The cover photograph shows details of the
Bank's new training facility, Thinkspace.

01
Highlights

— Operating profit after tax attributable to ordinary shareholders increased 15.1 per cent to $242.0 million

— Return on average ordinary shareholders' funds was 27.1 per cent

— Earnings per share increased 11.7 per cent to 138.9 cents per share

— Dividend of 93 cents per share (70 per cent franked) for the year

— International income accounted for 29 per cent of income

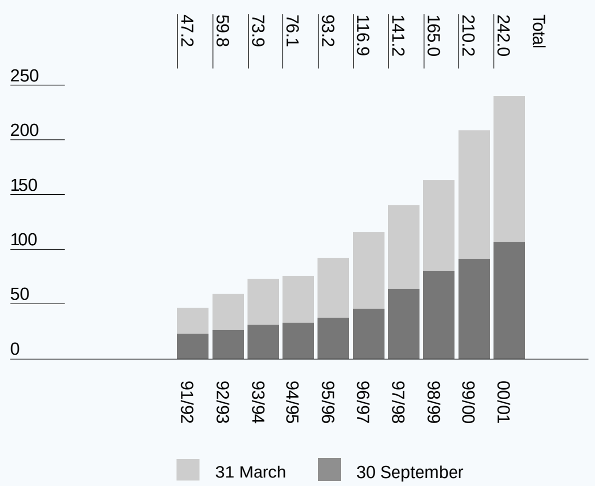
— Total loan capital and shareholders' equity grew by $34.8 million to $1.7 billion. Year-end capital adequacy ratio was 16.0 per cent

The Macquarie Bank Group's annual report consists of two documents – the 2001 Annual Review (incorporating the Concise Report) and the 2001 Financial Report. The 2001 Annual Review details the Group's operations and provides a summary of the financial statements.

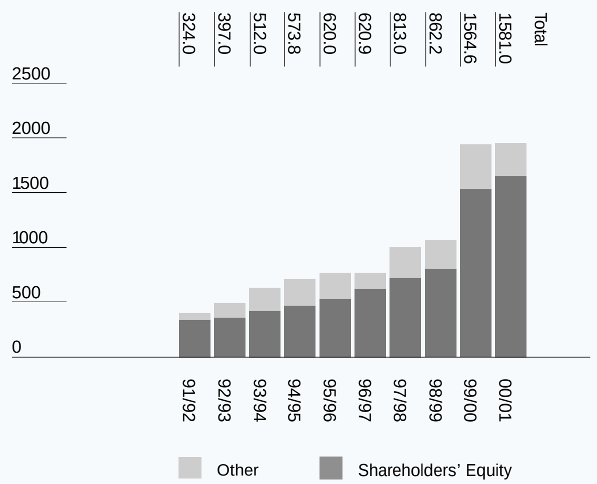
If you would like to receive a copy of the 2001 Financial Report, which details the financial statements in full, please call us on (612) 8232 3333. Alternatively, you can access the 2001 Financial Report at www.macquarie.com.au/investorrelations

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.

Reported Annual Net Profit
($million)



Net Capital Base (regulatory)
$million at 31 March



Macquarie Bank is committed to providing world class investment banking services. In Australia we provide a full product offering. Internationally, we focus on niche markets where we are able to add special value.

Chairman's and Managing Director's Report

Macquarie Bank was proud to be the most highly rated financial institution and rated fourth overall on the list of the Best Employers to Work For in Australia amongst employers with more than 1,000 employees. The study was conducted by Hewitt Associates in conjunction with the Australian Graduate School of Management and John Fairfax Holdings Limited. The study results were based on a confidential staff survey and external evaluation of the Macquarie employee value proposition.

In March 2001 Macquarie launched Thinkspace – a dynamic corporate training facility for staff. Thinkspace is designed to provide a creative, stimulating learning environment, reflecting our ongoing commitment to staff development.

Chairman's and Managing Director's Report continued

Group Profit Analysis

Year ended 31 March	2001 ($m)	2000 ($m)	% change
Total operating income	1,455.9	1,186.5	22.7
Total operating expenses	(1,130.6)	(885.1)	27.7
Pre-tax profit	325.3	301.4	7.9
Income tax expense	(53.3)	(79.0)	(32.5)
Profit after tax	272.0	222.4	22.3
Outside equity interests	1.3	0.2	>100
Distribution on Macquarie Income Securities	(31.3)	(12.4)	>100
Profit after tax attributable to ordinary shareholders	242.0	210.2	15.1

Relative Contributions to Group Profit by Operating Groups %

	2001	2000
Asset and Infrastructure*	31	33
Treasury and Commodities	20	18
Equity Markets	19	12
Corporate Advisory and Institutional Stockbroking*	15	19
Banking and Property	14	9
Funds Management	3	2
Financial Services	(3)	5
Other	1	2

*Merged to form the Investment Banking Group in May 2001.

Result

The Macquarie Bank Group (the Group) enjoyed a record result for the year ended 31 March 2001.

— Consolidated after-tax profit attributable to ordinary shareholders increased 15.1 per cent to $242.0 million.

— Consolidated pre-tax profit attributable to ordinary shareholders increased 2.3 per cent to $296.0 million.

The year was characterised by continued growth and strong transaction flows across most businesses. With the exception of the Financial Services Group, all Groups made a positive contribution to the result. The relative contributions are set out in the adjacent table. There were no material asset sales during the year, in contrast to the previous corresponding year when part of our holding in LookSmart was realised.

Across the Group there was increased activity in specialist asset-class funds (specialist funds). These funds are an important strategic opportunity, allowing Macquarie to combine our investment banking and industry sector expertise. The year saw strong growth in our infrastructure, property and development capital funds. Further opportunities are being developed in areas such as airports and utilities.

Total operating income grew by 22.7 per cent to $1.5 billion. The income was derived from a wide range of businesses operating in 22 international locations, reflecting the diversity of our business mix and geographic spread. Annuity income (income resulting from medium or long-term contractual arrangements) now represents approximately 32 per cent of total income.

Earnings per share grew 11.7 per cent to 138.9 cents per share.

After-tax return on average ordinary shareholders' funds was 27.1 per cent.

The income tax expense for the period was 18 per cent, mainly due to increased offshore income, which is on average taxed at lower rates.

Success in global markets

Macquarie's approach to global markets has been developing since the early 1990s. We remain committed to competing in markets where we believe we can add special value. We achieve this through organic growth supplemented by joint ventures with local market partners and, more recently, acquisitions in niche markets.

International operating income exceeded $400 million, an increase of 68 per cent over the previous corresponding year. This year 38 per cent of the Group's profit was derived from international activities. Several of our businesses now earn more in international markets than in Australia, and we see this trend continuing across the Group. However, our strong Australian market positions remain critical to our ongoing success.

Balance sheet

The Group's balance sheet grew significantly over the year ended 31 March 2001. Assets of the Group were up 19.1 per cent to $27.8 billion compared with $23.4 billion at 31 March 2000. This growth reflected larger marked-to-market revaluations of both assets and liabilities as a result of the declining Australian Dollar as well as strong growth in loan and leasing books. Asset quality remains high with impaired assets representing only 0.4 per cent of loan assets. Based on current deal flow we expect further growth in balance sheet footings.

— The total capital adequacy ratio was lower at 16.0 per cent compared with 18.4 per cent last year.

— The Tier 1 ratio fell to 12.9 per cent compared with 14.5 per cent last year.

The changes in these ratios reflect risk-weighted asset growth. They remain well above the minimum levels imposed by the Australian Prudential Regulation Authority. Looking ahead, the Group expects further opportunities to grow risk-weighted assets to result in the Group's Tier 1 ratio trending towards 11 per cent.

The Group expects to take advantage of growth opportunities in the United States and Europe, including infrastructure investments that leverage our distinct capabilities. For example, the Investment Banking Group recently launched the Macquarie Airport Group, seeded with our 50 per cent interest in the United Kingdom's Bristol Airport. The fund will benefit from the Group's financial management and operational capabilities. These opportunities are all expected to enhance returns to shareholders.

Total funds under management

Funds under management are those funds the Group actively manages where the underlying business is wealth creation. Details of these are given on page 61 of this Annual Review.

— Total Group funds under management reached $30.9 billion, an increase of 17.5 per cent over the total at 31 March 2000.

Volatile financial markets

The markets in which we operate can often be difficult to predict. Financial markets are characterised by volatility and this has historically provided us with considerable market opportunities.

Equity markets in Australia were somewhat subdued when compared with prior years but volatility in Hong Kong produced some exciting opportunities. Commodity markets encountered varied conditions with subdued metals markets but good levels of volatility in sugar, cotton and wool. The Australian currency declined to record-low levels, creating opportunity for our foreign exchange operations. Interest rate markets also fluctuated throughout the year thus providing opportunities to implement structured solutions for our clients.

Retail financial services

Last year we announced significant changes in our approach to distributing retail financial services. We have now brought together almost all the Group's retail operations into the Financial Services Group. As we indicated at the time, major investments in systems mean this business will not be earnings-positive for several years. We are pleased to report that the integration programme is progressing smoothly and tracking well against the business plan. Enhanced retail market distribution is not only a major business opportunity in its own right but also an important adjunct to our investment banking businesses.

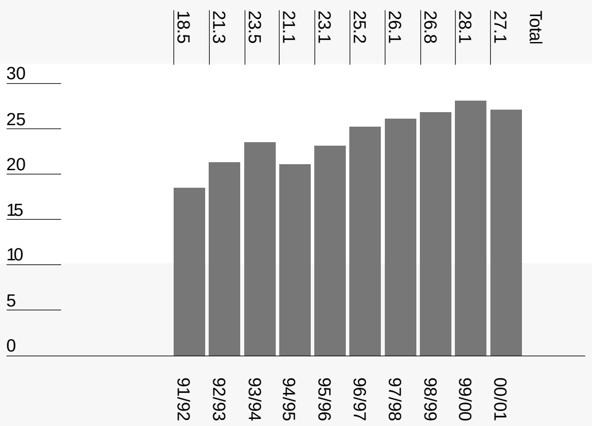
Organisational change

In May 2001 we announced the formation of the Investment Banking Group, bringing together the Group's wholesale structuring, stockbroking, underwriting and advisory capabilities. The Investment Banking Group will facilitate the Group's continued growth domestically as well as internationally, where Macquarie has successfully entered niche markets in which we believe we have a competitive advantage.

The new Group merges the Asset and Infrastructure Group with the Corporate Advisory and Institutional Stockbroking Group. These Groups have been extremely successful as separate entities, each growing strong, industry-specialised teams across a range of major industries. We are confident that combining these resources will not only accelerate growth in these market sectors, it will also deepen relationships with new and existing clients.

Chairman's and Managing Director's Report continued

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



Ratings

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

In November 2000 the formation of the Equity Markets Group was announced. Previously part of the Equities Group, the Equity Markets Group now undertakes the Group's product issuance, market-making, risk arbitrage and principal-trading activities in equities and equity derivatives. It also originates and structures equity-based financial products and solutions for retail and wholesale clients and administers the Group's equity finance operations.

Dividends

— The Board has resolved to pay a final dividend of 52 cents per fully paid ordinary share (2000: 52 cents) in respect of the year ended 31 March 2001.

— The final dividend is 70 per cent franked at the 30 per cent company tax rate.

The record date for the dividend is 8 June 2001 and it will be paid on 3 July 2001.

The total annual ordinary dividend of 93 cents per share (2000: 86 cents) accords with the previously announced distribution policy. The policy will maintain future ordinary cash dividends at 93 cents per share until such time as dividends can be fully franked. Thereafter, consideration will be given to increasing ordinary dividends as the Bank's franking capacity increases.

As part of its capital management programme, the Bank has indicated that it may supplement cash dividends with on-market share buybacks so that the total of cash dividends and buybacks is up to 100 per cent of earnings each year. The first on-market share buyback was carried out in December 2000 with $36 million worth of shares bought back. In light of capital requirements expected to be required to underwrite growth opportunities, the Bank has decided not to conduct an on-market share buyback in relation to this period.

When Macquarie announced its new distribution policy last year we planned to investigate a facility to allow shareholders to sell a small proportion of their shareholding each year free of transaction costs. After investigation the Bank has decided not to proceed with such a facility as the administration costs involved would outweigh the potential minor benefits to shareholders.

Modification to performance-based remuneration drivers

Since inception, Macquarie Bank has had a profit sharing scheme for staff. The key philosophy underlying the scheme has been to align the interests of our staff with those of our shareholders.

Profit share is paid out of a bonus pool determined by a formula. The amount accruing to the profit sharing pool has been driven by return on equity, with escalating remuneration levels as returns on equity increased. The formula has been effective in encouraging and rewarding commercial achievement. However, this approach has created a very high implied hurdle rate for new investments. The Board and senior management were concerned that this arrangement could discourage staff from pursuing acquisitions and seed investments in specialist funds that would be in shareholders' interests.

Thus we have modified the bonus driver so that as from the year to 31 March 2002 performance-based remuneration will be a function of both after-tax profit and earnings in excess of cost of capital.

In addition, there has been a small upward adjustment to the amount accruing to the profit-sharing pool in recognition of competitive pressures in employment markets. If the new arrangements had been applied in the year ended 31 March 2001 total employment expenses would have increased by 3 per cent. Overall remuneration policies are subject to the discretion of the Board and can be changed to reflect market and business conditions.

Our people

In August 2000 we participated in a wide-ranging staff survey by Hewitt Associates in conjunction with the Australian Graduate School of Management and John Fairfax Holdings Limited. Macquarie was proud to be the most highly rated financial institution and ranked fourth overall on the list of the Best Employers to Work For in Australia amongst employers with more than 1,000 employees. The survey covered our own staff as well as an external evaluation.

At Macquarie, we try to provide opportunities for our people to develop to their full potential, both on the job and through development initiatives. Programmes offered include management and leadership development, appropriate workplace behaviour, communication and technical skills. Time is spent working with businesses and individuals to identify their specific developmental needs. Our aim is to provide variety and flexibility in development opportunities so that each individual can direct his or her own learning. In line with our commitment to developing our people, in March 2001 we announced the opening of Thinkspace, a dynamic and innovative internal corporate-training facility in Sydney.

We are committed to providing our people with an entrepreneurial environment in which to develop new and existing businesses, both in traditional investment banking markets and in those adjacent markets where we can bring expertise and special value. Our people at all levels are encouraged to develop new ideas and opportunities across the globe. Our approach to corporate planning gives staff the flexibility to respond quickly to the dynamic markets in which we operate, untethered by the rigidity of some larger institutions.

The autonomy we offer creates an open culture where we can draw on the expertise of our diverse, talented and professional team. The commitment of our people to Macquarie Bank is the key to our success today and will continue to be so in the future. We take this opportunity to publicly thank them for their contribution.

Retirement of Bryan Kelman

Bryan Kelman has indicated his intention to retire from the Board at this year's Annual General Meeting. Bryan was a Non-Executive Director of Hill Samuel Australia from 1981 to 1985 when he became a foundation Non-Executive Director of Macquarie Bank. He has been a valuable contributor over these twenty years. He was Deputy Chairman from September 1993 to September 2000 and a member of the Board Compensation and Nominating Committees. We take this opportunity to thank Bryan for his substantial contribution in Macquarie's development and to wish him well in his retirement.

The Board was pleased to appoint Mark Johnson as the new Deputy Chairman. Mark joined Macquarie in 1987 as an Executive Director. He was previously joint Managing Director (with David Clarke) from 1971 to 1977 when the Bank was known as Hill Samuel Australia.

Outlook

In the short term, the Group's performance is subject to market conditions in the sectors and regions in which we operate.

As noted in this Annual Review, there are many initiatives underway across the Group's businesses and we therefore remain positive about prospects for continuing growth. We remain confident that we can maintain or enhance our strong market positions over the medium term.

Macquarie has begun the current year with satisfactory transaction flows.

David Clarke
Executive Chairman

Allan Moss
Managing Director and Chief Executive Officer

Sydney
24 May 2001

Management and Organisation

Key to Macquarie's success is a distinctive management style that aims to provide individual businesses with a balance between operating freedom, and controls on risk limits and observance of professional standards. This approach, which we term "loose/tight", is reflected in the Bank's organisational structure. It is designed to be non-hierarchical and encourages a sense of ownership and entrepreneurial endeavour by business managers.

- Business activities are carried out by Divisions, which are coordinated within six major operating Groups – Investment Banking Group (formerly Asset and Infrastructure and Corporate Advisory and Institutional Stockbroking Groups), Treasury and Commodities Group, Equity Markets Group, Banking and Property Group, Funds Management Group and Financial Services Group.

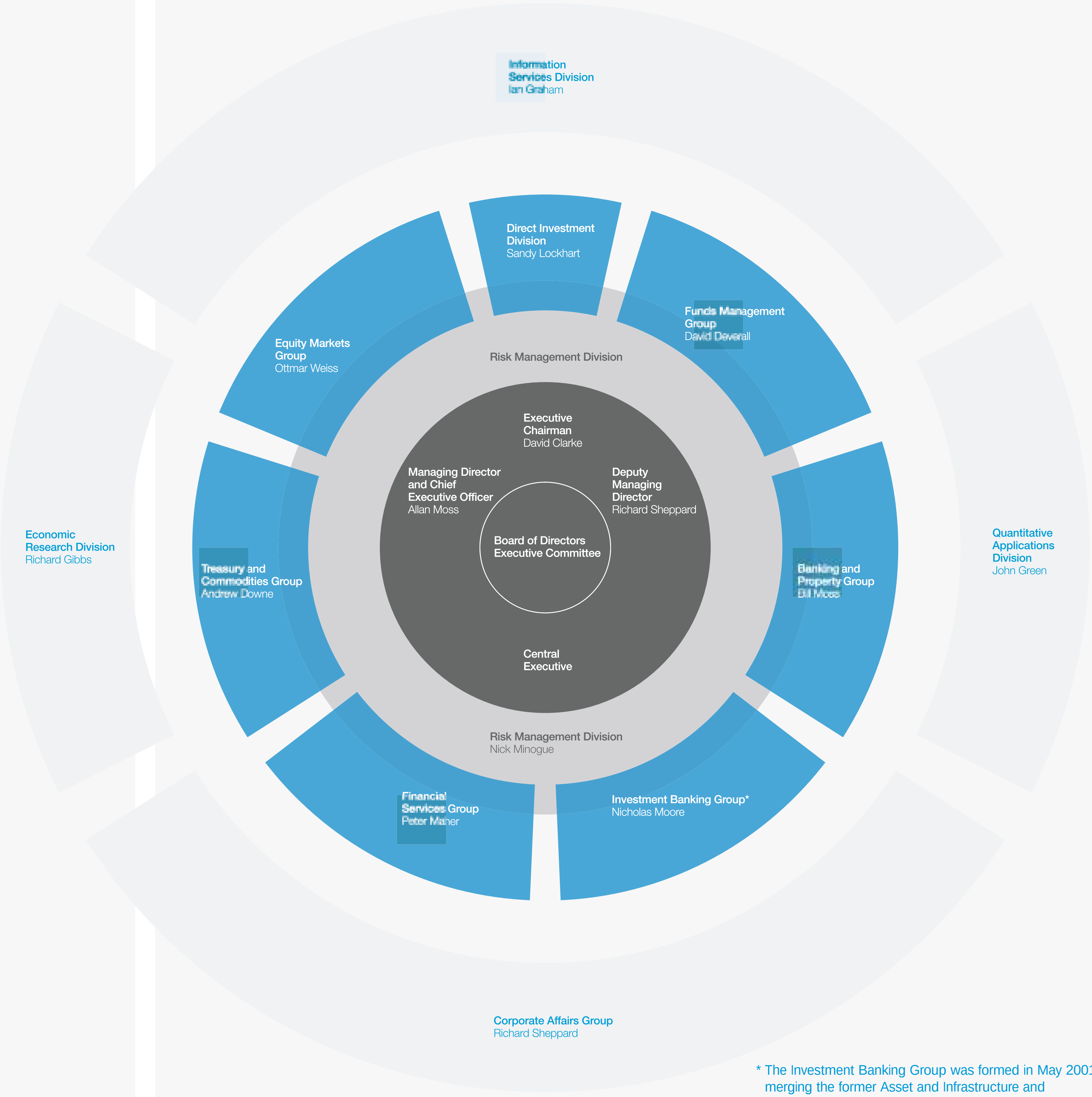
The six Groups have the operating freedom to develop and implement business unit strategy, new products and services, market initiatives and domestic and international alliances. Outside the major business Groups is a specialist business, Direct Investment Division, which undertakes development capital activities.

- All businesses operate within overall guidelines and specific parameters set by the Board and Executive Committee (a central group comprising the Chairman, Managing Director, Deputy Managing Director, business heads and head of the Risk Management Division). The focus of central management is on risks to the Bank arising from market and industry forces and issues of medium and long-term significance.

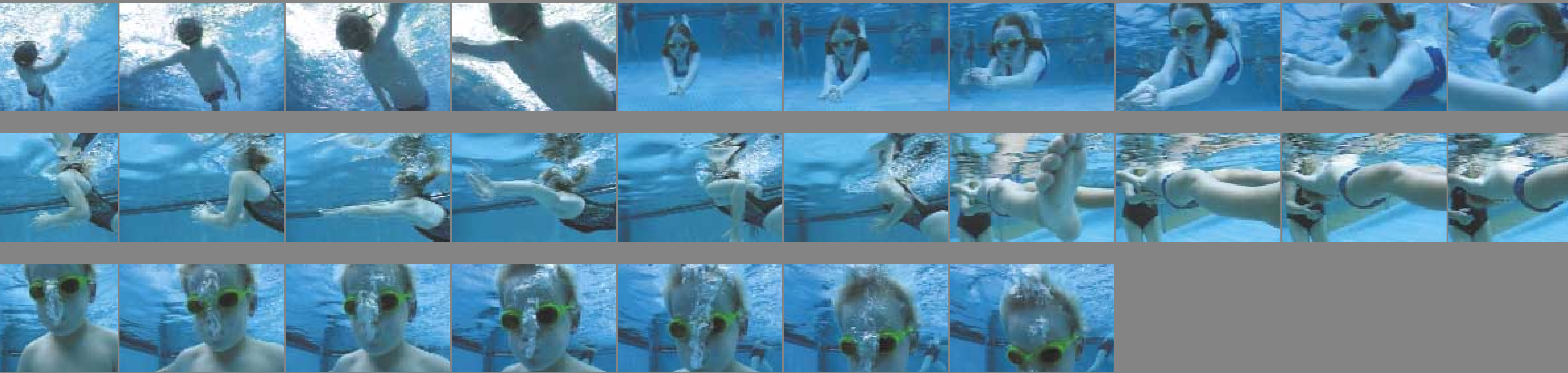
- Strong prudential management has been fundamental to the Bank's success over many years and all business activities are encompassed by a robust risk management framework. The Risk Management Division manages financial risks including credit risk (the risk of counter-party default), market risk (risk arising from changes in price or volatility of the underlying index or asset within trading portfolios), operational risk (the risk of loss arising from inadequate or failed internal procedures and processes), legal compliance risk and liquidity risk.

- A network of support areas provides the infrastructure that enables the Bank's businesses to operate. These include the Information Services Division (systems and communications technology), the Corporate Affairs Group (comprising Human Resources and Administration, Corporate Communications, Company Secretarial, Financial Operations, Taxation and the Internet Division), Economic Research and the Quantitative Applications Division.

A full directory of the Bank's Groups and Divisions is set out on page 62.



* The Investment Banking Group was formed in May 2001, merging the former Asset and Infrastructure and Corporate Advisory and Institutional Stockbroking Groups.



Two of the ways Macquarie Bank seeks to support the communities in which it operates are via the Macquarie Bank Foundation and the Macquarie Bank Collection.

The Macquarie Bank Foundation

The Macquarie Bank Foundation was established in 1984 to formalise the Bank's community support programme. Finding inspired solutions to difficult problems is one of the cornerstones of Macquarie Bank and this philosophy is synonymous with the approach and work of the Foundation.

The Macquarie Bank Foundation is proud to support a diverse range of community organisations, with a particular focus on education, the arts, health research, health care, welfare and the environment. Funds are accumulated through a formula based on annual profits, with approximately $2 million given in grants to community organisations over the past year.

The Foundation provides funding to organisations and community groups in Australia and internationally. Priority is given to projects that have links to countries where Macquarie has offices and most support is given via staff involvement or scholarships and other specific programmes. During the past year funds have been provided to enable Australian students to study overseas through the AFS scheme, and to support Macquarie staff in fundraising for charitable organisations in the United Kingdom, United States, New Zealand and Canada.

An exciting initiative during the year was the establishment of two major Community Business Partnerships – a National Sculpture Prize and Exhibition in conjunction with the National Gallery of Australia and a Research Alliance with Asthma Australia.

These partnerships seek to foster long-term, strategic alliances with key community organisations, enabling the Foundation to become actively involved in community activities and to contribute time and management expertise as well as financial support.

National Sculpture Prize and Exhibition

In partnership with the National Gallery of Australia, Macquarie Bank has created the first National Sculpture Prize and Exhibition, to support and recognise contemporary Australian sculpture.

The Foundation has committed $500,000 over three years. A prize of $50,000 cash will be awarded for the best contemporary sculpture submitted, chosen by a panel of judges. The Exhibition will be shown at the National Gallery in Canberra from November 2001 to March 2002. A selection of works will also tour and exhibit in Macquarie's Australian offices. It is hoped that in future years there will be the opportunity to showcase selected works through Macquarie offices worldwide.

Macquarie Bank and Asthma Australia Research Alliance

Over the next five years, the Foundation has committed approximately $1 million to a Research Alliance between Macquarie Bank and Asthma Australia. The key elements of the Alliance focus on asthma research and development:

— The Australian Asthma Research Colloquium – a biennial forum to bring together key individuals and organisations committed to asthma research. The Colloquium will discuss a specific research question, showcasing Australia's leadership in asthma research.

— A National Asthma Research Update magazine – a much needed publication aimed at general practitioners, designed to communicate the primary findings and implications of asthma research.

— The Macquarie Bank Asthma Research Award – this award for excellence and innovation in asthma research will provide a PhD Scholarship for a student to conduct research in a priority area for asthma.

— National Asthma Research Web Site – a site to regularly communicate activities undertaken in asthma research both in Australia and internationally.

— The Macquarie Asthma Research Fund – a means of raising funds for asthma research by providing an opportunity for Macquarie Bank staff, customers, suppliers, shareholders and Directors to become involved in the programme.

Staff matching

The Foundation also supports Macquarie staff in their philanthropic endeavours. Staff are encouraged to apply to the Foundation for a match to their charitable donations (established criteria apply). The Foundation aims to support Macquarie staff who provide time and services to community groups and charities, and staff are welcome to make applications on behalf of community organisations that they are involved with in a voluntary capacity.

Projects that have been funded through staff matching include:

Mission Australia – Leap of Faith

Variety Club of WA

Juvenile Diabetes Foundation

MS Society of NSW

Financial Markets Children's Foundation

Nelson Mandela Children's Fund

Jeans for Genes Day

This year the Macquarie Bank Foundation established a research Alliance with Asthma Australia. The Alliance focuses on asthma research and development including early childhood research. Swimming programmes enable children with asthma to enjoy physical activity while improving general fitness. Evidence shows regular swimming can increase lung capacity and improve the quality of life of young people with asthma.

The Macquarie Bank Collection

The Macquarie Bank Collection was launched in 1986 with the objective of developing an outstanding collection of art works that is readily identified with the organisation, and which reflects the spirit and persona of the Bank.

The Collection originally set out to contain the works of young, emerging, exciting Australian artists who showed the promise of development and future success. More recently, the works of some of Australia's more established artists were acquired and continue to form an important part of the whole. However the focus remains on supporting young artists who show a special level of talent and future promise. This reflects Macquarie's aim to encourage youthful and energetic talent within its own activities as a leading Australian financial institution.

The Macquarie Bank Collection has earned a reputation as one of Australia's most cohesive, considered and exciting compilations of contemporary Australian talent.

The theme of landscape has been the focus of the Collection since its establishment – landscape remains an area of artistic expression that is readily accessible to all.

Works for the Collection are acquired by an Art Committee from the Bank, and are shown in the Bank's Australian and international offices.

Treasury and Commodities Group

The Treasury and Commodities Group again performed well. It achieved a record result in the year to 31 March 2001, significantly up on the prior corresponding year. Of note is the success achieved by the Group's expanding international activities – now in Australia, Hong Kong, Korea, Japan, the United Kingdom, the United States and Brazil. Also noteworthy is the resilience of the Group's performance despite generally depressed, but occasionally volatile, commodities markets.

The Metals and Mining Division offers 24-hour price-making facilities for base and precious metals as well as financing and structured hedging facilities for metals projects. The Division's base metals business services a wide variety of producers, consumers and traders. Macquarie is a principal liquidity provider in the Asian time zone, making prices to customers as principal in the London Metal Exchange market and providing over-the-counter transactions around the clock.

The Division maintained its long record of strong profitability with a very pleasing second-half result. The full year was slightly down on last year's record result in difficult market conditions. It has continued to grow its international activities, adding a London presence to operations in Sydney, Perth and New York.

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 world. A large part of the Division's business came from structured hedging transactions, an area where Macquarie continued 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 during the Sydney time zone.

The Division enjoyed a very profitable year with significant contributions from the spot, derivative trading and derivative structuring areas. The year was marked by a decline in the Australian Dollar against the US Dollar from .6100 in April 2000 to a new historical low of .4775 in March 2001. This volatility provided trading opportunities but also imposed restraints on certain counterparty credit limits.

Foreign Exchange continued to pursue offshore opportunities. It increased its business with international corporates and institutions and introduced an internet delivery business into a new customer base in Asia. These developments diversified the business' income streams and will help secure stable performance into the future.

The Money Market Division is responsible for the Bank's balance sheet, liquidity and interest rate management. In line with growing funding requirements, the Bank's debt instrument programme was increased from US$3.0 billion to US$5.0 billion during the year. The funding programme included a number of successful placements in the Eurobond market and reactivation of the US$1.0 billion commercial paper programme.

Despite significant interest rate changes during the period the Division delivered a solid result in line with expectations, reinforcing its ability to prudentially manage the balance sheet while also taking advantage of market movements.

The Futures Division had another strong year of growth despite widely varying financial market conditions. There was increasing interest in offshore markets from both trading and funds management clients.

The change to electronic trading on the Sydney Futures Exchange was fairly smooth as the trend towards screen trading proceeds globally. During the year the Division utilised electronic trading as an entry point to international markets, enhancing the Sydney and London offices' non-Australian market capabilities.

The Listed Derivatives Clearing unit had a successful year, also harnessing the benefits of electronic trading for straight-through processing. The clearing of exchange-traded equity options on the same platform as futures has been a growing part of the business.

The Division's key focus in the coming year will continue to be growth opportunities in electronic trading.

Risk Advisory Services (RAS) had a profitable year despite a subdued market. RAS's specialised teams focus on servicing commodity markets (energy, agricultural and resources) and the treasury sector. There is also a specialised team responsible for the outsourced management of over $2.5 billion of debt and asset portfolios for clients. This team has generated average interest savings for its clients of 0.5 per cent per annum over the last four years.

RAS's range of services now includes 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 had a successful year, providing:

- financing and capital management solutions
- trading and sales capabilities
- derivatives and structuring-based risk management solutions
- investment products for governments, corporations and institutions.

Performance improved in the Division's first full year of operation as part of the Bank, having been acquired with the other investment banking businesses of Bankers Trust Australia in July 1999.

The Division holds a market-leading position in asset-backed securitisation – spanning mortgage, equipment and motor vehicle securities as well as the tailored structured variety. This dovetails into more basic debt markets, such as fixed-income and short-term securities, to provide the full spectrum of debt services for clients. Securities trading mainly covers investment-grade government and non-government sector credits, as well as those associated with structured and project finance.

The Division is now a full service, broad-based debt markets participant in Australasia and is looking to selectively export niche debt capabilities into Asia, Europe and North America.

The Agricultural Commodities Division enjoyed an outstanding year across its commodity range.

- Sugar grew strongly through the year. Volatile market conditions generated both increased customer transactions and good trading opportunities.
- Cotton continued to grow well, again aided by a volatile market.
- Grain again contributed to the Division's result, with continued broadening of the customer base.
- The Division commenced transactions based on canola, completing a number of canola-based structures.
- Wool completed a record year in volumes and profitability. The outlook for the wool business is positive due to diminishing wool stockpiles and a strong but increasingly volatile wool market.

Growth in the Agricultural business continued to be dominated by offshore activities. The Division's presence was increased across the board in Chicago, New York, Sao Paulo and London. Agricultural Commodities now has its own staff on the floor of the New York Board of Trade and an expanding presence on the Chicago Board of Trade.

The Trading Funds Division achieved a modest trading result. Trading conditions changed little from the prior corresponding year and started improving mid-year as equity markets began to reverse. Unexpectedly rapid reductions in global short-term interest rates have created a favourable trading environment for the new year.

In November 2000 the Division launched the Macquarie Diversified Trading Fund. This wholesale investment product encapsulates the performance of the Division's discretionary and systematic traders with Macquarie as the seed investor. The Fund was created to meet growing demand for investments with low correlations to traditional asset markets such as equities and fixed income. The Fund structure enables investors to participate in the returns of a diversified trading portfolio.

Outlook

The Group is a niche participant in markets driven by global consolidation. Its focus on adding value for clients through innovative products and superior service continues to provide opportunities for selective expansion as the Bank grows. The outlook for the Group is positive as it expands its product range and client base but is dependent on market conditions, particularly in the commodities markets.

The VIRTUE Trust financed new rolling stock for Bayside Trains and Swanston Trams, two of National Express Group's rail franchises in Victoria.

Macquarie assisted National Express Group in a range of capacities. The Project and Structured Finance Division acted as acquisition adviser on the successful bid for the franchises, as financial adviser on the construction and leasing of new rolling stock and as arranger of $19 million of residual value equity. Debt Markets Division acted as arranger, underwriter and co-lead manager of $685 million 10, 15 and 20-year AAA notes, and provided a $685 million 20-year structured interest rate hedge between bid award and note issue.

VIRTUE won Structured Deal of the Year in INSTO magazine's Distinction Awards 2000.

The Asset and Infrastructure Group continued to develop in its Australian and international markets. The Group arranged financing for in excess of $20 billion of assets during the year, making it one of the largest groups of its kind in the world. It achieved another record result in the year to 31 March 2001 and was again the largest contributor to the Bank's result.

The Project and Structured Finance Division originates and advises on large asset financings. Its activities include project and infrastructure finance transactions, cross-border leasing and structured finance.

The Division's leading position in these markets was recognised by industry publication *Privatisation International*, which named it No.1 Australasia Infrastructure Financial Adviser 2000 by value of closed transactions and No.2 Global Infrastructure Financial Adviser 2000 by total number of mandates. The Division also received accolades from *Project Finance International* in its 2000 league tables, once again being ranked No.1 in Asia Pacific and No.2 globally by number of advisory mandates.

The Division continued to expand its international presence with new offices in Frankfurt, Seoul and Cape Town. It now has offices in Australia, the United Kingdom, New Zealand, South Korea, Japan, Hong Kong, Malaysia, South Africa, North America and Europe. In a number of locations the product mix was expanded, with leveraged leasing in Hong Kong and project finance in Japan, for example.

In October 2000 the Division demonstrated its commitment to growth by acquiring the Portland Group, a United Kingdom-based boutique consultancy specialising in airports. The acquisition forms the basis of an Airport Group, which is involved in establishing a US$500 million specialised airport fund.

Project finance highlights included:

— advising, developing and lead arranging for the ABB/Powerlink/Macquarie Bank consortium on its $938 million acquisition of ElectraNet, the South Australian electricity transmission assets

— advising, arranging and underwriting for Nextgen on the construction, operation and project financing of its $853 million Fibre Cable. Equity and debt were raised on a project finance basis without pre-sales

— advising National Express on the $713 million VIRTUE Trust financing of new rolling stock for Bayside Trains and Swanston Trams in Victoria (INSTO magazine's Structured Deal of the Year)

— advising Intergen in its successful bid for Shell Coal's 50 per cent stake in the Callide C Power Station

— advising AGL on the creation of the $800 million ActewAGL Joint Venture (combining the AGL gas network and retail business in the ACT region with the ACTEW electricity network and retail business in the ACT)

— acquiring Bristol International Airport (in conjunction with Cintra, Concesiones de Infraestructuras de Transporte, S.A.). The Division was involved in airport strategy and business plan advice through the Portland Group's expertise

— advising Tenaga Nasional on the 40 per cent sale of the Kapar Power Station in Malaysia

— advising Intria Berhad, Kuala Lumpur Sentral and Binaring Satellite Systems in Malaysia. The Division raised a combined total of RM2.9 billion in debt financing.

The Division remained market leader in cross-border leasing. The value of leases arranged exceeded $11 billion through the United States, Japan and (for the first time) Hong Kong, and included:

— electricity transmission assets for Powerlink Electricity/Queensland Treasury Corporation

— multiple aircraft for Lufthansa, Qantas, Singapore Airlines, Cathay Pacific, Austrian Airlines and Aer Lingus

— telecommunications equipment for France Telecom, Telecom New Zealand, Telstra and British Telecom

— telecommunications ducting equipment for Swisscom

— rolling stock for Austrian Rail

— buses for New World First Bus Services (Hong Kong), Santa Clara (California) and Austrian Post

— ferries for New World First Ferry Services

— rail facilities for Belgian Rail.

The Division's structured finance business enjoyed a record year. It worked on a number of large transactions and added to its investment product range. Highlights included:

— a new issue of infrastructure bonds

— an equity raising of more than $16 million for Macquarie Film Corporation

— an issue of Land Transport Notes, a new debt instrument receiving concessional treatment under the Income Tax Assessment Act

— the development and sale of units in the Macquarie IT 2000 Trust, an equity investment in leased IT equipment

— the establishment of MP Structured Finance Fund (via a joint venture).

The Infrastructure and Specialised Funds Division manages a range of investments in infrastructure assets including:

— Macquarie Infrastructure Group (MIG), an ASX-listed top-50 company with a market capitalisation of approximately $2.5 billion at 31 March 2001

— the listed Horizon Energy Group

— Hills Motorway Trust, owner of the M2 Motorway in Sydney

— High Yield Infrastructure Debt Trust, with $135 million in funds under management

— the $260 million Global Infrastructure Fund, a new closed-end fund that invests in infrastructure assets in OECD countries

— the South Africa Infrastructure Fund (via a joint venture). The fund invests in sub-Saharan Africa infrastructure assets.

A highlight of the year was MIG reaching financial close on the Midland Expressway, the United Kingdom's first private toll road. Other key MIG events included:

— $154 million purchase of a controlling interest in Sydney's M4 Motorway

— purchase of an additional 2.95 per cent in the Airport Motorway Group, owner of the M1 Motorway in Sydney

— successful sale of MIG's interest in the United Kingdom Ministry of Defence and the Meridian Hospital Project Finance Initiative contracts.

During the period the Division established the wholesale Global Infrastructure Fund (GIF). To date, GIF has made three investments:

— purchase of 100 per cent of the US Detroit-Windsor Tunnel Company

— equity investment in Nextgen

— purchase of a significant interest in Reef Networks, a fibre optic cable between Brisbane and Cairns.

The Division also manages a $100 million investment in the United Kingdom's Bristol Airport. This is intended to be a seed asset in an airport fund to be established by Macquarie.

Macquarie Capital is responsible for the Group's investment in industries where earnings flow from the use of assets or infrastructure. The Division is continually examining opportunities to grow the portfolio organically or through acquisitions. At 31 March 2001 the portfolio of assets exceeded $2.6 billion.

Some highlights of the year included:

— commencement of IT operating-lease finance in South Korea

— launch of D-Auction, a B2B internet auction website primarily for motor vehicles

— establishment of MacLease, the automation of lease origination, approvals and documentation between Macquarie and its clients.

Macquarie Capital incorporates the Macquarie IT and Macquarie Leasing businesses. Macquarie IT is one of the largest independent providers of IT operating leases to the government and corporate market in the region. It saw continued profitable expansion of its leasing book. Macquarie Leasing provides capital for general equipment finance and saw strong growth in receivables, mainly in vehicles. Credit quality continued to remain high with losses well within industry norms.

Forty-seven research and development syndicates were wound up over the last year (including seven in which Macquarie was the majority investor). A significant number of the remaining 39 syndicates are expected to wind up in the next 12 months.

A number of the syndicates are being reviewed by the Australian Taxation Office and litigation is likely in respect of at least one. While the final outcome is uncertain, Macquarie believes that any adverse impact would not be material.

Macquarie Technology Investment Banking provides advisory services throughout the business lifecycle to entrepreneurs building companies across a range of technology sectors (including e-business, communications infrastructure, software and life sciences).

Despite a difficult year in technology markets the Division was instrumental in several fund raisings for clients, including Thrombogenix and Intellisol.

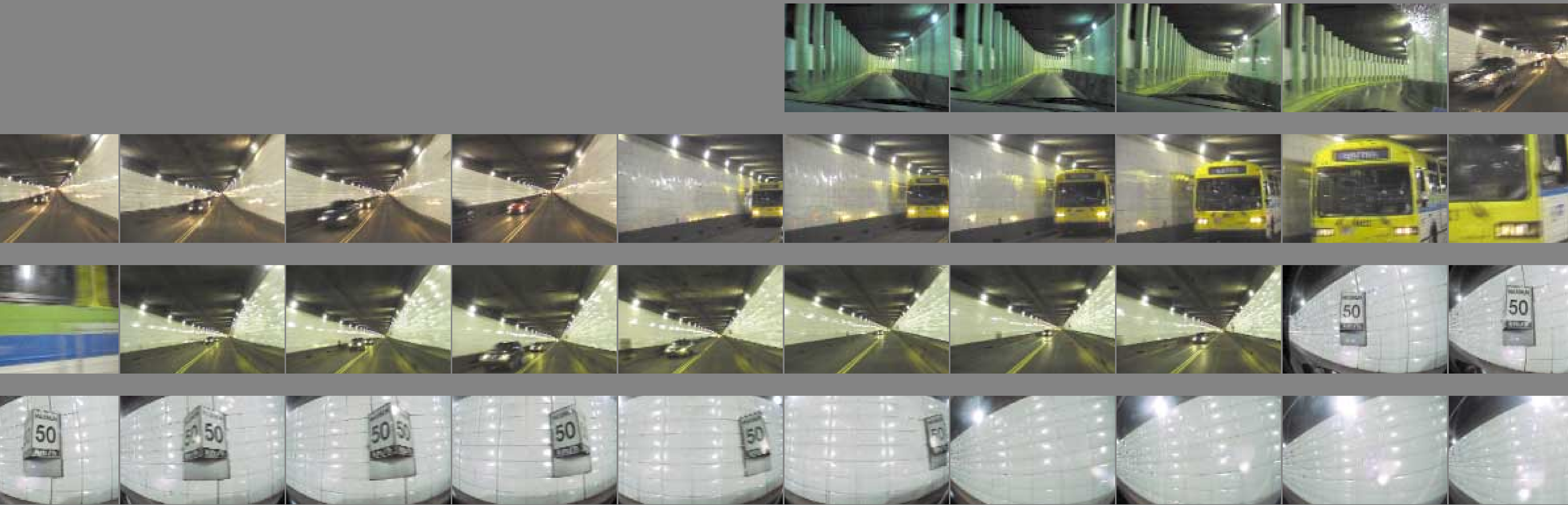
The Division's advisory business is complemented by the venture capital provided through Macquarie Technology Ventures (MTV). MTV is manager of the $48 million Macquarie Technology Funds 1A & 1B (MTF) and the soon-to-be-established Macquarie Technology Fund 2, and investment adviser to the $30 million Acer Technology Partners Fund.

MTV continued to identify new investments for MTF, adding Neuronz, Redfern Broadband Networks and ePredix to its list of portfolio companies. MTF realised its investment in Greengrocer.com.au and partially realised its investments in Openwave Systems and LookSmart.

Outlook

Success in previous years positions the newly formed Investment Banking Group well for the year ahead. The economic slowdown will probably reduce growth of the cross-border leasing business but have less impact on infrastructure and structured finance. The assets under management of Infrastructure and Specialised Funds and the leasing books of Macquarie Capital are expected to continue their rapid growth.

Asset and Infrastructure Group
Financial Services Group



The Detroit-Windsor Tunnel is the second busiest toll crossing between the USA and Canada and the only link that predominantly services commuter traffic between Detroit, Michigan and Windsor, Ontario.
All the equity in the company owning the tunnel was acquired in January 2001 by the Global Infrastructure Fund (GIF), a fund established and managed by the Infrastructure and Specialised Funds Division. This was the Asset and Infrastructure Group's first toll road acquisition in North America, as well as its first equity investment in North America.

The Project and Structured Finance Division assisted in the acquisition of the tunnel by firstly identifying the opportunity and then providing financial advice, and arranging and structuring senior debt and subordinated debt on behalf of GIF. Macquarie Capital underwrote the subordinated debt.

Macquarie's Financial Services Group (FSG) subsequently offered retail investors access to GIF via the Global Infrastructure Fund Trust. With a minimum commitment of $20,000, the Trust provided an affordable entry point to an asset class previously the domain of institutional investors and global companies. The Trust was promoted via FSG's network of independent financial advisers and directly to retail investors.

The Financial Services Group was established on 1 June 2000 following a reorganisation of the Bank's retail operations. Its objective is to take an integrated, customer-centric approach to the Bank's retail financial services business. This provides better leverage of the Macquarie brand and existing customer base and facilitates greater synergies in new technologies across multiple product Divisions.

The significant investment in new technology and the associated change programme has meant a small loss for the Group in its first year. This loss was smaller than anticipated and excludes the positive profit to other parts of the Bank from the Group's sale of their products.

Macquarie Financial Services Division services the Bank's direct retail customer base. It saw a number of significant growth initiatives during the year.

The Financial Planning business' numbers grew to 64 across Australia including planners and support staff. Average portfolio sizes are at the upper end of the financial planning market, consistent with the Group's desired positioning for this business.

The Private Banking business continued to build funds under management through its client base of high-net-worth individuals with sophisticated financial needs. This area of business is expected to grow over the next two to three years, as it leverages the strength of the Macquarie brand in the premium end of the market.

In April, the Division launched tradingroom.com.au, its joint venture with John Fairfax Limited's f2 Limited. The value proposition is unique in the market and draws on the strengths of Macquarie's research, broad range of financial products, existing systems and processing capability, together with the Fairfax Group's unique content and existing online client base.

The Division also launched a Private Portfolio Management service designed for high-net-worth individuals and trustees. The service provides a tailored investment account for an all-inclusive fee and complements the Bank's Private Banking, Financial Planning and Stockbroking businesses.

Macquarie Adviser Services is responsible for the distribution of Managed Funds, the Macquarie Cash Management Trust (CMT), Margin Lending and Adviser Broking Services through third-party advisers. It achieves its results by building close relationships with a broad network of independent financial planners, accountants, superannuation fund administrators and stockbrokers.

Despite a difficult year the Division enjoyed a number of highlights.

— Macquarie won the ASSIRT Service Level Awards for both Technical Services Support to financial planners and Administrative Support to financial planners. It was also judged in the top two fund managers for overall quality of service – encompassing quality of asset management, marketing support, administration support, ease of doing business, communication, technical services support and branding.

— Following a major upgrade in online transaction capabilities, the CMT grew to over $7 billion and remains the dominant cash service provider in its market. This growth largely reflects the excellent service this facility provides and the level of commitment to the product from major intermediary groups such as RetireInvest, Count Wealth Accountants and Mercer Financial Planning.

— The Macquarie Gilt Edge Access Account, a New Zealand-based cash trust, more than doubled to NZ $233 million. This gives it a market share of 24 per cent and makes it New Zealand's largest cash management trust. Again this followed close working relationships with independent planners such as The Money Managers group.

— The Division formed an alliance with the Lazard Asset Management group to manage international equities. In the year ending 31 March 2001 the Macquarie Lazard International Share Trust gained the endorsement of a large number of independent research groups. Lazard produced a strong international equities performance creating an excellent base for future growth.

Macquarie is making a significant commitment to the new, fast-growing Macquarie Portfolio Manager (Wrap). The service is targeted at independent financial advisers and already has more than 80 dealer-group clients. After only 15 months of operation it has over $1 billion in funds under administration and is considered a leader in a market with considerable potential, reflecting a clear customer focus and market-driven approach. The superannuation and pension wrap products are expected to be particularly strong growth areas over the next few years.

The joint venture with Sanlam (South Africa's second largest life company) was agreed in February 2000 and incorporated as Innofin Pty Ltd in the year ending March 2001. Innofin aims to provide innovative retail financial products to financial advisers targeting high-net-worth clients. The first product, launched in May 2001 in South Africa, is a cash management trust based on the flagship CMT offered by Macquarie in Australia.

The Client Contact Centre and Shared Services Division includes the operations of the former Client Services, Business Development Unit and DirecTrade (internet-based share trading) areas along with services shared across the Group such as human resources, finance, legal and compliance, broking services and supplier management. The Group undertook a major review of its client services operation with the objectives of:

— upgrading services to meet the needs of various client segments

— improving the working environment for staff

— providing a better platform for dealing with growth.

By August 2001 back-office operations will be consolidated from five locations to two – Sydney, servicing Direct and Wrap clients, and Brisbane, servicing external adviser clients.

Following the success of the client services review the Group is undertaking a front to back office review of the business processes supporting Broking Operations. The aim is to significantly increase efficiency, reduce error rates and upgrade client service.

Macquarie's philosophy is that people are our greatest asset. The Group devoted considerable effort to developing a sophisticated performance-management system, implemented March 2001. It assesses individual staff members' performance against mutually agreed key performance indicators linked to team and overall business performance, and helps frame development and training programmes for staff.

Securiclear Limited, the equities clearing joint venture with JB Were, has ceased operation as it is not viable at this point in time. In the last 12 months it became evident that the costs and risks of the technology platform required to deliver third party clearing services were of a size that negated any cost savings. As a result both parties have repatriated their back offices into their respective organisations. Macquarie and JB Were continue to have a close relationship and both companies are committed to working together to identify other opportunities to share technology investments and processing efficiencies.

Outlook

As we announced at its inception, due to major investments in systems FSG will incur moderate losses over its first two years. The implementation of the business plan is continuing on track and further substantial investments in technology will continue in the current year. FSG will achieve further improvements in cost ratios and sales rates as the business strategy proceeds. The customer management model is well equipped to optimise the opportunities in the retail wealth creation and management market. With broking and financial planning advisers working together, the Group aims to gain a greater share of the total wealth creation needs of its direct clients. The Group's commitment to the independent adviser network, together with leadership on the critical service dimension, will deliver strong growth in areas such as Wrap and CMT.

The issue of listed warrants over Hong Kong shares has proved a major success for the Equity Markets Group. The Group enjoyed a record year, leveraging strong demand from retail investors in Hong Kong for most of the last 12 months. Macquarie is the leading warrant issuer and the leading market-maker for exchange-traded-options in the Hong Kong market, as well as being a major issuer of other unlisted retail products.

Equity Markets Group

The Equity Markets Group undertakes the Bank's product issuance, market-making, risk arbitrage and principal trading activities in equities and equity derivatives. It also originates and structures equity-based financial products and solutions for retail and wholesale clients. It also runs the Bank's equity finance operations. The Group currently operates in Australia, Europe, Hong Kong, Brazil, Japan (through an alliance with Mizuho Securities) and South Africa (through an alliance with The Standard Bank of South Africa).

The Group enjoyed a record result despite varied market conditions across its international markets. A significant proportion of Equity Markets' net income was generated from its offshore operations, with the Hong Kong, South African and European businesses all performing very strongly.

The Group trades in shares, exchange-traded-options and warrants over both shares and equity indices, over-the-counter (OTC) options, swaps, convertibles and other debt-hybrid securities. It also offers a wide range of equity-based listed and unlisted financial products to retail, corporate and institutional clients.

The Group's business activities cover five main areas.

— Product issuance – a wide variety of products are issued in both listed and OTC markets in which the Group operates. Listed products are mainly vanilla and exotic warrants and OTC instruments are innovative products that aim to provide investors with features such as yield enhancement or increased leverage. The Group's dedicated sales team generally distributes its products via intermediaries such as financial planners, accountants and stockbrokers.

— Volatility trading – the risk management of exposures arising from the embedded optionality in many of the Group's activities. Volatility traders focus on capturing volatility margins between related instruments including options, warrants, convertibles, equity/debt hybrids and other equity derivative products, both listed and OTC.

— Structured deals – tailored solutions are developed for corporates, fund managers and high-net-worth individuals. These transactions address needs including financing of shareholdings, derivative-based acquisition/disposal strategies, risk management and asset allocation/synthetic exposures. They are mainly non-generic and require input from a broad skill base including structured finance and equity risk management.

— Cash trading – this primarily involves index arbitrage (whereby the discount or premium of an equity index futures contract is traded against a basket of stocks replicating the actual underlying equity index) and risk arbitrage (trades are initiated when a security is considered to be mispriced relative to another due to some specific circumstance including scrip takeovers and multi-market listings).

— Equity finance – this team undertakes management of the Group's balance sheet (incorporating asset/liability management) and coordinates the Group's funding requirements. It also undertakes the Bank's security borrowing and lending functions, both to support the Group's own activities and on a stand-alone "matched book" basis, and trades dividend discount plans.

In Australia, the Group is involved in all five business areas. It was the first issuer of listed call and put equity warrants on the Australian Stock Exchange and has successfully introduced index warrants, instalments and endowment warrants to the market. It has achieved a reputation as the leading issuer of innovative OTC instruments, developing products including the Shared Appreciation Loan, Stapled Stock and High Yield Equity Notes.

The Group's Australian business had a good year despite the poor market sentiment that existed in the first half. Risk arbitrage trading was profitable and, while product issuance levels were generally down on the previous year, the Telstra 2 rollover proved to be a turning point for improved retail participation in the share market. There was a steady stream of deals in unlisted products throughout the year. Despite the weak market environment, Macquarie maintained its position as the leading warrant issuer and was ranked No.1 in Australia for equity derivatives products by *AsiaRisk* magazine.

Activities in the Hong Kong market comprise cash and volatility trading together with an extensive product issuance programme. The issue of listed warrants over Hong Kong stocks to retail investors has been very successful. This activity is complemented by the issue of OTC equity-linked notes to high-net-worth investors.

The business enjoyed a record year, leveraging the high retail interest in Hong Kong during most of the last 12 months. It also capitalised on some large arbitrage trading opportunities in the first half. Macquarie is the leading warrant issuer and exchange-traded-option market-maker in the Hong Kong market.

In Japan, the Group's business venture with Mizuho Securities (the new entity arising from the merger of the securities businesses of Industrial Bank of Japan, Fuji Bank and Dai-Ichi Kangyo Bank) has focused predominantly on volatility trading, product issuance and structured deal activities, leveraging off Mizuho's extensive customer base.

The business experienced difficult trading conditions and inconsistent customer deal flows over the last 12 months. It has relocated to Mizuho's offices in Tokyo and is now well positioned to take advantage of any improvement in sentiment in the Japanese market.

In its third year in South Africa, the Group's equity derivatives venture with The Standard Bank of South Africa encompasses the full range of business activities. It has enjoyed a strong level of structured activity with South African corporates and fund managers. The advent of a successful listed warrant programme for retail investors was recently complemented by a range of OTC high yield and capital guaranteed products.

The business achieved a solid result for the year. Deal flow remained strong and several new initiatives were successfully implemented. The year saw the business establish itself as the leading warrant issuer and market-maker in OTC structured equity derivatives in the South African market.

The Group's European business, based in London, commenced trading in April 2000. A strong profit has been achieved despite the limited infrastructure and high set-up costs associated with establishing the operation. The business has grown significantly during the year and is expected to continue to do so over the next 12 months.

Trading to date has concentrated on convertible and arbitrage activities in all the main European markets. System developments over the next year will enable cash trading and option market-making on most European exchanges. Product issuance is also planned to commence in the near future.

The Group recently commenced trading Brazilian equity derivatives. The initial focus is on providing equity structured products to the sizeable local pension and funds management sector.

Outlook

The outlook for next year appears to be positive, notwithstanding current market uncertainties. All businesses are budgeted to contribute significantly to the Group's result.

Equity Markets seeks to generate a rising level of earnings that is less reliant on any individual equity market and/or market segment. Consequently, further geographic expansion opportunities continue to be actively investigated in order to create additional diversification. However, the Group would be unlikely to escape being adversely impacted in the event of a sustained and worldwide downturn in world equity markets.

In October 2000 the Funds Management Group launched the Global Bond Solution, the first product of its kind in the Australian market. The Global Bond Solution offers wholesale clients access to six fixed interest sectors (Australian fixed interest, global sovereign bonds, corporate bonds, high yield bonds, mortgage securities and emerging markets debt) in five major global fixed interest markets. Each sector is managed by a leading international specialist fund manager providing clients with a well diversified, best of breed solution.

Within the Global Bond Solution, the Australian fixed interest sector is managed by Macquarie Funds Management. Macquarie was named Morningstar Australian Fixed Interest Fund Manager of the Year 2000.

The Funds Management Group was formed as a separate Group on 1 June 2000 and had a satisfactory result for its first 10 months of operation. Funds under management increased by five per cent to $22.4 billion, comprising $12.3 billion for institutional clients and $10.1 billion for the Financial Services Group.

The Group provides a full range of funds management services to institutional investors, who include public and private superannuation funds, insurance companies, corporate treasuries, master trusts and other large investors.

The Group offers products across the full spectrum of investment styles, pricing structures, risk/return profiles and all major asset classes. This allows it to tailor investment solutions to meet individual client requirements and offer innovative products. For example, the equity funds include:

— nine products
— across three investment styles (enhanced, quantitative and active)
— with various pricing structures (base fee, performance fee and customised)
— in both domestic and international equity markets.

The Domestic Division includes asset management, product development, marketing and sales, client services, legal and risk management and portfolio services.

From its low risk funds through to its higher risk funds with higher potential returns, the Division applies the principles of active funds management to add value to client portfolios. It seeks this value-add by acting on in-depth understanding of the underlying forces that change investor expectations and asset prices in each market.

The Division continued to achieve competitive returns in enhanced equities, fixed interest and listed property. It received awards from leading investment research houses, including:

— MORNINGSTAR Australian Fixed Interest Fund Manager of the Year 2000
— InvestorWeb Six Star Award 2000 for the Macquarie Property Securities Fund.

The Division won a number of large mandates for diverse investments:

— $530 million invested in fixed interest and Australian and international equities for the Motor Trades Association of Australia Superannuation Fund
— approximately $500 million invested in Australian equities, property securities, fixed interest and cash from State Trustees of Victoria.

The Division's success reflects disciplined and rigorous investment processes. In September 2000 unsatisfactory performance in active Australian equities led to a thorough review of the Price for Earnings Growth (PEG) process used to manage these portfolios. While endorsing the PEG style, the Division has now built significant enhancements and tighter risk management disciplines into the process. This has brought encouraging improvements in returns for active Australian equity portfolios.

The Division continues working with clients to find new and better ways of adding value as markets evolve. It was first to market with a number of new products, adding to the diversity of its product range.

— The Macquarie Global Bond Solution offers investment opportunities not available in the Australian bond market. The fund invests in six fixed interest sectors across five major global fixed interest markets, each managed by a different 'best of breed' fund manager. It offers unique diversity in sourcing outperformance and is the first of its kind in Australia.
— Three new products added to the Group's depth in enhanced-style management. The Macquarie Enhanced Balanced Fund draws on the Group's strength in enhanced management across a number of sectors. The Macquarie Alpha Plus Fund applies the same techniques as the Group's successful Alpha Quant Fund, with a higher outperformance target. The Macquarie True Index Fund offers a wider group of clients the unique true indexing capabilities that have been available to larger clients seeking index performance with no management fees.
— The Macquarie Diversified Treasury Fund invests in a range of credit-based and Government issues. It is aimed at cash investors wishing to access diverse sources of return and designed to consistently deliver returns above the cash benchmark.

The Group introduced a unique pricing structure for its low-risk equity products. The Macquarie Risk/Return Customiser allows clients to specify exactly the trade-off between (a) the risk they are willing to take relative to benchmark, and (b) the return above benchmark they will receive. This pricing structure allows clients to fine-tune the investment outcome based on their individual parameters.

The Group's ability to deliver tailored investment solutions was enhanced by the integration of its portfolio, legal and risk management services, together with its asset management and client services, into one operating structure.

The International Division pursues opportunities to export the Group's expertise in asset management and product innovation into profitable offshore niche markets. In particular it focuses on markets that are deregulating and have substantial growth potential. The Group's preferred entry strategy is to build capabilities in managing domestic portfolio assets with Macquarie's active investment approach. Local joint ventures are pursued where there are substantial benefits in leveraging a local partner's market knowledge, brand and distribution.

Despite difficult market conditions, total funds under management in the Division's international joint ventures grew from A$0.9 billion to A$1.2 billion.

The Division has a 30 per cent interest in a joint venture with Arab-Malaysian Merchant Bank in Malaysia. This joint venture delivered satisfactory profitability in line with the previous year. Funds under management were unchanged in Malaysian currency terms, closing the year at A$1.1 billion equivalent. Growth in the venture's fixed-interest business was offset by valuation declines in its equities business. Investment performance was generally satisfactory compared with relevant benchmarks and industry peer groups.

The Division established an asset management business in Korea, taking a controlling interest in a joint venture with IMM Asset Management. Since its launch in December 2000 the venture's first public fund produced above average investment performance compared with its peer group of Korean equities funds.

It also won fixed interest and diversified mandates from respected Korean institutional investors, bringing total funds under management and advice to over A$100 million for the year ending 31 March 2001.

Outlook

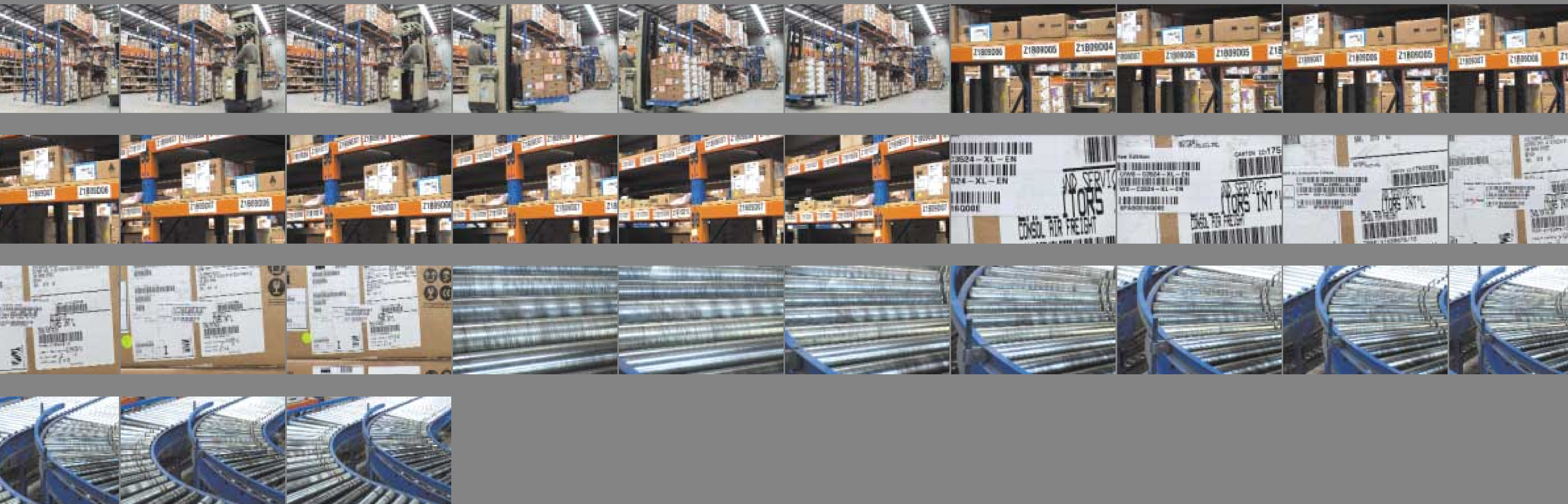
As a full service provider with distinctive capabilities in product development and innovation, the Funds Management Group is well placed to meet client needs in a fast changing environment. Recognised strengths in most major asset classes, together with process improvements recently implemented in active Australian equities, should allow Macquarie to consolidate its position as a leading competitor in the Australian funds management market. The launch of two new private equity funds, one Australian and one international, will add to the depth of the Group's product range.

Following its strategy of offering Australian clients a diverse selection of investment opportunities, the Group will continue to develop alliances accessing 'best of breed' funds managers across global markets. Within its international operations, the Group anticipates improved business conditions and growth in funds under management in both Malaysia and Korea in the next 12 months. The Group's selective international expansion will continue as opportunities arise to export its capabilities into markets with strong growth potential.

Banking and Property Group

In October 2000 Macquarie Industrial Trust merged with Goodman Hardie Industrial Property Trust to form the Macquarie Goodman Industrial Trust, Australia's largest listed industrial property vehicle with assets of $1.1 billion. The Trust owns a portfolio of properties including business parks, industrial estates, office parks and warehouse/distribution centres located throughout Australia and New Zealand. Its strategy is to deliver consistent income returns and optimise long-term capital growth for unitholders.

Macquarie Property Investment Management Division worked with the Corporate Advisory and Institutional Stockbroking Group's Property team to facilitate the merger. The team also conducted an associated equity capital raising.



Banking and Property Group

The Banking and Property Group enjoyed an excellent year and a record profit. All operating businesses – Property, Banking, Mortgages and Securitisation, Golf and Leisure – made a solid contribution to the result.

The formation of Macquarie Capital Partners LLC was a highlight of the year. This is a global real estate investment banking partnership between Macquarie Property and Security Capital Group Incorporated, a US-based real estate operating and investment management company.

Macquarie Property formed the partnership to increase global real estate opportunities, open access to capital markets in the United States, Europe and the Middle East and reduce exposure to domestic economic cycles. The agreement was finalised in December 2000 and benefits have already become apparent.

Property Finance, which has offices around the country, again proved its value to the Group with record new loan business. Its portfolio of private syndications, mezzanine debt and risk participation loans was spread across a geographically diverse mix of developments; mostly residential with an increasing number of commercial, industrial and retail projects, balancing risk with opportunity.

Mezzanine funding for a portion of the new business came from Macquarie Property Development Syndicate No.1, which last year raised funds from institutional investors. The syndicate offered investors a diversified high-yield investment opportunity and an innovative off-balance-sheet funding structure.

Throughout Australia the deal pipeline remains consistent and transaction revenues stable.

Macquarie's strong research capabilities will continue to underpin decision-making.

Property Investment Management (PIM) is one of Australia's leading property fund managers. The last 12 months saw more change and evolution.

— Macquarie Industrial Trust merged with Goodman Hardie Industrial Property Trust to create the Macquarie Goodman Industrial Trust (MGI). This became Australia's largest listed industrial property vehicle with assets of $1.1 billion.

— PIM acquired a strategic 41 per cent interest in Macquarie Goodman Management Ltd (the manager of MGI, which grew substantially in value during the year).

— Assets of the four listed property trusts managed by PIM and its associate – Macquarie CountryWide, Macquarie Goodman Industrial, Macquarie Leisure and Macquarie Office – increased by 61 per cent from $1.8 billion to $2.9 billion.

— Macquarie CountryWide, Macquarie Goodman Industrial and Macquarie Office continued strong sector outperformance.

— Macquarie CountryWide expanded internationally – acquiring 13 New Zealand supermarkets and announcing a strategic partnership with Regency Centres Real Estate Investment Fund in the United States.

— Direct Property completed two new offerings. Assets under management are now $206 million – an increase of 67 per cent over last financial year.

Property Investment Banking (PIB) performed well with a number of diverse advisory, financing and fund-raising initiatives contributing to the bottom line.

PIB entered the growing wholesale development fund market with an oversubscribed capital raising for ICA Property Development Fund No.1 Pty Ltd. The fund will invest in developments undertaken by ICA Property. Investments in the fund came from wholesale investors such as superannuation funds seeking fresh investment opportunities in new asset classes.

PIB showed syndications expertise with the equity syndication of Springthorpe, a Melbourne residential project undertaken by PIB-owned developer Urban Pacific Limited (UPL).

UPL had a good year. Stage One of Westwood (Adelaide) sold out and there was buoyant interest in Kensington Banks (Melbourne) and Edenbrooke (Brisbane).

PIB was again mandated by the Australian Federal Government to manage the disposal of a further $325 million in commercial property.

In China PIB remained committed to maximising shareholder returns. Its new AMP partnership project in Shanghai has recorded strong sales to date.

Medallist Golf Developments is the joint venture between Macquarie Property and Greg Norman's Great White Shark Enterprises. It has offices in Jupiter (Florida), Tokyo and Sydney.

Medallist enjoyed a successful year, with a number of highlights.

— It profitably sold down a large part of its holding in the Lake Powell, Florida, project to the Pittsburgh-based Hillman Group.

— It announced The Vintage in the Hunter Valley, Medallist's first NSW investment and one that takes the total development portfolio to $670 million.

— Total retail exchanged sales exceeded $100 million.

— Medallist sold its first property at PGA West in California, breaking a regional price record and reflecting the premium attached to this brand.

— Medallist's capital venture with AMP Henderson Global Investors was almost fully placed.

Mortgages and Securitisation continued its steady growth and achieved increased profit on the prior corresponding period. Both of the major businesses – wholesale origination and Macquarie Mortgages – performed well. Both are committed to productive long-term relationships and a strong service ethic.

The Mortgages business now manages some 62,000 loans with an outstanding balance of $8 billion.

Wholesale origination grew as it further expanded product distribution. It reinforced its position as Australia's leading funder of non-bank mortgages through distribution partners such as Aussie Home Loans and Mortgage House of Australia. *The Australian Financial Review* awarded the Domestic Mortgage Backed Security Deal of the Year to Macquarie Securitisation for PUMA P-7.

Macquarie Mortgages is the Bank's direct mortgage business. It increased market share by leveraging the Macquarie brand and marketing its products through a growing network of financial advisers and mortgage brokers, including Australian Finance Group and Mortgage Choice. Partnership agreements were also negotiated with key third parties including Qantas.

Margin Lending Division recorded strong volume and profit growth for its protected lending and margin lending products.

The business continued to invest in technology such as web-based client service software, which improved efficiency and customer interaction.

Once again, key contributors to the success of this business were strong relationships with the investment community as well as products designed to meet market demand.

In two deals of note, Margin Lending was appointed lender to Navigator, the Norwich Union Master Fund, and to Summit Money Master, owned by AXA Asia Pacific Group.

Banking achieved a record result. This reflected increased loan business as well as significantly reduced time and costs from growing client use of internet banking facilities.

Loan assets grew 14 per cent. The quality of debt remained excellent with very low levels of impaired loans.

Deposit volumes eased due to a focus away from retail-related business and more competition in the sector.

Banking established Macquarie Business Broking Services Pty Ltd (MBBS) to assist clients to buy and sell real estate agencies and rent rolls. This was a strategic move designed to satisfy market demand. MBBS also gives Banking the opportunity to consolidate its reputation as Australia's leading real estate banking specialist.

Professional and Business Banking (PBB) sharpened its niche focus on fee-for-service professions and high-net-worth individuals. A national marketing strategy achieved greater market penetration and an increase in both core and value-added opportunities.

Loan growth was strong across traditional business streams such as strata management and high-net-worth individuals. There were also pleasing results in a number of newer PBB target industries including recruitment, accounting and veterinary.

PBB has developed a number of new products and services that will sustain growth in the coming year.

Outlook

The Banking and Property Group's sound peformance in 2000/2001 should continue through next year. The deal pipeline is solid, while strategic moves made in past years have started to produce results. In summary, the Group is well positioned for future growth and sustained earnings.

Corporate Advisory and Institutional Stockbroking Group

A highlight for the Corporate Advisory and Institutional Stockbroking Group was advising Rio Tinto on its $3.5 billion takeover of North Limited, enabling Rio Tinto to acquire iron ore holdings in the Hamersley region in Western Australia. Along with the Mergers and Acquisitions (M&A) Division, Macquarie Equities played an instrumental role in the transaction, completing one of the largest hostile pre-bid stakes in the domestic market by acquiring 15 per cent of North for Rio Tinto.

This transaction demonstrates the Group's cross-Divisional industry focus. The successful Resources team maintained its number one ranking for completed Australian Resource M&A deals and number two ranking for completed Global Mining M&A deals, from Thompson Financial 2000.

Corporate Advisory and Institutional Stockbroking Group

The objective of the Corporate Advisory and Institutional Stockbroking Group is to deliver a comprehensive, relationship-based service for its clients. The Group brings together the Bank's mergers and acquisitions, equity capital markets, institutional stockbroking, corporate equity sales and equities research teams.

Revenue growth was recorded for the Group as a whole despite a fall in Australian equity issuance and soft equity markets generally. Growth was particularly strong in the Mergers and Acquisitions (M&A) Division.

The Group continues to be recognised as a leading provider of investment banking services and ranks high in all independent league tables and market share rankings across the full range of services offered.

Mergers and Acquisitions provides strategic advice to corporate and public sector clients on takeover advice, M&A, divestments, privatisations, corporate restructuring and other strategic and financial services.

The success of the Division was measured by consistent rankings in independent surveys. It was the only team to rank in Thomson Financial's top five for Australia in each of the past five years, and in calendar 2000 it was ranked first among investment banks by number of deals completed and third by value of deals completed. In the year ending 31 March 2001 the team advised more than 120 clients on 150 mandates worldwide and completed transactions worth approximately $17 billion.

Equity Capital Markets advises on, manages and underwrites the full range of equity capital market products, including initial public offers, rights issues, selldowns, placements, buy-backs and issuance of hybrid securities. It also advises on capital management, convertible and hybrid structuring and issuance through its Capital Structuring team.

The Division continued to improve its position in the market. In calendar 2000 it was ranked second by number of deals completed and second by value of deals completed in the Thomson Financial equity capital markets league tables. In the year ending 31 March 2001 it completed 19 transactions and raised approximately $3 billion for its clients.

Macquarie Equities Limited provides a full range of institutional and corporate stockbroking services to local and international investors, with activities in London, Munich, New York, Hong Kong, Singapore, Auckland and Wellington, as well as throughout Australia. The Division provides a unique international service specialising in Australian stocks and selected international stocks and sectors.

The Division enjoyed a number of highlights.

— In its survey of the Top Tier Investors, the 2000 Greenwich Quality Index ranked the Division number one for executions and in the top three for research sales, in terms of value add.

— The Corporate Stockbroking team extended its services, providing a high level of daily research and market intelligence to corporate clients.

— International expansion continued, with a new office in Wellington, which has already achieved a pleasing market share.

— The highly rated Quantitative Research and Sales team expanded into developed markets across South East Asia while maintaining a leading position domestically.

Macquarie Research Equities offers extensive research of Australian and New Zealand stocks, with analysis across more than 240 companies, or 96 per cent of the combined market. The Division services 4,000-plus institutional analysts and corporate personnel worldwide. It produces more than 1,000 daily articles and 300 specialist reports each year.

The Division performed well in the 2000 Greenwich survey. It was ranked equal first among leading institutional investors for investment ideas and achieved a top-five overall ranking.

The Division added analysts in New York, London and Hong Kong to cover international developments in financial services, telecommunications and media, infrastructure and basic industries, and also established a New Zealand team.

The Group is organised into cross-Divisional teams to focus on target industries and clients. The industry teams focus on resources, tmet (telecommunications, media, e-commerce, technology), financial institutions, consumer products, basic industries, property, infrastructure and utilities and emerging leaders.

The Resources team typifies the strategy of providing niche services internationally and focusing on opportunities where Macquarie can add sustainable value over the long term. The Resources team continued its expansion in North America during the year and will explore further opportunities in European markets during 2001. In M&A the team maintained its number one ranking for completed Australian Resource M&A deals and number two ranking for completed Global Mining M&A deals (Thomson Financial 2000).

Major transactions included:

— advising Rio Tinto on its $3.5 billion takeover of North. The Institutional Stockbroking team was instrumental in this transaction, completing one of the largest hostile pre-bid stakes in the domestic market by acquiring 15% of North for Rio Tinto. The deal was recognised by INSTO magazine as M&A Deal of the Year 2000

— advising Coal and Allied Industries on its $1 billion purchase of Peabody's Australian coal assets

— advising QCT on its $1.3 billion defence of the bid by BHP/Mitsubishi.

The Telecommunications, Media, e-commerce and Technology team was very active, with significant transactions executed in Australia, New Zealand and Asia. These included:

— acting as Joint Lead Manager in the partial divestment of Village Roadshow's radio business, Austereo, through an IPO. This significant transaction, the largest Australian IPO for 2001 at this stage, reinforced Macquarie's global equity distribution capacity

— advising Telecom New Zealand on its successful takeover bid for AAPT

— acting for TARBS on the sale of MMDS spectrum to Austar.

The Group's other industry teams were involved in the following highlight transactions:

— acting as Joint Global Co-ordinator in the listing of NRMA, which provided NRMA Insurance with a market capitalisation of more than $4 billion on listing. The NRMA demutualisation was a landmark Australian transaction and the largest of its type in the Southern Hemisphere. Its successful completion relied on a coordinated effort across the Group

— developing the reset preference share structure (RePS™) and leading the first issue for Bank of Queensland with its $40 million RePS™ issue

— acting as Joint Lead Manager and Underwriter in the successful $700 million issue of reset preference shares (ReCAP) by Coles Myer, which was named INSTO magazine's Innovative Deal of the Year 2000

— advising Smorgon Steel on its innovative takeover bid for Email. This involved introducing OneSteel as a joint bidder and eliminating divestment risk on the sale of Email's major appliances business to AB Electrolux

— advising Southcorp on its recent $1.5 billion acquisition of Rosemount Estates. The transaction was well received by the market and contributed to a substantial re-rating of Southcorp's shares. It was awarded M&A Deal of the First Quarter 2001 by INSTO magazine.

Outlook

The Group has begun the year strongly with a number of significant advisory and equity market transactions in progress. These included advising The Coca-Cola Company on its acquisition, in conjunction with San Miguel, of the Philippines bottling operations of Coca-Cola Amatil and advising Brambles on the proposed $20 billion dual-listed companies merger with GKN's support services businesses.

As many sectors of the market continue to consolidate and focus on core activities, strong corporate activity – particularly in M&A – is expected. This positive impact on the Group's business may be partly offset by the impact of uncertainty in world equity markets.

The Group's demonstrated expertise and comprehensive range of services is expected to be extended internationally during the year. Potential initiatives include expanding the Group's corporate and research activities, particularly in the resources sector in Europe and the telecommunications and financial institutions sectors in Asia. The merger of the Group with the Asset and Infrastructure Group to form the new Investment Banking Group will facilitate these initiatives and enhance the Group's ability to service its client base.

Direct Investment Division

The Direct Investment Division manages the Bank's direct investment activity through Bond Street Investments (a wholly-owned subsidiary) and six unlisted managed trusts. Since inception about $400 million in capital has been committed to the Division, with $230 million invested in 37 privately held Australian businesses.

The Division had another busy year with considerable activity in fund-raising, new investments and realisations. Earnings were somewhat lower than in the prior corresponding year, reflecting a single completed realisation – the initial public offering (IPO) of Hermes Precisa Australia (HPA) in December. Both Macquarie Investment Trust II and Macquarie Investment Trust III (MIT III) held shares in HPA and received very satisfactory returns from this. Although offers for three other investee companies were received from trade buyers, these transactions were not completed by 31 March 2001.

The fund-raising for MIT III yielded total commitments of $207 million, bringing total funds committed to the Division to approximately $360 million.

All new investments are now being made through MIT III. During the year the trust completed one follow-on and four new investments, including investments in HPA, JB HiFi, e-Bill, Staging Connections and Space Health Clubs, plus an additional follow-on investment in Nardell Coal. During March the Trust made two further investment commitments that are expected to settle during the first quarter of the new year. One of these, the $260 million management buyout of SCI Australia (the largest funeral business in Australia), is among the largest buyouts completed in recent years. Although the level of competition in the direct investment industry has increased dramatically, the Division is seeing a steady stream of business opportunities and is well positioned for further growth.

Quantitative Applications Division

The Quantitative Applications Division works in partnership with individual Bank businesses. The Division supports an expanding library of derivative-pricing and analytical tools that facilitate risk management.

The Division contributes to the financial community via derivatives courses and conferences. During the year the Division was invited to present at the First Conference of the Japan Academic Society for Financial Planning in Yokohama and later this year will present in Boston at the Risk 2001 USA Conference.

Economic Research Division

The Economic Research Division provides forecasts and analytical advice on economic and financial trends to operating Divisions and clients of Macquarie Bank. It also communicates the Bank's views on significant economic policy issues to media and industry groups.

During the year the Division assumed responsibility for providing economic research to the Bank's equities institutional client base. This is part of an ongoing effort to establish the Macquarie Research sub-brand and achieve greater consistency in communicating economic analysis.

An important element of this strategy is the closer alignment of the Economic Research Division with both the Bank's Treasury and Commodities Group and the Corporate Advisory and Institutional Stockbroking Group. In the past year the Division has supported this initiative by increasing its focus on client relationships and making more frequent marketing visits to promote economic-research publications and services offered by the Macquarie Research teams.

Corporate Affairs Group

The Human Resources and Administration Division provides key support services including recruitment, remuneration, employee relations, training and staff development, guest relations, business continuity, facilities management, library services, office services and the administration of interstate and overseas offices.

Human Resources assists all areas of the Group in recruiting, developing, rewarding and retaining the very best people. This is achieved by:

— sophisticated recruitment strategies and techniques

— leadership, personal-development and training programmes that help people realise their potential and expand their career horizons

— performance-based reward mechanisms.

Administration delivers high-quality office environments and services to support each business. During the year the team was involved in significant office expansions and relocations in Australia and internationally.

The Corporate Communications Division is responsible for protecting the strength and integrity of the Macquarie Bank brand. The Division oversees the Bank's public, media, government and community relations in Australia and internationally. It is involved in managing name and reputation risks across the organisation. The Division supports the operating businesses in their marketing and promotional activities, and coordinates brand management, advertising, sponsorship management and client relations. Corporate Communications also administers the Macquarie Bank Foundation.

The Company Secretarial and Investor Relations Division is responsible for the Bank's share registry, compliance with certain ASX and ASIC requirements, employee-equity schemes, professional-risks insurances and investor relations.

During the year the Division introduced the Deferred Exercise Share Option Plan amendments to the Bank's Employee Option Plan, to encourage long-term holdings of the Bank's shares by senior employees. It made important enhancements to the Bank's insurances and continued to improve efficiency in administering one of Australia's largest corporate structures.

Investor Relations continues to service the Bank's growing shareholder base. It is currently focused on increasing retail shareholder numbers and raising awareness of the Bank as an investment among institutions in Asia, North America and Europe.

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

During the year the Division was responsible for successfully implementing the Bank's GST project. In addition to key strategic projects, the main focus of the Division continues to be advising and assisting the business units on issues that impact their ongoing operations, including business-process improvements, new legislation and overseas expansion.

The Taxation Division provides taxation support to all areas and manages the Bank's relationship with revenue authorities and external advisers. The Division had a busy year preparing the Bank for GST implementation and other taxation-reform measures. As the Bank continues to expand its overseas operations, the Division will stay closely involved, ensuring taxation compliance in all operating jurisdictions.

The Internet Division has been created to maximise the returns Macquarie can achieve from its use of internet technologies. Working with business Divisions of the Bank, it will implement a review of the Group's websites both in Australia and internationally and deliver a new intranet platform to enhance productivity and communication.

The Division will also manage the investments made by the Bank in new technology businesses associated with financial services. These investments include AnnounceTV.com (which disseminates company announcements, AGMs and other finance-related communications using webcasting technologies), Enrichment.com.au (which provides aggregation of financial information offering customers a single view of their online holdings), and Spectrumdesk.com (online exchange for radio frequency spectrum).

Information Services Division

The Information Services Division (ISD) is responsible for:

— managing the Bank's technology infrastructure

— supporting, maintaining and enhancing existing business systems

— delivering and deploying new systems, technologies and services.

ISD provides each major business in the Bank with a dedicated team that works closely with that business to understand its particular technology needs.

A major IT Development Programme was commenced to support the business objectives of the Financial Services Group, formed in June 2000. A number of projects have already been delivered successfully and the programme is positioned to continue over the next 18 months.

In addition, there are a variety of system replacement and enhancement initiatives in progress within the Treasury and Commodities, Equity Markets and Banking and Property Groups.

The Bank's network continues to expand with four new international offices. To ensure continued viability of communications the global network was upgraded to establish a flexible infrastructure capable of supporting new overseas offices and provide improved resilience for existing offices.

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 responsible for assessing and monitoring risks across the Bank – market risk, credit risk, legal compliance risk, operational risk and liquidity risk. RMD personnel liaise closely with all operating areas to ensure risks are understood and properly managed. A full Risk Management Report is contained in the 2001 Financial Report.

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 in the trading and banking books. It sets trading limits and monitors exposures against those limits daily. It is responsible for liaison with the Australian Prudential Regulation Authority (APRA) and compliance with APRA's prudential standards. Finance is also responsible for the Group's funding and liquidity policies.

Operational Risk Review independently reviews and reports on the management of operational risks, focusing on areas of greatest current and emerging risk.

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.

Corporate Governance Statement

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

* Barrie Martin replaced David Clarke as a member of the Audit and Compliance Committee in May 2001.
** Helen Nugent will replace Bryan Kelman on the Nominating and Compensation Committees on Bryan's retirement from the Board in July 2001.

The Board of Voting Directors (the Board) is responsible for Macquarie Bank Limited. The primary role of the Board is to ensure the long-term health and prosperity of the Company, which it accomplishes by:

— setting objectives, goals and strategic direction for management, with a view to maximising shareholder value

— adopting an annual budget and monitoring financial performance

— ensuring adequate internal controls exist and are appropriately monitored for compliance

— ensuring significant business risks are identified and appropriately managed

— selecting, appointing and reviewing the performance of the Managing Director

— selecting and appointing new Voting Directors

— setting the highest business standards and code for ethical behaviour.

The monthly Board papers make Directors aware of current and forthcoming issues relevant to the Bank's operations and performance. These contain the monthly and year-to-date performance of all Divisions compared with budget, a prudential report from the Risk Management Division and papers relating to particular issues. Senior management are often invited to present and discuss these issues with the Board. The Board may seek further information on any issue, including requesting that a particular Division or Group Head present to it on performance, strategy or outlook for that Division or Group.

An annual Board strategy meeting is held in conjunction with senior management at which the strategic direction for the Bank in the short-to-medium term is discussed.

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 opposite. Brief resumes of the Voting Directors are contained in the Directors' Report.

The Bank, while a public listed company, has many characteristics of a large diversified professional services firm including an unusually high dependence on the performance of its staff and a 'partnership' view of the firm by its employees. The Board has fostered this professional services view of the Bank to the great benefit of the Bank's performance and shareholder returns. This, and the complexity of the Bank's operations, have been the prime reasons why the Bank, in common with many global investment banks, believes it to be in shareholders' interests to have an Executive Chairman, an Executive Chairman of the Board Compensation Committee and representation by Executive Directors as Voting Directors on the Board.

The Bank currently also has a number of 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 fifteen

— one third of the Voting Directors (excluding the Managing Director and rounded down) 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.

Terms and conditions of appointment and retirement 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

— term of appointment, subject to shareholder approval

— expectation of the Board in relation to attending and preparing for all Board meetings

— procedures for dealing with conflicts of interest

— 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 applicable to public companies 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 while 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 & Officers Liability policy which is coordinated by the Bank. Voting Directors are parties to the Deed of Access, Indemnity and Insurance approved by shareholders in 1998 and have the benefit of the Indemnity and Insurance Deed Poll approved by shareholders in 1999, as described in the Directors' Report which follows.

In order to encourage long-term commitment and more closely align the interests of the Board with shareholders, the Board introduced a minimum shareholding requirement for its Non-Executive Voting Directors (NEDs). All NEDs are required to compile and 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. 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.

Shareholders also approved last year the Non-Executive Director Share Option Plan whereby each year, provided the Bank had met a predetermined performance benchmark, the Bank will issue a small number of options over unissued shares to each Non-Executive Director.

Board committees

Three Board committees have been established to assist in the execution of the Board's responsibilities, as described below. The Bank also delegates substantial management responsibilities to the Executive Committee as described on page 8.

In May 2001 Barrie Martin replaced David Clarke as a member of the Audit and Compliance Committee. Helen Nugent will replace Bryan Kelman on the Compensation and Nominating Committees on Bryan's retirement from the Board in July 2001.

The Nominating Committee periodically reviews the composition of the Board and ensures that the Voting Directors bring a mix of qualifications, skills and experience to the Board. When a vacancy exists or whenever it is considered that the Board would benefit from the services of a new Voting Director, 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.

Audit and Compliance Committee meetings are held periodically throughout the year and attended where appropriate by the Managing Director, the Chief Financial Officer, the Head of Risk Management Division, representatives of the Bank's external auditors and, as required, other Bank executives and external advisers. The Head of Operational Risk Review acts as secretary to the Committee and attends its meetings. All Board members are free to attend any meeting of this Committee.

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
- 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 Risk Management Division, 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.

The Compensation Committee reviews compensation arrangements for all Voting and Non-Voting Directors and also reviews and approves recommendations by the Bank's management for annual staff remuneration. The review includes allocations made to Directors and executive staff under the profit-share and option schemes. The Committee obtains the advice of external consultants on the appropriateness of remuneration packages and other employment conditions when required. It meets annually and as the need arises. Committee recommendations are submitted to the Board for approval.

The Bank's remuneration policy for Directors and senior management is discussed later in the Directors' Report, but it should be noted here 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 when senior management depart. The Bank has a preference for filling vacancies from within.

Identifying significant business risks

There are many risks in the markets in which the Bank operates. A range of factors, some of which are beyond the Bank's control, can influence performance. 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 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, and these are periodically reviewed by the Board.

The Bank's Risk Management Division is responsible for the review and analysis of prudential and risk issues 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 2001 Financial Statements booklet.

Ethical standards

Macquarie Bank Directors and staff are required to maintain the highest ethical standards of conduct. The Group's code of ethics, *Macquarie Bank – What We Stand For*, covers the Bank's dealings with external parties and how the Bank operates internally, and enshrines the high standards that the Bank requires. It is continually reviewed and fully endorsed by the Board. *What We Stand For* is distributed to all staff and its standards communicated and reinforced at Bankwide induction programmes, presentations to workgroups and annual staff meetings.

In order to strengthen the Bank's commitment to high ethical standards, it has appointed an Integrity Officer, who:

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

Commitment to shareholders and an informed market

The Board firmly believes that shareholders and the investment market generally should be informed of all major business events that influence the company. In 1994 the Board instituted a Continuous Disclosure Policy, which in March 2001 was widened into a Policy on Disclosure of Bank Matters (Disclosure Policy).

The policy outlines a formal procedure for dealing with potentially price-sensitive information and involves referrals to a Continuous Disclosure Committee. The Committee comprises the Chairman of the Bank, the Deputy Managing Director, the relevant Group Head and the Company Secretary. The Committee is responsible for ensuring the Bank meets its disclosure obligations under Australian Stock Exchange (ASX) Listing Rule 3.1.

The Bank 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.

Shareholders are invited to attend the Bank's 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 each year. 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. Holders of Macquarie Income Securities and the Bank's Converting Preference Shares have limited voting rights as set out in their terms of issue.

The Disclosure Policy also states that the Bank will publicly issue market-sensitive information including annual and interim profit announcements, financial reports and analysts' presentations as soon as available to ASX.

Investors can obtain up-to-date information on the Bank's various activities from its website (www.macquarie.com.au/investorrelations). The site contains recent announcements, presentations and reports, including all relevant ASX notices which are posted as soon as possible after lodgement with ASX as possible.

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.

This Concise Report has been derived from the full consolidated Financial Report for the financial year ended 31 March 2001. The full consolidated Financial Report and auditor's report will be sent to shareholders on request, free of charge. Please call (612) 8232 3333 and a copy will be forwarded to you. Alternatively, you can access both the full consolidated Financial Report and the Concise Report via the internet at: www.macquarie.com.au/investorrelations

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 consolidated Financial Report.

Directors' Report

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 2001 and Statements of Profit and Loss and Cash Flows of the Bank and the entities it controlled at the end of, and during, 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, Deputy Chairman

Non-Executive Directors:

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

The Directors each held office as a Director of the Bank throughout the financial year ended 31 March 2001.

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 of Directors ("the 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.

Principal activities

The principal activities of the Bank and its controlled entities during the financial year ended 31 March 2001 were those of a full service financial services provider offering a complete range of investment banking, commercial banking and retail financial services in Australia and offshore.

Result

The consolidated operating profit for the financial year ended 31 March 2001 attributable to ordinary equityholders after provision for income tax was $241,964,000 (2000: $210,248,000).

	Regular Board Meetings		Special Board Meetings		Committee Meetings	
	eligible to attend	attended	eligible to attend	attended	eligible to attend	attended
D.S. Clarke	12	11	2	2	12	12
A.E. Moss	12	12	2	2		
M.R.G. Johnson	12	12	2	1		
B.N. Kelman	12	11	2	2	5	5
J.G. Allpass	12	11	2	2	11	11
L.G. Cox	12	12	2	2		
B.R. Martin	12	12	2	1	1	1
H.K. McCann	12	12	2	2	7	7
H.M. Nugent	12	12	2	2		

The Committee meetings held during the financial year were in respect of the Compensation Committee (4), the Nominating Committee (1) and the Board Audit and Compliance Committee (7).

Dividends and distributions

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

State of affairs

In the opinion of the Directors there were no significant changes in the state of affairs of the Bank and its controlled entities that occurred during the financial year under review not otherwise disclosed in this Report of the full consolidated Financial Report.

Review of operations

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

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 Bank and its controlled entities, the results of those operations or the state of affairs of the Bank and its controlled entities in the financial years subsequent to 31 March 2001 not otherwise disclosed in this Report or the full consolidated Financial Report.

Likely developments

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

Directors' interests and benefits

Other than any benefit that may have been derived from loans provided by and to the Bank or a controlled entity and any amounts received in respect of previously accrued remuneration, no Director has, during the financial 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 full 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 $1,068,000 (2000: $332,000) to the legal firm of Allen Allen & Hemsley of which Mr H.K. McCann is a partner. The fees are not significant compared to the Bank's total legal expenses for the financial year.

Directors' interests are disclosed in Note 30 to the full consolidated Financial Report – Related Party Information. Directors' remuneration is disclosed in Note 31 to the full consolidated Financial Report – Remuneration Policy for Directors and Executive Officers and in Note 5 to the Concise Report.

Directors' indemnification

Under the Bank's Constitution, the Bank indemnifies all past and present Directors and Secretaries of the Bank, including at this time the Directors named in this report and the Secretaries, against every liability incurred by them in their respective capacities unless:

— the liability is owed to the Bank or to a related body corporate

— the liability did not arise out of conduct in good faith

— the liability is for a pecuniary penalty order or a compensation order under the Corporations Law and

— in the case of a liability for legal costs, the costs are incurred in relation to a liability excluded above, the person is found guilty, grounds for a court order in proceedings by the Australian Securities and Investments Commission or a liquidator are established, or the court denies relief to the person in the relevant proceedings.

Security	Payment Date	Payment Type	$	In Respect of Year ended/Period	
Ordinary Shares	4 July 2000	Final	89,336,002	31 March 2000	Paid
	20 December 2000	Interim	71,840,441	31 March 2001	Paid
	3 July 2001	Final	91,451,651	31 March 2001	Provided
Macquarie Income Securities	17 April 2000	Periodic	7,349,808	17 January – 16 April 2000	Paid
	17 July 2000	Periodic	7,609,096	17 April – 16 July 2000	Paid
	16 October 2000	Periodic	7,878,360	17 July – 15 October 2000	Paid
	15 January 2001	Periodic	8,127,673	16 October 2000 – 14 January 2001	Paid
	17 April 2001	Periodic	6,404,822	15 January – 31 March 2001	Provided
Converting Preference Shares	15 June 2000	Periodic	5,550,150	15 December 1999 – 14 June 2000	Paid
	15 December 2000	Periodic	5,550,150	15 June – 14 December 2000	Paid
	15 June 2001	Periodic	3,245,178	15 December 2000 – 31 March 2001	Provided

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

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) lend 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.

Share options

Information on the Bank's share option scheme and options granted during or since the end of the financial year is contained in Note 34 to the full consolidated Financial Report – Employee Equity Participation.

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

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

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, where applicable, the Bank and its controlled entities are in compliance.

Financial Report

The full consolidated Financial Report of the Bank and its controlled entities for the financial year ended 31 March 2001, which is accompanied by an unqualified Independent Audit Report, is included in the 2001 Financial Report book. All references to notes to the full consolidated Financial Report are in this book, which will be provided to shareholders upon request and without charge.

Rounding of amounts

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

D.S. Clarke
Director

A.E. Moss
Director

Sydney
24 May 2001

Directors' experience and special responsibilities

David S Clarke, AO, B Ec (Hons), Hon DScEcon (Syd), MBA(Harv) (59)

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

— Chairman of Board Compensation Committee

— Chairman of Board Nominating Committee

David Clarke has been Executive Chairman of the Bank since its formation in 1985. From 1971 to 1977 he was Joint Managing Director of Hill Samuel Australia Limited (predecessor to the Bank), from 1977 to 1984 Managing Director, and from 1984, Executive Chairman.

Mark R G Johnson, LLB(Hons)(Melb), MBA(Harv) (60)

— Executive Deputy Chairman since September 2000

— Member of Board since February 1987

Mark Johnson joined the Bank in February 1987 as an Executive Director and Chairman of its Corporate Services Division. He was Joint Managing Director of Hill Samuel Australia Limited (predecessor to the Bank) with David Clarke from 1971 to 1977 and an Executive Director of Hill Samuel & Co. London until 1980. He was founding Director of the Australian Bank in 1981 and resigned from that position in 1986 before rejoining Macquarie Bank. He is also Chairman of Macquarie Infrastructure Group.

Allan E Moss, BA LLB (Hons)(Syd), MBA(Harv) (51)

— Managing Director since August 1993

— Member of Board since June 1989

Allan Moss joined Hill Samuel Australia Limited (predecessor to the Bank) 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 Risk Management Division which is responsible for the Bank's credit and other prudential controls. In 1986, he was made responsible for the Corporate Banking Group. He was appointed Head of the Financial Markets Group in 1988 and Deputy Managing Director the following year. Mr Moss became Managing Director in 1993.

John G Allpass, FCA, FCPA, FAICD (60)

— 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's National Board.

Laurence G Cox, AO, B Com(Melb), FCPA, FSIA (62)

— 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 SG Warburg Securities of London.

Bryan N Kelman, AO, CBE, B Eng(Syd) (75)

— Member of Board since the Bank's inception in February 1985

— Member of Board Compensation Committee

— Member of Board Nominating Committee

— Deputy Chairman of Board from September 1992 to September 2000

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.

Barrie R Martin, B Ec, FAII (65)

— Member of Board since August 1993

— Member of Board Nominating Committee

— Member of Board Audit & Compliance 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.

H Kevin McCann, BA LLB(Hons)(Syd), LLM(Harv), FAICD (60)

— Member of 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.

Helen M Nugent, BA(Hons), PhD(Qld), MBA(Harv) (52)

— Member of 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, Non-Executive Director of the State Bank of New South Wales in 1993 and 1994 and Non-Executive Director of Mercantile Mutual from 1992 to 1994.

More detailed biographical information on the Directors is available on the Bank's website at www.macquarie.com.au/directors

Consolidated Profit and Loss Statement

For the financial year ended 31 March 2001

	Notes	Consolidated 2001 $'000	Consolidated 2000 $'000
Net interest and similar income		179,145	186,830
Trading income		429,108	268,145
Net fee and commission income		855,447	661,417
Net gain arising from BTIB acquisition and integration		–	3,797
Other operating (expenses)/income		(7,817)	66,286
Total Operating Income		1,455,883	1,186,475
Employment expenses		(774,564)	(625,652)
Occupancy expenses		(76,190)	(52,496)
Non-salary technology expenses		(69,195)	(56,183)
Other operating expenses		(210,616)	(150,727)
Total Operating Expenses		(1,130,565)	(885,058)
Operating profit before income tax		325,318	301,417
Income tax expense		(53,352)	(79,006)
Operating Profit after Income Tax		271,966	222,411
Outside equity interest in operating loss after income tax		1,310	189
Distribution paid or provided on Macquarie Income Securities	3	(31,312)	(12,352)
Operating Profit after Income Tax attributable to Ordinary Equity Holders		241,964	210,248
Retained earnings at the beginning of the financial year		472,303	405,537
Adjustment resulting from change in accounting policy for investment in associates		–	(610)
Adjustment resulting from change in accounting policy for consolidation of life insurance business		–	4,431
Less: Dividends paid or provided on ordinary shares	3	(163,292)	(147,303)
Retained Earnings at the end of the Financial Year		550,975	472,303
		Cents per Share	
Earnings per Share	4	138.88	124.33

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

Consolidated Balance Sheet

As at 31 March 2001

	Consolidated 2001 $'000	Consolidated 2000 $'000
Assets		
Cash and liquid assets	243,588	219,227
Bullion	119,691	84,194
Due from clearing houses	51,000	106,723
Securities purchased under resale agreements	3,323,365	1,951,273
Securities	4,352,937	4,657,572
Due from other financial institutions	455,996	959,153
Due from governments	696,125	648,886
Loans and advances	6,231,236	4,571,619
Lease receivables	385,813	338,660
Other assets	8,979,366	6,720,213
Life Company investment assets	2,579,798	2,909,991
Investments	146,568	65,629
Fixed assets	108,347	88,736
Future income tax benefit	174,035	67,140
Total Assets	27,847,865	23,389,016
Liabilities		
Due to other financial institutions	517,700	756,234
Due to clearing houses	13,020	2,506
Securities sold under repurchase agreement	1,700,702	987,549
Securities borrowed	760,254	1,710,266
Deposits	3,865,031	3,961,703
Due to governments	254,933	220,605
Negotiable certificates of deposit	2,411,870	2,556,400
Notes payable	5,587,870	2,515,199
Other liabilities	8,094,855	5,789,891
Life Company policy liabilities	2,535,488	2,802,796
Provision for dividend and distributions	97,856	95,394
Provision for income tax	24,031	28,841
Provision for deferred income tax	137,864	170,716
Provision for employee entitlements	49,139	39,777
Provision for uncertainties	54,258	46,810
Total Liabilities excluding Loan Capital	26,104,871	21,684,687
Loan Capital		
Subordinated debt	255,546	319,459
Converting Preference Shares	150,000	150,000
Total Liabilities	26,510,417	22,154,146
Shareholders' Equity		
Ordinary share capital	391,635	372,815
Macquarie Income Securities	391,303	390,053
Retained earnings	550,975	472,303
Total Shareholders' Equity	1,333,913	1,235,171
Outside equity interests in controlled entities	3,535	(301)
Total Liabilities, Loan Capital, Shareholders' Equity and Outside Equity Interests	27,847,865	23,389,016

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

Consolidated Cash Flow Statement

For the financial year ended 31 March 2001

	Consolidated 2001 $'000	Consolidated 2000 $'000
Cash Flows from Operating Activities		
Interest and bill discounts received	1,017,413	825,409
Interest and other costs of finance (paid)	(790,258)	(633,441)
Dividends and trust income received	71,432	151,543
Fees, royalties and commissions received	956,544	717,400
Fees and commissions (paid)	(132,184)	(134,260)
Net (payments and proceeds) from dealing in financial instruments and commodities	(1,518,219)	(487,855)
Customer loans (granted)/repaid	(1,111,478)	750,162
Recovery of loans previously written off	327	1,621
Leases repaid/(granted)	34,857	(28,571)
Net increase/(decrease) in money market and other deposit accounts	2,525,856	(565,785)
Employment expenses (paid)	(727,237)	(531,752)
Net receipts/(payments) from debtors and creditors (inclusive of goods and services tax)	24,950	(172,837)
Income taxes (paid)	(141,305)	(97,784)
Premiums received by Life Company	1,738,731	1,919,741
(Policy payments) by Life Company	(2,118,384)	(2,239,578)
Net Cash Flows from Operating Activities	(168,955)	(525,987)
Cash Flows from Investing Activities		
Payment for acquisition of business, net of cash acquired	–	(59,872)
Payment for acquisition of controlled entities	–	(17,536)
Proceeds on sale of controlled entities	81,577	–
Payments for investments by Life Company	(7,348,977)	(6,137,440)
Proceeds from realisation of investments by Life Company	7,619,273	6,362,474
Payments for fixed assets	(66,636)	(116,269)
Proceeds on sale of fixed assets	5,012	30,145
Net Cash Flows from Investing Activities	290,249	61,502
Cash Flows from Financing Activities		
Borrowings advanced to Life Company	–	10,202
Transfer of profits to shareholders' equity by Life Company	–	11,500
Proceeds from the issue of ordinary share capital	59,665	127,090
On-market buyback of ordinary share capital	(36,000)	–
Proceeds from issue of Converting Preference Shares	–	150,000
Proceeds from issue of Macquarie Income Securities	–	400,000
Repayment of subordinated debt	(85,000)	–
Transaction costs from issue of debt and equity securities	–	(15,329)
Dividends and distributions paid	(203,242)	(130,115)
Net Cash Flows from Financing Activities	(264,577)	553,348
Net Increase/(Decrease) in Cash Held	(143,283)	88,863
Cash at the beginning of the financial year	321,500	232,637
Cash at the end of the Financial Year	178,217	321,500

Discussion and Analysis

For the financial year ended 31 March 2001

Discussion and analysis of Profit and Loss Statement

The economic entity achieved a net profit after income tax attributable to ordinary equityholders of $242.0 million, a 15.1% increase on last year. The after tax return on average ordinary shareholders' funds was 27.1%, slightly down on last year (28.1%).

Operating income

— Operating income increased by $269.4 million (22.7%) to $1,455.9 million. The growth occurred across the majority of business divisions and was assisted in part by the first full year contribution from businesses acquired from BTIB on 31 July 1999.

— Net interest and similar income decreased by $7.7 million (4.1%) to $179.1 million. The decline was due mainly to funding costs associated with the growth of the Equity Markets Group, offset by margin income on an increased loan book.

— Trading income increased by $161.0 million (60.0%) to $429.1 million. This was due primarily to Equity Markets' activities in Asia and Europe and full year contributions from former BTIB businesses in the Treasury and Commodities Group such as agricultural commodities and debt markets.

— Fee and commission income increased by $194.0 million (29.3%) to $855.4 million. This was driven by all businesses in the Asset and Infrastructure Group, the advisory activities in the Corporate Advisory and Institutional Stockbroking Group and securitisation and property fees in the Banking and Property Group.

— Other operating income is a net expense of $7.8 million this year compared to net income of $66.2 million for last year. The net expense in the current year arose primarily because of the increase in the provision for uncertainties based upon growth in the economic entity's risk weighted assets. The net income last year arose primarily because of the partial realisation of the investment in LookSmart Inc.

— Operating expenses increased by $245.5 million (27.7%) to $1,130.6 million. This is largely attributable to an increase in the average level of staff from 3,595 to 4,269 (18.7%), an increase in the Bank's premises, increased costs associated with expanding offshore operations and external professional fees associated with increased transaction flow.

Income tax

— Income tax attributable to operating profits attributable to ordinary equityholders has declined from 27.3% of operating profit attributable to ordinary equityholders in 2000 to 18.1% in 2001. The fall in the effective tax rate is due mainly to increased offshore earnings which are subject to lower rates of tax and a lower corporate tax rate of 34% for the second half of the financial year.

Earnings per share

Earnings per share grew to 138.88 cents from 124.33 cents in 2000. Increased earnings were partially offset by an increase in the weighted average number of shares on issue.

Dividend on ordinary shares

— The Board has resolved to pay a final cash dividend of 52 cents per fully paid ordinary share (2000: 52 cents per share) in respect of the year to 31 March 2001. The total annual dividend is 93 cents per share (2000: 86 cents per share).

— The interim dividend paid during the year was 70% franked at 34%. Dividends provided as at 31 March 2001 are 70% franked at 30%.

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

Discussion and analysis of Balance Sheet

— Shareholders' equity increased by $98.7 million (8%) to $1.4 billion. This is due to the issue of new shares following the exercise of options, partially offset by the on-market buyback of $36.0 million shares that occurred in December 2000 and growth in retained earnings.

— Total capital adequacy ratio at 31 March 2001 decreased from 18.4% to 16.0% with the Tier 1 capital ratio also decreasing from 14.5% to 12.9%. The ratios were primarily impacted by the $1.3 billion growth in risk weighted assets.

— Total assets increased by $4.5 billion (19.1%) to $27.8 billion. This was primarily due to large revaluations on the foreign currency denominated instruments held by the economic entity, increases in loan assets and increased securities purchased under resale agreement activity in the Equity Markets Group and the debt markets business in the Treasury and Commodities Group.

— Loan assets increased by $1.3 billion (19.1%) to $7.8 billion due to growth in the securitisation, mortgage and property finance businesses in the Banking and Property Group and the finance leasing business in the Asset and Infrastructure Group.

— Credit ratings continue to reflect strong prudential controls and diversified earnings. All external ratings were maintained during the financial year.

Discussion and analysis of Cash Flow Statement

— Net cash outflows from operating activities were $169.0 million. The outflow was primarily due to policy payments by the Life Company exceeding premiums received, outflows from the increase in loan assets and increased trading activities.

— Net cash inflows from investing activities was $290.2 million. The inflow was primarily due to the sale of a number of controlled entities and realisations of investment assets by the Life Company to fund payments to policyholders.

— Net cash outflows from financing activities was $264.6 million. The outflow was primarily due to the repayment of subordinated debt, dividends and distributions and the share buyback, partially offset by the issue of ordinary shares from the exercise of employee options.

Notes to and forming part of the Concise Report

For the financial year ended 31 March 2001

1. Basis of Accounting

The concise report relates to Macquarie Bank Limited ("the Bank") and the entities that it controlled at the end of and during the financial year (together, "the economic entity") ended 31 March 2001.

The accounting policies adopted are consistently applied by every entity in the economic entity and are consistent with those of the previous financial year, except where noted below. Where necessary, comparative information has been reclassified to achieve consistency in disclosure with the current financial year.

Change in Accounting Policy

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

Operating profit after income tax for the financial year ended 31 March 2001 increased by $4.8 million as a result of the change in accounting policy.

2. Segment Information

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

	Consolidated 2001 $'000	Consolidated 2000 $'000

3. Dividends and Distributions Paid or Provided

Ordinary Share Capital

	Consolidated 2001 $'000	Consolidated 2000 $'000
Dividends paid	71,840	57,967
Dividends provided	91,452	89,336
Total Dividends Paid or Provided	163,292	147,303

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

	Cents per Share	
Cash Dividends per Share	93.0	86.0

Converting Preference Shares

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

Franking Credits Available for the Subsequent Financial Year at the 30% (2000: 34%) Corporate Tax Rate	19,254	10,336

The franked portion of dividends proposed as at 31 March 2001 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax payable at the end of the financial year. The above amounts represent the balances of franking accounts as at the end of the financial year, adjusted for:
(a) franking credits that will arise from the payment of income tax payable as at the end of the financial year;
(b) franking debits that will arise from the payment of dividends proposed as at the end of the financial year; and
(c) franking credits that may be prevented from being distributed in subsequent financial years.

Macquarie Income Securities

Distributions paid (net of distributions previously provided)	24,908	6,294
Distributions provided	6,404	6,058
Total Distributions Paid or Provided for the Financial Year ended 31 March 2001	31,312	12,352

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

	Consolidated 2001 $'000	Consolidated 2000 $'000

4. Earnings Per Share

	Cents per Share	
Basic Earnings per Share	138.88	124.33

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

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

Weighted average fully paid ordinary shares	174,029,958	167,959,529
Weighted average fully paid equivalents of partly paid shares	198,425	1,151,771
Total Weighted Average Fully Paid Ordinary Shares Used in the Calculation of Earnings per Share	174,228,383	169,111,300

The weighted average number of fully paid 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 carry the right to participate in dividends and to that extent they have been recognised as equivalents of fully paid ordinary shares in the determination of basic earnings per share.

5. Remuneration Policy for Directors and Executive Officers

Non-Executive Voting Directors

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

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

— Chairman of the Audit and Compliance Committee $26,700 p.a.

— Member of the Audit and Compliance Committee $20,000 p.a.

— Member of the Compensation Committee $3,500 p.a.

— Member of the Nominating Committee $3,500 p.a.

— Chairman of Macquarie Life Limited $24,000 p.a.

— Director of Macquarie Life Limited $16,000 p.a.

— Chairman of Bond Street Australia Limited $20,000 p.a.

5. Remuneration Policy for Directors and Executive Officers continued

— Director of Bond Street Australia Limited $13,500 p.a.

— Chairman of Macquarie Investment Management Limited Compliance Committee $20,000 p.a.

— Member of Macquarie Investment Management Limited Compliance Committee $13,500 p.a.

— Director of Macquarie Bank Superannuation Pty Limited $16,000 p.a.

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

Shareholders also approved at the Bank's 2000 Annual General Meeting, the Macquarie Bank Non-Executive Director Option Plan, under which each of the Bank's Non-Executive Voting Directors will be invited to apply for five year options over fully paid shares in the Bank, in 2000, 2001 and 2002, valued at the time of determination (being 26 May 2000 for options issued in relation to the financial year ended 31 March 2000 and 1 July for options issued each financial year thereafter) at no more than 20% of the then base Non-Executive Voting Director annual fee, provided the Bank meets predetermined performance benchmarks. An Australian Stock Exchange Limited listing rule waiver was granted to allow this three year approval.

Executive Directors and Executive Officers

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

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

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

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

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

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

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

5. Remuneration Policy for Directors and Executive Officers continued

Directors' and Executive Officers' Remuneration

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

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

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

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

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

5. Remuneration Policy for Directors and Executive Officers continued

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

* Options may be exercised at any time (subject to staff trading rules).
** Options are issued subject to the exercise conditions referred to in Note 34 to the full consolidated Financial Report - Employee Equity Participation and are only exercisable in three equal tranches on or after 1 July 2002, 1 July 2003 and 1 July 2004.

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

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

The exercise price of new options granted is based on the weighted average market price during the calendar month of June.
Further information on the options, including the numbers of options granted to Directors and other executives, is set out in Note 34 to the full consolidated Financial Report – Employee Equity Participation.

6. 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 Australian Securities & Investments Commission ("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 Auditors' Report whether the audit has been influenced by the indebtedness.

7. Full Consolidated Financial Report

Further financial information can be obtained from the full consolidated Financial Report which is available, free of charge, on request from the Bank. A copy may be requested by calling (612) 8232 3333. Alternatively, both the full consolidated Financial Report and the Concise Report can be accessed via the internet at www.macquarie.com.au/investorrelations

Directors' Declaration
Independent Audit Report

Directors' declaration

The Directors declare that in their opinion, the Concise Report of the economic entity for the financial year ended 31 March 2001 as set out on pages 49 to 58 complies with Accounting Standard AASB 1039 "Concise Financial Reports".

The financial statements and specific disclosures included in this concise report have been derived from the full consolidated Financial Report for the year ended 31 March 2001.

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 economic entity as the full consolidated 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
24 May 2001

Independent audit report to the members of Macquarie Bank Limited

Scope

We have audited the Concise Report of Macquarie Bank Limited ("the Bank") for the financial year ended 31 March 2001 as set out on pages 49 to 59, in order to express an opinion on it to the members of the Bank. The Bank's Directors are responsible for the Concise 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 consolidated Financial Report of the Bank for the financial year ended 31 March 2001. Our audit report on the full consolidated Financial Report was signed on 24 May 2001, and was not subject to any qualification.

Our procedures in respect of the audit of the Concise 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 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
24 May 2001

2001 Annual General Meeting

The 2001 Annual General Meeting of the Bank will be held at 10.30 am on Thursday, 26 July 2001 at The Westin Sydney, in Ballroom D, Lower Level, 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 shares held that the amount paid on the partly paid share bears to the total issue price of the shares. However, partly paid shares issued under the Bank's Partly Paid Share Scheme (now closed) 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 buyback 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 buyback 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 Investor Services Pty Limited

GPO Box 7045
Sydney NSW 1115
Australia
Telephone: (612) 8234 5222
Facsimile: (612) 8234 5435
Email: sydney.services@computershare.com.au
Website: www.computershare.com

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

Investor Relations
Macquarie Bank Limited
Level 15
No.1 Martin Place
Sydney New South Wales 2000
Australia
Telephone: (612) 8232 3250
Facsimile: (612) 8232 4330
Email: esibree@macquarie.com.au

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

Year ended 31 March	1997	1998	1999	2000	2001
Profit and Loss ($ million)					
Total operating income	530.1	664.7	815.1	1,186.5	1,455.9
Operating expenses	391.9	497.9	597.3	885.1	1,130.6
Operating profit before income tax	138.2	166.9	217.8	301.4	325.3
Income tax (expense)	(21.3)	(25.7)	(52.8)	(79.0)	(53.3)
Operating profit after income tax	116.9	141.2	165.0	222.4	272.0
Outside equity interest in operative loss	—	—	—	0.2	1.3
Macquarie Income Securities distribution	—	—	—	12.4	31.3
Operating profit after income tax attributable to ordinary equityholders	116.9	141.2	165.0	210.2	242.0
Balance Sheet ($ million)					
Total assets	6,142	7,929	9,456	23,389	27,848
Total liabilities and loan capital	5,642	7,348	8,805	22,154	26,510
Shareholders' equity (inclusive of outside equity interest)	500	581	651	1,235	1,338
Risk weighted assets	4,686	4,967	4,987	8,511	9,860
Total loan assets (a)	2,682	3,158	4,002	6,518	7,769
Impaired assets (net of provisions)	46	12	44	23	32
Share Information					
Cash dividends per share (cents per share)					
1st Half	18.0	21.0	30.0	34.0	41.0
2nd Half	25.0	30.0	38.0	52.0	52.0
Total	43.0	51.0	68.0	86.0	93.0
Basic earnings per share (cents)	74.9	88.1	101.3	124.3	138.9
Share price at 31 March ($)	8.50	14.35	19.10	26.40	27.63
Issued capital (million shares) (b)	151.4	157.6	161.1	171.2	175.9
Market capitalisation at 31 March (fully paid ordinary shares) ($ million)	1,287	2,262	3,077	4,520	4,858
Ratios					
Return on average ordinary shareholders' funds	25.2%	26.1%	26.8%	28.1%	27.1%
Payout Ratio	60.5%	57.9%	67.2%	70.0%	67.5%
Tier 1 Ratio	12.9%	11.7%	13.0%	14.5%	12.9%
Capital adequacy ratio	13.2%	16.4%	17.3%	18.4%	16.0%
Impaired assets as % of loan assets	1.7%	0.4%	1.1%	0.3%	0.4%
Net loan losses as % of loan assets	0.0%	0.0%	0.1%	0.1%	0.1%
Funds Under Management ($ billion)					
Listed	1.5	2.3	3.0	4.2	6.9
Unlisted	–	–	–	–	–
Retail	7.2	8.9	9.8	9.6	10.6
Wholesale	8.6	10.5	10.0	12.5	13.4
Total	17.3	21.7	22.8	26.3	30.9
Staff Numbers (c)	1,965	2,474	3,119(c)	4,070(c)	4,467(c)

(a) Includes loans and advances, leases receivable, balances due from other financial institutions and balances due from governments.
(b) Number of fully paid shares at 31 March, excluding options and partly paid shares.
(c) Includes both permanent staff and contractors.

Directory of Groups and Divisions

Executive Chairman
David Clarke

Managing Director and
Chief Executive Officer
Allan Moss

Deputy Managing Director
Richard Sheppard

Banking and Property Group
Bill Moss
Property – Stephen Girdis
Property Investment Management
James Hodgkinson and
Simon Jones
Property Finance
Grant Munro
Property Investment Banking
Jeff Locke and
Steven Papadopoulos
Medallist Golf Developments
Tony Fehon
Securitised Lending – Tony Gill
Mortgages
Frank Ganis
Margin Lending
Scott Young
Banking – Greg Loveday

Equity Markets Group
Ottmar Weiss
Australia
Greg Mackay
Hong Kong
Kim Burke
Japan
Paul O'Brien
South Africa
David Bavin
Europe
Mark Konda
Brazil
Walter Pye

Financial Services Group
Peter Maher
Macquarie Financial Services
Brett Spork and Bruce Terry
Macquarie Adviser Services
Tim Farrelly
Client Contact Centre and
Shared Services
Gail Burke
Marketing
Peter Maher

Funds Management Group
David Deverall
Domestic
David Deverall
International
Ben Bruck

Investment Banking Group
Nicholas Moore
Europe
Stephen Allen
Asia
Paul Ow
North America
Oliver Yates
Structured Finance
Michael Price and Charles Wheeler
Cross-border Leasing
Stephen Cook
Advisory
Michael Cook and David Roseman
Infrastructure and Specialised Funds
Anthony Kahn
Macquarie Capital
Garry Farrell
Equity Capital Markets
Bill Best and Wayne Kent
Macquarie Equities
Mark Bennett
Macquarie Research Equities
David Rickards

Treasury and Commodities Group
Andrew Downe
Metals and Mining
Gavin Bradley and
James Mactier
Foreign Exchange
Simon Wright
Debt Markets
Paul Bide
Agricultural Commodities
Peter Thomas
Futures
Bill Marynissen
Money Market
Paul Robertson
Risk Advisory Services
Stephen Wood
Trading Funds
Bill Marynissen

Direct Investment Division
Sandy Lockhart

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

Quantitative Applications Division
John Green

Economic Research Division
Richard Gibbs

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

Information Services Division
Ian Graham

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.

Contact Directory

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

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

Macquarie Leasing
Level 4, 432 St Kilda Road
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 5370

Macquarie Financial Services Brisbane
Comalco Place
12 Creek Street
Brisbane QLD 4001
Tel: (07) 3233 5888
Fax: (07) 3233 5999

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

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

Burleigh Heads
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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
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Noosaville QLD 4566
Tel: (07) 5474 1608
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Shepparton
170 Corio Street
Shepparton VIC 3630
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Fax: (03) 5831 4133

Southport
12 Short Street
Southport QLD 4215
Tel: (07) 5532 8955
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Toowoomba
447 Ruthven Street
Toowoomba QLD 4350
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Fax: (07) 4639 3905

Townsville
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Tel: (07) 4771 6089
Fax: (07) 4771 6244

Surfers Paradise
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Surfers Paradise QLD 4217
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77 St George's Terrace
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45 Grenfell Street
Adelaide SA 5000
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Fax: (08) 8231 6107
Country callers: 1800 806 310

Macquarie Day Cutten Adelaide
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Fax: (08) 8724 9252

Canberra
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Brazil

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Fax: (11) 3167 3807

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Fax: (21) 6249 2810

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Heping District
Tianjin PRC 300050
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60325 Frankfurt am Main
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Fax: (69) 7474 9797

Munich
Maximilianstrasse 32
80539 München
Germany
Tel: (89) 290 530
Fax: (89) 290 5320

Hong Kong
17/F Citic Tower
1 Tim Mei Avenue
Central
Hong Kong
Tel: 2823 3700
Fax: 2823 3790

Indonesia

Jakarta
Jakarta Stock Exchange Building
Tower 21, 8th Floor
Jalan Jend, Sudirman Kav. 52-53
Block F-2
Jakarta 12910
Indonesia
Tel: (21) 515 4585
Fax: (21) 515 4579

Japan

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