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Interim Report

INTERIM RESULT

Macquarie Bank (the Group) is pleased to announce a strong result for the half-year to 30 September 2000. The result was achieved against a backdrop of turbulent global markets and difficult local economic conditions and reflects the breadth of the Bank's businesses, strengthened by the acquisition last year of the investment banking business of Bankers Trust Australia Limited (BTIB).

Consolidated after tax profit was \$107.9 million, compared with \$91.5 million in the previous corresponding period, an increase of 18 per cent. Profit before tax attributable to ordinary shareholders increased by 13 per cent on the corresponding prior period to \$139.2 million. The annualised after tax return on average ordinary shareholders' funds was 25 per cent. Basic earnings per share were 62 cents, up 14 per cent from the previous corresponding period.

A highlight of the half-year result was an increase in the contribution from the Group's international activities. This contribution now represents approximately 31 per cent of total revenue, up from 21 per cent in the previous corresponding period.

Total operating income rose by 28 per cent from the previous corresponding period to \$671.5 million. Fee and commission income contributed 56 per cent of income for the Group and rose 17 per cent on the previous corresponding period. Trading income contributed 30 per cent and rose by 86 per cent on the previous corresponding period mainly due to the contribution from the Equities Group doubling, driven by offshore equities markets, and an increased contribution by the Treasury and Commodities Group through its BTIB businesses. The 15 per cent increase in net interest income on the previous corresponding period was primarily attributable to the Group's larger average balance sheet.

The Group's Tier 1 capital base increased from \$1.1 billion to \$1.3 billion since 30 September 1999, however the Group's Tier 1 ratio was maintained at 13.4 per cent due to growth in risk weighted assets.

All of the Group's businesses made solid contributions to earnings except the Financial Services Group which, as previously foreshadowed, incurred a modest loss as its businesses were integrated and systems expenditure and marketing costs incurred. Overall, there were excellent results in the Equities, Asset and Infrastructure, Treasury and Commodities and Banking and Property Groups.

Equity Markets contributed significantly to the Equities Group's result, with the majority of profits being recorded in Equity Market's offshore markets. In Asset and Infrastructure, although the result was marginally lower than that of the prior corresponding period, there were high levels of business activity both domestically and in its growing international businesses. The Treasury and Commodities result reflects a changing revenue mix with strong performances from Debt Markets and Agricultural Commodities (businesses acquired from BTIB), solid contributions from Foreign Exchange and Money Market but a significantly lower result from Metals and Mining due to difficult trading conditions. The Banking and Property Group increased its profit contribution driven by strong growth across all businesses, including Mortgages, Securitised Lending and the Property divisions. The Corporate Finance Group was involved in a number of high profile transactions including Rio Tinto's successful takeover of North Limited and advising Powerco on its merger with CentralPower, with a strategically important transaction for the Group being its role as Joint Global Coordinator in the partial demutualisation of the NRMA. The Funds Management Group had an improved result with a small increase in funds under management and a number of new mandates. Several new products were launched during the period, drawing on the Group's expertise in indexed funds management and expanding the range of active equities products available to investors.

INTERIM REPORT

Macquarie Bank Limited

RELATIVE CONTRIBUTIONS BY OPERATING GROUP (%)

	Half-Year to 30/9/2000	Full-Year to 31/3/2000
Equities	31	19
Asset and Infrastructure	29	34
Treasury and Commodities	21	18
Banking and Property	12	9
Corporate Finance	8	13
Funds Management	2	3
Financial Services	(3)	3
Other	-	1
Total	100%	100%

The figures set out in this table are proportionate contributions to the Group's performance. They should be taken as a guide only to relative contributions and are derived from management accounts. Comparatives have been restated to reflect the Financial Services Group restructure.

CONSOLIDATED GROUP PROFITS (\$ million)

HALF-YEAR TO 30 SEPTEMBER

	2000	1999	Change
Total operating income	671.5	525.0	28%
Total operating expenses	517.5	402.6	29%
Pre-tax profit	154.0	122.4	26%
Income tax expense	31.0	31.1	-
Outside equity interests in net operating loss of controlled entity	0.4	0.2	-
Distribution on Macquarie Income Securities	15.5	-	-
Net operating profit	107.9	91.5	18%

NOTE: Pre-tax profit attributable to ordinary shareholders of \$139.20 million is derived using pre-tax profit of \$154.0 million, plus outside equity interests in the pre-tax loss of a controlled entity of \$0.7 million, less the distribution on Macquarie Income Securities of \$15.5 million.

CONTRIBUTION TO OPERATING INCOME

	Half-Year to 30/9/2000	Half-Year to 30/9/1999
Fee and commission income	56%	62%
Trading income	30%	21%
Interest and similar income	15%	16%
Other	(1%)	1%
Total operating income	100%	100%

BALANCE SHEET AND CAPITAL

ADEQUACY RATIOS

Total assets were relatively constant at \$24.3 billion, compared to \$23.4 billion at 31 March 2000, but down from \$28.1 billion at 30 September 1999. Risk weighted assets increased from \$8.6 billion at 30 September 1999 to \$9.7 billion at 30 September 2000. These movements are a result of a change in the mix of asset classes as well as the impact of currency movements on trading exposures.

A reduction in lower risk weighted trading securities was offset by an increase in securitisation warehouse facilities and property loans. The net decrease in total assets from the prior corresponding period is due to a fall in securities borrowing activity and run-off of non-core BTIB assets.

CAPITAL ADEQUACY

	30/9/2000	31/3/2000	30/9/1999
Tier 1 Capital (\$m)	1,302	1,237	1,139
Total Capital (\$m)	1,586	1,565	1,338
Risk Weighted Assets (\$m)	9,746	8,511	8,555
Tier 1 ratio (%)	13.4	14.5	13.3
Total ratio (%)	16.3	18.4	15.6

At 16.3 per cent, the Group's capital adequacy ratio continues to well exceed the 8 per cent minimum imposed by the Australian Prudential Regulation Authority (APRA). In addition, the Tier 1 ratio of 13.4 per cent is well above the APRA minimum of 4 per cent.

There has been a slight reduction in the capital ratios since 31 March 2000. This is due to an increase in risk weighted assets in the last six months (for the reasons noted above) partially offset by Tier 1 capital growth from option exercises and retained earnings.

The strong capital position of the Group enhances its commercial flexibility and ensures counterparty confidence. The Group constantly reviews its capital position to ensure it has the appropriate level to fund opportunities arising in its businesses. As part of a capital management programme, the Group has instituted a new distribution policy (refer to separate section in this Report for details) whereby up to 100 per cent of future earnings will be applied towards the funding of a mixture of dividends and share buybacks. However, the Group's capital base will still grow over time as the outstanding options on issue are exercised.

Loans and advances, lease receivables, balances due from governments and balances due from other financial institutions (total loan assets) grew from \$6.5 billion at 31 March 2000 to \$7.5 billion at 30 September 2000. The majority of this growth was driven by increases in warehouse facilities and property loans.

As set out in the following schedule, credit quality of the Group's loan portfolio remained extremely high with impaired loans at only 0.3 per cent of total loan assets.

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Macquarie Bank Limited

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

	30/9/2000	31/3/2000	30/9/1999
Non-performance	9.8	12.8	15.6
Partial performance	-	-	-
Restructured	-	-	-
Other real estate owned	9.0	10.0	10.5
Total	18.8	22.8	26.1
Percentage of loan assets	0.3%	0.3%	0.4%

CREDIT RATINGS

The Bank's credit ratings continue to reflect its strong financial performance, the quality of its business dealings, the strength of the management team and its sound risk management policies. The Bank's credit ratings have recently been reconfirmed at their current levels. The Moody's upgrading from P2/A3 to P1/A2 was achieved in the second half of the last financial year.

	Short-term	Long-term
Standard & Poor's	A1	A
Moody's	P1	A2
FitchIBCA	F1	A+
Thomson BankWatch	TBW1	AA- (senior debt)
Japan Rating & Investment Information	a1	A+ (foreign currency)

EQUITIES GROUP

The Equities Group posted a record first half result. The significance of the Group's offshore contribution continues to grow. The Group continues to review further opportunities for product and geographic diversification and is focused on developing resources to facilitate such growth.

During the period, Macquarie Financial Services (MFS) merged with other retail focused Divisions within the Bank to form the Financial Services Group. Accordingly, the MFS result is no longer incorporated into the Equities Group.

Equity Markets originates equity derivative financial products for wholesale and retail clients and undertakes the Bank's equity and equity derivative principal trading, issuance, risk management and market-making activities. The Division posted a solid half-year result, achieved in variable market conditions. Overall dampened sentiment in Australia was offset by stronger markets internationally, particularly Hong Kong.

Equity Markets also operates in the European, Japanese and South African markets, the latter two through alliances with Mizuho Securities (following the merger of IBJ, DKB and Fuji Bank) and The Standard Bank of South Africa respectively. The Division continues to build income diversity and will seek to retain the high market shares in the markets in which it operates.

Macquarie Equities Limited (MEL) combines dedicated domestic and international distribution capabilities with a highly ranked research team to provide a full range of institutional and corporate stockbroking services to local and offshore investors.

Whilst the global equity markets experienced a significant correction in April, MEL continued to achieve targeted revenue and market share levels. In the last two quarterly published results by the Australian Stock Exchange, MEL has been ranked number two in brokerage supporting the solid revenue flows and client base. Macquarie Equities Research has generated improved market penetration throughout the period, providing additional leverage for MEL. MEL also continues to work closely with Corporate Finance Group, resulting in the facilitation of a number of major equity transactions over the first half.

SecuriClear Limited, the equities clearing joint venture with JB Were, has commenced agency clearing on behalf of Macquarie and JB Were. Substantial progress has been made on a project to customise and implement a new global clearing technology platform that will facilitate the transition to full third party clearing in 2001. Discussions are continuing with other Australian Stock Exchange participants with a view to outsourcing their respective equity clearing operations to SecuriClear.

ASSET AND INFRASTRUCTURE GROUP

Asset and Infrastructure Group had a strong first half with excellent results from international leasing and domestic financing activities. The result was, however, down on the prior corresponding period, mainly due to the exceptionally strong performance of the Group in that previous half.

The Project and Structured Finance Division

(PSF) advises on, provides and originates large asset financings, particularly in infrastructure and project finance, cross-border leasing and structured finance generally.

PSF transactions completed within Australia during the first half included advising AGL on the creation of the AGL/ACTEW Joint Venture (a strategic partnership combining the AGL gas network and retail business and the ACTEW electricity network and retail business in the ACT), advising InterGen in its bid for Shell Coal's 50 per cent stake in the Callide C Power Station and winning the bid (in conjunction with Powerlink and ABB) for ETSA (the South Australian electricity transmission assets). PSF successfully completed the retail sell-down of six infrastructure bond deals, making it the largest retailer of infrastructure bonds in Australia.

Internationally, PSF completed major US cross-border lease equipment financings for a range of clients including Austrian Railways, France Telecom, Lufthansa, Qantas, Swisscom, Telecom New Zealand and Telstra. PSF also completed Japanese operating leases for Austrian Airlines, Post Austria and Santa Clara (a US municipality). International Project Finance transactions completed include advising Tenaga Nasional in Malaysia on the sale of 40 per cent of the Kapar Power Station.

The industry publication *Privatisation International* rated the Bank the number three project finance adviser internationally for the year 2000 by value of deals and number two by number of mandates. Macquarie maintained its number one rating in Australasia in both of these categories.

The Division also broadened its relationship with joint venture partner Shinhan Bank in Korea by seeking to continue and expand the existing relationship with cross-border leasing and structured finance products.

A new office was established in South Africa in conjunction with the Infrastructure and Specialised Funds Division. PSF also formed a working relationship with Standard Bank in South Africa.

Macquarie Capital continued to strengthen its position as a leading financial services provider to corporate, professional, government and small business sectors. At 30 September 2000, the Division's portfolio of gross loans and leases was in excess of \$3.1 billion across a range of asset classes including IT equipment, motor vehicles and telecommunications assets. The Division continued to actively pursue investment in new asset classes and regions including South Korea, where Macquarie IT recently established operations.

Infrastructure and Specialised Funds (ISF)

manages two listed entities, the Macquarie Infrastructure Group (MIG) and the Horizon Energy Group. MIG has a market capitalisation of around \$1.8 billion, ranking it in the top 60 listed entities in Australia. ISF also manages the High Yield Infrastructure Debt Trust, the Transurban City Link Trust, the Hills Motorway Trust and the Airport Motorway Group. During the period, ISF entered into a joint venture with Old Mutual Asset Management to manage the South Africa Infrastructure Fund and established the Global Infrastructure Fund (GIF), a closed-end fund that will invest in infrastructure assets in OECD markets.

The highlight for ISF for the period was the financial close of the Midland Expressway development in the UK. This \$2.2 billion project will be the UK's first toll road and one of the largest privately developed toll roads in the world. MIG currently has a 75 per cent interest, with an entitlement to increase its holding to 100 per cent after the road has opened.

Other key events during the period included the financial close of the UK Government's Private Finance Initiative contract to refurbish the Ministry of Defence's Whitehall offices (in which MIG has a 26.7 per cent interest), the commitment by GIF to provide 50 per cent of the equity in the development of a new fibre optic telecommunications cable between Brisbane and Cairns, and the transition of many of the above entities under the Managed Investments Act.

Macquarie Technology Investment Banking

(MTIB) is a venture capital group dedicated to accelerating the development of high growth technology companies, operating through offices in Australia and the USA.

Highlights for MTIB during the first half included advising on successful fundraisings for a number of clients including Thrombogenix Pty Limited, Intellisol Inc. and Smartsalary.com Limited.

The Division also manages the \$48 million Macquarie Technology Fund and is investment adviser to the \$30 million Acer Technology Partners Fund.

TREASURY AND COMMODITIES GROUP

The Treasury and Commodities Group made a strong contribution to the first half result with a change in revenue mix during the period, largely due to subdued metals markets, which resulted in a fall in the contribution made by the Metals and Mining Division. This decline was offset by excellent results from Agricultural Commodities and Debt Markets Divisions.

The **Agricultural Commodities Division** provides risk management solutions to the agricultural industry globally, with its core business being the provision of tailored, over the counter hedging transactions. In addition, it provides an agricultural futures service through Macquarie Futures Inc. in Chicago. The Agricultural Commodities business, which came to Macquarie through the BTIB acquisition, has now been successfully integrated and is fully operational in its six global locations. Recently the business hired a floor team on the New York Board of Trade to emulate the success of the team on the Chicago Board of Trade. The Division will continue to acquire further specialist skills as it expands its level of activity offshore. The successful transfer of the Macquarie wool business into the Agricultural Commodities business saw wool generate revenue equivalent to the previous full year. The Division has produced a very solid half-year result, with highly successful trading in sugar, cotton and grains.

Debt Markets is involved in debt origination and structuring, trading and sales and interest rate derivatives. The integration of this former BTIB business is complete and the Division is working well in its new environment.

The Division's aim is to provide interest rate risk management solutions to the Bank's clients and to facilitate the debt side of capital market transactions. It is independently recognised as a market leader in the arrangement, structuring and placement of rated mortgage, asset backed and project based structured deals. The Division also maintains its position as a core provider of service to the government and non-government fixed income market and money market.

The Division's good performance in the first half reflects a steady flow of capital market deals and risk management structuring opportunities. The traditional business of sales and trading of government bonds encountered difficult conditions with less activity in both global and local markets and less liquidity due to the Government's debt buy-back policy.

The **Metals and Mining Division** provides 24-hour price making facilities for base and precious metals, as well as loan financing and structured hedging facilities for mining companies/projects. The Division is also a major participant in the physical gold market. The result for the half-year was down on the prior corresponding period due to difficult trading conditions in most markets. During the half-year, the Division expanded its offshore operations with the establishment of a South Korean office.

The **Money Market Division** is responsible for the funding, liquidity and balance sheet interest rate risk management of the Bank. In response to the continued growth of the Bank's balance sheet US\$650 million was issued in the public Eurobond market during the period. These issues have been well received by market participants and have achieved significant favourable publicity. The Division has performed well this year with a solid first half result.

The **Foreign Exchange Division** provides 24-hour interbank price making services in Australian dollar spot, forwards and options and provides interbank pricing in Yen and Euro during the Sydney time-zone. The Division produced a pleasing first half result with satisfactory contributions from both spot and derivatives trading but the recent fall in the Australian dollar has created market uncertainty. Despite this, a number of significant deals remain in the pipeline.

The **Futures Division** maintained its position as the largest broker by turnover on the Sydney Futures Exchange. This is despite a slight contraction of market share due to strong competition from other brokers. The Futures trading interface, MACCEL, was successfully rolled out during the first half of the year allowing clients to self-execute through this trading application. Listed derivatives clearing continues to be a source of growth for the business, with the Division adding equity options to its capabilities.

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Risk Advisory Services (RAS) has specialised teams who focus on providing independent risk and financial management advice to clients in the commodity markets and in treasury. It also has a specialised team responsible for the outsourced management of over \$3 billion of debt and asset portfolios for clients. Recent rationalisation in the risk advisory marketplace has left RAS as the only significant banking operation in the market.

The **Capital Management Division** is a diversified trading group which utilises a multi-strategy, multi-market approach to trading. The Division takes a portfolio approach by balancing traders from fundamental and discretionary styles with traders using computer modelled trading techniques, the aim being to provide a high return with lower volatility. The Division has achieved a modest trading profit before expenses in

the first half, but current market conditions have been difficult with the majority of markets trading erratically and not sustaining any trends. These conditions require prudent assessment of the trading opportunities and careful risk management. The Macquarie Diversified Trading Fund, a vehicle that allows investors to participate in this alternative style investment approach, commenced trading in early November.

BANKING AND PROPERTY GROUP

The Banking and Property Group's contribution was significantly up on the prior corresponding period with strong performances across all Divisions.

Buoyant property markets in Sydney and Melbourne contributed significantly to the strong first half performance of **Property Finance**, which provides development and investment mortgage finance. The Division also continues to manage its existing portfolio of risk participation loans, a form of venture finance to the development industry. Loan assets and commitments total \$965 million.

The continued strong growth of urban renewal development company Urban Pacific Limited (UPL) helped drive a productive first half for **Property Investment Banking** (PIB). UPL, a wholly-owned subsidiary of the Group, operated at record levels of activity. During the period, PIB also concluded several property project advisory and structured finance mandates, maintaining its position as Australia's leading property adviser. It generated a solid pipeline of significant mandates which are expected to provide substantial returns over the medium-term.

It was a good first half for **Property Investment Management** (PIM), which manages four listed property trusts: Macquarie CountryWide (MCW); Macquarie Industrial (MIP); Macquarie Office (MOF); and Macquarie Leisure. PIM also launched a fifth unlisted property syndicate, the WP Direct Property Trust.

During the period funds under management grew from \$1.9 billion to more than \$2.1 billion, MCW bought 12 New Zealand supermarkets funded by a \$37.8 million capital raising, MOF raised \$45 million to buy NCR House and both MCW and MOF achieved rewards under the new performance-based management fee structure. PIM also announced the merger between MIP and the Goodman Hardie Industrial Property Trust to create the Macquarie Goodman Industrial Trust (MGI), Australia's largest industrial property trust with a total of \$1.1 billion under management. As part of the merger, Macquarie has acquired a 40 per cent interest in Macquarie Goodman Management Limited, the parent company of the responsible entity of MGI.

Medallist Golf Developments had its strongest half to date, with \$30 million in property sales. It commenced projects at PGA West (California), Springfield (Queensland) and also announced its involvement with The Vintage (New South Wales Hunter Valley).

The Bank is active in leisure through the **Hotels and Leisure Division**. Through the Division's Hotels and Leisure Investment Banking advisory business, Hotels and Leisure is active in Australia and Asia. The Bank also holds a minority interest in Omni Leisure which manages leisure operations. Highlights during the first half include Omni's purchase of a majority stake in the Sydney Kings basketball franchise.

Mortgages and Securitisation merged into one division and manages approximately 68,000 mortgages worth more than \$8 billion. The Division's relationship with Aussie Home Loans (Australia's largest non-bank mortgage lender) was extended, while relationships were developed with Harts Financial Services and Mortgage House of Australia. Macquarie Mortgages grew further market share through national relationships with financial planners and large mortgage brokers, including Mortgage Choice and Australian Finance Group. The recent launch of joint initiatives with the Housing Industry Association and Qantas will contribute to the continuing success of this business.

Macquarie Margin Lending improved its market-leader position in protected equity lending through its Geared Equities Investment product. There was also strong growth in margin lending due to the Bank's reputation for client service excellence and effective risk management.

Banking Division, a provider of banking services to professional firms and businesses, enjoyed a record first half. Loan and deposit growth was strong, attributable to high client service levels, innovative banking facilities provided to selected niche markets and further development of already strong relationships with key industry groups. The Division's long-term commitment to developing its internet and electronic banking platforms continued to reap efficiency and service benefits.

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CORPORATE FINANCE GROUP

The Corporate Finance Group experienced mixed market conditions during the first half with strong levels of activity in mergers and acquisitions but generally subdued conditions for capital raisings. Mergers and acquisitions produced a result similar to the prior corresponding period, however the conditions saw a generally weaker result from capital raisings. Given the high level of current transaction activity, the outlook for the second half is positive and a good result for the year is predicted.

Once again, the Group advised on a broad range of significant transactions during the period. Major merger and acquisition assignments completed included advising Rio Tinto on its \$4.0 billion takeover of North Limited, Powerco on its merger with CentralPower, Lion Nathan on the divestment of Pepsi Bottlers to Cadbury, Ord Minnett on its takeover by Chase Manhattan, Air New Zealand on its acquisition of News Ltd's 50 per cent shareholding in Ansett, Sydney Futures Exchange on its demutualisation, VAW aluminium AG on its acquisition of Kurri Kurri aluminium smelter and Billabong International on its initial public offering (IPO).

Despite generally subdued market conditions for capital raisings, the Group maintained a strong market share, ranked number one by the number of transactions completed and number four by value of capital raised. The Group, in its capacity as sole lead or joint manager, was involved in 10 transactions, which raised approximately \$1.4 billion for its clients. The keynote

transaction for the period was the Group's role as Joint Global Coordinator in the partial demutualisation of the NRMA. Other IPOs completed in the first half included Medical Imaging Australasia, Julia Ross Recruitment and Forest Enterprises Australia. The Group was also involved in several placements, rights issues and dividend reinvestment plans.

In addition, the Group has been leading the development of new securities, the most notable being Reset Preference Shares (RePS). The first issue of RePS was undertaken for Bank of Queensland. More recently, Coles Myer announced the issue of Reset Convertible Preference Shares, a form of RePS.

A high level of transactional activity has continued in the second half. Transactions under way or already completed in the second half include acting for Smorgon Steel in relation to its takeover offers for Email, the takeover defence of Petroz, Exxon Mobil on the sale of its Australian coal assets, Rio Tinto on the sale of North Forest Products, the merger of Goodman Hardie Industrial Property Trust with Macquarie Industrial Trust, the acquisition of minorities in AAPT by Telecom New Zealand, the takeover defence of QCT Resources, acting for TARBS on the sale of MMDS Spectrum to Austar, and acting as lead manager for the IPO of Bridge DFS and joint lead managers for the IPOs of RG Capital Radio and Alinta Gas.

FUNDS MANAGEMENT GROUP

The Funds Management Group was separately established on 1 June 2000 as the Bank's primary manufacturing arm for funds management products. The Group services the institutional investment management market and manages retail funds on behalf of the Bank's Financial Services Group. The Group had a satisfactory result, reporting on the first six months under its new structure.

The Group is focused on providing a diverse range of investment styles and pricing structures across all domestic classes and selected international asset classes. Through the International Division, the Group seeks to export its capabilities to profitable niche markets, as evidenced by its existing joint venture businesses.

At 30 September 2000 total funds under management by the Group were \$21.7 billion, comprising \$11.7 billion for institutional clients and \$10.0 billion for the Financial Services Group.

Domestic

In following its strategy of providing a diverse range of investment styles and pricing structures, the Group launched a number of innovative products during the first half, including:

- *Global Bond Solution* - the first of its kind in the Australian market, this fund provides diversification by combining the skills of different fund managers across the major fixed interest sectors in major international markets.
- *Enhanced Balanced* - a diversified product which draws on the Group's success in enhanced index management.
- *True Index Unit Trusts* - an extension of the Group's true indexing capabilities (management fee free) which were previously only available to our largest clients.
- *Wholesale Equities Fund* - this equities fund, with a target tracking error of 4 per cent, broadens the Group's range of equity products.

The Group has maintained its record of long-term success in the enhanced equities and listed property sectors by achieving first quartile performance over three years. However, the performance of our active equities funds did not meet our expectations. We remain committed to our Price for Earnings Growth (PEG) investment philosophy for active equities, however, we will continue to make further refinements to our PEG process to be at the forefront of active equities management in Australia.

International

Last year an asset management business was established in South Korea in partnership with IMM Asset Management, in which the Bank has an 81 per cent interest. The joint venture was granted its business licence in June 2000, only the second foreign controlled venture to receive a licence in Korea. The business offers investment services to institutions and expects to launch its first public mutual funds in the second half.

The Group's joint venture with Sanlam Ltd in South Africa plans to launch its first product, an investment service for affluent retail investors, by the end of the second half. Responsibility for the Bank's interest in the venture has been transferred to the Financial Services Group.

The Group's existing joint venture in Malaysia, in which the Bank has a 30 per cent interest, experienced good business conditions and consistently superior investment performance, winning mandates from a number of major local institutions.

FINANCIAL SERVICES GROUP

The Financial Services Group was established in June 2000 following a major review of the Bank's activities in retail financial services. This review concluded that, while the Bank had established a number of quality businesses in the retail market, a restructuring would improve the Bank's ability to service the needs of customers going forward and would improve the longer-term profit potential of these businesses.

Since its establishment, the Group has launched a large number of initiatives aimed at improving product offerings for clients and the Group's service delivery and cost effectiveness. As previously announced, the Group proposes to invest \$50-60 million in change management and technology programmes over the next two to three years. The impact of this programme is expected to be moderate losses by the Group this year and possibly next year with significant benefits thereafter. During the first half, the Group, as previously foreshadowed, incurred a modest loss.

Since the establishment of the Group, Richard Sheppard, the Bank's Deputy Managing Director, has acted as Group Head. In October we were pleased to announce the appointment of Peter Maher as permanent Group Head. Peter has held senior sales, marketing and general management roles in retail financial services and a number of consumer goods companies.

The Group comprises four Divisions: Macquarie Financial Services; Macquarie Adviser Services; Marketing and Business Development; and Client Services and Operations. **Macquarie Financial Services** provides stockbroking, financial advisory, private banking and other wealth management services through offices in all Australian mainland States. It operates one of Australia's largest retail stockbrokers. Stockbroking revenue during the half-year was constrained by relatively difficult market conditions, with both new issuance and secondary market activity at lower levels than in the previous year. Notwithstanding this, the Division maintained its market share. Good progress was made during the first half in expanding the Group's financial advisory and private banking businesses and the decision was taken to launch a discretionary portfolio management service in the current half-year.

Macquarie Adviser Services provides a range of support and sales functions to a network of over 6,000 independent financial advisers throughout Australia. The Division had particular success during the half-year with the continuing rollout of the Macquarie Portfolio Manager, a portfolio administration service (or wrap account) for financial advisers and their clients. Funds under management through this service increased from \$100 million to approximately \$620 million during the first half. The Macquarie Cash Management Trust continued to attract significant support from financial advisers and it remains the dominant cash account recommended by them on behalf of their clients.

Marketing and Business Development Division supports the Group by providing analysis of client trends, client segmentation and value propositions, product development and brand marketing strategy. It is also responsible for e-commerce strategy and alliance sourcing and management. The Division recently launched a major brand awareness print campaign that is designed to enhance the Bank's retail financial services brand among the target client group. A major focus of the Division is a review of the Group's large product portfolio, identifying opportunities for rationalisation, product gaps and product development.

The main focus of **Client Service and Operations** during the first half was to initiate the Group's change management and technology programmes. A large number of initiatives are currently under way including a review of the Group's client service and call centre operations, establishment of a new front-end portfolio system for brokers and advisers, rollout of a new customer relationship management system, a new superannuation platform and a range of other major support systems. The Group is confident that these initiatives will, during the course of the next two years, substantially increase the effectiveness of the Group's sales force, improve cost effectiveness and enhance the Group's service delivery to its clients.

During June 2000, the Bank announced an agreement to launch a joint venture with f2, the Fairfax Group's Interactive Network, to develop an online business offering individual investors a range of investment products and services. As part of this agreement Macquarie has agreed not to establish similar businesses with any of f2's competitors.

It is anticipated that the joint venture's internet site will be launched during the first quarter of 2001.

DIRECT INVESTMENT DIVISION

Macquarie Direct Investment reported a small negative contribution for the first half, reflecting the fact that there were no realisations of investments during the period.

However, during the period, good progress was made in a number of areas including fund raising and the closing of new investments. A second close was held for Macquarie Investment Trust III (MIT III) bringing total capital commitments to this trust to \$220 million.

Of this amount, approximately \$45 million has been committed to three investee companies.

Two new investments were finalised in the half-year. MIT III made a new investment in Hermes Precisa Australia (HPA) which was a follow-on investment to the previous one made by Macquarie Investment Trust II. Additionally, MIT III completed the management buy-in of JB Hi Fi, a substantial hi-fi retailer based in Melbourne.

Considerable progress was also made on a number of realisations, most of which should occur during the second half of the year. HPA is expected to be listed on the Australian Stock Exchange in the near future, while a number of other investee companies are in various stages of discussions with potential trade buyers. Interest from overseas buyers has been particularly strong of late, reflecting the weak dollar and the perceived values inherent in the market.

Notwithstanding increasing competition in the Australian private equity market, the Division remains well placed and expects to make a solid contribution for the full-year.

ORGANISATIONAL RESTRUCTURE

During November, the Bank announced the merger of the Corporate Finance Group and the Macquarie Equities businesses to form the Corporate Advisory and Institutional Stockbroking Group. The Group has been formed to enable an integrated offering of investment banking products and services to corporate and institutional clients. The new Group will have a headcount of 360 people and comprise four Divisions: Corporate Advisory Services; Equity Capital Markets; Macquarie Research Equities; and Institutional Broking. The new Group will be jointly headed by Richard Jenkins and Alastair Lucas.

As a result of the creation of Corporate Advisory and Institutional Stockbroking, Equity Markets will form its own Group. The Group, headed by Ottmar Weiss, will continue to undertake equity derivative principal trading, market making, structuring, origination and derivative sales activities through its activities in equity markets in Australia, Hong Kong, Japan (in conjunction with Mizuho Securities), South Africa (a joint venture with Standard Bank of South Africa) and Europe.

As set out in the Bank's 2000 Annual Review, the new Financial Services and Funds Management Groups were established in June 2000 as a result of the restructure of the Bank's retail and funds management activities.

TOTAL GROUP FUNDS UNDER MANAGEMENT

Funds under management were \$25.3 billion at 30 September 2000, an increase of \$0.5 billion from 31 March 2000, resulting mainly from institutional funds which increased \$700 million during the half. The Macquarie Cash Management Trust grew to \$7.0 billion in funds during the half and continues to be the largest cash management trust in the Australian market.

Funds under management are those assets that the Group actively manages and the underlying business is wealth creation. These assets are detailed below:

FUNDS UNDER MANAGEMENT (\$ billion)	30/9/2000	31/3/2000
Retail	10.0	10.3
Wholesale	11.7	11.0
Listed Trusts	3.1	3.0
Other	0.5	0.5
Total	25.3	24.8

INTERIM DIVIDEND

The Board has resolved to pay an interim dividend of 41 cents per fully paid ordinary share in respect of the half-year to 30 September 2000. The record date for the dividend will be 1 December 2000 and the dividend will be paid on 20 December 2000. This represents a payout ratio of approximately 67 per cent of first half reported earnings and will be 70 per cent franked. A total of 8 per cent of the ordinary dividend is from the Bank's Foreign Dividend Account and hence can be paid to non-Australian residents free of withholding tax.

The Bank will also pay a dividend on the Converting Preference Shares on 15 December 2000. The dividend will be in accordance with the terms of issue of those shares and will be franked to 70 per cent. The record date for this dividend will be 1 December 2000.

REVISED DISTRIBUTION POLICY

A review of the Bank's current distribution policy has been undertaken, taking into account recent changes in the local investment environment. As part of a capital management programme and in an effort to maximise shareholder value and give the Bank's investors more flexibility in their strategies relating to the Bank's shares, the Bank has revised its distribution policy such that future cash ordinary dividends will be maintained at current levels of 93 cents per share, based on the current interim dividend of 41 cents and last year's final dividend of 52 cents, until such time as the dividends can be fully franked. Thereafter, consideration will be given to increasing ordinary dividends as the Bank's franking capacity increases.

The Bank will supplement these cash dividends with a programme of on-market share buybacks so that the total of cash dividends and the buybacks are up to 100 per cent of earnings each year, thereby limiting capital growth through earnings.

By holding the dividend per share at current levels, and assuming continued profit growth, the dividend payout ratio is expected to gradually decline in future years, however, the Bank's franking capacity may correspondingly increase over time, leading to a higher franking rate and a more tax effective distribution. The level of franking does, however, remain subject to several factors including the level and future mix of Australian and overseas income.

The first on-market share buyback will commence on 1 December 2000 with an initial buyback of up to \$36 million. This will be followed by further buybacks every six months, aligned with the payment of the interim and final dividends. The Bank is considering the introduction of a share sale facility to accompany the buyback relating to the final dividend to ensure that shareholders who wish to liquidate part of their investment in Macquarie are able to sell small portions of their holding without incurring transaction costs.

OUTLOOK

The Bank is somewhat cautious about the outlook for the second half. Asset sales in the second half are unlikely to compare to the unusually high levels achieved in the corresponding period last year. Increased spending on technology in our Financial Services Group will also impact on profitability for the full-year. In addition, there is the possibility of continued subdued conditions in the metals markets.

Beyond these factors, it is difficult to forecast earnings levels given the numerous external influences on our performance. However, over the medium and long term we remain confident the Bank will continue to improve its strong position in the markets in which it operates. We are working on a number of opportunities offshore where we are planning boutique acquisitions to speed up our penetration in select markets.



D.S. Clarke, Director



A.E. Moss, Director

MACQUARIE BANK LIMITED

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DIRECTORS' REPORT for the half-year ended 30 September 2000

In accordance with a resolution of the Voting Directors ("the Directors") of Macquarie Bank Limited ("the Bank"), the Directors submit herewith the Balance Sheet as at 30 September 2000 and the Statements of Profit and Loss and Cash Flows of the Bank and its controlled entities (together, "the consolidated entity") for the half-year ended on that date ("the period") and report as follows.

Non-Executive Directors:

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

Unless indicated, the above Directors each held office as a Director of the Bank throughout the period.

DIRECTORS

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

Executive Directors:

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

RESULT

The consolidated profit for the period attributable to ordinary equity holders after provision for income tax was \$107,940,000 (1999: \$91,538,000).

DIVIDENDS

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

Security	Payment Date	Payment Type	\$	In respect of year ending/period	
Ordinary Shares	4 July 2000	Final	89,336,002	31 March 2000	Paid
	20 December 2000	Interim	71,840,441	31 March 2001	Provided
Macquarie Income Securities	17 April 2000	Periodic	7,349,808	17 January to 16 April 2000	Paid
	17 July 2000	Periodic	7,609,096	17 April to 16 July 2000	Paid
	16 October 2000	Periodic	6,579,726	17 July to 30 September 2000	Provided
Converting Preference Shares	15 June 2000	Periodic	5,550,164	15 December 1999 to 14 June 2000	Paid
	15 December 2000	Periodic	3,245,178	15 June to 30 September 2000	Provided

REVIEW OF OPERATIONS

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

ROUNDING OF AMOUNTS

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

CONTINUOUS DISCLOSURE

The Directors approved the introduction of a Continuous Disclosure Programme in December 1994. This consists of an independent reporting system by which senior management and the Board can be notified of events which are reportable to the market under Australian Stock Exchange Limited Listing Rule 3.1.



D.S. Clarke, Director



A.E. Moss, Director

Sydney, 16 November 2000

MACQUARIE BANK LIMITED

and its controlled entities

CONSOLIDATED PROFIT AND LOSS STATEMENT for the half-year ended 30 September 2000

	Notes	6 Months to 30 Sept 00 \$'000	6 Months to 31 Mar 00 \$'000	6 Months to 30 Sept 99 \$'000
Interest and similar income	2	99,317	100,167	86,663
Trading income	2	203,759	158,619	109,526
Fee and commission income	2	378,424	338,203	323,214
Net gain arising from BTIB acquisition and integration	2	-	-	3,797
Other operating income/(expense)	2	(9,977)	64,449	1,837
Total Operating Income	2	671,523	661,438	525,037
Employment expenses	2	(356,966)	(347,082)	(278,570)
Accommodation expenses	2	(35,821)	(26,337)	(26,159)
Non-salary technology expenses	2	(31,601)	(31,216)	(24,967)
Other operating expenses	2	(93,112)	(77,855)	(72,872)
Total Operating Expenses	2	(517,500)	(482,490)	(402,568)
Operating profit before income tax		154,023	178,948	122,469
Income tax expense	3	(31,030)	(47,896)	(31,110)
Operating Profit after Income Tax		122,993	131,052	91,359
Outside equity interest in operating loss after income tax of associates		428	10	179
Distribution paid or provided on Macquarie Income Securities	4	(15,481)	(12,352)	-
Operating Profit after Income Tax attributable to Ordinary Equity Holders		107,940	118,710	91,538
Retained earnings at the beginning of the period		472,303	438,498	405,537
Adjustment resulting from change in accounting policy for investments 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	4	(71,840)	(89,336)	(57,967)
Retained Earnings at the End of the Period		508,403	472,303	438,498
		Cents per Share		
Earnings per Share	5	62.4	69.4	54.9

The accompanying notes form part of the financial statements.

MACQUARIE BANK LIMITED

and its controlled entities

CONSOLIDATED BALANCE SHEET as at 30 September 2000

	Notes	As at 30 Sept 00 \$'000	As at 31 Mar 00 \$'000	As at 30 Sept 99 \$'000
ASSETS				
Cash and liquid assets		338,496	219,227	665,931
Bullion		135,676	84,194	81,943
Due from clearing houses		54,599	106,723	104,717
Securities purchased under resale agreement		2,118,449	1,951,273	6,422,265
Securities	6	3,864,978	4,657,572	6,650,399
Due from other financial institutions		821,150	959,153	644,267
Due from governments		645,123	648,886	561,734
Loans and advances		5,741,770	4,571,619	5,636,674
Lease receivables		343,601	338,660	494,900
Other assets	7	7,121,573	6,720,213	6,539,957
Life insurance investment assets		2,814,998	2,909,991	-
Investments		78,754	65,629	58,395
Fixed assets		92,769	88,736	73,934
Future income tax benefit		85,275	67,140	121,790
Total Assets		24,257,211	23,389,016	28,056,906
LIABILITIES				
Due to other financial institutions		1,582,539	976,839	643,317
Due to clearing houses		28,380	2,506	692
Securities sold under repurchase agreement		794,545	987,549	1,971,053
Securities borrowed		1,114,639	1,710,266	7,025,195
Deposits		4,081,829	3,961,703	5,231,830
Negotiable certificates of deposit		1,872,517	2,556,400	2,969,535
Notes payable		3,888,101	2,515,199	2,048,131
Other liabilities	8	6,059,335	5,789,891	6,198,681
Life insurance policy liabilities		2,690,021	2,802,796	-
Provision for dividend and distributions		78,420	95,394	57,967
Provision for income tax		71,793	28,841	37,215
Provision for deferred income tax		150,530	170,716	273,290
Provision for employee entitlements		46,962	39,777	91,773
Provision for uncertainties	9	53,603	46,810	48,317
Total liabilities excluding loan capital		22,513,214	21,684,687	26,596,996
Loan Capital				
Subordinated debt		286,189	319,459	310,530
Converting Preference Shares		150,000	150,000	150,000
Total Liabilities		22,949,403	22,154,146	27,057,526
SHAREHOLDERS' EQUITY				
Ordinary share capital	10	406,486	372,815	363,992
Macquarie Income Securities	10	391,303	390,053	195,052
Retained earnings		508,403	472,303	438,498
Total shareholders' equity		1,306,192	1,235,171	997,542
Outside equity interests in controlled entities		1,616	(301)	1,838
Total Liabilities, Shareholders' Equity and Outside Equity Interests		24,257,211	23,389,016	28,056,906

The accompanying notes form part of the financial statements.

MACQUARIE BANK LIMITED

and its controlled entities

CONSOLIDATED STATEMENT OF CASH FLOWS for the half-year ended 30 September 2000

	6 Months to 30 Sept 00 \$'000	6 Months to 31 Mar 00 \$'000	6 Months to 30 Sept 99 \$'000
Cash Flows from Operating Activities			
Interest and bill discounts received	479,829	441,862	383,547
Interest and other costs of finance paid	(406,263)	(450,013)	(221,108)
Dividends and trust income received	27,390	131,243	20,300
Fees, royalties and commissions received	379,684	406,149	311,251
Fees and commissions paid	(49,508)	(77,636)	(56,624)
Net Life Company premiums received/(policy payments)	(144,858)	(121,698)	(198,139)
Net (payments)/proceeds and receipts from dealing in financial instruments and foreign exchange	159,374	496,373	(984,228)
Customer loans repaid/(granted)	(1,173,703)	354,788	395,374
Recovery of loans previously written off	468	1,112	509
Leases repaid/(granted)	151,698	(256,466)	227,895
Net increase/(decrease) in money market and other deposit accounts	1,318,375	(906,967)	341,182
Employment expenses paid	(460,461)	(310,194)	(221,558)
Net receipts/(payments) from debtors and creditors (inclusive of GST)	(388,835)	(186,263)	51,106
Income taxes paid	(26,399)	(81,884)	(15,900)
Net Cash Flows from Operating Activities	(133,209)	(559,594)	33,607
Cash Flows from Investing Activities			
Payment for acquisition of business, net of cash acquired	-	-	(59,872)
Payment for acquisition of controlled entities, net of cash acquired	-	-	(17,536)
Net realisation of investments by Life Company	212,493	24,232	200,802
Payments for property, plant and equipment	(19,898)	(81,039)	(35,230)
Proceeds on sale of property, plant and equipment	3,528	30,138	7
Net Cash Flows from Investing Activities	196,123	(26,669)	88,171
Cash Flows from Financing Activities			
Borrowings advanced by Life Company	-	10,202	-
Transfer of profit to shareholders' funds in Life Company	-	11,500	-
Proceeds from the issue of share capital	33,671	7,611	119,479
Proceeds from the issue of Macquarie Income Securities	-	200,000	200,000
Proceeds from the issue of Convertible Preference Shares	-	-	150,000
Repayment of subordinated debt	(45,000)	-	-
Transaction costs for issue of debt and equity securities	-	(4,974)	(10,355)
Dividends and distributions paid	(109,845)	(67,658)	(62,457)
Net Cash Flows from Financing Activities	(121,174)	156,681	396,667
Net (decrease)/increase in cash held	(58,260)	(429,582)	518,445
Cash at the beginning of the period	321,500	751,082	232,637
Cash at the End of the Period	263,240	321,500	751,082

The accompanying notes form part of the financial statements.

MACQUARIE BANK LIMITED

and its controlled entities

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS as at 30 September 2000

1. BASIS OF PREPARATION

This general purpose financial report for the half-year ended 30 September 2000 ("the period") has been prepared in accordance with Accounting Standard AASB 1029 "Half-Year Accounts and Consolidated Accounts," other mandatory professional reporting requirements (Urgent Issues Group Consensus Views), the Corporations Law and Class Order 98/0111 issued by the ASIC, which provides relief from certain asset and liability classifications in AASB 1029.

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

It is recommended that this financial report be read in conjunction with the 31 March 2000 financial report of the Bank and any announcements made by the Bank during the period in accordance with the continuous disclosure requirements of the Corporations Law.

The accounting policies are consistent with those of the previous financial year and corresponding half-year, unless otherwise stated. Where necessary, comparative figures have been adjusted to conform with changes in presentation at 30 September 2000.

Change in Accounting Policy

From 1 April 2000, in relation to significant projects, the Bank has adopted a policy of capitalising certain 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.

No internal software development costs were capitalised during the half-year ended 30 September 2000.

2. OPERATING PROFIT

Operating profit before income tax has been determined after crediting as income/(charging) as expense:

	6 Months to 30 Sept 00 \$'000	6 Months to 31 Mar 00 \$'000	6 Months to 30 Sept 99 \$'000
Interest and Similar Income			
Interest income received/receivable	452,969	519,952	336,527
Interest expense paid/payable	(392,923)	(459,284)	(281,795)
Lease rental income	39,271	39,499	31,931
Total Interest and Similar Income	99,317	100,167	86,663
Trading Income			
Arising from trading instruments	144,802	94,996	74,794
Arising from other securities	505	219	(219)
Net gains on foreign currency trading	31,204	19,808	18,490
Dividends received/receivable	27,248	43,596	16,461
Total Trading Income	203,759	158,619	109,526
Fee and Commission Income			
- income	450,909	414,934	363,566
- expense	(79,062)	(85,739)	(46,874)
Life insurance business			
- revenue	14,824	19,925	16,329
- expense	(8,247)	(10,917)	(9,807)
Total Fee and Commission Income	378,424	338,203	323,214

2. OPERATING PROFIT (continued)

	6 Months to 30 Sept 00 \$'000	6 Months to 31 Mar 00 \$'000	6 Months to 30 Sept 99 \$'000
Net Gain Arising from BTIB Acquisition and Integration			
Discount on acquisition	-	-	19,933
Borrowing expenses	-	-	(7,195)
Information technology expenses	-	-	(2,900)
Other costs including attributable profit share expense	-	-	(6,041)
Net Gain Arising from BTIB Acquisition and Integration	-	-	3,797
Other Operating Income/(Expense)			
Share of associates net result after tax	(929)	3,745	-
Provision for uncertainties	(6,793)	1,507	1,313
Charge for bad and doubtful debts:			
- recovery of loans previously written off	34	1,102	509
- recovery of loans previously provided for	434	-	453
- specific provisions for loan losses	(1,523)	(1,718)	(5,433)
- loan losses written off	(933)	(1,312)	(252)
Life insurance investment income on surplus in statutory funds	1,649	2,830	3,605
Other income	748	59,381*	8,286
Other expenses	(2,664)	(1,086)	(6,644)
Total Other Operating Income/(Expenses)	(9,977)	64,449	1,837
Total Operating Income	671,523	661,438	525,037
Employment Expenses			
Provision for holiday pay	(5,231)	(396)	(3,728)
Provision for long service leave	(3,065)	120	(2,615)
Salary and salary related costs, superannuation, performance related profit share and staff training **	(348,670)	(346,806)	(272,227)
Total Employment Expenses	(356,966)	(347,082)	(278,570)
Accommodation Expenses			
Operating lease rental	(24,381)	(18,724)	(18,956)
Depreciation	(5,817)	(3,076)	(4,278)
Other	(5,623)	(4,537)	(2,925)
Total Accommodation Expenses	(35,821)	(26,337)	(26,159)
Non-Salary Technology Expenses			
Depreciation	(10,219)	(11,054)	(8,903)
Other	(21,382)	(20,162)	(16,064)
Total Non-Salary Technology Expenses	(31,601)	(31,216)	(24,967)
Other Operating Expenses			
Auditors' remuneration			
- auditors' remuneration for auditing services	(407)	(478)	(401)
- auditors' remuneration for other services	(1,487)	(388)	(3,220)
Total Auditors' Remuneration	(1,894)	(866)	(3,621)

MACQUARIE BANK LIMITED

and its controlled entities

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS as at 30 September 2000

2. OPERATING PROFIT (continued)

	6 Months to 30 Sept 00 \$'000	6 Months to 31 Mar 00 \$'000	6 Months to 30 Sept 99 \$'000
Other depreciation	(2,396)	(2,370)	(1,779)
Profit/(loss) on sale of property, plant and equipment	(961)	716	7
Other operating expenses	(87,861)	(75,335)	(67,479)
Total Other Operating Expenses	(93,112)	(77,855)	(72,872)
Total Operating Expenses	(517,500)	(482,490)	(402,568)

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

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

3. INCOME TAX EXPENSE

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

	6 Months to 30 Sept 00 \$'000	6 Months to 31 Mar 00 \$'000	6 Months to 30 Sept 99 \$'000
Income Tax (Expense) on Operating Profit*	(55,448)	(64,421)	(44,089)
Add/(deduct) tax effect of permanent differences:			
Effect of change in tax rates	(2,137)	(1,099)	-
Rebatable dividend income	597	2,143	1,117
Distribution paid/provided on MIS	5,573	4,447	-
Recoupment of group tax losses	8,245	6,812	6,145
Rate differential on offshore income	12,075	6,810	4,228
Net effect of different tax rates on life insurance business	1,855	2,024	1,295
Dividend paid/provided on CPS	(1,998)	(1,998)	(393)
Other	208	(2,614)	587
	24,418	16,525	12,979
Income Tax (Expense)	(31,030)	(47,896)	(31,110)

* Prima facie income tax on operating profit is calculated at the rate of 36%.

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

The corporate tax rate reduction from 36% to 34% in 2000 and further reduction to 30% in 2001, comes into effect for the Macquarie Bank Group on 1 October 2000 and 1 October 2001, respectively. The deferred tax balances of the economic entity have been restated as at 30 September 2000 after taking into account the likely reversal date and nature of these balances. It is expected that these deferred tax balances will be subject to further restatement as at 31 March 2001 and 31 September 2001.

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

MACQUARIE BANK LIMITED

and its controlled entities

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS as at 30 September 2000

5. EARNINGS PER SHARE (continued)

	30 Sept 00 \$'000	31 Mar 00 \$'000	30 Sept 99 \$'000
	Number		
Weighted average ordinary fully paid shares	172,628,633	170,701,459	165,214,853
Weighted average fully paid equivalent of partly paid shares	343,115	350,414	2,061,346
Total Weighted Average Ordinary Shares Outstanding during the Period used in the Calculation of Basic Earnings per Share	172,971,748	171,051,873	167,276,199

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

6. SECURITIES

	30 Sept 00 \$'000	31 Mar 00 \$'000	30 Sept 99 \$'000
Trading Securities			
Commonwealth government bonds	136,711	930,531	2,902,043
Treasury notes	199,246	292,150	132,483
Other government securities	693,169	629,072	1,255,484
Other OECD government securities	11,172	63,198	-
Bank bills	711,245	621,849	246,899
Quoted equity securities	1,192,057	915,687	972,555
Other debt securities	718,678	1,072,018	1,061,060
Total Trading Securities	3,662,278	4,524,505	6,570,524
Other Securities			
Other government securities	10,077	10,077	10,067
Units in unit trusts	74,786	34,126	25,442
Equity securities	4,587	1,095	134
Other securities	113,250	87,769	44,232
Total Other Securities	202,700	133,067	79,875
Total Securities	3,864,978	4,657,572	6,650,399

7. OTHER ASSETS

	30 Sept 00 \$'000	31 Mar 00 \$'000	30 Sept 99 \$'000
Amounts due from research and development joint ventures	390,171	375,962	362,306
Amounts due from brokers and clients	296,892	502,231	248,394
Unrealised gains on revaluing other financial instruments	5,106,004	4,673,064	4,595,193
Debtors and prepayments	720,085	672,312	1,038,721
Property purchased for sale and development	35,565	31,004	21,493
Life Company statutory funds receivable	60,584	25,489	-
Other	512,272	440,151	273,850
Total Other Assets	7,121,573	6,720,213	6,539,957

8. OTHER LIABILITIES

	30 Sept 00 \$'000	31 Mar 00 \$'000	30 Sept 99 \$'000
Amounts due to brokers and clients	556,829	289,590	350,354
Unrealised losses on revaluing other financial instruments	4,459,027	4,305,828	4,609,317
Creditors	263,154	356,497	516,777
Accrued charges and sundry provisions	470,357	539,276	344,417
Life Company statutory funds creditors and borrowings	129,622	110,026	-
Other	180,346	188,674	377,816
Total Other Liabilities	6,059,335	5,789,891	6,198,681

MACQUARIE BANK LIMITED

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS as at 30 September 2000

9. PROVISION FOR UNCERTAINTIES AND SPECIFIC PROVISIONS

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

	6 Months to 30 Sept 00		6 Months to 31 March 00		6 Months to 30 Sept 99	
	Specific \$'000	Uncertainties \$'000	Specific \$'000	Uncertainties \$'000	Specific \$'000	Uncertainties \$'000
Balances at the beginning of the period	11,201	46,810	9,652	48,317	7,932	27,916
Provided during the period	1,523	6,793	1,718	-	5,433	-
Provision on acquired BTIB assets	-	-	-	-	-	21,714
Bad debts written off	(318)	-	(169)	-	(3,260)	-
Written back during the period	(434)	-	-	(1,507)	(453)	(1,313)
Balances at the End of the Period	11,972	53,603	11,201	46,810	9,652	48,317
Specific provision as a percentage of loan assets	0.16%		0.17%		0.14%	
Provision for uncertainties as a percentage of risk weighted exposures		0.55%		0.56%		0.55%

10. SHARE CAPITAL AND RESERVES

	30 Sept 00 \$'000	31 Mar 00 \$'000	30 Sept 99 \$'000
Issued Ordinary Capital			
175,179,349 (30/9/1999: 170,198,939) fully paid ordinary shares	406,367	371,969	364,373
Transaction costs for issue of 5,160,000 ordinary shares	-	-	(1,213)
Total Fully Paid Shares	406,367	371,969	363,160
85,000 (30/9/1999: 650,000) partly paid ordinary shares (non-voting until converted to fully paid)	119	846	832
Total Partly Paid Shares	119	846	832
Total Issued Ordinary Capital	406,486	372,815	363,992
Macquarie Income Securities			
Balance at beginning of the period	390,053	195,052	-
Proceeds from issue of securities	-	200,000	200,000
Transaction costs for issue of securities	1,250	(4,999)	(4,948)
Total Macquarie Income Securities	391,303	390,053	195,052

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS**
as at 30 September 2000

**11. ANALYSIS OF INTEREST BEARING ASSETS
AND LIABILITIES**

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

6 Months to 30 September 2000

	Average Balance \$'000	Interest Income/ (Expense) \$'000	Average Interest Rate %
Interest-Bearing Assets			
Cash and liquid assets	76,946	2,430	6.3
Securities purchased under resale agreement	2,033,073	62,418	6.1
Securities	3,455,733	109,124	6.3
Due from other financial institutions	850,858	24,213	5.7
Due from governments	738,260	27,112	7.3
Loans and advances	5,082,984	210,237	8.3
Lease receivables	390,641	15,223	7.8
Other assets	383,067	17,779	9.3
Interest-Bearing Liabilities			
Due to other financial institutions	1,204,265	28,538	4.7
Securities sold under repurchase agreement	870,817	25,994	6.0
Securities borrowed	625,866	19,527	6.2
Deposits	4,028,691	119,031	6.9
Negotiable certificates of deposit	1,865,928	60,569	6.5
Notes payable	2,905,275	95,218	6.6
Other liabilities	290,430	8,251	5.7
Subordinated debt	301,804	10,028	6.6
Converting Preference Shares	150,000	5,550	7.4

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

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

**11. ANALYSIS OF INTEREST BEARING ASSETS
AND LIABILITIES (continued)**

6 Months to 31 March 2000

	Average Balance \$'000	Interest Income/ (Expense) \$'000	Average Interest Rate %
Interest-Bearing Assets			
Cash and liquid assets	89,730	2,180	4.9
Securities purchased under resale agreement	3,697,373	96,813	5.2
Securities	5,112,130	157,331	6.2
Due from other financial institutions	1,084,520	30,366	5.6
Due from governments	674,228	24,424	7.2
Loans and advances	5,516,297	195,498	7.1
Lease receivables	339,489	12,992	7.7
Other assets	354,923	17,169	9.7
Interest-Bearing Liabilities			
Due to other financial institutions	440,014	9,133	4.2
Securities sold under repurchase agreement	1,640,691	45,494	5.5
Securities borrowed	4,295,235	138,462	6.4
Deposits	4,591,372	121,326	5.3
Negotiable certificates of deposit	2,324,716	62,176	5.3
Notes payable	1,770,939	52,138	5.9
Other liabilities	42,295	1,015	4.8
Subordinated debt	313,036	10,231	6.5
Converting Preference Shares	150,000	5,520	7.4

MACQUARIE BANK LIMITED

and its controlled entities

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS as at 30 September 2000

11. ANALYSIS OF INTEREST BEARING ASSETS AND LIABILITIES (continued)

6 Months to 30 September 1999

	Average Balance \$'000	Interest Income/ (Expense) \$'000	Average Interest Rate %
Interest-Bearing Assets			
Cash and liquid assets	40,908	1,098	5.4
Securities purchased under resale agreement	2,331,737	60,543	5.2
Securities	2,634,794	77,242	5.9
Due from other financial institutions	661,378	17,371	5.3
Due from governments	548,510	20,622	7.5
Loans and advances	4,107,533	137,741	6.7
Lease receivables	304,245	11,653	7.7
Other assets	354,923	17,161	9.7
Interest-Bearing Liabilities			
Due to other financial institutions	743,432	15,172	4.1
Securities sold under repurchase agreement	328,509	8,705	5.3
Securities borrowed	1,229,693	38,059	6.2
Deposits	4,340,032	102,275	4.7
Negotiable certificates of deposit	2,607,802	64,700	5.0
Notes payable	1,117,503	29,027	5.2
Other liabilities	41,997	1,008	4.8
Subordinated debt	308,294	10,077	6.5
Converting Preference Shares	28,766	1,061	7.4

**12. 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 with effect from 1 July 1998. Auditors' remuneration includes all amounts paid to PricewaterhouseCoopers during the period.

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

- (a) The Bank to report to the ASIC within thirty 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.

DIRECTORS' DECLARATION

The Directors declare that the financial statements and notes set out on pages 16 to 31:

- (a) comply with Accounting Standards, the Corporations Regulations and other mandatory professional reporting requirements; and
- (b) give a true and fair view of the consolidated entity's financial position as at 30 September 2000 and of its performance, as represented by the results of its operations and its cash flows for the half-year ended on that date.

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

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



D.S. Clarke, Director



A.E. Moss, Director

Sydney,
16 November 2000

INDEPENDENT REVIEW REPORT TO THE MEMBERS OF MACQUARIE BANK LIMITED

SCOPE

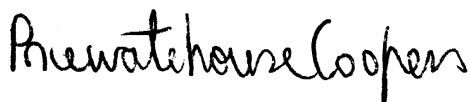
We have reviewed the financial report of Macquarie Bank Limited ("the Bank") for the half-year ended 30 September 2000 as set out on pages 17 to 32. The Bank's Directors are responsible for the financial report which includes the consolidated financial statements of the consolidated entity comprising the Bank and the entities it controlled at the end of, or during, the half-year. We have performed an independent review of the financial report in order for the Bank to lodge the financial report with the Australian Securities & Investments Commission. This review was performed in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 1029 "Half-Year Accounts and Consolidated Accounts", other mandatory professional reporting requirements and the Corporations Law in Australia, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and performance as represented by the results of its operations and its cash flows.

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

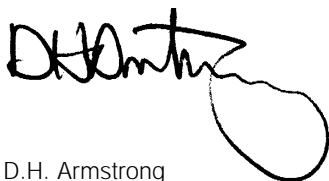
STATEMENT

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

- (a) the Corporations Law; including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 September 2000 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 1029 "Half-Year Accounts and Consolidated Accounts" and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements.



PricewaterhouseCoopers
Chartered Accountants



D.H. Armstrong
Partner

Sydney,
16 November 2000

FIVE YEAR SUMMARY

Macquarie Bank Limited

	Years ended 31 March					Half-Year
	1996	1997	1998	1999	2000	2001
PROFIT AND LOSS (\$ million)						
Total operating income	435.2	530.1	664.7	815.1	1,186.5	671.5
Operating expenses	336.1	391.9	497.8	597.3	885.1	517.5
Operating profit before income tax	99.1	138.2	166.9	217.8	301.4	154.0
Income tax (expense)/benefit	(5.9)	(21.3)	(25.7)	(52.8)	(79.0)	(31.0)
Operating profit after income tax	93.2	116.9	141.2	165.0	222.4	123.0
Outside equity interest	-	-	-	-	0.2	0.4
Macquarie Income Securities Distribution	-	-	-	-	(12.4)	(15.5)
Operating profit after income tax attributable to ordinary equity holders	93.2	116.9	141.2	165.0	210.2	107.9
BALANCE SHEET (\$ million)						
Total assets	5,174	6,142	7,929	9,456	23,389	24,257
Total liabilities	4,746	5,642	7,348	8,805	22,154	22,948
Shareholders' funds (net of outside equity interest)	428	500	581	651	1,235	1,308
Risk weighted assets	4,030	4,686	4,967	4,987	8,511	9,746
Total loan assets (a)	2,688	2,682	3,158	4,002	6,518	7,552
Impaired assets (net of provisions)	57	46	12	44	23	19
SHARE INFORMATION						
Cash dividends per share (adjusted cents per share)						
1st Half	-	18.0	21.0	30.0	34.0	41.0
2nd Half (b)	34.7	25.0	30.0	38.0	52.0	
Total (b)	34.7	43.0	51.0	68.0	86.0	
Basic earnings per share						
Adjusted (cents) (b)	61.0	74.9	88.1	101.3	124.3	62.4
Share price at 31 March/30 September						
Unadjusted (\$)	6.00	8.50	14.35	19.10	26.40	28.08
Adjusted (\$) (b)	5.78	8.50	14.35	19.10	26.40	28.08
Bonus issue ratio	1:26	-	-	-	-	-
Issued ordinary capital (million shares) (c)	138.7	151.4	157.6	161.1	171.2	175.2
Market capitalisation at 31 March (fully paid ordinary shares) (\$ million)	832	1,287	2,262	3,077	4,520	4,920
RATIOS						
Return on average ordinary shareholders' funds	23.1%	25.2%	26.1%	26.8%	28.1%	24.5%
Payout ratio	61.0%	60.5%	57.9%	67.2%	70.0%	66.6%
Capital adequacy ratio	15.4%	13.2%	16.4%	17.3%	18.4%	16.3%
Tier 1 Capital adequacy ratio	11.8%	10.7%	11.7%	13.0%	14.5%	13.4%
Impaired assets as % of loan assets	2.3%	1.8%	0.4%	1.1%	0.3%	0.4%
Net loan losses as % of loan assets	0.0%	0.0%	0.0%	0.1%	0.1%	0.1%
FUNDS UNDER MANAGEMENT (\$ billion)						
Retail	5.6	7.2	9.0	9.8	10.3	10.0
Wholesale	7.5	8.5	10.3	9.8	11.0	11.7
Listed trusts	0.6	1.1	1.6	2.3	3.0	3.1
Other	0.1	0.1	0.5	0.5	0.5	0.5
Total	13.8	16.9	21.4	22.4	24.8	25.3
Staff Numbers	1,732	1,965	2,474	3,119(d)	4,070(d)	4,213(d)

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

(b) Adjusted for bonus issues, up to and including 1996 bonus issue.

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

(d) Includes both permanent staff and contractors.

CONTACT DIRECTORY

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

AUSTRALIA

Sydney

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

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

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

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

SecuriClear (Joint venture with JB Were)
Level 19, 201 Kent Street
Sydney NSW 2000
Tel: (02) 8243 7000
Fax: (02) 8243 7099

Melbourne

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

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 4000
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

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

Burleigh Heads

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

Cairns

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

Noosa

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

Shepparton

170 Corio Street
Shepparton VIC 3630
Tel: (03) 5822 2876
Fax: (03) 5831 4133

Southport

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

Toowoomba

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

Townsville

Ground Floor, 41 Sturt Street
Townsville QLD 4810
Tel: (07) 4771 6089
Fax: (07) 4771 6244

Surfers Paradise

Level 7 Gateway Building
50 Appel Street
Surfers Paradise QLD 4217
Tel: (07) 5570 8853
Fax: (07) 5570 8875

Perth

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

Adelaide

Level 4, Sun Alliance Building
45 Grenfell Street
Adelaide SA 5000
Tel: (08) 8238 6000
Fax: (08) 8231 6107
Country callers: 1800 806 310

Macquarie Day Cutten

Adelaide

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

Mount Gambier

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

Canberra

Level 1, 10 Rudd Street
Canberra ACT 2600
Tel: (02) 6257 5048
Fax: (02) 6257 4298

INVESTOR RELATIONS

Tel: (02) 8232 3250
Fax: (02) 8232 4330

REGISTERED OFFICE

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

SHARE REGISTRY

Computershare Registry Services Pty Ltd
GPO Box 7045
Sydney NSW 1115
Tel: (02) 8234 5222
Fax: (02) 8234 5050

CAPITAL NOTES REGISTRY

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

QANMACS REGISTRY

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

Net address

www.macquarie.com.au

CONTACT DIRECTORY

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

OVERSEAS

Auckland

Level 14, Phillips Fox Tower
209 Queen Street
Auckland 1 New Zealand
Tel: (09) 357 5908
Fax: (09) 309 6220

Cape Town

Liesbeek House
River Park
River Lane
Mowbray, 7700
Cape Town
South Africa
Tel: (21) 6805325
Fax: (21) 6805253

Chicago

One Financial Place
440 South LaSalle Street
Suite 2940
Chicago, Illinois
60605 USA
Tel: (312) 521 6888
Fax: (312) 521 6877

Frankfurt

Beethovenstraße 18
D-60325 Frankfurt am Main
Germany
Tel: (69) 7474 9720
Fax: (69) 7474 9797

Hong Kong

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

Jakarta

Jakarta Stock Exchange Building
Tower II, 17th Floor
Jalan Jend. Sudirman Kav. 52-53 Block F-2
Jakarta 12190, Indonesia
Tel: (21) 515 4585
Fax: (21) 515 4579

Jupiter

501 North A1A
Jupiter
Florida 33477
USA
Tel: (561) 743 9062
Fax: (561) 743 2406

Kuala Lumpur

Level 12, Menara Dion
27 Jalan Sultan Ismail
50250 Kuala Lumpur
Malaysia
Tel: (3) 381 3081
Fax: (3) 381 3082

London

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

Munich

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

New York

Rockefeller Centre
Level 21, 600 Fifth Avenue
New York, NY 10020
USA
Tel: (212) 548 6525
Fax: (212) 548 6545

San Francisco

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

Sao Paulo

Rua Jeronimo da Veiga
45 - 14th floor cj. 142
Sao Paulo, SP
Brazil 04536-000
Tel: (11) 3168-5087
(11) 3066-2600
Fax: (11) 3167-3807

Seoul

4th Floor
Hanwha Building
110 Sokong-Dong
Chung-Ku
Seoul 100-755
Korea
Tel: (2) 3782 2211
Fax: (2) 3782 2299

Shanghai

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

Singapore

9 Raffles Place
#09-03 Republic Plaza
Singapore 048619
Tel: 536 3875
Fax: 536 3926

Tianjin

Suite 311
84 Chengdudao
Heping District
Tianjin PRC 300050
Tel: (22) 2313 4527
Fax: (22) 2313 4529

Tokyo

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

Toronto

Suite 810, 121 King Street West
Toronto
Ontario M5H 3T9
Canada
Tel: (416) 594 0200
Fax: (416) 594 0020

Vancouver

Suite 1780, Royal Centre
1055 West Georgia Street
PO Box 11143
Vancouver BC V6E 3P3
Canada
Tel: (604) 605 3944
Fax: (604) 605 1634

Wellington

Level 16
125 The Terrace
Wellington 6004
New Zealand
Tel: (04) 473 1975
Fax: (04) 473 1545

Macquarie Bank staff located in Johannesburg:

c/- Standard Corporate and Merchant Bank
3 Simmonds Street
Johannesburg 2001
South Africa
Tel: (11) 636 0100
Fax: (11) 636 2822

Please note:

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