth in its core business areas. Increased technology investment – establishing e-business settlement solutions, replacing the core banking system and revamping Active Banking – has already paid dividends with the majority of client transactions now performed electronically and most business customers linked via the internet. The move has led to increased efficiency and reduced costs.

Professional and Business Banking continued to follow its highly successful niche strategy of targeting professionals and individuals at the premium end of the market, and achieved record growth in loans and deposits.

Highlights included the penetration of real estate markets outside Sydney, with client numbers in Melbourne and Brisbane increasing by more than 25 per cent. Lending to veterinary businesses grew by in excess of 35 per cent. The loan book has an historically low number of impaired loans.

The number of Macquarie **Margin Lending** (formerly Equities Lending) clients grew during the year by more than 200 per cent, attracted by new products such as the Macquarie Sharemarket Lending Facility.

Private Investment Banking continued to expand its client base of selected professionals, senior corporate executives and high net worth individuals with complex financial needs. PRISM, an investment fund which allows individuals to access opportunities normally reserved for professional investors, has achieved a 40 per cent per annum average return since inception.

Private Investment Banking will become part of the Financial Services Group from 1 June 2000.

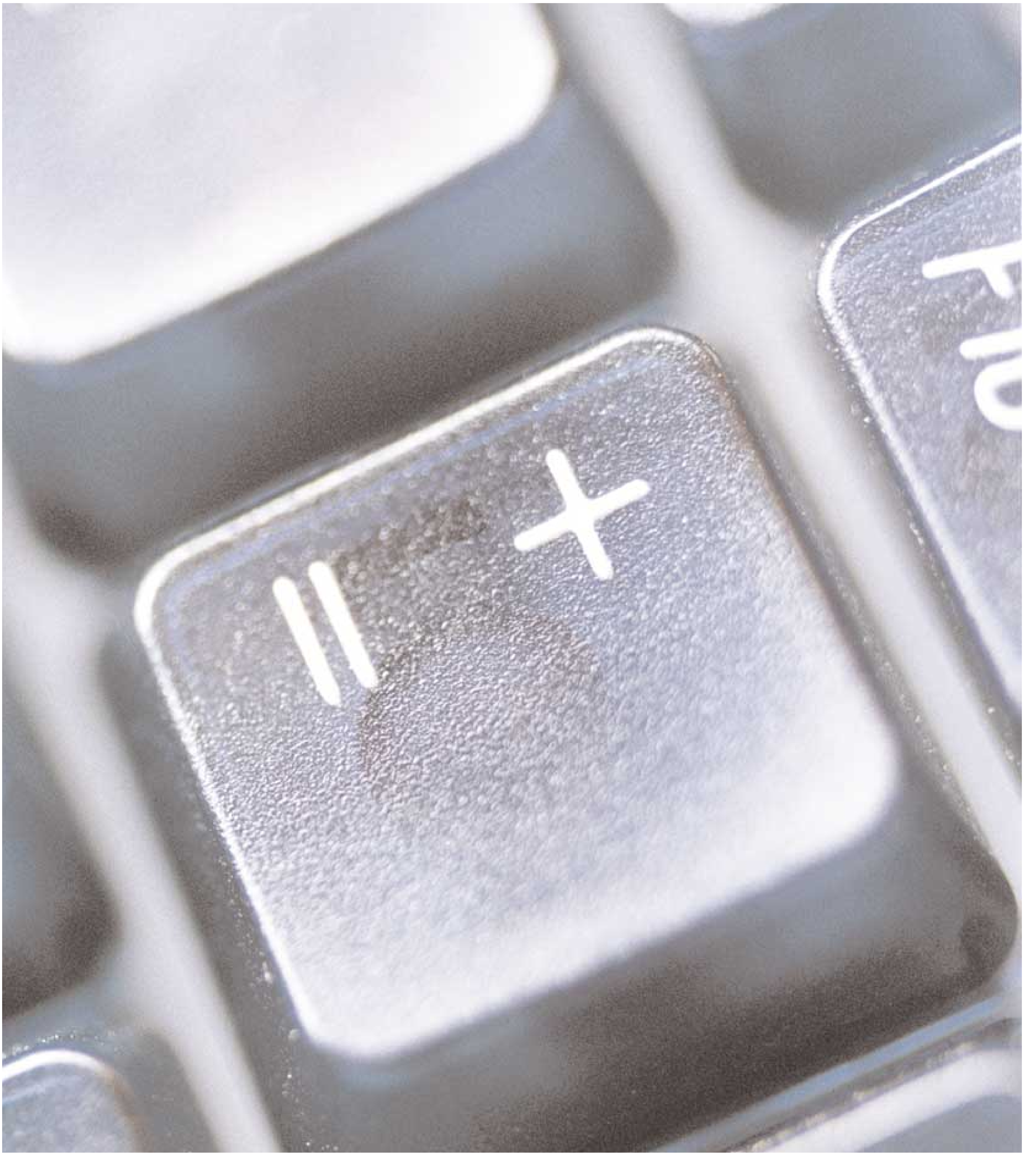
During the year, the Group decided to wind up its new distribution business which was established to promote and sell financial services through real estate agents and accountants. The retail financial needs of clients will now be met through the new Financial Services Group.

Outlook

The Group is projecting strong growth with the focus on further developing its core businesses within Australia and expects to see returns from investments made in newer businesses such as Medallist, Margin Lending and electronic banking systems. At this stage the overall outlook is for a further increase in the Group's earnings during the year to 31 March 2001. In addition, selective expansion will be undertaken in global markets where niche opportunities are available. This process is already under way in the Asian region and the North American markets.

Investment Services Group

The Retail Investments Division has relationships with over 6,000 financial advisers throughout Australia. By providing information, technical assistance, product support and a range of investor education tools, the Division assists advisers in finding tailored solutions to their clients' investment needs. The Division's commitment to servicing the adviser network resulted in Macquarie being recognised by industry researcher ASSIRT as the leading service provider in terms of overall ease of doing business. Macquarie has held top ranking among fund managers for services to advisers for six of the last eight years.



Investment Services Group comprises the Retail Investments Division, Institutional Funds Division, Asset Management Division, Macquarie Portfolio Services and the International Division. The Group had a satisfactory year in terms of revenue but its overall profitability was constrained by investment in technology.

The **Retail Investments Division** is responsible for Macquarie's $6.3 billion flagship retail product, the Macquarie Cash Management Trust (CMT). The CMT attracted more than 45,000 new investors in 1999 (an increase of 25.8 per cent from the previous year) and continued to lead the market as Australia's largest managed investment, with inflows of more than $700 million during the year. Despite competitive rate pressure from new entrants to the cash market, it remained the first choice for many investors and intermediaries due to its unique combination of internet banking (using the transact@macquarie service), convenient features such as electronic settlement arrangements for stockbrokers and Macquarie's award-winning service.

Macquarie's continued commitment to customer service was recognised in 1999 by industry researcher ASSIRT ranking Macquarie as the leading service provider in terms of overall ease of doing business. Macquarie was also recognised as particularly strong in marketing, customer service and operations support. Macquarie received top ranking among fund managers from ASSIRT for six of the last eight years.

The Division's broad product range was enhanced to include:

– the Macquarie Private Equity Multifund

– the Enhanced Index Trust

– new features and external managers for the Macquarie Superannuation Allocated Pension and Superannuation/Rollover plans.

The Private Equity Multifund was developed for do-it-yourself (or DIY) superannuation funds and was launched on the back of the successful unit trust product in early 1999. The Enhanced Index Trust was developed for the Banking and Property Group's Macquarie Sharemarket Lending Facility product and invests in the underlying wholesale Macquarie Australian Enhanced Equities Fund (which has consistently outperformed the benchmark for the past five years).

Macquarie Superannuation was relaunched in February 2000 to include estate planning tools and the ability to invest in external managers' funds.

The Macquarie International Share Trust was renamed the Macquarie Lazard International Share Trust, and has been placed on the recommended lists of many respected financial advisers. The name change reflects the appointment of Lazard Asset Management for the management of Macquarie's international equities.

The Division continued to invest in electronic commerce in order to improve service and product functionality with further developments to transact@macquarie. All of Macquarie's managed investment and superannuation funds are now accessible via the internet, enabling investors to check balances, view their transaction history over the past 100 days and order statements, 24 hours a day. The expansion of the transact@macquarie functionality is designed to increase efficiency and service levels while also improving business profitability.

The **Institutional Funds Division** is responsible for product development and distribution of funds management services to institutional clients. These include public and private superannuation funds, insurance companies, corporate treasuries, master trusts and other large investors.

During the year, wholesale funds under management increased by 12.2 per cent to $21.3 million, with much of the growth going into the enhanced, listed equities, listed property and private equity funds.

A number of new product initiatives were commenced during the year, including the funds management style True Indexing (whereby the client receives index-matching performance for no cost and Macquarie retains all outperformance). True Indexing has been applied across the Australian equities, listed property trust and Australian fixed interest sectors. As at 31 March over $230 million was managed this way.

Looking forward, the Division is confident of meeting the challenges of a consolidating industry. While the domestic market is extremely competitive the Division's current capabilities, comprising asset management and client service skills together with innovative product development, will position the Division well to capture the high levels of growth expected in the industry.

The **Asset Management Division** is responsible for the investment of the Group's wholesale and retail funds. The Division manages cash, domestic and international fixed interest, currency, Australian equities, listed property trusts and asset allocation for the diversified funds. For all asset classes, the Division's approach is based on the philosophy that markets are not efficient and that active management can therefore provide superior returns by exploiting inefficiencies. Macquarie identifies what is priced in by the market consensus and adds value where the Division and its processes differ from the consensus.

Within the Australian equities sector, Macquarie exploits market inefficiencies using its 'Price for Earnings Growth' approach. This approach is based on identifying stocks which are undervalued relative to their medium-term profit growth prospects. To support the requirement for the in-depth security and market analysis that this approach entails, the Asset Management Division has developed sophisticated computer programs and screening.

Macquarie's ability to provide clients with the choice of both active and passive (enhanced index) investment management styles, as well as a choice of asset classes, ensures that it is able to satisfy its clients' needs through the various investment market cycles.

The Asset Management Division had a mixed year in terms of investment performance. While market conditions were difficult for many of the active funds, the enhanced equities and enhanced fixed interest funds delivered top quartile returns. The best performing active fund was the property securities fund, which also delivered top quartile returns. This successful investment performance has resulted in Macquarie being successful in attracting new mandates during the year.

The **Portfolio Services Division** incorporates the Group's accounting, taxation, risk management, custody, settlements, prudential functions and wrap account functions.

A highlight for the year was the successful launch in October 1999 of the Macquarie Portfolio Manager, a portfolio administration service (or wrap account) for retail financial advisers and their clients. This service is an extension of Macquarie's administration capability and provides advisers with an internet-based transaction, administration and reporting facility for superannuation and non-superannuation investments. The service provides access to over 70 wholesale managed funds and to all listed securities settled via CHESS. It reached its first $100 million in funds under management during April 2000.

The transition of the Group's managed funds to the new regulatory structure introduced by the Managed Investments Act was successfully completed during the year and assets under custody now exceed $14 billion.

During the year the Division decided to wind down its outsourcing business, which provided portfolio management services to external fund managers, and has diverted resources to implementing and developing the Macquarie Portfolio Manager system.

Through the **International Division** the Group is pursuing opportunities to export its product innovation and asset management expertise to other markets. The Division researches and develops such opportunities, with a particular focus on markets with substantial growth potential, where that growth is assisted by regulatory change. Joint venture partners may be sought in circumstances where the Division feels that it can benefit from a partner's strengths such as local market knowledge, brand, or distribution.

The Division formed two new business ventures during the year. A joint venture agreement was executed with Sanlam Ltd for the formation of a financial services business in Cape Town, South Africa, which will specialise in funds management and portfolio management products. Macquarie has a 50 per cent interest in the business. An agreement was also executed with IMM Asset Management, for the establishment of an asset management business in Seoul, South Korea. Macquarie has an 81 per cent interest in the venture. Both ventures are expected to open for business in the 2000/2001 financial year.

The Division's existing funds management joint venture in Malaysia, in which Macquarie has a 30 per cent interest, experienced substantially better business conditions as a result of the economic recovery in that market. Funds under management and profit from the venture increased significantly over the previous year.

Outlook

Demographic trends and the focus of the Federal Government on encouraging self-funding of retirement should result in strong growth in the managed funds industry. Such fundamentals will, of course, attract new entrants and the environment is expected to remain competitive, characterised by downward pressure on fees. Nevertheless, as the industry matures, clients will expect higher levels of product innovation and service and these are areas in which Macquarie has an extremely strong reputation. Macquarie also has a number of top quartile performing funds and these will continue to attract good inflows as clients become more discerning.

Macquarie's successful participation in the competitive and open market for funds management in Australia has left the Group well placed to exploit opportunities to selectively export its capabilities offshore. This process is already under way, via joint ventures in Malaysia, South Korea and South Africa.

From 1 June 2000, the Investment Services Group will be renamed the Funds Management Group (FMG). The new Group will employ approximately 140 staff across two Divisions – Domestic and International. The Domestic Division will comprise the activities of the former Asset Management Division, Institutional Funds Division and the fund accounting and settlements activities of the Portfolio Services Division. The focus of the Domestic Division will be the provision and sale of funds management activities for the Bank's institutional clients. FMG will be the major supplier of funds management services to the Bank's newly formed Financial Services Group. The International Division will continue to develop the Bank's offshore funds management activities.

The Bank resolved in early 2000 to undertake a major restructure involving the formation of a new Group dedicated to the distribution of financial services via financial advisers and directly to individuals. The new Group, named the Financial Services Group, will be established on 1 June 2000.

This restructure followed an intensive review of the Bank's retail financial services activities which concluded that, while the Bank had established a number of high quality businesses in the retail market, a restructuring would improve the Bank's ability to service the needs of customers going forward and would also improve the longer-term profit potential of these businesses. Overall, the Bank considers there are very substantial opportunities in retail financial services, particularly in the premium end of the market which is Macquarie's focus. Macquarie has an established record of success and currently services over 400,000 customers both directly and through third party financial advisers.

In stockbroking, Macquarie has established a position as one of the top three retail brokers in Australia. Macquarie has over $10 billion of retail funds under management including $6.3 billion in Australia's leading cash management trust. A variety of other products and services cater for retail clients, including equity warrants, listed property and infrastructure trusts, private banking, equities lending and mortgages and Macquarie has consistently won awards for service levels to financial advisers.

For retail clients, Macquarie has pioneered major developments in the Australian financial services markets, including the first cash management trust, the development of the securitised mortgage market and the introduction of capital protected equity lending products.

Notwithstanding these successes, the decision to restructure was motivated by several factors. The previous organisational approach of aligning retail businesses with related wholesale banking businesses provided a strong product focus but a fragmented approach to the market. A continuation of this approach would have produced sub-optimal outcomes in areas such as systems investment and cost management. Most importantly, a more customer-oriented approach will produce improved service and products for clients, whether they are direct customers or intermediaries who are servicing their own customers. The strategy for the new Group going forward will therefore be increased customer focus, tailoring of solutions for particular customer segments, continued and expanded involvement in both direct and indirect (adviser and other third party) channels and more focussed investment including IT investment. This approach comes at a time when investors are becoming more sophisticated and seeking enhanced services which meet their individual circumstances.

The new Group will be formed by integrating most of the retail financial services activities previously undertaken within the Equities, Investment Services and Banking and Property Groups. Specifically, it will include Macquarie Financial Services (covering the retail stockbroking business), retail investment funds (including the cash management trust), adviser marketing and services, private investment banking and some sales functions for product groups such as equities lending, mortgages and futures.

Financial Services Group

The Group will comprise four Divisions – Macquarie Financial Services, Macquarie Adviser Services, Marketing and Business Development, and Client Services and Operations. It is estimated that the Group will employ around 900 staff.

Outlook

The Group will generate revenue through external fees and services, distribution fees earned from other financial services providers and from internal sales commissions. The Bank also expects ongoing benefits to its wholesale investment banking businesses from an enhanced position in retail markets. The benefits to the Bank's overall earnings from the new approach are not expected to be achieved until after an initial period of two years. In the short term, the Group expects to undertake a substantial programme of IT investment which will affect near term earnings.

The businesses involved in the new Group made a relatively small contribution to the Bank's earnings during 1999/2000 and are expected to make a small loss next year after taking into account systems, marketing and business improvement costs.

Financial Services Group

Direct Investment Division

The **Direct Investment Division** manages six direct investment funds, as well as certain investments made through Bond Street Investments, a wholly-owned subsidiary. The managed funds are Macquarie Investment Trust (MIT), Macquarie Holdings Trust (MHT), Macquarie Investment Trust II (MIT II), Macquarie Holdings Trust II (MHT II), Macquarie Investment Trust IIIA (MIT IIIA) and Macquarie Investment Trust IIIB (MIT IIIB). The first four trusts are fully invested and all new investments are being made through MIT IIIA and MIT IIIB.

The Division had a very active year in terms of fund raising, realisations and new investments. In May a first closing of MIT III was held, with funds committed totalling $200 million. Of this amount $85 million was contributed by retail investors with the balance being provided by domestic institutions. Macquarie Private Equity Trust (MPET), the retail offering organised in conjunction with the Investment Services Group, represents the largest unlisted public offer in this area organised in Australia to date. The marketing of MIT III is continuing, the intent being to raise a further $50 million with a final closing no later than 30 June 2000.

During the year, the Division either wholly or partially sold out of four investments. Bond Street Investments sold out of Austracote by way of a trade sale and also partially realised its investment in Dalcom, an entity established to acquire certain creditor claims held by financial institutions against Spedley Securities. MIT II sold out of Cellnet Cellular and realised 50 per cent of its holding in Volante, both of which were listed on ASX. As a consequence of these transactions the Division reported a good profit, the second highest since its inception.

During the year, MIT II completed one new and three follow-on investments and is now fully invested as a result. In June 1999, MIT II invested in Hermes Precisa Australia, a Sydney-based company specialising in essential mail outsourcing and document management. The Trust also made follow-on investments in The Reject Shop, Cinema Plus and Financial Network Services.

In December 1999, the first MIT III investment was completed when the fund financed the acquisition of Nardell Coal Corporation, a coal mine located in the Hunter Valley. Also in December, MIT III committed to acquire additional shares in Hermes Precisa Australia. However, this investment will not be settled until May 2000.

As the direct investment industry in Australia becomes more competitive the Division is looking at a number of new areas that offer opportunities. These include industry consolidation plays, investments in the resources area and the privatisation of public companies. With $170 million of funds available for investment, Macquarie Direct Investment is well placed to take advantage of these opportunities and others which will undoubtedly arise in the coming months as a result of the recent market turbulence.

Quantitative Applications Division

The **Quantitative Applications Division (QAD)** works in partnership with individual businesses of the Bank. In this way, analytic skills can be tailored to the requirements of the particular business. With the growth of the internet, many of our analytics will also become directly available to the Bank's customers.

The Division continues to take advantage of new technologies in delivering pricing and risk management analytics and has developed an innovative framework for the rapid delivery of new financial products. Technology is playing an increasingly important role in providing analytics to a rapidly growing number of global sites. The Division is based in Sydney but now also has staff in Hong Kong. Recently it has conducted a number of derivative workshops in Sydney, Hong Kong and Tokyo and has been invited to present to finance students at Keio University in Tokyo.

QAD is also an active participant in the financial and academic communities. The Division has representatives on committees at the ASX and on the Advisory Board of the Centre for Object Technologies and Research (COTAR) at the University of Technology, Sydney.

Economic Research Division

The **Economic Research Division** provides analytical advice and forecasts of economic and financial trends to operating Divisions and clients of Macquarie Bank, both through its regular publications and research updates which address individual clients' specific business circumstances.

During the year, the Division continued to expand its research expertise and broaden its analytical support to the Bank's growing global business base. In July 1999, the Division's Asian regional economist was relocated to Hong Kong, enhancing research on the region through improved access to locally-based economic data and analysis. This also provided more timely support to the Bank's Korean-based and other Asian businesses.

In support of the overall strategy and operations of the Bank, a six monthly macro-economic review and risk assessment was initiated by the Division in August 1999. The review is aimed at highlighting potential economic and financial market risks for consideration by the Bank's Executive Committee. It also provides an opportunity for the Division to focus on specific risks which may impact on the Bank's business units. The key elements of that assessment are subsequently reported to clients through the quarterly *Macquarie Letter*.

The Division continues to provide specifically-tailored economic and financial markets research to the Bank's expanding client base. In March 2000, the Division published its widely respected *Annual Property Review* in cooperation with the Banking and Property Group. General research is published in the form of daily data notes and weekly, monthly and quarterly research papers. A growing demand from the Bank's retail client base for regular economic and financial analysis is being addressed through expanded electronic distribution.

Once again, members of the Division contributed to broader economic and policy discussions in Australia and internationally, through participation in forums such as the Council for the Economic Development of Australia (CEDA), the Australian Shipping Council and the Australia-Korea Business Council.

eDivision

eDivision is a new strategic business unit formed within the Bank in late 1999. The Division makes use of web-based technology as a means of increasing the Bank's exposure to wider and more diverse potential markets, while rapidly improving its response time to possible ventures. Its primary focus is on identifying, developing and investing in emerging e-commerce opportunities, markets and business models that extend the Bank's investment banking capabilities. The Division identifies, develops and invests in new businesses and also operates with a flexible incubator and venture capital approach. These opportunities will not be restricted to Australia, with many expected to have an Asia Pacific or global perspective.

Corporate Affairs Group

The **Corporate Affairs Group** comprises the Human Resources and Administration, Corporate Communications, Company Secretarial (including Investor Relations), Financial Operations and Taxation Divisions. These Divisions provide important support services to the operating businesses of the Bank.

The **Human Resources and Administration Division** provides key support services for the Bank including recruitment, remuneration, employee relations, training, staff development, premises, physical insurance, business continuity, office services and the administration of interstate and overseas offices.

The Sydney office relocation project was completed in March 2000, which included the fitout of 28,000 m^2 at the Bank's new headquarters at No.1 Martin Place, and the total refurbishment of 25,000 m^2 at 20 Bond Street. During the project 2,300 staff relocated to No.1 Martin Place and 1,600 staff moved within 20 Bond Street. The Bank now has sufficient office accommodation in Sydney to meet staff growth projections for the next two to three years. Other office expansions included Melbourne, Brisbane and New York, plus a number of new office openings and refurbishments of existing offices.

The Division was actively involved in the BTIB acquisition and integration, particularly the Human Resources and Premises teams. Over 450 former BTIB staff were relocated to a Macquarie office by the end of October 1999.

This involved significant change to the No.1 Martin Place premises in order to accommodate the need for significantly expanded dealing room capacity. The Human Resources team played a key role in the coordination of employment offers, interviews and integration planning. Induction seminars and training were held to allow new staff to adapt to the Bank's way of undertaking its business. Senior staff members are required to attend the Bank's Management Development Programme which aims to enhance leadership skills across all areas of the Bank.

The **Corporate Communications Division** oversees the Bank's public, media, government and community relations both in Australia and internationally. The Division supports the operating businesses in their marketing and promotional activities, coordinating brand management, advertising, sponsorship management, client relations and corporate events management. Corporate Communications also administers The Macquarie Foundation.

The **Company Secretarial Division** is responsible for the Bank's share registry, compliance with certain ASX and ASIC requirements, professional risks insurances and the Bank's investor relations activities. The Division has been instrumental in developing and administering the Bank's various employee equity schemes and restructuring the Bank's professional insurances. Shareholder numbers increased from approximately 11,000 in 1999 to 13,700 at 31 March 2000. In addition, there are now approximately 4,500 holders of Macquarie Income Securities and 300 Converting Preference Share holders. The Investor Relations function has broadened the scope of its activities with management regularly attending domestic and international banking conferences and making annual visits to Asia, the United States and the United Kingdom. Retail shareholder access has been improved through increased information on the Bank's internet site, regular mailings and on-line access to holding information via the registry's website.

The **Financial Operations Division** is responsible for all financial operations of the Bank, including management information, financial planning, budgeting, capital management and all statutory and external financial reporting. The Division also maintains a settlements function which is independent of the operating areas to provide prudential control.

During the year the Division successfully integrated the BTIB accounting and settlements functions as well as playing a key role in the Bank's due diligence for the acquisition. The Division oversees management of the Bank's GST implementation to ensure the Bank will be GST compliant by 1 July 2000. In addition to key strategic projects, the main focus of the Division continues to be advising and assisting the business units on issues which impact their ongoing operations, including business process improvements, new legislation and overseas expansion.

The **Taxation Division** provides taxation support to all areas of the Bank's operations as well as managing the Bank's relationship with revenue authorities and external advisers.

Information Services Division

The **Information Services Division (ISD)** is responsible for managing the Bank's technology infrastructure, supporting, maintaining and enhancing existing business systems and delivering and deploying new systems, technologies and services. ISD provides each major business unit in the Bank with a dedicated team that works closely with the business to understand its particular technology needs.

Last year Andersen Consulting was commissioned to perform a major strategic review of IT at the Bank. The study, completed in June 1999, concluded that the Bank had invested well in its IT capability, spending levels were reasonable and management practices were healthy. It recommended increased focus on governance, e-commerce and architecture.

The Y2K challenge was a key focus during 1999. The Bank achieved or bettered all milestones for compliance testing and contingency planning, resulting in a high degree of confidence as 31 December 1999 approached. A smooth transition into the year 2000 was achieved.

The past 12 months have seen unprecedented growth and expansion of the Bank domestically and internationally. The integration of the three regional brokers acquired by the Equities Group last year was completed early in the year, adding over 200 staff and 14 office locations to the MBL network. This involved the implementation of leading edge technology in order to support offices throughout the Queensland region as well as the smooth transfer of all existing data and applications to the Bank's systems.

During 1999, the Bank's move into its new head office building at No.1 Martin Place was completed, while most of the space at 20 Bond Street was retained. The occupation of two CBD buildings provided the opportunity to create dual, redundant data centres and to enhance the resilience and reliability of the Bank's 24-hour international trading activities, now relocated to new, state-of-the-art trading floors. At the same time, technology was used to create a 'single virtual building' spanning all major CBD locations, providing seamless technology support to all staff located in these buildings.

The BTIB acquisition was a major systems integration project which ISD had to tackle at short notice and in an aggressive timeframe. It entailed the addition of over 450 staff, the integration of over 100 business applications, the conversion of eight major business applications and corresponding data to Macquarie's systems, and the establishment of interim network connections to the trading floor at BTIB's Sydney office as well as to two new overseas offices, in Sao Paulo and Chicago. Within six weeks all businesses were operational and all critical systems and data conversions were completed, enabling record FX trading in September. The Martin Place relocation programme was substantially re-worked to accommodate BTIB staff, creating what is now the largest trading floor operation in Australia. Full integration of all BTIB applications was completed by year end.

New offices in Korea and Vancouver were connected to the global network, and the Hong Kong, Kuala Lumpur and Singapore offices – which were previously standalone operations – were also added to the Wide Area Network (WAN).

With the Sydney Futures Exchange move from pit to electronic trading, Maccel (an electronic futures order and automatic execution system) was sucessfully implemented to support the Futures Division going forward.

The strength of the systems underpinning the operations of the Equities Group has been highlighted by seamless support for some threefold growth in volumes. IT expertise is being deployed to advise and assist in the establishment of SecuriClear, the Macquarie Bank/J B Were clearing joint venture announced this year. The in-house developed Stock Lending System has been sold to a major bank in South Africa.

The final phase of the core systems replacement programme for Corporate Affairs was completed with the implementation of a customised version of the PeopleSoft Salary Packaging module. A number of other upgrades to the General Ledger, Accounts Payable and Asset Management modules were also completed in order to take advantage of improved features and in preparation for the Goods and Services Tax (GST). An upgrade to the human resource and payroll application is currently under way.

Work is well under way readying the relevant core systems to accommodate the requirements of the GST to ensure that GST compliance is achieved across all areas of the Bank's operations. Planning has commenced to ensure that support levels are not compromised during the Olympic period.

Macquarie Capital's major new leasing system (CLLM) is undergoing final testing and implementation is planned for mid 2000.

Banking Solutions commissioned its new banking system, Pivot, in May 1999. The Electronic Presentment and Dishonour system, which meets new legislative requirements with respect to cheque processing, was also implemented.

There has been considerable ongoing investment in internet delivery systems across the Bank's business units. For example, the Investment Services Group's transact@macquarie and your.clients@macquarie services now provide enquiry, transaction and reporting facilities for most products. Macquarie Portfolio Manager was launched and is used by financial advisers to track and report on their clients' managed funds, equities and cash portfolios as well as providing access to wholesale funds. The Banking Solutions Division continued to enhance its Active Banking and DEFT Interactive applications and the Asset and Infrastructure Group is planning to launch its first internet application for web-based origination of leasing agreements later this year. Due to increased traffic and client takeup a significant upgrade of the Bank's e-commerce infrastructure is under way, to provide greater resilience, performance and capacity for growth.

Risk Management Division

Strong prudential management has been a key to the Bank's success over many years. The **Risk Management Division (RMD)** is an independent, centralised unit. It is responsible for assessing and monitoring risks across the Macquarie Bank Group – market risk, credit risk, legal risk, operational risk, documentation risk and liquidity risk. RMD staff liaise closely with the operating areas to ensure all risks are understood and properly managed. The functions within RMD are Credit, Finance, Operational Risk Review, Compliance and Correspondent Banking.

Credit assesses the credit risk on lending and trading transactions. It allocates credit limits for counterparties and countries, develops procedures for measuring credit exposures and reviews the adequacy of legal documentation. Finance reviews market risk taken in the trading and banking books across the Group, for example interest rate risk or foreign exchange risk. It sets trading limits and monitors exposures against those limits daily. Finance is responsible for liaison with the Australian Prudential Regulation Authority and for compliance with its prudential standards, such as capital adequacy requirements. In addition, Finance is responsible for the Group's funding and liquidity policies and for monitoring compliance with them. Operational Risk Review independently reviews and reports on the management of risks focussing on areas of greatest current and emerging risk. This includes reviewing new and existing businesses, systems development and other project related risks, significant contractual arrangements and compliance with internal policies and procedures. Compliance oversees measures to ensure compliance with applicable regulations and laws in Australia and overseas and with obligations of fidelity and confidence to clients and counterparties. Correspondent Banking manages the Bank's relationships with other domestic and international banks and with ratings agencies.

The Board of Voting Directors (the Board) is responsible for Macquarie Bank Limited and its controlled entities. The primary role of the Board is to ensure the long-term health and prosperity of the Company. It accomplishes this by:

- setting of objectives, goals and strategic direction for management with a view to maximising shareholder value and monitoring management performance against these benchmarks
- adopting an annual budget and the monitoring of financial performance
- ensuring adequate management information systems are in place
- ensuring adequate internal controls exist and are appropriately monitored for compliance
- ensuring significant business risks are identified and appropriately managed
- setting appropriate remuneration policies
- selecting, appointing and reviewing the performance of the Managing Director
- selecting and appointing new Voting Directors
- maintaining the highest business standards and ethical behaviour.

Directors are made aware of current and forthcoming issues relevant to the Bank's operations and performance, through the monthly Board papers. These contain the monthly and year-to-date performance of all Divisions compared with budget and a Risk Management Division prudential report. Papers relating to particular issues are also included in the document and senior management are often invited to present and discuss these matters with the Board. Management must also be responsive to requests from the Board if it requires further information on any issue, including requesting that a particular Division or Group Head present to it on the performance, strategy or outlook for the respective Division or Group. An annual Board strategy session is also held in conjunction with senior management, where the strategic direction of the Bank is discussed.

Voting Directors meet with representatives from clients, business partners, major suppliers and government and regulatory bodies as well as staff members on a regular basis, which provides the Board with additional understanding of the Bank's businesses, clients and employees.

Board Composition

At the date of this statement, the Board comprises three Executive Voting Directors and six Non-Executive Voting Directors. The members of the Board and their committee membership is outlined in the table on the right. Brief resumes of the Voting Directors are contained in the Directors' Report.

The Bank currently also has 98 Non-Voting Executive Directors. Pursuant to the Bank's Constitution, they have no right to attend or vote at any Board meeting. However, they do have the power to exercise management powers delegated by the Board including to sign and countersign the Bank's common seal.

The Bank's Constitution provides that:

- the maximum number of Voting Directors shall be 15
- at least one third of the Voting Directors (excluding the Managing Director) must retire from office at the annual general meeting each year; such retiring Directors are eligible for re-election
- Voting Directors appointed to fill casual vacancies must submit to election at the next general meeting
- the number of Voting Directors necessary to constitute a quorum is:

a) not less than one third of the Voting Directors currently in office; and

b) the number of Non-Executive Voting Directors present at a meeting must be greater than the number of Executive Voting Directors present.

Director	Board Membership		Committee Membership Nominating	Audit & Compliance	Compensation
D.S. Clarke AO	Executive	Chairman	Chairman	Member	Chairman
A.E. Moss	Executive	Managing Director			
M.R.G. Johnson	Executive				
B.N. Kelman AO	Non-Executive	Deputy Chairman	Member		Member
J.G. Allpass	Non-Executive			Chairman	Member
L.G. Cox AO	Non-Executive				
B.R. Martin	Non-Executive		Member		
H.K. McCann	Non-Executive			Member	
H.M. Nugent	Non-Executive				

Terms and Conditions of Appointment of Non-Executive Directors

The terms and conditions of the appointment and retirement of any new Non-Executive Voting Directors are set out in a letter of appointment, which prescribes:

- remuneration
- indemnity and insurance arrangements
- the term of appointment, subject to shareholder approval
- the expectation of the Board in relation to attending and preparing for all Board meetings
- procedures for dealing with conflicts of interest, and
- the availability of independent professional advice.

The Bank's Constitution provides that a Director may enter into an arrangement with the Bank or with any controlled entity.

Directors or their firms may act in a professional capacity for the Bank or its controlled entities. However, these arrangements are subject to the restrictions and disclosures in the Corporations Law and common law directors' duties.

It is the practice of the Voting Directors that when a potential conflict of interest may arise, the Voting Director concerned does not receive a copy of the relevant Board paper and withdraws from the Board Meeting whilst such matter is being considered.

The Board has a policy of enabling Voting Directors to seek independent professional advice for company related matters at the Bank's expense, subject to the estimated costs being approved by the Chairman in advance, as being reasonable.

As described in the Directors' Report, the Bank's Constitution provides an indemnity to past and present Voting Directors. As with other insurable risks, the Bank has insured itself against payments under this indemnity to the extent considered prudent. Individual directors and officers of the Group are insured by, and pay the premium on, a Directors and Officers Liability policy which is coordinated by the Bank.

At the 1998 Annual General Meeting, shareholders approved the Bank entering into a Deed of Indemnity, Access and Insurance with Voting Directors which extended the above-mentioned indemnity and insurance arrangements, as well as access to Board papers, to former Voting Directors in respect of their period in office.

Corporate Governance Statement

At the 1999 Annual General Meeting, shareholders approved the Bank entering into a Deed Poll of Indemnity and Insurance with Voting Directors and other officers of the Group which extended the above-mentioned indemnity and insurance arrangements to officers and former officers of Group companies in respect of their periods in office.

In order to encourage long-term commitment and more closely align the interests of the Board with shareholders, the Board recently agreed to introduce a minimum shareholding requirement for its Non-Executive Voting Directors (NEDs). All NEDs are required to maintain a shareholding in the Bank approximately equal in value to a NED's annual base remuneration. This minimum holding may be accumulated over three years and may be contributed to via participation in the Non-Executive Director Share Acquisition Plan, introduced with shareholder approval last year. Under this plan, NEDs may contribute a portion of their remuneration from the Macquarie Bank Group to acquire Macquarie Bank Limited shares at prevailing market prices.

Board Committees

A number of Board Committees have been established to assist in the execution of the Board's responsibilities including a Nominating Committee, an Audit and Compliance Committee and a Compensation Committee.
The Bank delegates substantial management responsibilities to the Executive Committee as described on page 14 (the members of this Committee are noted on page 58).

The composition of the Board is reviewed periodically by the **Nominating Committee** which comprises David Clarke (Chairman), Bryan Kelman and Barrie Martin. The Nominating Committee ensures that the Voting Directors bring characteristics to the Board which provide a mix of qualifications, skills and experience, both nationally and internationally.

When a vacancy exists or whenever it is considered that the Board would benefit from the services of a new Voting Director with particular skills, the Committee selects one or more candidates with the appropriate expertise and experience.

The Committee may use the services of a professional recruitment firm. Candidates are then submitted to the Board.

The **Audit and Compliance Committee** comprises John Allpass (Chairman), David Clarke and Kevin McCann. Committee meetings are held periodically throughout the year and are attended by the Managing Director and, where appropriate, by the Head of the Financial Operations Division, a representative from Group Compliance, representatives of the Bank's external auditors and, as required, other Bank executives and external advisers. The Head of the Bank's Operational Risk Review Division acts as secretary to the Committee and attends all meetings. The main objectives of the Committee are to assist the Board in:

- assessing the appropriateness of accounting policies, practices and disclosures and whether the quality of financial reporting is adequate
- reviewing the scope and results of internal, external and compliance reviews and audits
- maintaining open lines of communication between the Board and Operational Risk Review, the external auditors and the Group's compliance officers
- assessing the adequacy of the Group's internal controls based on information provided or obtained
- making informed decisions regarding compliance policies, practices and disclosures, and
- reviewing any matters of significance affecting the financial welfare of the Group.

To fulfil these responsibilities the Committee meets with and receives regular reports from Operational Risk Review, the external auditors and Group Compliance, dealing with matters which arise in connection with their reviews, audits or other work performed. The Audit and Compliance Committee is also responsible for the review and nomination of external auditors.

The Bank's external auditor, PricewaterhouseCoopers, has provided various non-audit services to the Group for which it has had to compete on an arms length basis against other external firms. Details of the Bank's relationship with PricewaterhouseCoopers and further information relating to remuneration throughout the year are contained in the 2000 Financial Report.

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

The Bank's remuneration policy for Directors and senior management is discussed in the 2000 Financial Report. It should be noted that these policies are designed to encourage long-term commitment to the Bank by senior executives. The Bank maintains sufficient depth of management to ensure adequate candidates for succession in the event of departures of senior management. Additionally, the Bank has a preference to fill vacancies from within. As a general rule, retiring or resigning Executive Directors give the Bank advance notice of their impending departure.

Identifying Significant Business Risks

There are many risks in the markets in which the Bank operates. Performance can be influenced by a range of factors, a number of which are beyond the Bank's control. In many of its businesses, the Bank constantly and deliberately assumes financial risk in a calculated and controlled manner. It is the Group's policy that any proposed new type of transaction, market, dealing operation or business is fully analysed in order to understand the risks involved. The Bank has in place limits and an extensive range of procedures to monitor the risk in its financial activities which are periodically reviewed by the Board.

The Bank's Risk Management Division is responsible for the review and analysis of prudential and risk management across the Group. This Division, and the Bank's approach to risk management, are described earlier in this Report and also in the Bank's 2000 Financial Statements booklet and interested readers are referred to these sections.

Ethical Standards

Macquarie Bank directors and staff are required to maintain the highest ethical standards of conduct. To this end the Group's code of ethics, Macquarie Bank – What We Stand For, continues to be endorsed by the Board. What We Stand For is continually reviewed and enshrines the high standards required by the Bank. It is communicated to all staff and covers the Bank's overall goals, dealings with external parties and internal operating approach. New executives and certain other staff attend a one-day seminar about the Bank and its goals and values. All other new staff attend a workshop/presentation on the code. The goals and values encapsulated in What We Stand For are reinforced at staff gatherings including the Bank's Annual Staff Meeting.

In order to strengthen the Bank's commitment to maintaining high ethical standards, it has appointed an Integrity Officer. While the Bank recognises the role management plays in providing leadership on a day-to-day basis, the Integrity Officer:

- provides education, advice and counselling to management and staff regarding integrity issues
- ensures that claims of integrity breaches will be dealt with impartially, promptly and confidentially, and
- ensures that staff who bring forward complaints of this nature are not victimised.

Commitment to Shareholders

The Board believes that shareholders should be informed of material business matters which influence the company. To this end, the Board instituted a Continuous Disclosure Policy in December 1994. The policy outlines a formal procedure to deal with potentially price-sensitive information. Such issues are ultimately referred to the Continuous Disclosure Committee. The Committee comprises the Chairman of the Bank, the Deputy Managing Director, the Group Head most directly involved and the Company Secretary. The Committee is responsible for ensuring that the Bank meets its disclosure obligations under Australian Stock Exchange Listing Rule 3.1.

In addition to various announcements the Bank may make during the year, it produces two sets of financial information annually; the Interim Report for the six months to 30 September and the Concise Report and accompanying Financial Statements for the year to 31 March. These are prepared pursuant to the Corporations Law and provide shareholders with an overview of the Bank's performance and operations twice a year.

The Bank also encourages shareholders to attend its Annual General Meeting (AGM), usually held towards the end of July. Shareholders are provided with notes on all the resolutions proposed through the Notice of AGM. Unless specifically stated in the Notice of AGM, all holders of fully-paid ordinary shares are eligible to vote on all resolutions. In the event that shareholders cannot attend the AGM they are able to lodge a proxy in accordance with the Corporations Law.

The voting rights of Converting Preference Share and Macquarie Income Securities Holders are outlined on page 72 of the Concise Report.

In addition, shareholders can obtain up-to-date information on the Bank's various activities at www.macquarie.com.au. All recent announcements, presentations and reports can be found on this site.

This Corporate Governance Statement reflects the practices in the Bank during the year. Unless otherwise indicated, they operated for the Bank's entire financial year.

2000 Concise Report

This Concise Report has been derived from the full Financial Report for the year ended 31 March 2000. The full Financial Report, including the Audit Report will be sent to members on request, free of charge. Please call (02) 8232 3333 and a copy will be forwarded to you. Alternatively you can access both the full Financial Report and the Concise Report via the internet at www.macquarie.com.au

The Concise Report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of Macquarie Bank Limited and its controlled entities as the full Financial Report.

Directors' Report
For the Financial Year ended 31 March 2000

In accordance with a resolution of the Voting Directors ("the Directors") of Macquarie Bank Limited ("the Bank"), the Directors submit herewith the Balance Sheet as at 31 March 2000 and Statements of Profit and Loss and Cash Flows 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, the Directors of the Bank are:

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

Non-Executive Directors:
B.N. Kelman, AO, CBE, *Deputy Chairman*
J.G. Allpass
L.G. Cox, AO
B.R. Martin
H.K. McCann
H.M. Nugent (appointed 1 June 1999)

Unless indicated, the above Directors each held office as a Director of the Bank throughout the financial year ended 31 March 2000.

Details of qualifications, experience and special responsibilities of Directors at the date of this report are shown in the Schedule hereto.

Directors' Meetings

The number of Board 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 is summarised in the table below.

	Regular Board Meetings		Special Board Meetings		Committee Meetings	
	eligible to attend	attended	eligible to attend	attended	eligible to attend	attended
D.S. Clarke	12	12	8	8	12	11
A.E. Moss	12	12	8	8		
M.R.G. Johnson	12	10	8	6		
B.N. Kelman	12	11	8	5	5	3
J.G. Allpass	12	12	8	8	12	12
L.G. Cox	12	11	8	7		
B.R. Martin	12	12	8	6		
H.K. McCann	12	12	8	7	7	6
H.M. Nugent	10	10	7	7		

The committee meetings held during the year were in respect of the Compensation Committee (5) and the Board Audit and Compliance Committee (7).

Principal Activities

The principal activities of the Bank and its controlled entities during the financial year ended 31 March 2000 were those of a full service financial service provider offering a full range of investment banking, commercial banking and retail financial services in Australia and in selected markets around the world.

The activities of the Bank were broadened during the year as a result of the acquisition of the Bankers Trust investment bank ("BTIB") business. This acquisition significantly expanded our debt markets capability and added a global agricultural commodities presence.

Result

The consolidated operating profit for the financial year ended 31 March 2000 attributable to ordinary equity holders after provision for income tax was $210,248,000 (1999: $164,953,000).

Dividends and Distributions

The Bank paid or provided dividends and distributions during the financial year as set out in the table below:

Date	Type	$	In respect of year ending	
2 July 1999	Final	62,456,571	31 March 1999	Paid
2 December 1999	Interim	57,967,207	31 March 2000	Paid
4 July 2000	Final	89,336,002	31 March 2000	Provided

Macquarie Income Securities	$
Paid	6,294,598
Provided	6,057,534
	12,352,132

Converting Preference Shares	$
Paid	3,396,822
Provided	3,245,178
	6,642,000

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

State of Affairs

On 25 June 1999, the Bank announced that it would acquire the Bankers Trust investment bank business. The acquisition became effective on 31 July 1999. The operating results of the BTIB business have been included in the profit and loss statement since the date of acquisition.

With the exception of the matter noted above, in the opinion of the Directors there were no significant changes in the state of affairs of the consolidated entity that occurred during the financial year under review not otherwise disclosed in this Report or the consolidated Financial Report.

Financial Report

The consolidated Financial Report and Financial Report of the Bank for the year ended 31 March 2000, which are accompanied with an unqualified Audit Report, are included in the 2000 Financial Report book. All references to notes to the Financial Report are to this book, which will be provided to shareholders upon request and without charge.

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 consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in the financial years subsequent to 31 March 2000 not otherwise disclosed in this Report or the consolidated Financial Report.

Review of Operations

A review of the operations of the consolidated entity and the results of those operations for the financial 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 consolidated entity which would not, in the opinion of the Directors, be prejudicial to the consolidated 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 37 – Employee Equity Participation, of the full financial Report.

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.

Environmental Regulations

The Directors have assessed whether there are any significant environmental regulations that apply to the Bank and its controlled entities and have concluded that there are none.

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 and the period to the date of this report, 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 Financial Report, or the fixed salary of a full-time 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/she is a member, or with an entity in which he/she has a substantial financial interest, with the exception of consulting fees paid, in the normal course of business totalling $331,679 (1999: $622,333) to the legal firm of Allen Allen & Hemsley of which Mr H.K. McCann is a partner.

Directors' interests are disclosed in Note 34 – Related Party Information, of the full Financial Report. Directors' remuneration is disclosed in Note 36 – Remuneration Policy for Directors and Executive Directors, of the full Financial Report and in Note 5 of the Concise Report.

Directors' Indemnification

Under the Bank's Constitution, 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; Douglas Hunt, 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.

Following approval by shareholders at the 1998 Annual General Meeting, the Bank entered into a Deed of Access, Indemnity and Insurance dated 4 August 1998, which protects Directors acting as Directors during their term of office and after their resignation (except where an individual engages in conduct involving a lack of good faith). Under the Deed, the Bank agrees to:

(a) indemnify a current or past Voting Director to the full extent of the indemnity given in relation to officers of the Bank under its Constitution in force from time to time;

(b) take out and maintain a company reimbursement insurance policy and make available to Directors a Directors' and Officers' insurance policy (each policy to be in an amount and on terms and conditions appropriate for a reasonably prudent company in the Bank's position) for seven years after the Director ceases to be a Director of the Bank;

(c) loan funds to a Director to cover the Director's legal costs in defending a claim, repayable when the outcome of the proceedings is determined (where the outcome results in the Director having an indemnity for such legal costs, the loan will be repayable from the amount paid by the Bank to the Director under the indemnity); and

(d) grant access to Directors to all Board papers for at least seven years after the Director ceases to be a Director of the Bank, and access to other documents if the documents were in the Bank's possession at the time the Director was a Director and where it is not contrary to the Bank's interest for the documents to be provided.

In addition, following the approval of shareholders at the 1999 Annual General Meeting, the Bank made an Indemnity and Insurance Deed Poll on 30 July 1999. The benefit of the undertakings made by the Bank under the Deed Poll have been given to each of the Directors and Secretaries of the Bank, its wholly-owned subsidiaries and certain other companies where the Director or Secretary is acting as such at the specific request of the Bank or of a wholly-owned subsidiary of the Bank. The Deed Poll provides for the same indemnity and insurance arrangements for those persons with the benefit of the Deed Poll as for the Deed of Indemnity, Access and Insurance described above. However, the Deed Poll does not provide for access to documents of the Bank.

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 3.1.

Rounding of Amounts

In accordance with Australian Securities and Investments Commission Class Order 98/0100 amounts in the Financial Report have been rounded off to the nearest thousand dollars unless otherwise indicated.

David Clarke

D.S. Clarke
Director

Allan Moss

A.E. Moss
Director

Sydney
26 May 2000

Directors' Experience and Special Responsibilities

David S. Clarke, AO, B Ec(Hons)(Syd), MBA(Harv) (58)

Executive Chairman of Board since the Bank's inception in February 1985
Chairman of Board Compensation Committee
Chairman of Board Nominating Committee
Member of Board Audit & Compliance Committee

David Clarke has been Executive Chairman of Macquarie Bank Limited since its formation in 1985. From 1971 to 1977 he was Joint Managing Director of Hill Samuel Australia Limited (predecessor to Macquarie Bank Limited), from 1977 to 1984 Managing Director, and from 1984, Executive Chairman. He is also Chairman of Brian McGuigan Wines Limited, the Australian Rugby Union Limited, the Wine Committee of the Royal Agricultural Society of New South Wales, the Opera Australia Capital Fund and the Sydney Advisory Board of the Salvation Army. Mr Clarke is President of the National Council of Opera Australia. He is a member of the Australian Stock Exchange, a member of the Board of the Royal Agricultural Society of New South Wales, the Investment Advisory Committee of the Australian Olympic Foundation, the Harvard Business School Asia Advisory Committee and the Monash Mount Eliza Business Council.

Bryan N. Kelman, AO, CBE, B Eng(Syd) (74)

Deputy Chairman of Board since September 1992
Member of Board since the Bank's inception in February 1985
Member of Board Compensation Committee
Member of Board Nominating Committee

Bryan Kelman spent his early career in the construction industry and prior to joining CSR he was Chairman and Managing Director of Ready Mixed Concrete (UK) Limited. He joined CSR in 1966 and was a Deputy General Manager of the company for 10 years from 1972 to 1982. He was Chief Executive Officer from 1983 to 1987 and a Director of CSR until July 1998. He is Chairman of Tarawa Consolidated Pty Limited and the Australian Membrane and Biotechnology Research Institute. He served on the Trade Development Council from 1976 to 1981 and was Chairman for the last three years of that period. He is a former Chairman of Homestake Gold of Australia Limited, the State Superannuation Investment & Management Corporation, the State Authorities Superannuation Board and John Fairfax Holdings Limited.

Allan E. Moss, BA LLB(Hons)(Syd), MBA(Harv) (50)

Managing Director since August 1993
Member of Board since June 1989

Allan Moss joined Hill Samuel Australia Limited (predecessor to Macquarie Bank Limited) in the Corporate Services Group in 1977 and in 1982 became a Director of Hill Samuel Australia Limited. 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 (now the Risk 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. He was appointed to the Board of CSR Limited in 1996.

John G. Allpass, FCA, FCPA, FAICD (59)

Member of Board since January 1994
Chairman of Board Audit & Compliance Committee
Member of Board Compensation Committee

John Allpass is a Chartered Accountant and 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. He currently holds a number of other appointments including directorships of Queensland Investment Corporation, Envestra Limited and Medical Benefits Fund of Australia Limited, member of the Brisbane Advisory Board of the Salvation Army and Councillor of St John's College. He has also held a number of other corporate appointments.

Laurence G. Cox, AO, BCom(Melb), FCPA, FSIA (61)

Joint Chairman of Corporate Finance Group
Member of Board since January 1996

Laurie Cox joined the Board as a Non-Executive Director and also became Joint Chairman of Macquarie Corporate Finance Limited in January 1996. He was previously Executive Chairman of the Potter Warburg Group of Companies and a Director of S G Warburg Securities of London. Mr Cox is the immediate past Chairman of Australian Stock Exchange Limited (1989 to 1994). He was a Director of the ASX from its inception in 1987, a Director of Securities Exchanges Guarantee Corporation from 1987 to 1995 and a member of the Executive Committee of the Internationale Bourses des Valeurs from 1990 to 1992. He is currently an associate of the ASX and a member of the International Markets Advisory Board, the NASDAQ Stock Market (USA) and the Executive Committee of the Australia Japan Business Co-operation Committee. He is Chairman of Transurban City Link Limited, Fortis Australia Limited, SMS Consulting Group Limited and the Murdoch Children's Research Institute and is a Director of Smorgon Steel Group Limited.

Mark R.G. Johnson, LLB(Hons)(Melb), MBA(Harv) (59)

Executive Director
Joint Chairman of Corporate Finance Group
Member of Board since February 1987

Mark Johnson joined Macquarie Bank in February 1987 as an Executive Director of the Bank and Chairman of its Corporate Services Division. He was joint Managing Director of Hill Samuel Australia Limited (predecessor to Macquarie Bank Limited) with David Clarke from 1971 to 1977 and an Executive Director of Hill Samuel & Co. London until 1980. Mark was founding Director of the Australian Bank in 1981 and resigned from that position in 1986 before rejoining Macquarie Bank. He is a director of The Australian Gas Light Company Limited, Biota Holdings Limited and the Victor Chang Cardiac Research Institute Limited.

Barrie R. Martin, B Ec, FAII (64)

Member of Board since August 1993
Member of Board Nominating Committee

Barrie Martin is a former Non-Executive Chairman of Prudential Corporation Australia Limited and was Managing Director for the Prudential Group in Australia and New Zealand from July 1984 to December 1994. He was Chairman of the Life Insurance Federation of Australia from May 1990 to May 1992 and was Chairman of the Insurance Employers Industrial Association from 1990 to 1992. He stepped down from the position of Deputy President of the State Chamber of Commerce (NSW) in 1991 and was President of the Council of the Australian Insurance Institute in 1994/1995. Mr Martin is Chairman of Alpha Healthcare Limited, the Barkworth Group and Brazin Limited and is a Director of the Sundowner Group, Christie Retail Management Limited and Brandenburg Ensemble Limited.

H. Kevin McCann, BA LLB(Hons) (Syd), LLM(Harv) (59)

Member of the Board since December 1996
Member of Board Audit & Compliance Committee

Kevin McCann is Chairman of Partners, Allen Allen & Hemsley, a firm of Australian lawyers. He has practised as a commercial lawyer since admission as a Partner in 1970, specialising in Mergers and Acquisitions, Mineral and Resources Law and Capital Markets Transactions. He is Chairman of Healthscope Limited, Origin Energy Limited and Triako Resources Limited. He is also Chairman elect of the Sydney Harbour Federation Trust, which will be established to manage surplus defence land on the Sydney Harbour foreshores and a strategic adviser to the Vice Chancellor of the University of Technology Limited, Sydney.

Helen M. Nugent, BA(Hons), PhD (Qld), MBA(Harv) (51)

Member of the Board since June 1999

Helen Nugent has held a number of high profile roles in the banking sector including Director of Strategy, Westpac Banking Corporation from 1994 to 1999 and Non-Executive Director of the State Bank of New South Wales in 1993 and 1994. She was also a Director of Mercantile Mutual Holdings Limited, Professor of Management and Director of the MBA Program at the Australian Graduate School of Management and a Partner at McKinsey and Company. She is currently a Non-Executive Director of United Energy Limited and TAB (QLD) Limited as well as being Deputy Chair of the Australia Council and Chair of the Major Organisation Fund of the Australia Council. In 1999 she was Chair of the Ministerial Inquiry into the Major Performing Arts.

List of Directors

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 and Chief Executive Officer
Mark R.G. Johnson #

Non-Executive Directors

John G. Allpass
Laurence G. Cox, AO
Bryan N. Kelman, AO, CBE
Barrie R. Martin
H. Kevin McCann
Helen M. Nugent

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

W. Richard Sheppard #°
Deputy Managing Director

David C. Adams
Stephen D. Allen
Mark E. Bennett
William D. Best
Paul M. Bide
Murray E. Bleach
Gavin J. Bradley
Gail M. Burke °
J.K. (Kim) Burke
Michael Carapiet
Lisa M. Clarke
Michael W. Cook
Stephen W. Cook
James Craig
Peter Curry
Scott W. Davies
Andrew J. Downe # °
Gregory J. Dring
Robert A. F. Dunlop
Liam Edwards
Andrew Evans
Warwick W. Evans
Richard Facioni
Garry A. Farrell
Timothy F. Farrelly
Anthony P. Fehon
Anthony J. Ferguson
Wayne Fitzgibbon
Robyn L. FitzRoy
Frank N. Ganis
Anthony P. Gill
Stephen M. Girdis
A. John Green
John M. Green
Patrick M. Hodgens
Anthony Jackson
Richard H. Jenkins # °
Anthony L. Kahn
Wayne G. Kent
Robert G.H. Lang
Wayne A. Leamon
Ian Learmonth
Robert A. Lee
Jim Lennon
Russell A. Leslie *
Andrew A. Lockhart
Gregory D. Loveday
Alastair F. Lucas # °
Gregory J. Mackay
James A. Mactier
William P. Marynissen

Kerrie Mather
Gregory J. Matthews
Michael E. McFarlane
Simon V. McKeon
Nicholas R. Minogue °
Nicholas Moore # °
Warwick G. Morris
William J. Moss # °
Grant Munro
Paul Ow
Richard A. Pegum
Leslie Petro
Daniel Phillips
Alex Pollak
David G. Poole
John P. Prendiville
Michael J. Price
Richard G. Price
Mary J. Reemst
Guy A. Reynolds
David G. Rickards
John S.H. Roberts
Paul J. Robertson
David G. Roseman
Jonathan Rourke
Rowan A. Ross
Ross S. Ryan
William J. Shields
Hon. Warwick L. Smith
TY Song
Brett A. Spork
Hon. Alan R. Stockdale
Bruce N.Terry
Peter Thomas
Michael W. Traill
John W. Walker, AM
Gregory C. Ward °
Neil Watson
Ottmar Weiss
Charles W.S. Wheeler
Shemara R. Wikramanayake *
Stephen R. Wood
Margaret A. Wright
Simon L. Wright
Oliver Yates
Peter W. Yates

# Denotes member of the Executive Committee

° Denotes member of the Operations Committee

* Denotes Director on leave of absence

List of Directors

Consolidated Profit and Loss Statement

For the Year Ended 31 March 2000

	Notes	Consolidated 2000 $'000	Consolidated 1999 $'000
Interest and similar income		186,830	132,444
Trading income		268,145	125,422
Fee and commission income		661,417	550,452
Net gain arising from BTIB acquisition and integration		3,797	–
Other operating income		66,286	6,779
Total operating income		1,186,475	815,097
Employment expenses		(625,652)	(420,103)
Accommodation expenses		(52,496)	(38,874)
Non-salary technology expenses		(56,183)	(38,759)
Other operating expenses		(150,727)	(99,570)
Total operating expenses		(885,058)	(597,306)
Operating profit before income tax		301,417	217,791
Income tax expense		(79,006)	(52,838)
Operating profit after income tax		222,411	164,953
Outside equity interest in operating loss after income tax		189	–
Distribution paid or provided on Macquarie Income Securities	3	(12,352)	–
Operating profit after income tax attributable to ordinary equity holders		210,248	164,953
Retained earnings at the beginning of the year		405,537	351,385
Adjustment resulting from change in accounting policy for investment in associates	1	(610)	–
Adjustment resulting from change in accounting policy for consolidation of life insurance business	1	4,431	–
Less: Dividends paid or provided on ordinary shares	3	(147,303)	(110,801)
Retained earnings at the end of the year		472,303	405,537
			Cents per Share
Earnings per share	4	124.33	101.33

The above Profit and Loss Statement should be read in conjunction with the accompanying notes and discussion and analysis.

Consolidated Balance Sheet
At 31 March 2000

	Consolidated 2000 $'000	Consolidated 1999 $'000
Assets		
Cash and liquid assets	219,227	96,595
Bullion	84,194	53,485
Due from clearing houses	106,723	171,035
Securities purchased under resale agreements	1,951,273	205,198
Securities	4,657,572	1,867,964
Due from other financial institutions	959,153	55,805
Due from governments	648,886	472,096
Loans and advances	4,571,619	3,222,297
Lease receivables	338,660	252,405
Other assets	6,720,213	2,785,292
Life insurance investment assets	2,909,991	–
Due from controlled entities	–	–
Investments	65,629	42,348
Regulatory deposits	–	66,246
Fixed assets	88,736	53,664
Future income tax benefit	67,140	111,413
Investments in controlled entities	–	–
Total Assets	23,389,016	9,455,843
Liabilities		
Due to other financial institutions	976,839	536,924
Due to clearing houses	2,506	3
Securities sold under repurchase agreements	987,549	22,053
Securities borrowed	1,710,266	209,977
Deposits	3,961,703	3,137,318
Negotiable certificates of deposit	2,556,400	1,415,496
Notes payable	2,515,199	461,697
Other liabilities	5,789,891	2,442,088
Life insurance policy liabilities	2,802,796	–
Due to controlled entities	–	–
Provision for dividend and distributions	95,394	62,457
Provision for income tax	28,841	27,564
Provision for deferred income tax	170,716	122,820
Provision for employee entitlements	39,777	28,006
Provision for uncertainties	46,810	27,916
Total Liabilities	21,684,687	8,494,319
Loan Capital		
Subordinated debt	319,459	310,262
Converting Preference Shares	150,000	–
Total Loan Capital	469,459	310,262
Total Liabilities and Loan Capital	22,154,146	8,804,581
Shareholders' Equity		
Ordinary share capital	372,815	245,725
Macquarie Income Securities	390,053	–
Investment revaluation reserve	–	–
Retained earnings	472,303	405,537
Total shareholders' equity	1,235,171	651,262
Outside equity interests in controlled entity	(301)	–
Total Liabilities, Loan Capital, Shareholders' Equity and Outside Equity Interests	23,389,016	9,455,843

The above Balance Sheet should be read in conjunction with the accompanying notes and discussion and analysis.

Consolidated Statement of Cash Flows
For the Year Ended 31 March 2000

	Consolidated 2000 $'000	Consolidated 1999 $'000
Cash flows from operating activities		
Interest and bill discounts received	825,409	490,927
Interest and other costs of finance paid	(671,121)	(387,462)
Dividends and trust income received	151,543	42,261
Fees, royalties and commissions received	717,400	611,687
Fees and commissions paid	(134,260)	(83,598)
Net (payments and proceeds)/receipts from dealing in financial instruments, foreign exchange and commodities	(487,855)	(419,460)
Customer loans (granted) and repaid	750,162	(922,653)
Recovery of loans previously written off	1,621	1,172
Leases repaid and (granted)	(28,571)	(1,864)
Net increase/(decrease) in money market and other deposit accounts	(565,785)	1,202,306
Employment expenses paid	(531,752)	(362,160)
Net receipts/(payments) from debtors and creditors	(135,157)	(241,697)
Income taxes paid	(97,784)	(50,851)
Premiums received	1,919,741	–
Policy payments	(2,239,578)	–
Net cash flows from operating activities	(525,987)	(121,392)
Cash flows from investing activities		
Payment for acquisition of business, net of cash acquired	(59,872)	(4,802)
Payment for acquisition of controlled entities	(17,536)	–
Payments for investments by Life Company	(6,137,440)	–
Proceeds from realisation of investments by Life Company	6,362,474	–
Payments for property, plant and equipment	(116,269)	(33,050)
Proceeds on sale of property, plant and equipment	30,145	462
Net cash flows from investing activities	61,502	(37,390)
Cash flows from financing activities		
Borrowings advanced by Life Company	10,202	–
Transfer of profit to shareholders' funds in Life Company	11,600	–
Proceeds from the issue of share capital	127,090	16,205
Proceeds from issue of Converting Preference Shares	150,000	–
Proceeds from issue of Macquarie Income Securities	400,000	–
Transaction costs from issue of debt and equity securities	(15,329)	–
Dividends and distributions paid	(130,115)	(96,964)
Net cash flows from financing activities	553,348	(80,759)
Net increase/(decrease) in cash held	88,863	(239,541)
Cash at the beginning of the year	232,637	472,178
Cash at the end of the year	321,500	232,637

The above Statement of Cash Flows should be read in conjunction with the accompanying notes and discussion and analysis.

Discussion and Analysis
For the Year Ended 31 March 2000

Discussion and Analysis of Profit and Loss Statement

The Macquarie Bank Group ("the Bank") achieved a net profit after tax of $222.4 million. The operating profit after tax attributable to ordinary equity holders, calculated after outside equity interest adjustments and distributions to Macquarie Income Securities holders, was $210.2 million, a 27.4% increase on last year. The after-tax return on average shareholders' funds was 28.1%, compared to 26.8% last year.

The increase in net profit was principally due to:

– Operating income increased by $371.4 million (45.6%) to $1,186.5 million, due to growth in both the core businesses and the BTIB acquired businesses.

– Interest and similar income rose to $186.8 million from $132.4 million, an increase of 41.1%, due to a significant increase in loans and advances and the impact of the debt markets business acquired from BTIB.

– Trading income increased significantly to $268.1 million from $125.4 million, an increase of 113.8%, due to improved results in the Equities and Treasury and Commodities Groups, and the expanded trading operations following the BTIB acquisition.

– Fee and commission income increased significantly by 20.2% to $661.4 million, due mainly to significant increase in brokerage, continued growth in advisory and structured finance fees and the recognition of income earned on life policies issued by Macquarie Life Limited.

– Other income of $66.3 million is primarily due to the realisation of part of the LookSmart Inc. investment which yielded a gain of $52.3 million.

– Operating expenses were $885.1 million representing an increase of 48.2% over 1999. This increase was principally driven by an increase in staff numbers of 30.5% over the period from 3,119 to 4,070.

Income Tax

– Income tax attributable to operating profits has risen from 24.3% of operating profits in 1999 to 26.2% in 2000. This amount includes the effect of restating deferred tax balances for the change in tax rates, which will be effective for the Bank from 1 October 2000.

– The income tax expense is lower than the corporate rate of 36% principally because of the receipt of rebatable dividends, the recoupment of tax losses of prior years, and the effect of overall lower rates of tax on certain overseas income and the life insurance business.

Earnings per Share

– Earnings per share rose to 124.33 cents for the year from 101.33 cents in 1999. This reflected the improved earnings, offset slightly by the issue of ordinary shares.

Dividend on Ordinary Shares

– The Board has resolved to pay a final cash dividend of 52 cents per fully paid ordinary share (1999: 38 cents) in respect of the year to 31 March 2000. The total annual dividend is 86 cents per share (1999: 68 cents per share).

The interim dividend paid during the year was 65% franked at 36%. Dividends provided as at 31 March 2000 are 65% franked at 34%.

– The extent of franking future dividends is uncertain and dependent on the Bank's Australian taxable income. Future dividends are expected to be franked at around current levels.

Discussion and Analysis of Balance Sheet

– At 31 March 2000, total assets of the Bank were $23.4 billion compared with $9.5 billion a year earlier. Bank capital, including Macquarie Income Securities, increased to $1,235 million and total capital and reserves, including subordinated debt and Converting Preference Shares, rose to $1,705 million due to capital raising for the BTIB acquisition and ongoing growth.

The Bank's total capital adequacy ratio at 31 March 2000 rose from 17.3% to 18.4% and the Tier 1 capital adequacy ratio rose from 13% to 14.5%.

– The major factors driving the balance sheet growth were the BTIB acquisition and the consolidation of Macquarie Life Limited's statutory funds as a result of a change in accounting policy.

– Loan and lease exposures totalled $6.5 billion at 31 March 2000, compared to $4.0 billion a year earlier, due to both organic growth and the BTIB acquisition.

– Continuing the trend of the last few years, the Bank further diversified its funding sources to fund both the BTIB acquisition and ongoing growth.

– The Bank's credit ratings continue to reflect its strong prudential controls and diversified earnings. During the year the Bank's credit rating from Moody's was upgraded from A3 to A2 for long-term deposits and Prime-2 to Prime-1 for short-term deposits.

Discussion and Analysis of Statement of Cash Flows

– The Bank's net cash outflows from operating activities were $526 million. This outflow was attributable to the consolidation of Macquarie Life Limited and increased employment and funding expenses resulting from the BTIB acquisition.

– The $62 million in the Bank's net cash inflow from investing activities reflects the net impact of the consolidation of Macquarie Life Limited less payments made for fixed assets and the BTIB acquisition.

– Net cash inflows from financing activities were $553 million. This gain was due to the Bank's issuance of additional share capital, Converting Preference Shares and Macquarie Income Securities.

Notes to and forming part of the Concise Report
At 31 March 2000

01 Basis of Accounting

The concise financial report has been prepared in accordance with the Corporations Law, Accounting Standard AASB 1039 "Concise Financial Reports", other mandatory professional reporting requirements and Class Order 98/090 issued by the ASIC on 1 December 1999. The concise financial report and specific disclosures have been derived from the Macquarie Bank full Financial Report for the financial year. Other information included in the concise financial report is consistent with the Bank's full Financial Report. The concise financial report does not, and cannot be expected to, provide as full an understanding of the financial performance, financial position and financing and investing activities of the Bank as the full financial report.

The accounting policies have been consistently applied by each entity in the Macquarie Bank Group and are consistent with those of the previous year, except where noted below.

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

Changes in Accounting Policy

Accounting for associates and incorporated joint ventures

In accordance with revised Accounting Standard AASB 1016 "Accounting for Investments in Associates", and Accounting Standard AASB 1006 "Interests in Joint Ventures" on 1 April 1999, the economic entity changed its policy for accounting for investments in associates and incorporated joint ventures to equity accounting those investments, which were previously carried at the lower of cost and net realisable value.

Investments in associates and incorporated joint ventures are accounted for in the Consolidated Financial Statements using the equity method. Under this method, the consolidated entity's share of profits or losses of associates is recognised as revenue in the consolidated Profit and Loss Statement. Associates are those entities over which the consolidated entity exercises significant influence, but not control.

Under the transitional provisions of the revised standard, an adjustment has been made to decrease the value of these investments by $0.6 million, which has been reflected as a decrease to opening retained earnings in the economic entity.

Life insurance business

In accordance with Accounting Standard AASB 1038 "Life Insurance Business," on 1 October 1999, the Bank changed its policy to consolidate the statutory funds of Macquarie Life Limited ("MLL").

The Bank is now required to consolidate the shareholders' funds and statutory funds of the life business. Previously, the statutory funds were not consolidated. The statutory funds comprise the investment assets and related life insurance policy liabilities. As a result, $2.9 billion of assets and $2.9 billion of liabilities will be consolidated for the first time. These have been disclosed on the Balance Sheet as "Life insurance investment assets", "Life company statutory funds receivables", "Life insurance policy liabilities" and "Life company statutory funds creditors and borrowings" respectively.

Under the transitional provision of the standard, an adjustment has been made to increase opening retained earnings by $4.4 million. This amount represents the retained earnings of the statutory funds that have not been previously consolidated.

The retained earnings have arisen in the statutory funds as a result of the requirement to recognise profits in accordance with the "Margin on Services" methodology for the valuation of policy liabilities under Actuarial Standard 1.01 'Valuation of Policy Liabilities' of the Life Insurance Actuarial Standards Board. These profits are not available for distribution until the requirements of the Act have been met. The impact of this policy for the current year is to increase operating profit before tax by $0.6 million.

02 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. Certain segment information is available in Note 39 – Concentrations of Deposits and Borrowings and Note 44 – Credit Risk and Net Fair Value of the full Financial Report.

	Notes	Consolidated 2000 $'000	Consolidated 1999 $'000

03 Dividends and Distributions Paid or Provided

Ordinary Share Capital			
Dividends paid		57,967	48,344
Dividends provided		89,336	62,457
Total dividends paid or provided		147,303	110,801

The interim ordinary dividend for the year ended 31 March 2000 was 65% franked at 36%. The final ordinary dividend provided as at 31 March 2000 is 65% franked at 34%. Dividends for the year ended 31 March 1999 were fully franked at 36%.

		Cents Per Share	
Cash dividends per ordinary share		86.0	68.0

Converting Preference Shares
Dividends on these shares of $6,642,000 have been charged to the Profit and Loss Statement as interest charges. These dividends were 65% franked at 36%.

Franking Credits			
Franking credits available for the subsequent financial year at the 34% (1999: 36%) corporate tax rate		10,336	7,217

The franked portion of dividends proposed as at 31 March 2000 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax payable at the end of the financial year. The above amounts represent the balances of the franking accounts as at the end of the financial year, adjusted for:
a) franking credits that will arise from the payment of income tax payable as at the end of the year;
b) franking debits that will arise from the payment of dividends proposed as at the end of the year; and
c) franking credits that may be prevented from being distributed in the subsequent year.

Macquarie Income Securities			
Distributions paid		6,294	–
Distributions payable		6,058	–
Total distributions paid or payable		12,352	–

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

	Notes	Consolidated 2000 $'000	Consolidated 1999 $'000

04 Earnings Per Share

		Cents	Cents
Basic earnings per share		124.33	101.33

Diluted earnings per share is not materially different from basic earnings per share.

Reconciliation of earnings used in the calculation of earnings per share			
Operating profit after tax		222,411	164,953
Outside equity interests		189	–
Distribution on Macquarie Income Securities		(12,352)	–
Earnings used in the calculation of earnings per share		210,248	164,953

		Number	
Weighted average ordinary fully paid shares		167,959,529	159,429,186
Weighted average fully paid equivalent of partly paid shares		1,151,771	3,350,810
Total weighted average ordinary shares outstanding during the year used in the calculation of basic earnings per share		169,111,300	162,779,996

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

Information concerning the classification of securities

Partly paid shares
Partly paid shares carry the right to participate in dividends as detailed in Note 37 – Employee Equity Participation, of the full Financial Report, and to that extent they have been recognised as equivalents of ordinary shares in the determination of basic earnings per share.

05

Remuneration Policy for Directors and Executive Officers

Non-Executive Voting Directors

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

Non-Executive Voting Directors are remunerated for their services from the maximum aggregate amount (currently $800,000 p.a.) approved by shareholders for that purpose. Executive Voting Directors are not remunerated for acting as Voting Directors, with effect from 1 July 1999. The Deputy Chairman's remuneration is $146,700 p.a. while all other Non-Executive Directors' base remuneration is set at the rate of $80,000 p.a. The following additional remuneration has also been set for Non-Executive Directors (excluding the Deputy Chairman) for additional duties, with effect from 1 July 1999:

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

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

Subject to shareholder approval at the Bank's 2000 Annual General Meeting, the Bank will be introducing the Macquarie Bank Non-Executive Director Option Plan, under which it is proposed that each of the Bank's Non-Executive Voting Directors will be invited to apply for a small number of five year options over fully paid shares in the Bank, each year, provided the Bank has met pre-determined performance benchmarks. An Australian Stock Exchange Limited waiver has been granted to allow such grants of options each year subject to shareholder approval on a three yearly basis.

Executive Directors and Executive Officers

The Bank's remuneration policy for Executive Directors and Executive Officers is designed to promote superior performance and long-term commitment to the Bank. Executive staff receive a base remuneration which is market related, together with performance based remuneration which is met out of staff profit sharing pools.

The Bank's Executive Directors (which include Executive Voting Directors and Executive Officers) participate in a Directors' profit share scheme ("DPS") under which the Bank makes provision for performance based remuneration. Allocations under the scheme are dependent upon after-tax profit exceeding a pre-determined target rate of return on shareholders' equity.

The target rate may be changed from time to time in the event of sustained changes in long-term interest rates. The target rate for the year ended 31 March 2000 was 8% p.a. after-tax and has been set to 8% p.a. for the year ending 31 March 2001. As the rate of return (before provision for performance based remuneration) increases above the target rate, the provision is calculated as an increasing proportion of earnings.

The whole of the DPS provision for each year is charged against earnings in that year. However, in order to encourage long-term commitment, a portion of each Executive Director's allocation is subject to restrictions. These restrictions are lifted six months after retirement, if certain disqualifying events do not occur. The effect of DPS is to provide substantial incentives in relation to superior profitability but low or no participation for below average performance.

The target rate of return and quantum of profit share is reviewed periodically by the Executive Committee. Where appropriate, changes are recommended to the Board Compensation Committee and then to the full Board. Overall, remuneration policies, including the amount of provision for performance related remuneration, are subject to the discretion of the Board and can be changed to reflect competitive, market and business conditions where it is in the interests of the Bank and its shareholders to do so.

Equity participation currently comprises the granting of options over the Bank's ordinary shares. Until 1995, Executive Directors and Executive Officers participated in the Bank's partly paid share scheme. This was replaced during 1995 by an options plan, although a significant number of partly paid shares are still on issue, refer to Note 37 – Employee Equity Participation, of the full Financial Report for further information on the now closed partly paid share scheme and option plan.

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

05

Remuneration Policy for Directors and Executive Officers (continued)

Directors' and Executive Officers' Remuneration

Name and Position	Base Remuneration (a) $	Performance Related Remuneration $	Other Benefits (d) $	Total Remuneration Expense $	Options (e) $	Total Remuneration $
Executive Directors						
D.S. Clarke	274,047	1,760,555	–	2,034,602	–	2,034,602
A.E. Moss	548,094	3,841,368	–	4,389,462	663,550	5,053,012
M.R.G. Johnson	290,419	1,382,695	–	1,673,114	–	1,673,114
Non-Executive Directors (b)						
B.N. Kelman	138,900	–	–	138,900	–	138,900
J.G. Allpass	157,892	–	59,764	217,656	–	217,656
L.G. Cox	70,794	–	494,997	565,791	–	565,791
B.R. Martin	100,916	–	6,015	106,931	–	106,931
H.K. McCann	67,500	–	27,180	94,688	–	94,688
H. Nugent	61,471	–	3,779	65,250	–	65,250
Executive Officers (c)						
A. Downe	385,315	2,054,748	–	2,440,063	663,550	3,103,613
R. Jenkins	394,654	1,940,035	–	2,334,689	532,935	2,867,624
A. Lucas	396,767	1,854,608	–	2,251,375	778,950	3,030,325
N. Moore	415,740	3,705,209	–	4,120,949	721,250	4,842,199
R. Sheppard	432,127	2,407,756	–	2,839,883	273,285	3,113,168

(a) Includes the Bank's contributions to superannuation schemes other than for Non-Executive Directors.
(b) Non-Executive Directors' remuneration represents fees paid in connection with attending Board and Board Committee meetings and carrying out other duties. These duties are explained in the Directors' Report.
(c) Executive Officers shown above are the five highest paid members of the Executive Committee who are not members of the Board. Management of the Bank is substantially delegated by the Board of Directors to the Executive Committee.
(d) Other benefits represents the Bank's contributions to superannuation schemes and consulting fees paid to Mr J.G. Allpass $26,750 (1999: $26,500), fees for attendance at Due Diligence Committee by Mr Allpass of $26,000 (1999: $6,000) and Mr L.G. Cox $490,041 (1999: $432,500).
(e) The amounts disclosed above for remuneration relating to options has been determined as $5.77 per option based on the assessed fair values of options at the date they were granted to executive directors and other executives. Fair values have been assessed using the Black-Scholes option pricing framework adjusted to take account of executive option trading period restrictions and option vesting timeframes. The following key assumptions were adopted:

– Risk Free interest rate	6.95%
– Life of options	5 years
– Volatility of share price	30%
– Dividend Rate	3.5%

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

Further information on the options, including the numbers of options granted to Directors and other Executives, is set out in the following sections of this report.

05 Remuneration Policy for Directors and Executive Officers (continued)

Share Options Granted to Directors and Executive Officers

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

	Number of Shares Issued	Number of Options Granted	Option Exercise Price	Date First Option Tranche Exercisable
Executive Directors				
D.S. Clarke	–	–	–	–
A.E. Moss	–	115,000	18.51	13 August 2001
M.R.G. Johnson	–	–	–	–
Non-Executive Directors				
B.N. Kelman	–	–	–	–
J.G. Allpass	–	–	–	–
L.G. Cox	–	–	–	–
B.R. Martin	–	–	–	–
H.K. McCann	–	–	–	–
H. Nugent	–	–	–	–
Executive Officers				
A. Downe	–	115,000	18.51	13 August 2001
R. Jenkins	–	92,363	18.51	13 August 2001
A. Lucas	–	135,000	18.51	13 August 2001
N. Moore	–	125,000	18.51	13 August 2001
R. Sheppard	–	47,363	18.51	13 August 2001

Options are issued subject to the exercise conditions referred to in Note 37 – Employee Equity Participation, of the full Financial Report and are only exercisable in tranches on the second, third and fourth anniversaries of the date of grant. The date shown above is the second anniversary of the date of grant and is the date that the first tranche of options is exercisable.

06 Coopers & Lybrand and Price Waterhouse Merger

Coopers & Lybrand and Price Waterhouse merged on 1 July 1998. The merged firm PricewaterhouseCoopers is the auditor of the Bank and its controlled entities.

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

(a) The Bank to report to the ASIC within 30 days of its occurrence, any event of default or any enforcement action taken on these loans;

(b) The Directors of the Bank to report to the ASIC within seven days after signing the Directors' Report whether, in the opinion of the Board Audit and Compliance Committee, the Class Order has been complied with; and

(c) PricewaterhouseCoopers to report to the ASIC within seven days after signing the Auditor's Report whether the audit has been influenced by the indebtedness.

07 Full Financial Report

Further financial information can be obtained from the 2000 Financial Report which is available, free of charge, on request from the Bank. A copy may be requested by calling (02) 8232 3333. Alternatively, both the 2000 Financial Report and the 2000 Concise Report can be accessed via the internet at www.macquarie.com.au

Directors' Declaration

The Directors declare that in their opinion, the concise financial report of the consolidated entity for the year ended 31 March 2000 as set out on pages 59 to 69 complies with Accounting Standard AASB 1039 "Concise Financial Reports".

The financial statements and specific disclosures included in this concise financial report have been derived from the full financial report for the year ended 31 March 2000.

The concise financial report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full Financial Report, which as indicated in note 7, is available on request.

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

D.S. Clarke
Director

A.E. Moss
Director

Sydney
26 May 2000

Independent Audit Report

Independant Audit Report to the Members of Macquarie Bank Limited

Scope

We have audited the concise financial report of Macquarie Bank Limited ("the Bank") for the financial year ended 31 March 2000 as set out on pages 59 to 70, in order to express an opinion on it to the members of the Bank. The Bank's Directors are responsible for the concise financial report.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the concise financial report is free of material misstatement. We have also performed an independent audit of the full financial report of the Bank for the financial year ended 31 March 2000.

Our audit report on the full financial report was signed on 26 May 2000, and was not subject to any qualification.

Our procedures in respect of the audit of the concise financial report included testing that the information included in it is consistent with the full financial report, and examination, on a test basis, of evidence supporting the amounts, discussion and analysis and other disclosures which were not directly derived from the full financial report. These procedures have been undertaken to form an opinion as to whether the concise financial report complies with Accounting Standard AASB 1039: "Concise Financial Reports" in that, in all material respects, it is presented fairly in accordance with that standard.

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

Audit Opinion

In our opinion, the concise financial report of the Bank complies with Accounting Standard AASB 1039 "Concise Financial Reports".

PricewaterhouseCoopers
Chartered Accountants

D.H. Armstrong
Partner

Sydney
26 May 2000

Investor Information

2000 Annual General Meeting

The 2000 Annual General Meeting of the Bank will be held at 10.30 am on Thursday, 27 July 2000 at The Westin Sydney, in The Heritage Ballroom on Level 6, No.1 Martin Place, Sydney. Details of the business of the meeting are contained in the separate Notice of Meeting sent to holders.

Voting Rights

Ordinary Shares

At meetings of members or classes of members each member may vote in person or by proxy or attorney. On a show of hands every person present who is a member or a representative of a member has one vote and on a poll every member present in person or by proxy or attorney has:

I. one vote for each fully paid share held; and

II. that proportion of a vote for any partly paid ordinary share held that the amount paid on the partly paid share bears to the total issue price of the share. However, partly paid shares issued under the Banks Partly Paid Share Scheme have:

A. the right to vote only in the following circumstances:

i. upon a proposal to reduce the share capital of the Bank;

ii. upon a proposal that affects rights attached to the share;

iii. upon a proposal to wind up the Bank;

iv. during the winding up of the Bank; and

B. the right, in those circumstances, to one vote upon a poll.

Converting Preference Shares

Holders of Converting Preference Shares have:

A. the right to vote at any general meeting of the Bank only in the following circumstances:

i. during a period during which a dividend (or part of a dividend) in respect of the shares is in arrears;

ii. on a proposal to reduce the Bank's share capital;

iii. on a resolution to approve the terms of a buy-back agreement;

iv. on a proposal that affects rights attached to the share;

v. on a proposal to wind up the Bank;

vi. on a proposal for the disposal of the whole of the Bank's property, business and undertaking;

vii. during the winding up of the Bank; and

B. the same voting rights, in those circumstances, as holders of ordinary shares (as set out above).

Macquarie Income Securities

Holders of Macquarie Income Securities, as holders of preference shares, have:

A. the right to vote at any general meeting of the Bank only in each of the following circumstances:

i. during a period when two consecutive Semi-annual Dividends due and payable on the Preference Shares have not been paid in full, and no Optional Dividend (as defined in the Preference Share Terms) has been paid;

ii. on any proposal to reduce the Bank's share capital;

iii. on any resolution to approve the terms of a buy-back agreement;

iv. on any proposal that affects the rights attaching to the Preference Shares;

v. on a proposal to wind up the Bank;

vi. on any proposal for the disposal of the whole of the Bank's property, business and undertaking;

vii. during the winding up of the Bank; and

B. the same voting rights, in those circumstances, as holders of ordinary shares (as set out above).

Stock Exchange Listing

Fully paid ordinary shares and Converting Preference Shares issued by Macquarie Bank Limited and Macquarie Income Securities are quoted on the Australian Stock Exchange. Macquarie Bank's code on the Australian Stock Exchange is MBL, the Converting Preference Shares' code is MBLPA and the Macquarie Income Securities' code is MBLHB.

Enquiries

Investors who wish to enquire about any matter relating to their shareholding or Macquarie Income Securities holding are invited to contact the Share Registry office below or visit its internet site at www.cshare.com.au

Computershare Registry Services Pty Limited

GPO Box 7045
Sydney NSW 1115
Australia
Telephone: (02) 8234 5222
Facsimile: (02) 8234 5050
Email:
sydney.services@computershare.com.au

Any other enquiries relating to your Macquarie Bank share investment or Macquarie Income Securities can be directed to:

Investor Relations
Macquarie Bank Limited
Level 15
No.1 Martin Place
Sydney New South Wales 2000
Australia
Telephone: (02) 8232 3250
Facsimile: (02) 8232 4330
Email: esibree@macquarie.com.au

The Bank's Company Secretary, Dennis Leong, may be contacted on the numbers above.

Five Year Summary

Year ended 31 March	1996	1997	1998	1999	2000
Profit and Loss ($ million)					
Total operating income	435.2	530.1	664.7	815.1	1,186.5
Operating expenses	336.1	391.9	497.9	597.3	885.1
Operating profit before income tax	99.1	138.2	166.9	217.8	301.4
Income tax (expense)/benefit	(5.9)	(21.3)	(25.7)	(52.8)	(79.0)
Operating profit after income tax	93.2	116.9	141.2	165.0	222.4
Outside equity interest	–	–	–	–	0.2
Macquarie Income Securities Distribution	–	–	–	–	12.4
Operating profit after tax attributable to ordinary equity holders	93.2	116.9	141.2	165.0	210.2
Balance Sheet ($ million)					
Total assets	5,174	6,142	7,929	9,456	23,389
Total liabilities and loan capital	4,746	5,642	7,348	8,805	22,154
Shareholders' funds (net of outside equity interest)	428	500	581	651	1,235
Risk weighted assets	4,030	4,686	4,967	4,987	8,511
Total loan assets (a)	2,688	2,682	3,158	4,002	6,518
Impaired assets (net of provisions)	57	46	12	44	23
Share Information					
Cash dividends per share (adjusted cents per share)					
1st Half	–	18.0	21.0	30.0	34.0
2nd Half (b)	34.7	25.0	30.0	38.0	52.0
Total (b)	34.7	43.0	51.0	68.0	86.0
Basic earnings per share					
Adjusted (cents) (b)	61.0	74.9	88.1	101.3	124.33
Share price at 31 March					
Unadjusted ($)	6.00	8.50	14.35	19.10	26.40
Adjusted ($) (b)	5.78	8.50	14.35	19.10	26.40
Bonus issue ratio	1:26	–	–	–	–
Issued capital (million shares) (c)	138.7	151.4	157.6	161.1	171.2
Market capitalisation at 31 March (fully paid ordinary shares) ($ million)	832	1,287	2,262	3,077	4,520
Ratios					
Return on average shareholders' funds	23.1%	25.2%	26.1%	26.8%	28.1%
Payout Ratio	61.0%	60.5%	57.9%	67.2%	70.0%
Tier 1 Ratio	11.8%	12.9%	11.7%	13.0%	14.5%
Capital adequacy ratio	15.4%	13.2%	16.4%	17.3%	18.4%
Impaired assets as % of loan assets	2.1%	1.7%	0.4%	1.1%	0.3%
Net loan losses as % of loan assets	0.0%	0.0%	0.0%	0.1%	0.1%
Funds Under Management ($ billion)					
Retail	5.6	7.2	9.0	9.8	10.3
Wholesale	7.5	8.5	10.3	9.8	11.0
Listed trusts	0.6	1.1	1.6	2.3	3.0
Other	0.1	0.1	0.5	0.5	0.5
	13.8	16.9	21.4	22.4	24.8
Assets Under Administration ($ billion)					
Mortgages	2.7	4.8	7.0	8.7	9.0
Listed trusts	1.1	1.3	1.3	1.5	2.6
Other	0.2	0.2	0.3	0.4	0.8
	4.0	6.3	8.6	10.6	12.4
Total	**17.8**	**23.2**	**30.0**	**33.0**	37.2
Staff Numbers	1,732	1,965	2,474	3,119 (d)	4,070 (d)

(a) Includes loans and advances, leases, balances due from other financial institutions and balances due from governments.
(b) Adjusted for bonus issues, up to and including 1996 bonus issue.
(c) Number of fully paid shares at 31 March, excluding options and partly paid shares.
(d) Includes both permanent staff and contractors.

Directory of Groups and Divisions

Executive Chairman
David Clarke

Managing Director and Chief Executive Officer
Allan Moss

Deputy Managing Director
Richard Sheppard

Asset and Infrastructure Group
Nicholas Moore
Project and Structured Finance
Nicholas Moore
Infrastructure and Specialised Funds
Anthony Kahn
Macquarie Technology Investment Banking
Daniel Phillips
Macquarie Capital
Gary Farrell

Equities Group
Richard Jenkins
Macquarie Equities
Mark Bennett
Equity Markets
Ottmar Weiss
SecuriClear *
Mike McCarthy

*A joint venture with J B Were

Treasury and Commodities Group
Andrew Downe
Metals and Mining
Warwick Morris
Foreign Exchange
Simon Wright
Debt Markets
Paul Bide
Agricultural Commodities
Peter Thomas
Futures
Bill Marynissen
Money Market
Paul Robertson
Risk Advisory Services
Stephen Wood
Capital Management
John Pethebridge

Corporate Finance Group
Alastair Lucas
Corporate Advisory
Alastair Lucas
Equity Capital Markets
Bill Best/Wayne Kent

Banking and Property Group
Bill Moss
Property – Stephen Girdis
Property Investment Management
Mark Baillie
Property Finance
Grant Munro
Property Investment Banking
Steven Papadopoulos
Golf and Leisure – Bill Moss
Medallist Golf Developments
Tony Fehon
Hotels and Leisure
Mike McFarlane
Securitised Lending – Tony Gill
Mortgages
Frank Ganis
Margin Lending
Scott Young
Banking – Greg Loveday
Professional and Business Banking
Craig Thompson

Funds Management Group
David Deverall/Greg Matthews
Domestic
David Deverall/Greg Matthews
International
Ben Bruck

Financial Services Group
Richard Sheppard
Macquarie Financial Services
Warwick Evans
Macquarie Adviser Services
Bruce Terry
Marketing and Business Development
Robyn FitzRoy
Client Services and Operations
Gail Burke

Direct Investment Division
Sandy Lockhart

Corporate Affairs Group
Richard Sheppard
Financial Operations
Greg Ward
Human Resources and Administration
Wayne Leamon
Company Secretarial
Dennis Leong
Corporate Communications
Warwick Smith
Taxation
Andrew McWhinnie

Quantitative Applications Division
John Green

Economic Research Division
Bill Shields

eDivision
Rahn Wood

Risk Management Division
Nick Minogue
Credit
Larry Sacks
Finance
Max Merven
Operational Risk Review
Nick Ridgewell
Compliance
Robert Finlay

Information Services Division
Gail Burke

Macquarie Bank – What We Stand For

Macquarie Bank aspires to be a pre-eminent provider of financial services over the long haul. We recognise that, however our achievements to date are judged, the quest for improvement is never ending.

The Macquarie culture is represented by the way in which we act and work together. The values to which we aspire can be summarised in six principles.

Integrity
Macquarie's continued success depends upon the maintenance of its reputation for honesty and integrity and its ability to fulfil its promises.

There are no degrees of integrity. Integrity, trust, honesty, ethics, truthfulness, by whichever word, it is this concept upon which all our actions are based and by which we are happy for our actions to be judged.

We abide by the spirit of our commitments, as well as the letter. We recognise that while all our actions must be lawful, mere lawfulness is an inadequate test of integrity.

Questions we ask before any transaction or dealing with another party are:

"were my position to be reversed, would I be happy about this dealing?"

"were my actions to become publicly known, would I be ashamed or embarrassed?"

Client commitment
Central to the success of Macquarie is our commitment to our clients. They are the core of our business and our recognition of this drives us to serve them with unswerving dedication. When acting for clients, their interests come first absolutely.

Not all our dealings are for clients – sometimes we act as a principal or arranger. However, in all our dealings we will always act fairly and honestly and disclose the nature of our role. We treat all those with whom we deal with professionalism, courtesy and respect.

It is essential that we honour without reservation our obligations to maintain the confidentiality of our clients' information.

Strive for Profitability
Profit is ultimately why we are in business. We seek to achieve consistently superior profitability and we take pride in our profit record.

Profitability is fundamental to our success. It funds our continued growth and rewards both our shareholders and our employees.

Fulfilment for our people
Macquarie recognises that its most valuable assets go home every night. This is the foundation stone of our belief that Macquarie must be a fulfilling place to work where all employees are treated as individuals, deserving the respect of their subordinates, peers and superiors.

Macquarie seeks to recruit the best people without discrimination or bias and advancement and remuneration are based solely on merit.

As Macquarie recognises its obligations to its employees, in turn they recognise that Macquarie will be judged by their actions.

Teamwork
To better serve our clients, Macquarie is organised into individual businesses. Within these businesses there are individuals. At the same time we recognise that we are one bank, with one profit and one reputation and that we must work together cooperatively, constructively and harmoniously.

Whilst the basis of remuneration and advancement is the recognition of individual merit, this is not inconsistent with teamwork; indeed the best performing individuals are those who are team players.

Highest Standards
We recognise that superior returns are only achieved through the best work: providing superior value to our clients and others with whom we deal. Excellence, innovation and creativity are the foundations upon which we will build our pre-eminence.

There is no place in Macquarie for work which is not of the highest quality and we recognise that complacency, cutting corners and mediocrity are our enemies.

Adherence to the highest prudential standards is a fundamental element of our work.

Our commitment to the six principles is vital for our continued growth and prosperity.

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

Australia

Sydney
No. 1 Martin Place
Sydney NSW 2000
Tel: (02) 8232 3333
Fax: (02) 8232 7780
Telex: 122246

20 Bond Street
Sydney NSW 2000
Tel: (02) 8232 3333
Fax: (02) 8232 3350
Telex: 122246

9 Hunter Street
Sydney NSW 2000
Tel: (02) 8232 3333
Fax: (02) 8232 3350
Telex: 122246

Cnr Victor Street and Victoria Avenue
Chatswood NSW 2067
Tel: (02) 9410 3633
Fax: (02) 9410 1694

*SecuriClear**
Level 19, 201 Kent Street
Sydney NSW 2000
Tel: (02) 8243 7000
Fax: (02) 8243 7099

Melbourne
101 Collins Street
Melbourne VIC 3000
Tel: (03) 9635 8000
Fax: (03) 9635 8080
Telex: 32736

Level 4, 432 St Kilda Rd
Melbourne VIC 3004
Tel: (03) 9864 2800
Fax: (03) 9866 6815

Brisbane
300 Queen Street
Brisbane QLD 4000
Tel: (07) 3233 5333
Fax: (07) 3233 5399
Telex: 40638

Macquarie Nevitts
Brisbane
Comalco Place 12 Creek Street
Brisbane QLD 4000
Tel: (07) 3233 5888
Fax: (07) 3233 5999

Brisbane – National Seniors
Level 1, Rowes Arcade
235 Edward Street
Brisbane QLD 4000
Tel: (07) 3221 2140
Fax: (07) 3229 0356

Buderim
53 Burnett Street
Buderim QLD 4556
Tel: (07) 5445 2822
Fax: (07) 5445 2248

* A joint venture with J B Were

Burleigh Heads
11 West Street
Burleigh Heads QLD 4220
Tel: (07) 5576 1044
Fax: (07) 5576 2175

Cairns
36 Grafton Street
Cairns QLD 4870
Tel: (07) 4051 2922
Fax: (07) 4051 3698

Noosa
69 Mary Street
Noosaville QLD 4566
Tel: (07) 5474 1608
Fax: (07) 5474 2359

Southport
12 Short Street
Southport QLD 4215
Tel: (07) 5532 8955
Fax: (07) 5532 8731

Toowoomba
447 Ruthven Street
Toowoomba QLD 4350
Tel: (07) 4639 2588
Fax: (07) 4639 3905

Townsville
Ground Floor, 41 Sturt Street
Townsville QLD 4810
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Fax: (07) 4771 6244

Perth
Level 27, Allendale Square
77 St George's Terrace
Perth WA 6000
Tel: (08) 9224 0666
Fax: (08) 9224 0633

Adelaide
Level 4, Sun Alliance Building
45 Grenfell Street
Adelaide SA 5000
Tel: (08) 8231 6113
Fax: (08) 8231 6107
Country callers: 1800 806 310

Macquarie Day Cutten
Adelaide
Level 1, West Wing, 50 Grenfell Street
Adelaide SA 5000
Tel: (08) 8203 0200
Fax: (08) 8212 4829

Mount Gambier
8c Helen Street
Mount Gambier SA 5290
Tel: (08) 8724 9544
Fax: (08) 8724 9252

Canberra
Level 11, 60 Marcus Clarke Street
Canberra ACT 2600
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Fax: (02) 6243 5143

Overseas

Auckland
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Fax: (09) 377 6483

Beijing
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19 Chaoyang Menwai Dajie
Chaoyang District
Beijing PRC 100020
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River Park, River Lane
Mowbray 7700
Cape Town
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Fax: (21) 680 5011

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Chicago, Illinois 60605
USA
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Fax: (312) 521 6877

Hong Kong
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1 Tim Mei Avenue
Central
Hong Kong
Tel: 2823 3700
Fax: 2823 3790

Jakarta
Jakarta Stock Exchange Building
Tower II, 17th Floor
Jalan Jend, Sudirman Kav. 52-53
Block F-2
Jakarta 12190
Indonesia
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Fax: (21) 515 4579

Jupiter
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Jupiter
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USA
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Fax: (561) 743 2406

Kuala Lumpur
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27 Jalan Sultan Ismail
50250 Kuala Lumpur
Malaysia
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Fax: (3) 381 3082

London
Level 9, Alban Gate
125 London Wall
London EC2Y 5AS
United Kingdom
Tel: (20) 7776 7060 (General)
Tel: (20) 7776 7070 (Equities)
Tel: (20) 7776 7000 (Project and Structured Finance)
Fax: (20) 7776 7061
Telex: 916 962

Munich
Maximilianstr. 32
80539 Munchen 2
Munich
Germany
Tel: (89) 290 530
Fax: (89) 290 5320

New York
Rockefeller Centre
Level 21, 600 Fifth Avenue
New York, NY 10020
USA
Tel: (212) 548 6500
Fax: (212) 399 8928

San Francisco
Suite 2095
101 California Street
San Francisco CA 94111
USA
Tel: (415) 645 8090
Fax: (415) 989 2145

Sao Paulo
Rua Helena
280 Conj.1101
Sao Paulo SP 04552-050
Brazil
Tel: (11) 282 5087
Fax: (11) 282 3807

Seoul
4th Floor, Hanwha Building
110 Sokong Dong
Chung-Ku
Seoul 100-070
Korea
Tel: (2) 3782 2202
Fax: (2) 3782 2299

Shanghai
Suite 5C, Level 5
Dong Yi Building
88-90 Chang Shu Road
Shanghai
PRC 200040
Tel: (21) 6249 2212
Fax: (21) 6249 2810

Singapore
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#09-03, Republic Plaza
Singapore 048619
Tel: 536 3875
Fax: 536 3926

Tianjin
84 Cheng Du Daio
Heping District
Tianjin PRC 300050
Tel: (22) 2313 4528
Fax: (22) 2313 4529

Tokyo
Taisho Seimi Hibiya Building 10F
9-1 Yurakucho 1-Chome
Chiyoda-ku Tokyo 100-0006
Japan
Tel: (3) 5220 2727
Fax: (3) 5220 2726

Toronto
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Toronto
Ontario M5H 3T9
Canada
Tel: (416) 594 0200
Fax: (416) 594 0020

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Suite 1780 – Royal Centre
1055 West Georgia Street
Vancouver BC V6E 3P3
Canada
Tel: (604) 605 3944
Fax: (604) 605 1634

Wellington
Level 16, Trust Bank Centre
125 The Terrace
Wellington 6000
New Zealand
Tel: (04) 473 1975
Fax: (04) 473 1545

Macquarie Bank staff located in Johannesburg:
c/- Standard Bank of South Africa
5 Simmonds Street
Johannesburg 2000
South Africa
Tel: (11) 636 2627
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Investor Relations
Tel: (02) 8232 3250
Fax: (02) 8232 4330

Registered Office
Level 9, 15 London Circuit
Canberra ACT 2600
Tel: (02) 6274 3000

Share Registry
Computershare Registry Services Pty Ltd
GPO Box 7045
Sydney NSW 1115
Tel: (02) 8234 5222
Fax: (02) 8234 5145

Capital Notes Registry
Permanent Registry Limited
Locked Bag 18
Australia Square NSW 1215
Tel: (02) 9274 8480 or 1800 807 409
Fax: (02) 9274 8484

Qanmacs Registry
Perpetual Registrars Limited
Locked Bag A14
Sydney South NSW 1232
Tel: (02) 8280 7111
Fax: (02) 9261 8489

Net Address
www.macquarie.com.au

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

Contact Directory

Emery Vincent Design, Sydney. Photography, Tim Richardson, Kraig Carlstrom. Printing, Concord. Colour Seperations, Lithoteam.