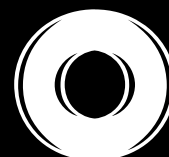


MACQUARIE BANK

INTERIM DIRECTORS' REPORT AND FINANCIAL REPORT
HALF-YEAR ENDED 30 SEPTEMBER 2009



MACQUARIE
BANK

Cover image: A stylised contemporary version of the Holey Dollar

In 1813 Governor Lachlan Macquarie overcame an acute currency shortage by purchasing Spanish silver dollars (then worth five shillings), punching the centres out 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 worth by 25 per cent and prevented the coins 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 for Macquarie.

This interim financial report has been prepared in accordance with Australian Accounting Standards and does not include all the notes of the type normally included in an annual financial report.

This interim financial report should be read in conjunction with the annual report of Macquarie Bank Limited for 31 March 2009, which was also prepared in accordance with Australian Accounting Standards. In addition, reference should be made to any public announcements made by Macquarie Bank Limited during the interim reporting period and in accordance with continuous disclosure requirements of the *Corporations Act 2001*.

Financial Report

for the half-year ended 30 September 2009

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Financial Report

for the half-year ended 30 September 2009

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Directors' Report

for the half-year ended 30 September 2009

In accordance with a resolution of the Voting Directors ("the Directors") of Macquarie Bank Limited (MBL or "the Bank"), the Directors submit herewith the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the half-year ended 30 September 2009, and the consolidated statement of financial position as at 30 September 2009 of the Bank and its subsidiaries (together "the consolidated entity") and report as follows:

Directors

At the date of this report, the Directors of MBL are:

Non-Executive Director:

D.S. Clarke, AO, Chairman⁽¹⁾

Executive Directors:

W.R. Sheppard, Managing Director and Chief Executive Officer

N.W. Moore

Independent Directors:⁽²⁾

P.M. Kirby

C.B. Livingstone, AO

H.K. McCann, AM⁽¹⁾

J.R. Niland, AC

H.M. Nugent, AO

P.H. Warne

⁽¹⁾ On 31 August 2009 Mr D.S. Clarke, AO resumed full duties as Chairman following a leave of absence which commenced on 28 November 2008 and acting Chairman Mr H.K. McCann, AM resumed his role as Lead Independent Director.

⁽²⁾ In accordance with the Bank's definition of independence.

The Directors each held office as a Director of the Bank throughout the period and until the date of this report.

Those Directors listed as Independent Directors have been independent throughout the period.

Mr L.G. Cox, AO was an Executive Director from the beginning of the period until his retirement on 29 July 2009.

Result

The financial report for the half-year ended 30 September 2009, and the results herein, are prepared in accordance with Australian Accounting Standards.

The consolidated profit attributable to ordinary equity holders of the Bank, in accordance with Australian Accounting Standards, for the period was \$257 million (31 March 2009: \$384 million; 30 September 2008: \$192 million).

Review of Operations

Consolidated net profit after income tax attributable to ordinary equity holders for the half-year ended 30 September 2009 was \$257 million, a 34 percent increase from \$192 million in the prior corresponding period and a 33 percent decrease from \$384 million in the prior period. The result includes significant write-downs, impairment provisions, negative fair value adjustments on fixed rate issued debt, and large gains from the financing of a further acquisition of Macquarie Income Preferred Securities.

Net operating income for the half-year to 30 September 2009 was \$1,616 million, which was in line with the prior corresponding period.

Total operating expenses for the half-year to 30 September 2009 was \$1,329 million, a decrease of 3 percent on the prior corresponding period.

In April 2009 and September 2009 the Bank issued 10,920,790 shares at \$18.33 and 26,301,219 shares at \$18.06, respectively to its immediate parent, Macquarie B.H. Pty Limited raising \$675 million in aggregate.

The Bank has met its externally imposed capital requirements throughout the year. The Bank is well capitalised, and as at 30 September 2009, it had a Tier 1 capital ratio of 11.72 percent and a total capital ratio of 13.55 percent.

Events Occurring After Balance Sheet Date

There were no material events subsequent to 30 September 2009 that have not been reflected in the financial statements.

Interim Dividend

The Directors have resolved to pay an interim dividend for the half-year ended 30 September 2009 of \$35 million. The dividend will be paid on 16 December 2009.

Directors' Report

for the half-year ended 30 September 2009

continued

Auditor's Independence Declaration

A copy of the auditor's independence declaration, as required under section 307C of the *Corporations Act 2007*, is set out on page 3.

Rounding of Amounts

In accordance with Australian Securities and Investments Commission Class Order 98/100 (as amended), amounts in the Directors' report and the half-year financial report have been rounded off to the nearest million dollars unless otherwise indicated.

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



David S Clarke, AO
Non-Executive Director and
Chairman



Richard Sheppard
Managing Director and
Chief Executive Officer

Sydney
29 October 2009

Auditor's independence declaration

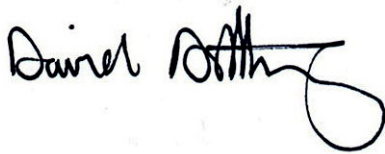
for the half-year ended 30 September 2009

PRICEWATERHOUSECOOPERS 

As lead auditor for the review of Macquarie Bank Limited for the half-year ended 30 September 2009, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Macquarie Bank Limited and the entities it controlled during the period.



DH Armstrong
Partner
PricewaterhouseCoopers

Sydney
29 October 2009

Consolidated income statement

for the half-year ended 30 September 2009

	Notes	Half-year to 30 Sep 2009 \$m	Half-year to 31 Mar 2009 \$m	Half-year to 30 Sep 2008 \$m
Interest and similar income		2,021	2,753	3,514
Interest expense and similar charges		(1,492)	(2,232)	(3,070)
Net interest income	2	529	521	444
Fee and commission income	2	436	496	499
Net trading income	2	573	605	940
Share of net profits of associates and joint ventures accounted for using the equity method	2	5	25	73
Other operating income and charges	2	73	(197)	(337)
Net operating income		1,616	1,450	1,619
Employment expenses	2	(502)	(319)	(568)
Brokerage and commission expenses	2	(280)	(264)	(245)
Occupancy expenses	2	(54)	(57)	(44)
Non-salary technology expenses	2	(35)	(45)	(30)
Other operating expenses	2	(458)	(382)	(490)
Total operating expenses		(1,329)	(1,067)	(1,377)
Operating profit before income tax		287	383	242
Income tax (expense)/benefit	4	(12)	39	(7)
Profit from ordinary activities after income tax		275	422	235
Distributions paid or provided on:				
Macquarie Income Preferred Securities	5	(6)	(22)	(23)
Other minority interests		(2)	(2)	(1)
Profit attributable to minority interests		(8)	(24)	(24)
Profit attributable to equity holders of Macquarie Bank Limited		267	398	211
Distributions paid or provided on:				
Macquarie Income Securities	5	(10)	(14)	(19)
Profit attributable to ordinary equity holders of Macquarie Bank Limited		257	384	192

The above consolidated income statement should be read in conjunction with the accompanying notes.

Consolidated statement of comprehensive income

for the half-year ended 30 September 2009

	Notes	Half-year to 30 Sep 2009 \$m	Half-year to 31 Mar 2009 \$m	Half-year to 30 Sep 2008 \$m
Profit from ordinary activities after income tax for the period		275	422	235
Other comprehensive income/(expense):				
Available for sale investments, net of tax	16	105	(4)	(48)
Cash flow hedges, net of tax	16	82	(119)	(58)
Share of other comprehensive (expense)/income of associates and joint ventures	16	(36)	27	9
Exchange differences on translation of foreign operations		66	5	34
Total other comprehensive income/(expense) for the period		217	(91)	(63)
Total comprehensive income for the period		492	331	172
Total comprehensive income for the period is attributable to:				
Ordinary equity holders of Macquarie Bank Limited		474	293	101
Macquarie Income Securities holders		10	14	19
Macquarie Income Preferred Securities holders		6	22	51
Other minority interests		2	2	1
Total comprehensive income for the period		492	331	172

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated statement of financial position

as at 30 September 2009

	Notes	As at 30 Sep 2009 \$m	As at 31 Mar 2009 \$m	As at 30 Sep 2008 \$m
Assets				
Cash and balances with central banks		3	141	225
Due from banks		7,204	10,169	10,262
Cash collateral on securities borrowed and reverse repurchase agreements		3,577	4,534	13,817
Trading portfolio assets	6	13,582	8,772	16,664
Loan assets held at amortised cost	7	41,882	43,922	50,175
Other financial assets at fair value through profit or loss		2,962	5,541	3,594
Derivative financial instruments – positive values		21,365	27,335	22,250
Other assets		6,104	4,341	4,447
Investment securities available for sale	9	21,441	14,544	16,046
Intangible assets		301	337	161
Life investment contracts and other unit holder investment assets		5,069	4,314	5,646
Due from related body corporate entities		2,525	4,647	7,394
Interests in associates and joint ventures accounted for using the equity method	10	1,155	1,571	1,735
Property, plant and equipment		86	88	79
Deferred income tax assets		462	93	257
Non-current assets classified as held for sale	11	73	56	342
Total assets		127,791	130,405	153,094
Liabilities				
Due to banks		2,571	3,264	3,058
Cash collateral on securities lent and repurchase agreements		5,093	3,881	14,493
Trading portfolio liabilities	12	6,986	1,980	9,902
Derivative financial instruments – negative values		21,443	27,273	24,214
Deposits		20,504	21,603	16,720
Debt issued at amortised cost	13	42,706	48,270	52,485
Other financial liabilities at fair value through profit or loss	14	2,868	3,878	6,183
Other liabilities		5,261	4,001	4,263
Current tax liabilities		44	111	11
Life investment contracts and other unit holder liabilities		5,062	4,312	5,634
Provisions		65	76	90
Due to related body corporate entities		6,637	3,332	7,898
Deferred income tax liabilities		184	72	22
Total liabilities excluding loan capital		119,424	122,053	144,973
Loan capital				
Subordinated debt at amortised cost		1,005	1,491	1,401
Subordinated debt at fair value through profit or loss		522	451	647
Total loan capital		1,527	1,942	2,048
Total liabilities		120,951	123,995	147,021
Net assets		6,840	6,410	6,073

	Notes	As at 30 Sep 2009 \$m	As at 31 Mar 2009 \$m	As at 30 Sep 2008 \$m
Equity				
Contributed equity				
Ordinary share capital	15	5,178	4,503	3,886
Equity contribution from ultimate parent entity	15	72	57	41
Macquarie Income Securities	15	391	391	391
Reserves	16	(51)	(201)	10
Retained earnings	16	1,162	1,250	866
Total capital and reserves attributable to equity holders of Macquarie Bank Limited		6,752	6,000	5,194
Minority interests	16	88	410	879
Total equity		6,840	6,410	6,073

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity for the half-year ended 30 September 2009

	Notes	Half-year to 30 Sep 2009 \$m	Half-year to 31 Mar 2009 \$m	Half-year to 30 Sep 2008 \$m
Total equity at the beginning of the period		6,410	6,073	6,385
Total comprehensive income for the period		492	331	172
Transactions with equity holders in their capacity as equity holders:				
Contributions of equity, net of transaction costs	15	675	617	300
Contribution from ultimate parent entity in relation to share based payments	15	15	16	23
Dividends and distributions paid or provided	5	(355)	(14)	(719)
Reserves arising from acquisitions of subsidiaries of the Non-Banking Group	16	5	(120)	(81)
Minority interests:				
Increase/(decrease) in equity		2	(87)	17
Financing of Macquarie Income Preferred Securities		(396)	(382)	-
Distributions paid or provided		(8)	(24)	(24)
Total equity at the end of the period		6,840	6,410	6,073

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

for the half-year ended 30 September 2009

	Notes	Half-year to 30 Sep 2009 \$m	Half-year to 31 Mar 2009 \$m	Half-year to 30 Sep 2008 \$m
Cash flows from operating activities				
Interest received		1,959	2,658	3,150
Interest and other costs of finance paid		(1,660)	(2,387)	(2,925)
Dividends and distributions received		77	160	100
Fees and other non-interest income received		748	530	615
Fees and commissions paid		(288)	(273)	(242)
Net receipts from/(payments for) trading portfolio assets and other financial assets/liabilities		2,753	(2,861)	8,542
Payments to suppliers		(749)	(969)	(809)
Employment expenses paid		(583)	(366)	(716)
Income tax (paid)/received		(101)	(37)	3
Life investment contract (expense)/income		(77)	42	223
Life investment contract premiums received and other unit holder contributions		1,149	1,300	2,445
Life investment contract payments		(1,315)	(2,276)	(1,925)
Non-current assets and disposal groups classified as held for sale – net receipts/(payments) from operations		-	271	(218)
Net loan assets repaid/(granted)		5,281	(572)	7
Loan facility repaid by ultimate parent entity		2,400	2,500	2,500
Recovery of loans previously written-off		11	4	3
Net decrease in amounts due to other financial institutions, deposits and other borrowings		(7,928)	(2,524)	(5,189)
Net cash flows from/(used in) operating activities	17	1,677	(4,800)	5,564
Cash flows from investing activities				
Net (payments for)/receipts from financial assets available for sale and at fair value through profit or loss		(6,896)	(2,410)	276
Payments for interests in associates		(88)	(143)	(92)
Proceeds from the disposal of associates		80	149	38
Payments for the acquisition of non-current assets and disposal groups classified as held for sale, net of cash acquired		-	(48)	-
Proceeds from the disposal of non-current assets and disposal groups classified as held for sale, net of cash disposed		1	563	-
Payments for the acquisition of subsidiaries, excluding disposal groups, net of cash acquired		(200)	(143)	(93)
Proceeds from the disposal of subsidiaries and businesses, excluding disposal groups, net of cash deconsolidated		32	3,322	85
Payments for life investment contracts and other unit holder assets		(3,724)	(2,203)	(4,739)
Proceeds from the disposal of life investment contracts and other unit holder assets		3,978	3,186	4,022
Payments for property, plant and equipment		(34)	(40)	(7)
Net cash flows (used in)/from investing activities		(6,851)	2,233	(510)

Consolidated statement of cash flows

for the half-year ended 30 September 2009

continued

	Notes	Half-year to 30 Sep 2009 \$m	Half-year to 31 Mar 2009 \$m	Half-year to 30 Sep 2008 \$m
Cash flows from financing activities				
Proceeds from the issue of ordinary shares		675	617	300
(Payments to)/proceeds from minority interests		(199)	(217)	16
Repayment of subordinated debt		(451)	(10)	(225)
Dividends and distributions paid		(365)	(50)	(741)
Net cash flows (used in)/from financing activities		(340)	340	(650)
Net (decrease)/increase in cash and cash equivalents				
Cash and cash equivalents at the beginning of the period		19,872	22,099	17,695
Cash and cash equivalents at the end of the period	17	14,358	19,872	22,099

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the consolidated financial statements for the half-year ended 30 September 2009

Note 1

Basis of preparation

This general purpose financial report for the half-year reporting period ended 30 September 2009 has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

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

This half-year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual financial report for the year ended 31 March 2009 and any public announcements made by MBL during the half-year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The consolidated entity is of a kind referred to in Australian Securities and Investments Commission Class Order 98/100 (as amended), relating to the rounding off of amounts in the financial report for a financial year or half-year. Amounts in the Directors' report and the half-year financial report have been rounded in accordance with that Class Order to the nearest million dollars unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the annual financial report of MBL for the year ended 31 March 2009. Certain comparatives have been restated for consistency in presentation at 30 September 2009.

Notes to the consolidated financial statements

for the half-year ended 30 September 2009

continued

	Half-year to 30 Sep 2009 \$m	Half-year to 31 Mar 2009 \$m	Half-year to 30 Sep 2008 \$m
Note 2			
Profit for the period			
Net interest income			
Interest and similar income received/receivable			
Other entities	1,971	2,508	3,152
Related body corporate entities	50	245	362
Interest expense and similar charges paid/payable			
Other entities	(1,436)	(2,019)	(2,758)
Related body corporate entities	(56)	(213)	(312)
Net interest income	529	521	444
Fee and commission income			
Base fees	199	199	204
Performance fees	40	7	8
Mergers and acquisitions, advisory and underwriting fees	22	36	35
Brokerage & commissions	136	103	173
Other fee and commission income	23	113	58
Income from life investment contracts and other unit holder investment assets	16	38	21
Total fee and commission income	436	496	499
Net trading income⁽¹⁾			
Equities	405	(25)	455
Commodities	353	402	172
Foreign exchange products	65	70	171
Interest rate products	(250)	158	142
Net trading income	573	605	940
Share of net profits of associates and joint ventures accounted for using the equity method			
	5	25	73

⁽¹⁾ Included in net trading income are fair value gains of \$59 million (half-year to 31 March 2009: \$147 million; half-year to 30 September 2008: \$30 million) relating to financial assets and financial liabilities designated as held at fair value through profit or loss. This includes \$320 million loss (half-year to 31 March 2009: \$256 million gain; half-year to 30 September 2008: \$18 million gain) as a result of changes in own credit spread on issued debt and subordinated debt carried at fair value. Fair value changes relating to derivatives are also reported in net trading income which partially offsets the fair value changes relating to the financial assets and financial liabilities designated at fair value. This also includes fair value changes on derivatives used to hedge the consolidated entity's economic interest rate risk where hedge accounting requirements are not met.

	Half-year to 30 Sep 2009 \$m	Half-year to 31 Mar 2009 \$m	Half-year to 30 Sep 2008 \$m
Note 2			
Profit for the period continued			
Other operating income and charges			
Net gains/(losses) on sale of investment securities available for sale	24	(15)	9
Impairment charge on investment securities available for sale	(69)	(123)	(117)
Net gains on sale of associates (including associates held for sale) and joint ventures	-	29	-
Impairment charge on investments in associates (including associates held for sale) and joint ventures	(49)	(58)	(44)
Net expense from non-current assets classified as held for sale	-	(2)	(1)
Impairment charge on disposal groups held for sale ⁽¹⁾	-	5	(197)
Gain on acquiring, disposing and change in ownership interest in subsidiaries and businesses held for sale	131	258	40
Impairment charge on non-financial assets	(14)	(45)	-
Gain on repurchase of subordinated debt	55	-	-
Net operating lease income ⁽²⁾	37	46	9
Dividends/distributions received/receivable:			
Investment securities available for sale	19	(7)	26
Management fees, group service charges and cost recoveries	(15)	(21)	-
Write back of/(provision for) collective allowance for credit losses during the period (note 7)	1	(93)	2
Specific provisions:			
Loan assets provided for during the period (note 7)	(103)	(204)	(121)
Other receivables provided for during the period	(2)	(4)	(14)
Recovery of loans previously provided for (note 7)	3	13	4
Loan losses written-off	(31)	(31)	(9)
Recovery of loans previously written-off	11	4	3
Other income	75	51	73
Total other operating income and charges	73	(197)	(337)
Net operating income	1,616	1,450	1,619

⁽¹⁾ Impairment charge arising from the reclassification of the Italian mortgages business as a disposal group held for sale, therefore measured at the lesser of cost and fair value less disposal costs. Including the impairment, the business incurred an operating loss of \$238 million for the half-year to 30 September 2008.

⁽²⁾ Includes rental income of \$125 million (half-year to 31 March 2009: \$126 million; half-year to 30 September 2008: \$13 million) less depreciation of \$88 million (half-year to 31 March 2009: \$80 million; half-year to 30 September 2008: \$4 million) in relation to operating leases where the consolidated entity is lessor.

Notes to the consolidated financial statements

for the half-year ended 30 September 2009

continued

	Half-year to 30 Sep 2009 \$m	Half-year to 31 Mar 2009 \$m	Half-year to 30 Sep 2008 \$m
Note 2			
Profit for the period continued			
Employment expenses			
Salary and salary related costs including commissions, superannuation and performance-related profit share	(481)	(310)	(543)
Share based payments	(15)	(15)	(17)
Provision for annual leave	(5)	3	(5)
Provision for long service leave	(1)	3	(3)
Total employment expenses	(502)	(319)	(568)
Brokerage and commission expenses			
Brokerage expenses	(238)	(188)	(192)
Other fee and commission expenses	(42)	(76)	(53)
Total brokerage and commission expenses	(280)	(264)	(245)
Occupancy expenses			
Operating lease rentals	(27)	(33)	(25)
Depreciation: furniture, fittings and leasehold improvements	(10)	(10)	(7)
Other occupancy expenses	(17)	(14)	(12)
Total occupancy expenses	(54)	(57)	(44)
Non-salary technology expenses			
Information services	(19)	(25)	(17)
Depreciation: computer equipment	(6)	(12)	(2)
Other non-salary technology expenses	(10)	(8)	(11)
Total non-salary technology expenses	(35)	(45)	(30)
Other operating expenses			
Professional fees	(51)	(79)	(41)
Auditor's remuneration	(6)	(7)	(4)
Travel and entertainment expenses	(22)	(31)	(26)
Advertising and promotional expenses	(14)	(16)	(14)
Communication expenses	(8)	(7)	(8)
Other expenses ⁽¹⁾	(357)	(242)	(397)
Total other operating expenses	(458)	(382)	(490)
Total operating expenses	(1,329)	(1,067)	(1,377)

⁽¹⁾ Other expenses include recharges from Macquarie Group Services Pty Limited (MGSA) which provides administration and central support functions.

Note 3

Segment reporting

(i) **Operating segments**

For internal reporting and risk management purposes, the consolidated entity is divided into five operating groups, two operating divisions and a corporate group. These segments have been set-up based on the differences in core products and services offered:

Macquarie Securities Group offers equity-linked investments, trading products and risk management services, equity finance, arbitrage trading and synthetic products as well as a full service institutional cash equities broker in the Asia-Pacific region and specialised in the rest of the world. It provides an Equity Capital Markets service through a joint venture with Macquarie Capital Advisers.

Macquarie Capital includes Macquarie Group's corporate advisory, equity underwriting and specialised funds management businesses (including infrastructure and real estate funds). The Group provides a depth of services including specialist capabilities in: mergers and acquisitions, takeovers and corporate restructuring advice; equity capital markets; equity and debt capital management and raising; specialised funds management; debt structuring and distribution; private equity placements; and principal products.

Macquarie Funds Group is a full service fund manager offering a diverse range of products including managed funds across a wide range of asset classes, funds-based structured products, hedge funds, funds of funds and responsible entity and back-office services.

Fixed Income, Currencies and Commodities (formerly Treasury and Commodities Group) conducts trading, financing and related activities in a broad range of financial and commodity markets globally with a focus on client service provision and risk management services. Underlying services encompass foreign exchange, debt, US credit and futures, as well as dealing in agriculture, environmental, freight, energy and metals markets and offering specialist services for emerging markets.

Corporate and Asset Finance provides innovative and traditional capital, finance and related services to its clients through tailored debt and finance solutions. It offers corporate debt finance, specialised equipment leasing, asset lifecycle services and equipment trading and remarketing services in Australia and selected international markets.

Real Estate Banking Division encompasses listed and unlisted real estate funds management, asset management, real estate investment, advisory, development management and real estate project and development financing.

Banking and Financial Services Group is the primary relationship manager for Macquarie's retail client base. The Group brings together Macquarie's retail banking and financial services businesses, providing a diverse range of wealth management products and services to financial advisers, stockbrokers, mortgage brokers, professional service industries and the end consumer.

Corporate includes the Group Treasury division, head office and central support functions. Corporate includes unallocated head office costs, employment related costs, earnings on capital, non-trading derivative volatility, income tax expense and expenses attributable to minority interests. Corporate is not considered an operating group.

Any transfers between segments have been determined on an arms-length basis and eliminate on consolidation.

Segment information has been prepared in conformity with the consolidated entity's segment accounting policy. In accordance with AASB 8 *Operating Segments*, comparative information has been restated to reflect current reportable operating segments.

Notes to the consolidated financial statements

for the half-year ended 30 September 2009

continued

	Macquarie Securities Group	Macquarie Capital	Macquarie Funds Group	Fixed Income, Currencies & Commodities
	\$m	\$m	\$m	\$m

Note 3

Segment reporting continued

(1) Operating segments continued

The following is an analysis of the consolidated entity's revenue and results by reportable operating segment for the period:

Revenues from external customers	256	(6)	705	848
Inter-segmental (expense)/revenue ⁽¹⁾	(22)	10	(10)	(50)
Interest revenue	14	(7)	74	321
Interest expense	(11)	-	(18)	(195)
Depreciation and amortisation	(1)	-	(3)	(32)
Share of net profits/(losses) of associates and joint ventures accounted for using the equity method	-	4	5	3
Net operating expense from non-current assets held for sale	-	-	-	-
Reportable segment profit/(loss)	50	(54)	32	323
Reportable segment assets	14,358	524	7,461	38,508
Reportable segment liabilities	(11,200)	(673)	(6,686)	(31,540)

Revenues from external customers	(98)	57	447	919
Inter-segmental (expense)/revenue ⁽¹⁾	101	54	(30)	(76)
Interest revenue	20	6	102	339
Interest expense	(51)	1	(7)	(159)
Depreciation and amortisation	(1)	-	(1)	(5)
Share of net (losses)/profits of associates and joint ventures accounted for using the equity method	-	9	-	61
Net operating expense from non-current assets held for sale	-	-	-	(2)
Reportable segment profit/(loss)	(227)	85	45	235
Reportable segment assets	9,842	737	8,491	45,810
Reportable segment liabilities	(8,147)	(663)	(7,208)	(35,460)

Revenues from external customers	773	40	271	958
Inter-segmental (expense)/revenue ⁽¹⁾	(132)	79	(6)	(22)
Interest revenue	284	(20)	92	422
Interest expense	(125)	(8)	(30)	(379)
Depreciation and amortisation	-	(6)	(1)	(3)
Share of net (losses)/profits of associates and joint ventures accounted for using the equity method	-	22	(1)	8
Net operating expense from non-current assets held for sale	-	-	-	(1)
Reportable segment profit/(loss)	305	48	48	318
Reportable segment assets	27,812	766	10,451	37,402
Reportable segment liabilities	(23,962)	(651)	(8,326)	(32,127)

- (1) Internal reporting systems do not enable the separation of inter-segmental revenues and expenses. The net position is disclosed above. The key inter-segmental item is internal interest and funding costs charged to businesses for funding of their business net assets.

Corporate and Asset Finance	Real Estate Banking Division	Banking and Financial Services Group	Corporate	Total
\$m	\$m	\$m	\$m	\$m
Half-year to 30 September 2009				
403	118	1,109	442	3,875
(68)	(43)	17	166	-
407	43	753	416	2,021
(89)	(3)	(501)	(675)	(1,492)
(60)	(1)	(12)	-	(109)
1	(7)	-	(1)	5
-	-	-	-	-
126	(35)	143	(328)	257
12,051	2,458	29,589	22,842	127,791
(4,760)	(161)	(31,009)	(34,922)	(120,951)
Half-year to 31 March 2009				
344	156	1,443	1,143	4,411
(70)	(68)	(134)	223	-
315	106	1,089	776	2,753
(129)	(1)	(742)	(1,144)	(2,232)
(80)	(1)	(14)	-	(102)
(1)	(39)	(3)	(2)	25
-	-	-	-	(2)
59	(216)	72	331	384
8,368	3,040	32,103	22,014	130,405
(4,663)	(219)	(29,365)	(38,270)	(123,995)
Half-year to 30 September 2008				
53	123	1,996	967	5,181
(24)	(121)	(286)	512	-
50	67	1,602	1,017	3,514
-	(4)	(1,160)	(1,364)	(3,070)
-	(2)	(2)	-	(14)
-	45	(3)	2	73
-	-	-	-	(1)
25	(139)	(176)	(237)	192
5,980	3,561	38,884	28,238	153,094
(3,400)	(205)	(33,268)	(45,082)	(147,021)

Notes to the consolidated financial statements

for the half-year ended 30 September 2009

continued

Note 3

Segment reporting continued

ii) Products and services

For the purposes of preparing a segment report based on products and services, the activities of the consolidated entity have been divided into four areas:

- **Asset and Wealth Management:** distribution and manufacture of funds management products;
- **Financial Markets:** trading in fixed income, equities, currencies, commodities and derivative products;
- **Capital Markets:** corporate and structured finance, advisory, underwriting, facilitation, broking and real estate/property development; and
- **Lending:** banking activities, mortgages, margin lending and leasing.

	Asset and Wealth Management \$m	Financial Markets \$m	Capital Markets \$m	Lending \$m	Total \$m
					Half-year to 30 September 2009
Revenues from external customers	1,113	1,370	13	1,379	3,875
					Half-year to 31 March 2009
Revenues from external customers	1,512	1,395	39	1,465	4,411
					Half-year to 30 September 2008
Revenues from external customers	744	2,340	102	1,995	5,181

iii) Geographical areas

Geographical segments have been determined based upon where the transactions have been recorded. The operations of the consolidated entity are headquartered in Australia.

	Revenues from external customers \$m	Non-current assets ⁽¹⁾ \$m
		Half-year to 30 September 2009
Australia	2,398	143
Asia Pacific	386	20
Europe, Middle East and Africa	594	60
Americas	497	164
Total	3,875	387
		Half-year to 31 March 2009
Australia	2,551	152
Asia Pacific	391	21
Europe, Middle East and Africa	971	44
Americas	498	208
Total	4,411	425

Note 3

Segment reporting continued

iii) Geographical areas continued

	Revenues from external customers	Non-current assets ⁽¹⁾
	\$m	\$m
	Half-year to 30 September 2008	
Australia	4,319	123
Asia Pacific	156	28
Europe, Middle East and Africa	340	10
Americas	366	79
Total	5,181	240

⁽¹⁾ Non-current assets consist of intangible assets and property, plant and equipment.

(iv) Major customers

Macquarie Bank Limited does not rely on any major customer.

	Half-year to 30 Sep 2009 \$m	Half-year to 31 Mar 2009 \$m	Half-year to 30 Sep 2008 \$m
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Note 4

Income tax (expense)/benefit

(i) Numerical reconciliation of income tax (expense)/benefit to prima facie tax payable

Prima facie income tax expense on operating profit ⁽¹⁾	(86)	(114)	(73)
Tax effect of amounts which are (non-deductible)/non-assessable in calculating taxable income:			
Rate differential on offshore income	60	126	28
Distribution provided on Macquarie Income Preferred Securities and related distributions	2	6	7
Non-deductible share based payments expense	(5)	(5)	(5)
Other items	17	26	36
Total income tax (expense)/benefit	(12)	39	(7)

(ii) Tax (expense)/benefit relating to items of other comprehensive income

Available for sale investments	(22)	16	11
Cash flow hedges	(32)	52	23
Share of other comprehensive income of associates and joint ventures	26	(13)	(2)
Total tax (expense)/benefit relating to items of other comprehensive income	(28)	55	32

⁽¹⁾ Prima facie income tax on operating profit is calculated at the rate of 30 percent (half-year to 31 March 2009: 30 percent; half-year to 30 September 2008: 30 percent). The consolidated entity has a tax year ending on 30 September.

Notes to the consolidated financial statements

for the half-year ended 30 September 2009

continued

	Half-year to 30 Sep 2009 \$m	Half-year to 31 Mar 2009 \$m	Half-year to 30 Sep 2008 \$m
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Note 5

Dividends paid and distributions paid or provided

(i) Dividends paid

Ordinary share capital

Final dividend paid (\$1.02 per share) (half-year to March 2009: nil;
half-year to September 2008: \$2.33 per share)

	345	-	700
Total dividends paid (note 16)	345	-	700

ii) Dividends not recognised at the end of the period

Since the end of the financial period the Directors have recommended the payment of a dividend. The aggregate amount of the proposed dividend expected to be paid on 16 December 2009 from retained profits at 30 September 2009, but not recognised as a liability at the end of the financial period, is \$35 million (March 2009: \$345 million).

(iii) Distributions paid or provided

Macquarie Income Securities

Distributions paid (net of distributions previously provided)	6	9	11
Distributions provided	4	5	8
Total distributions paid or provided (note 16)	10	14	19

The Macquarie Income Securities (MIS) is a stapled arrangement, which includes a perpetual preference share issued by the Bank. No dividends are payable under the preference shares until the Bank exercises its option to receive future payments of interest and principal under the other stapled security. Upon exercise, dividends are payable at the same rate, and subject to similar conditions, as the MIS. Dividends are also subject to Directors' discretion. The distributions paid/provided in respect of the MIS are recognised directly in equity in accordance with AASB 132: *Financial Instruments: Presentation*.

Macquarie Income Preferred Securities

Distributions paid (net of distributions previously provided)	4	10	1
Distributions provided	2	12	22
Total distributions paid or provided	6	22	23

The Macquarie Income Preferred Securities (MIPS) represent the minority interest of a subsidiary. Accordingly, the distributions paid/provided in respect of the MIPS are recorded as movements in minority interest, as disclosed in Note 16 – Reserves, retained earnings and minority interests. The Bank can redirect the payments of distributions under the convertible debentures to be paid to itself. For each debenture 500 Bank preference shares may be substituted at the Bank's discretion at any time, in certain circumstances (to meet capital requirements), or on maturity. Refer to Note 16 – Reserves, retained earnings and minority interests.

	As at 30 Sep 2009 \$m	As at 31 Mar 2009 \$m	As at 30 Sep 2008 \$m
Note 6			
Trading portfolio assets			
Trading securities			
Equities			
Listed	7,754	2,843	9,343
Unlisted	30	43	3,086
Commonwealth government bonds	2,948	3,017	765
Corporate bonds	1,565	1,117	912
Other government securities	943	995	598
Foreign government bonds	209	511	740
Bank bills	7	9	95
Certificates of deposit	-	66	365
Promissory notes	-	-	605
Total trading securities	13,456	8,601	16,509
Other trading assets			
Commodities	126	171	155
Total other trading assets	126	171	155
Total trading portfolio assets	13,582	8,772	16,664

Note 7

Loan assets held at amortised cost

Due from clearing houses	1,800	1,310	1,831
Due from governments ⁽¹⁾	108	111	403
Due from other entities			
Other loans and advances	37,070	39,574	44,964
Less specific provisions for impairment	(372)	(396)	(211)
	36,698	39,178	44,753
Lease receivables	3,500	3,556	3,310
Less specific provisions for impairment	(11)	(14)	-
Total due from other entities	40,187	42,720	48,063
Total gross loan assets	42,095	44,141	50,297
Less collective allowance for credit losses	(213)	(219)	(122)
Total loan assets held at amortised cost⁽²⁾	41,882	43,922	50,175

⁽¹⁾ Governments include federal, state and local governments and related enterprises in Australia.

⁽²⁾ Included within this balance are loans of \$18,004 million (31 March 2009: \$20,390 million, 30 September 2008: \$22,957 million) held by consolidated SPEs which are available as security to noteholders and debt providers.

Notes to the consolidated financial statements

for the half-year ended 30 September 2009

continued

	Half-year to 30 Sep 2009 \$m	Half-year to 31 Mar 2009 \$m	Half-year to 30 Sep 2008 \$m
Note 7			
Loan assets held at amortised cost continued			
Specific provisions for impairment			
Balance at the beginning of the period	410	211	100
Provided for during the period (note 2)	103	204	121
Loan assets written-off, previously provided for	(63)	(11)	(13)
Recovery of loans previously provided for (note 2)	(3)	(13)	(4)
Transfer from related body corporate entities	2	7	-
Attributable to foreign currency translation	(66)	12	7
Balance at the end of the period	383	410	211
Specific provisions as a percentage of total gross loan assets	0.91%	0.93%	0.42%

Specific provisions for impairment relate to doubtful loan assets that have been identified.

Collective allowance for credit losses			
Balance at the beginning of the period	219	122	112
(Written back)/provided for during the period (note 2)	(1)	93	(2)
Transfer (to)/from related body corporate entities	-	(2)	12
Attributable to acquisitions during the period	-	6	-
Attributable to foreign currency translation	(5)	-	-
Balance at the end of the period	213	219	122

The collective allowance for credit losses is intended to cover losses in the existing overall credit portfolio which are not yet specifically identifiable.

	As at 30 Sep 2009 \$m	As at 31 Mar 2009 \$m	As at 30 Sep 2008 \$m
Note 8			
Impaired financial assets			
Impaired debt investment securities available for sale before impairment charge	196	188	304
Less impairment charge	(166)	(137)	(114)
Debt investment securities available for sale after impairment charge	30	51	190
Impaired loan assets and other financial assets with specific provisions for impairment	1,149	1,340	607
Less specific provisions for impairment	(408)	(423)	(234)
Loans assets and other financial assets after specific provisions for impairment	741	917	373
Total net impaired assets	771	968	563

Impaired assets have been reported in accordance with AASB 139 *Financial Instruments: Recognition and Measurement* and include loan assets (netted with certain derivative liabilities of \$31 million (31 March 2009 of \$85 million; 30 September 2008 of \$nil)).

	As at 30 Sep 2009 \$m	As at 31 Mar 2009 \$m	As at 30 Sep 2008 \$m
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Note 9

Investment securities available for sale

Equity securities			
Listed	339	140	232
Unlisted	275	271	228
Debt securities ⁽¹⁾	20,827	14,133	15,586
Total investment securities available for sale	21,441	14,544	16,046

⁽¹⁾ Includes \$3,725 million (31 March 2009: \$6,217 million; 30 September 2008: \$9,068 million) of Negotiable Certificates of Deposit (NCD) due from financial institutions and \$108 million (31 March 2009: \$238 million; 30 September 2008: \$1,087 million) of bank bills.

Note 10

Interests in associates and joint ventures accounted for using the equity method

Loans and investments without provisions for impairment	761	1,064	1,310
Loans and investments with provisions for impairment	704	926	764
Less provisions for impairment	(310)	(419)	(339)
Loans and investments at recoverable amount	394	507	425
Total interests in associates and joint ventures accounted for using the equity method	1,155	1,571	1,735

The fair values of certain interests in material associates and joint ventures, for which there are public quotations, are below their carrying value by \$43 million (31 March 2009: below their carrying value by \$306 million; 30 September 2008: exceeded their carrying value by \$28 million).

Summarised information of interests in material associates and joint ventures is as follows:

Name of entity	Country of incorporation	Reporting date	Ownership interest		
			As at 30 Sep 2009 %	As at 31 Mar 2009 %	As at 30 Sep 2008 %
Diversified CMBS Investments Inc. ^{(1)(b)}	USA	31 March	57	57	57
Macquarie CountryWide Trust ^{(2)(a)}	Australia	30 June	-	11	10
Macquarie Diversified Treasury (AA) Fund ^{(2)(b)}	Australia	30 June	-	-	19
Macquarie Goodman Japan Limited ^(a)	Singapore	31 March	50	50	50
Macquarie Office Trust ^{(2)(a)}	Australia	30 June	14	14	7
MGPA Limited ^{(3)(a)}	Bermuda	30 June	56	56	49

⁽¹⁾ Voting rights for this investment are not proportional to the ownership interest. The consolidated entity has joint control because neither the consolidated entity nor its joint investor has control in their own right.

⁽²⁾ The consolidated entity has or had significant influence due to its fiduciary relationship as manager of these entities.

⁽³⁾ The consolidated entity has joint control because neither the consolidated entity nor its joint investor has control in their own right.

^(a) Property development/management entity

^(b) Funds management and investing

Notes to the consolidated financial statements

for the half-year ended 30 September 2009

continued

	As at 30 Sep 2009 \$m	As at 31 Mar 2009 \$m	As at 30 Sep 2008 \$m
Note 11			
Non-current assets classified as held for sale			
Non-current assets classified as held for sale			
Associates	18	-	287
Other non-current assets	55	56	55
Total non-current assets classified as held for sale	73	56	342

All of the above non-current assets classified as held for sale are expected to be disposed of by way of trade sale, sale to a Macquarie Managed Fund, or sale to other investors within twelve months of being classified as held for sale, unless events or circumstances occur that are beyond the control of the consolidated entity and the consolidated entity remains committed to its plan to sell the asset.

Summarised information of material associates and joint ventures classified as held for sale is as follows:

Name of entity	Country of incorporation	Reporting date	Ownership interest		
			As at 30 Sep 2009 %	As at 31 Mar 2009 %	As at 30 Sep 2008 %
St Hilliers Property Pty Ltd ^(a)	Australia	30 June	49	-	-
Macquarie Prime REIT ^(a)	Singapore	31 December	-	-	26

All associates and joint ventures classified as held for sale are unlisted companies.

Voting power is equivalent to ownership interest.

^(a) Property development/management entity

	As at 30 Sep 2009 \$m	As at 31 Mar 2009 \$m	As at 30 Sep 2008 \$m
Note 12			
Trading portfolio liabilities			
Listed equity securities	6,493	1,878	7,558
Commonwealth government securities	305	78	2,088
Other government securities	137	12	201
Corporate securities	51	12	55
Total trading portfolio liabilities	6,986	1,980	9,902

Note 12

Trading portfolio liabilities

Listed equity securities	6,493	1,878	7,558
Commonwealth government securities	305	78	2,088
Other government securities	137	12	201
Corporate securities	51	12	55
Total trading portfolio liabilities	6,986	1,980	9,902

Note 13

Debt issued at amortised cost

Debt issued at amortised cost ⁽¹⁾	42,706	48,270	52,485
Total debt issued at amortised cost	42,706	48,270	52,485

⁽¹⁾ Included in this balance are amounts payable to SPE noteholders of \$17,004 million (31 March 2009: \$20,131 million; 30 September 2008: \$22,538 million).

The consolidated entity has not had any defaults of principal, interest or other breaches with respect to its debt during the periods reported.

Note 14

Other financial liabilities at fair value through profit or loss

Equity linked notes	2,718	3,702	6,022
Debt issued at fair value	150	176	161
Total other financial liabilities at fair value through profit or loss	2,868	3,878	6,183

	As at 30 Sep 2009 \$m	As at 31 Mar 2009 \$m	As at 30 Sep 2008 \$m
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Note 14

Other financial liabilities at fair value through profit or loss continued

Reconciliation of debt issued at amortised cost and other financial liabilities at fair value through profit or loss by major currency:

Australian dollars	20,739	25,259	37,747
United States dollars	15,179	16,320	5,173
Canadian dollars	4,189	3,607	3,240
Euro	2,578	4,081	6,574
Japanese yen	1,471	683	1,113
Hong Kong dollars	526	626	813
Singapore dollars	423	492	743
Great British pounds	350	905	2,762
Other currencies	119	175	503
Total by currency	45,574	52,148	58,668

The consolidated entity's primary sources of domestic and international debt funding are its multi-currency, multi-jurisdictional Debt Instrument Program and domestic NCD issuance. Securities can be issued for terms varying from one day to 30 years.

	Half-year to 30 Sep 2009 \$m	Half-year to 31 Mar 2009 \$m	Half-year to 31 Sep 2008 \$m
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Note 15

Contributed equity

Ordinary share capital

Opening balance of 337,902,108 (1 October 2008:

304,463,618; 1 April 2008: 300,536,918) fully paid ordinary shares

4,503	3,886	3,586
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Issue of 3,926,700 shares to Macquarie B.H. Pty Ltd on 4 July 2008 at \$76.40 per share

-	-	300
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Issue of 2,341,926 shares to Macquarie B.H. Pty Ltd on 1 November 2008 at \$19.87 per share

-	47	-
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Issue of 31,096,564 shares to Macquarie B.H. Pty Ltd on 30 March 2009 at \$18.33 per share

-	570	-
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Issue of 10,920,790 shares to Macquarie B.H. Pty Ltd on 1 April 2009 at \$18.33 per share

200	-	-
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Issue of 26,301,219 shares to Macquarie B.H. Pty Ltd on 28 September 2009 at \$18.06 per share

475	-	-
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Closing balance of 375,124,117 (31 March 2009: 337,902,108; 30 September 2008: 304,463,618) fully paid ordinary shares

5,178	4,503	3,886
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Equity contribution from ultimate parent entity

Balance at the beginning of the period

57	41	18
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Additional paid up capital

15	16	23
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Balance at the end of the period

72	57	41
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	As at 30 Sep 2009 \$m	As at 31 Mar 2009 \$m	As at 30 Sep 2008 \$m
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Macquarie Income Securities

4,000,000 Macquarie Income Securities of \$100 each

400	400	400
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Less transaction costs for original placement

(9)	(9)	(9)
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Total Macquarie Income Securities

391	391	391
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Notes to the consolidated financial statements

for the half-year ended 30 September 2009

continued

	Half-year to 30 Sep 2009 \$m	Half-year to 31 Mar 2009 \$m	Half-year to 30 Sep 2008 \$m
Note 16			
Reserves, retained earnings and minority interests			
Reserves			
Foreign currency translation reserve			
Balance at the beginning of the period	(9)	(14)	(20)
Currency translation differences arising during the period, net of hedge	(6)	5	6
Balance at the end of the period	(15)	(9)	(14)
Available for sale reserve			
Balance at the beginning of the period	4	8	56
Revaluation movement for the period, net of tax	108	(88)	(46)
Transfer to income statement for impairment	2	81	11
Transfer to profit on realisation	(5)	3	(13)
Balance at the end of the period	109	4	8
Share based payments reserve			
Balance at the beginning of the period	186	186	186
Balance at the end of the period	186	186	186
Cash flow hedging reserve			
Balance at the beginning of the period	(146)	(27)	31
Revaluation movement for the period, net of tax	82	(119)	(58)
Balance at the end of the period	(64)	(146)	(27)
Share of reserves of interests in associates and joint ventures accounted for using the equity method			
Balance at the beginning of the period	30	3	(6)
Share of reserves during the period	(36)	27	9
Balance at the end of the period	(6)	30	3
Reserves arising from Group restructure of combining entities under common control			
Balance at the beginning of the period	(266)	(146)	(65)
Arising from acquisitions of subsidiaries of the Non-Banking Group (note 20)	5	(120)	(81)
Balance at the end of the period	(261)	(266)	(146)
Total reserves at the end of the period	(51)	(201)	10
Retained earnings			
Balance at the beginning of the period	1,250	866	1,374
Profit attributable to equity holders of Macquarie Bank Limited	267	398	211
Distributions paid or provided on Macquarie Income Securities (note 5)	(10)	(14)	(19)
Dividends paid on ordinary share capital (note 5)	(345)	-	(700)
Balance at the end of the period	1,162	1,250	866

	As at 30 Sep 2009 \$m	As at 31 Mar 2009 \$m	As at 30 Sep 2008 \$m
Note 16			
Reserves, retained earnings and minority interests continued			
Minority interests			
Macquarie Income Preferred Securities⁽¹⁾			
Proceeds on issue of Macquarie Income Preferred Securities ⁽²⁾	107	894	894
Less issue costs	(1)	(10)	(10)
	106	884	884
Less securities financed	-	(382)	-
	106	502	884
Current period profit	6	22	23
Distribution provided on Macquarie Income Preferred Securities	(6)	(22)	(23)
Foreign currency translation reserve	(32)	(104)	(104)
Total Macquarie Income Preferred Securities	74	398	780
Other minority interests			
Ordinary share capital	6	6	105
Accumulated profits/(losses)	8	6	(6)
Total other minority interests	14	12	99
Total minority interests	88	410	879

⁽¹⁾ On 22 September 2004, Macquarie Capital Funding LP, a subsidiary of the Bank, issued £350 million of MIPS. MIPS, guaranteed non-cumulative step-up perpetual preferred securities, currently pay a 6.177 percent per annum semi-annual non-cumulative fixed rate distribution. They are perpetual securities and have no fixed maturity but may be redeemed on 15 April 2020, at the Bank's discretion. If redemption is not elected on this date, the distribution rate will be reset to 2.35 percent per annum above the then five-year benchmark sterling gilt rate. MIPS may be redeemed on each fifth anniversary thereafter at the Bank's discretion.

The instruments are reflected in the consolidated entity's financial statements as minority interest, with distribution entitlements being included in minority interests' share of profit after income tax.

⁽²⁾ On 11 September 2009, the various interests in MIPS held by Macquarie Capital Finance (Dubai) Limited were redeemed.

Notes to the consolidated financial statements

for the half-year ended 30 September 2009

continued

	As at 30 Sep 2009 \$m	As at 31 Mar 2009 \$m	As at 30 Sep 2008 \$m
Note 17			
Notes to the consolidated statement of cash flows			
Reconciliation of cash and cash equivalents			
Cash and cash equivalents at the end of the period as shown in the consolidated statement of cash flows are reconciled to related items in the consolidated statement of financial position as follows:			
Cash and balances with central banks	3	141	225
Due from other financial institutions			
Due from banks ⁽¹⁾	7,170	10,127	10,245
Trading securities ⁽²⁾	7,185	9,604	11,629
Cash and cash equivalents at the end of the period	14,358	19,872	22,099

⁽¹⁾ Includes cash at bank, overnight cash at bank, other loans to banks and amounts due from clearing houses.

⁽²⁾ Includes certificates of deposit, bank bills and other short-term debt securities.

	Half-year to 30 Sep 2009 \$m	Half-year to 31 Mar 2009 \$m	Half-year to 30 Sep 2008 \$m
Reconciliation of profit from ordinary activities after income tax to net cash flows from operating activities			
Profit from ordinary activities after income tax	275	422	235
Adjustments to profit from ordinary activities:			
Interest on available for sale financial assets	(73)	(162)	(489)
Depreciation and amortisation	109	122	17
Dividends received from associates	40	130	70
Fair value changes on financial assets and liabilities at fair value through profit or loss and realised available for sale assets	197	(114)	12
Gain on acquiring, disposing and change in ownership interest in subsidiaries and businesses held for sale	(131)	(258)	(40)
Impairment charge on financial and non-financial assets	264	540	496
Loss on disposal of property, plant and equipment	7	10	1
Net gains on sale of investment securities available for sale and associates and joint ventures	(24)	(14)	(9)
Share based payments expense	15	16	23
Share of net profits of associates and joint ventures accounted for using the equity method	(5)	(25)	(73)
Changes in assets and liabilities:			
Change in dividends receivable	17	37	4
Change in fees and commissions receivable	88	(82)	50
Change in fees and commissions payable	(5)	(9)	3
Change in tax balances	(90)	(77)	11
Change in provisions for employee entitlements	(1)	(15)	1
Change in loan assets granted	5,282	(572)	7
Change in loan receivable from ultimate parent entity	2,400	2,500	2,500
Change in debtors, prepayments, accrued charges and creditors	42	(481)	(765)
Change in financial instruments, foreign exchange and commodities	1,614	(3,184)	7,710
Change in amounts due to other financial institutions, deposits and other borrowings	(8,085)	(2,610)	(4,920)
Change in life investment contract receivables	(259)	(974)	720
Net cash flows from/(used in) operating activities	1,677	(4,800)	5,564

As at 30 Sep 2009 \$m	As at 31 Mar 2009 \$m	As at 30 Sep 2008 \$m
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Note 18

Contingent liabilities and commitments

The following details of contingent liabilities and assets exclude derivatives.

Contingent liabilities exist in respect of:

Guarantees	583	858	280
Indemnities	7	8	10
Letters of credit	137	166	132
Performance related contingents	144	101	100
Total contingent liabilities⁽¹⁾	871	1,133	522

Commitments exist in respect of:

Undrawn credit facilities	3,488	2,759	3,634
Undrawn credit facilities – revocable at any time	861	509	1,331
Forward asset purchase	485	-	39
Total commitments⁽²⁾	4,834	3,268	5,004
Total contingent liabilities and commitments	5,705	4,401	5,526

⁽¹⁾ Contingent liabilities exist in respect of claims and potential claims against the consolidated entity. They are reported as the maximum potential liability without considering the value of recovery of assets. Where necessary, appropriate provisions have been made in the financial statements. The Directors do not consider that the outcome of any such claims known to exist at the date of the half-year financial report, either individually or in aggregate, are likely to have a material effect on the results of its operations or its financial position.

⁽²⁾ Total commitments also represent contingent assets. Such commitments to provide credit may convert to loans and other assets in the ordinary course of business.

Note 19

Fair value of financial assets and liabilities

The methods and significant assumptions that have been applied in determining the fair values of financial instruments in the preparation of the half-year financial report are consistent with those adopted and disclosed in the annual financial report of MBL for the year ended 31 March 2009.

The tables below summarise the carrying value and fair value of financial assets and financial liabilities held at amortised cost that have had a significant change in fair value in the interim period:

	As at 30 September 2009		As at 31 March 2009	
	Carrying amount \$m	Fair value \$m	Carrying amount \$m	Fair value \$m
Assets				
Due from related body corporate entities	2,525	2,642	4,647	4,488
Total financial assets	2,525	2,642	4,647	4,488
Liabilities				
Due to banks	2,571	2,609	3,264	3,267
Debt issued at amortised cost	42,706	43,088	48,270	47,687
Subordinated debt at amortised cost	1,005	889	1,491	720
Total financial liabilities	46,282	46,586	53,025	51,674

The fair value equivalent of financial assets and liabilities held at amortised cost at 30 September 2008 has not been disclosed on the basis that the fair value was not materially different from the carrying value.

Notes to the consolidated financial statements

for the half-year ended 30 September 2009

continued

Note 20

Acquisitions and disposals of subsidiaries and businesses

Significant entities and businesses acquired or consolidated due to acquisition of control:

Subsidiaries of the Non-Banking Group (comprising Macquarie Financial Holdings Limited and its subsidiaries)

Pursuant to an internal reorganisation, 100 percent interest in certain subsidiaries of the Non-Banking Group were acquired by entities of the Banking Group. These acquisitions were at fair value.

Other entities acquired or consolidated due to acquisition of control during the financial period are as follows:

Telbane 2 Pty Limited and BE Geothermal GmbH.

Aggregate details of the above entities and businesses (including disposal groups) acquired or consolidated due to acquisition of control are as follows:

	Half-year to 30 Sep 2009 \$m	Half-year to 31 Mar 2009 \$m	Half-year to 30 Sep 2008 \$m
Fair value of net assets acquired⁽¹⁾			
Cash, other financial assets and other assets	366	1,906	3,645
Goodwill and other intangible assets	4	132	7
Property, plant and equipment and assets under operating leases	-	220	27
Assets of disposal groups classified as held for sale	-	-	44
Payables, provisions, borrowings and other liabilities	(109)	(2,028)	(3,546)
Minority interests	(2)	-	-
Total fair value of net assets acquired	259	230	177
Purchase consideration			
Cash consideration and costs directly attributable to acquisition	203	276	258
Deferred consideration	-	74	-
Extinguishment of loan asset	56	-	-
Total purchase consideration	259	350	258
Net cash outflow			
Cash consideration and costs directly attributable to acquisition	(203)	(276)	(258)
Less: cash and cash equivalents acquired	3	133	165
Net cash outflow	(200)	(143)	(93)

⁽¹⁾ In relation to the acquisition of certain subsidiaries of the Non-Banking Group, assets and liabilities acquired were recognised at carrying amounts. In accordance with the consolidated entity accounting policy, the difference between the fair value of the consideration given over the carrying amounts recognised is recorded directly in reserves. For the half-year ended 30 September 2009 \$5 million (31 March 2009: \$120 million; 30 September 2008: \$81 million) was recognised in reserves - Reserves arising from Group restructure of combining entities under common control.

The operating results of these entities have not had a material impact on the results of the consolidated entity.

There are no significant differences between the fair value of net assets acquired and their carrying amounts, other than goodwill and other intangible assets as noted above.

The 31 March 2009 and 30 September 2008 comparatives relate to subsidiaries of the Non-Banking Group (comprising Macquarie Financial Holdings Limited and its subsidiaries) and Constellation Energy, being the significant entities acquired or consolidated due to acquisition of control.

Note 20

Acquisitions and disposals of subsidiaries and businesses continued

Significant entities and businesses disposed of or deconsolidated due to loss of control:

There were no significant entities disposed of during the financial period.

Other entities disposed of or deconsolidated during the financial period are as follows:

Shanghai Chengli Properties Co Ltd, Lachlan Wealth Management Limited, Equinox Investment Holdings Pty Ltd and Macquarie CountryWide Management Limited (sold to the Non-Banking Group).

Aggregate details of the above entities disposed of or deconsolidated are as follows:

	Half-year to 30 Sep 2009 \$m	Half-year to 31 Mar 2009 \$m	Half-year to 30 Sep 2008 \$m
Carrying value of assets and liabilities disposed of or deconsolidated			
Cash, other financial assets and other assets	96	3,607	452
Property, plant and equipment	-	4	-
Payables, provisions, borrowings and other liabilities	(63)	(82)	(328)
Total carrying value of assets and liabilities disposed of or deconsolidated	33	3,529	124
Net cash inflow			
Cash received	34	3,389	124
Less:			
Investment retained	-	(1)	-
Cash and cash equivalents disposed of or deconsolidated	(2)	(67)	(39)
Net cash inflow	32	3,321	85

The 31 March 2009 and 30 September 2008 comparatives relate to Macquarie Asset Leasing Trust, MQ Japan Market Neutral Fund (Cayman Islands), Macquarie Infrastructure Opportunities Fund Ltd, the Italian mortgages business, the margin lending business and certain entities of the MBL Group sold to the Non-Banking Group (Real Estate Group), being the significant entities and businesses disposed of or deconsolidated due to loss of control.

Note 21

Events occurring after balance sheet date

There were no material events subsequent to 30 September 2009 that have not been reflected in the financial statements.

Directors' declaration for the half-year ended September 2009

In the Directors' opinion

- (a) the financial statements and notes set out on pages 4 to 31 are in accordance with the *Corporations Act 2001*, including:
 - i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - ii) giving a true and fair view of the consolidated entity's financial position as at 30 September 2009 and of its performance, as represented by the results of its operations and its cash flows, for the half-year ended on that date; and
- (b) 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.



David S Clarke, AO
Non-Executive Director and
Chairman



Richard Sheppard
Managing Director and
Chief Executive Officer

Sydney
29 October 2009

Independent auditor's review report to the members of Macquarie Bank Limited



Report on the half-year financial report

We have reviewed the accompanying half-year financial statements of Macquarie Bank Limited, which comprise the statement of financial position as at 30 September 2009, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, other selected explanatory notes and the directors' declaration for Macquarie Bank Limited (the consolidated entity). The consolidated entity comprises both Macquarie Bank Limited (the company) and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 September 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Macquarie Bank Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and

other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Matters relating to the electronic presentation of the reviewed financial report

This review report relates to the financial report of Macquarie Bank Limited (the Company) for the half-year ended 30 September 2009 included on Macquarie's web site. The company's directors are responsible for the integrity of the Macquarie web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the financial report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site

Independent auditor's review report to the members of Macquarie Bank Limited continued

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Conclusion

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 Macquarie Bank Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 September 2009 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

PricewaterhouseCoopers

PricewaterhouseCoopers

Daniel Armstrong

DH Armstrong
Partner
PricewaterhouseCoopers

Sydney
29 October 2009

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