

MACQUARIE BANK LIMITED
INTERIM DIRECTORS' REPORT AND FINANCIAL REPORT
HALF YEAR ENDED 30 SEPTEMBER 2008



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 report should be read in conjunction with the annual report of Macquarie Bank Limited for 31 March 2008 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 in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

MACQUARIE BANK LIMITED

and its subsidiaries

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MACQUARIE BANK LIMITED

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DIRECTORS' REPORT FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2008

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 balance sheet as at 30 September 2008, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement of the Bank and its subsidiaries (together "the consolidated entity") for the half-year ended on that date ("the period") and report as follows:

DIRECTORS

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

Non-Executive Director:

D.S. Clarke, AO, Chairman

Executive Directors:

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

L.G. Cox, AO

N.W. Moore*

*Independent Directors:***

P.M. Kirby

C.B. Livingstone, AO

H.K. McCann, AM

J.R. Niland, AC

H.M. Nugent, AO

P.H. Warne

* Mr N.W. Moore was appointed to the Board effective 24 May 2008.

** In accordance with the Bank's definition of independence.

Mr A.E. Moss retired as a Voting Director on 24 May 2008.

Other than as set out above, 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.

RESULT

The financial report for the half-year ended 30 September 2008, 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 \$192 million (31 March 2008: \$14,636 million; 30 September 2007: \$1,060 million). The prior period comparatives include profit from discontinued operations of \$14,321 million for the half-year ended 31 March 2008 and \$709 million for the half-year ended 30 September 2007.

REVIEW OF OPERATIONS

Consolidated net profit after income tax attributable to ordinary equity holders for the half-year to 30 September 2008 was \$192 million.

Net operating income for the half-year to 30 September 2008 was \$1,619 million, a decrease of 23 per cent on the prior corresponding period.

Total operating expenses for the half-year to 30 September 2008 was \$1,377 million, a decrease of 17 per cent on the prior corresponding period.

EVENTS OCCURRING AFTER BALANCE SHEET DATE

Subsequent to the half-year ended 30 September 2008 the Macquarie Group will implement an internal reorganisation of its operating segments. The majority of the Real Estate Group will merge with Macquarie Capital.

This internal reorganisation will result in certain Macquarie Bank Limited subsidiaries and assets being sold to the Non-Banking group, which comprises Macquarie Financial Holdings Limited and its subsidiaries.

At the date of this report, details of the internal reorganisation have not been finalised.

MACQUARIE BANK LIMITED

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DIRECTORS' REPORT continued FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2008

Subsequent to balance date there has been a further significant deterioration in equity markets which has impacted the market prices of our impaired co-investments in listed specialist funds. If the market prices at the date of this report had been used in the consolidated entity's assessment of recoverable amount rather than the 30 September 2008 prices then profit after tax would have been reduced by approximately \$50 million.

There were no other material events occurring after the balance sheet date.

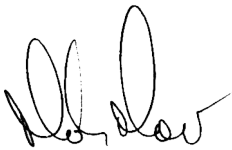
AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration, as required under section 307C of the *Corporations Act 2001*, is set out on page 4.

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.



Nicholas Moore
Executive Director



Richard Sheppard
Managing Director and
Chief Executive Officer

Sydney
17 November 2008

Auditor's Independence Declaration

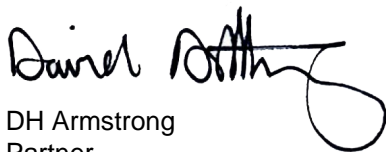
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As lead auditor for the review of Macquarie Bank Limited for the half-year ended 30 September 2008, I declare that to the best of my knowledge and belief, there have been:

- 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
17 November 2008

MACQUARIE BANK LIMITED
and its subsidiaries

**Consolidated income statement
for the half-year ended 30 September 2008**

	Notes	Half-year to 30 Sep 2008 \$m	Half-year to 31 Mar 2008 \$m	Half-year to 30 Sep 2007 \$m
Interest and similar income		3,514	3,649	2,998
Interest expense and similar charges		(3,070)	(3,234)	(2,560)
Net interest income	2	444	415	438
Fee and commission income	2	499	532	560
Net trading income	2	940	1,194	829
Share of net profits of associates and joint ventures using the equity method	2	73	103	57
Other operating income and charges	2	(337)	(212)	229
Net operating income		1,619	2,032	2,113
Employment expenses	2	(568)	(973)	(1,055)
Brokerage and commission expenses	2	(245)	(314)	(256)
Occupancy expenses	2	(44)	(38)	(29)
Non-salary technology expenses	2	(30)	(23)	(41)
Other operating expenses	2	(490)	(335)	(271)
Total operating expenses		(1,377)	(1,683)	(1,652)
Operating profit before income tax		242	349	461
Income tax (expense)/credit	5	(7)	10	(70)
Profit from ordinary activities after income tax		235	359	391
Profit from discontinued operations (net of income tax)	6	-	14,321	709
Profit from ordinary activities and discontinued operations after income tax		235	14,680	1,100
Distributions paid or provided on:				
Macquarie Income Preferred Securities		(23)	(24)	(26)
Other minority interests		(1)	(2)	2
Profit attributable to minority interests		(24)	(26)	(24)
Profit from ordinary activities after income tax attributable to equity holders of Macquarie Bank Limited		211	14,654	1,076
Distributions paid or provided on:				
Macquarie Income Securities	7	(19)	(18)	(16)
Profit attributable to ordinary equity holders of Macquarie Bank Limited		192	14,636	1,060

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

MACQUARIE BANK LIMITED*and its subsidiaries***Consolidated balance sheet
as at 30 September 2008**

	Notes	As at 30 Sep 2008 \$m	As at 31 Mar 2008 \$m	As at 30 Sep 2007 \$m
Assets				
Cash and balances with central banks		225	7	3
Due from banks		10,262	7,169	6,887
Cash collateral on securities borrowed and reverse repurchase agreements		13,817	21,278	22,367
Trading portfolio assets	8	16,664	15,225	16,693
Loan assets held at amortised cost	9	50,175	46,848	49,911
Other financial assets at fair value through profit or loss		3,594	3,635	4,412
Derivative financial instruments – positive values		22,250	20,952	16,991
Other assets		4,447	3,925	10,103
Investment securities available for sale	11	16,046	14,736	12,092
Intangible assets		161	133	101
Life investment contracts and other unit holder assets		5,646	5,705	6,363
Due from related body corporate entities		7,394	10,568	-
Interests in associates and joint ventures using the equity method	12	1,735	1,956	4,784
Property, plant and equipment		79	44	277
Deferred income tax assets		257	78	639
Non-current assets and assets of disposal groups classified as held for sale	13	342	35	835
Total assets		153,094	152,294	152,458
Liabilities				
Due to banks		3,058	3,749	5,016
Cash collateral on securities lent and repurchase agreements		14,493	13,469	16,945
Trading portfolio liabilities	14	9,902	10,716	9,875
Derivative financial instruments – negative values		24,214	21,154	15,555
Deposits		16,720	15,565	12,305
Debt issued at amortised cost	15	52,485	54,763	55,304
Other financial liabilities at fair value through profit or loss	16	6,183	6,271	5,744
Other liabilities		4,263	4,120	12,600
Current tax liabilities		11	27	222
Life investment contracts and other unit holder liabilities		5,634	5,689	6,355
Provisions		90	87	170
Due to related body corporate entities		7,898	7,769	-
Deferred income tax liabilities		22	193	106
Liabilities of disposal groups classified as held for sale	13	-	-	272
Total liabilities excluding loan capital		144,973	143,572	140,469
Loan capital				
Subordinated debt at amortised cost		1,401	1,691	1,721
Subordinated debt at fair value through profit or loss		647	646	853
Total loan capital		2,048	2,337	2,574
Total liabilities		147,021	145,909	143,043
Net assets		6,073	6,385	9,415

MACQUARIE BANK LIMITED*and its subsidiaries***Consolidated balance sheet continued
as at 30 September 2008**

	Notes	As at 30 Sep 2008 \$m	As at 31 Mar 2008 \$m	As at 30 Sep 2007 \$m
Equity				
Contributed equity				
Ordinary share capital	17	3,886	3,586	4,336
Equity contribution from ultimate parent entity	17	41	18	-
Treasury shares	17	-	-	(10)
Macquarie Income Securities	17	391	391	391
Reserves	18	10	182	513
Retained earnings	18	866	1,374	3,373
Total capital and reserves attributable to equity holders of Macquarie Bank Limited		5,194	5,551	8,603
Minority interests	18	879	834	812
Total equity		6,073	6,385	9,415

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

MACQUARIE BANK LIMITED*and its subsidiaries***Consolidated statement of changes in equity
for the half-year ended 30 September 2008**

	Notes	Half-year to 30 Sep 2008 \$m	Half-year to 31 Mar 2008 \$m	Half-year to 30 Sep 2007 \$m
Total equity at the beginning of the period		6,385	9,415	7,519
Available for sale investments, net of tax		(48)	(83)	63
Cash flow hedges, net of tax	18	(58)	-	21
Associates and joint ventures	18	9	(15)	12
Exchange differences on translation of foreign operations		34	(71)	(39)
Net (expense)/income recognised directly in equity		(63)	(169)	57
Profit from ordinary activities and discontinued operations after income tax for the period		235	14,680	1,100
Total recognised income and expense for the period		172	14,511	1,157
Transactions with equity holders in their capacity as equity holders:				
Contributions of equity, net of transaction costs		300	2,250	1,204
Contribution from ultimate parent entity in relation to share based payments	17	23	18	-
Dividends paid and distributions paid or provided		(719)	(16,653)	(498)
Distribution arising from acquisitions of entities of MFHL Group	18	(81)	-	-
Distribution arising from Macquarie Group restructure	18	-	(65)	-
Reduction of capital	17	-	(3,000)	-
Minority interests:				
Contribution/(reduction) of equity, net of transaction costs		22	73	(5)
Changes in retained earnings due to acquisitions and disposals		(6)	(7)	5
Distributions paid or provided	7	(23)	(24)	(26)
Other equity movements:				
Net movement of available for sale reserve arising from Macquarie Group restructure	18	-	(152)	-
Share based payments	18	-	9	62
Net sale/(purchase) of treasury shares		-	10	(3)
Total equity at the end of the period		6,073	6,385	9,415
Total recognised income and expense for the period is attributable to:				
Ordinary equity holders of Macquarie Bank Limited		101	14,513	1,160
Macquarie Income Securities holders		19	18	16
Other minority interests		52	(20)	(19)
Total recognised income and expense for the period		172	14,511	1,157

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

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Consolidated cash flow statement for the half-year ended 30 September 2008

Notes	Half-year to 30 Sep 2008 \$m	Half-year to 31 Mar 2008 \$m	Half-year to 30 Sep 2007 \$m
Cash flows from operating activities			
Interest received	3,150	2,903	3,150
Interest and other costs of finance paid	(2,925)	(3,250)	(2,638)
Dividends and distributions received	100	179	119
Fees and other non-interest income received	3,121	1,511	2,646
Fees and commissions paid	(242)	(404)	(347)
Net receipts from trading portfolio assets and other financial assets/liabilities	8,542	2,529	6,760
Payments to suppliers	(809)	(483)	(826)
Employment expenses paid	(716)	(3,279)	(2,533)
Income tax refunded/(paid)	3	128	(335)
Life investment contract income/(expense)	223	(18)	394
Life investment contract premiums received and other unit holder contributions	2,445	1,622	1,603
Life investment contract payments	(1,925)	(1,492)	(1,281)
Non-current assets and assets of disposal groups classified as held for sale – net (payments)/receipts from operations	(218)	114	155
Net loan assets repaid/(granted)	7	12,302	(5,241)
Repayment of/(provision of) bridge facility from/(to) ultimate parent entity	2,500	(8,800)	-
Recovery of loans previously written off	3	2	3
Net (decrease)/increase in amounts due to other financial institutions, deposits and other borrowings	(5,189)	6,523	5,003
Net cash flows from operating activities	19	10,087	6,632
Cash flows from investing activities			
Payments for financial assets available for sale and at fair value through profit or loss	(64,051)	(39,420)	(16,822)
Proceeds from the realisation of financial assets available for sale and at fair value through profit or loss	64,327	41,446	12,142
Payments for interests in associates	(92)	(746)	(1,343)
Proceeds from the disposal of associates	38	106	452
Payments for the acquisition of non-current assets and assets of disposal groups classified as held for sale, net of cash acquired	-	-	(325)
Proceeds from the disposal of non-current assets and assets of disposal groups classified as held for sale, net of cash disposed	-	258	1,008
Payments for the acquisition of subsidiaries, excluding disposal groups, net of cash acquired	(93)	(31)	(126)
Proceeds from the disposal of subsidiaries, excluding disposal groups, net of cash deconsolidated	85	13,932	86
Payments for life investment contracts and other unit holder assets	(7,245)	(3,465)	(3,566)
Proceeds from the disposal of life investment contracts and other unit holder assets	4,022	2,660	3,377
Payments for property, plant and equipment	(7)	(31)	(40)
Net cash flows (used in)/from investing activities	(3,016)	14,709	(5,157)
Cash flows from financing activities			
Proceeds from the issue of ordinary shares	300	2,250	1,019
Proceeds from other minority interests	16	66	6
Repayment of subordinated debt	(225)	(225)	-
Dividends and distributions paid	(741)	(16,678)	(340)
Return of capital to ultimate parent entity	-	(3,000)	-
Net cash flows (used in)/from financing activities	17	(17,587)	685
Net increase in cash and cash equivalents	4,404	7,209	2,160
Cash and cash equivalents at the beginning of the period	17,695	10,486	8,326
Cash and cash equivalents at the end of the period	19	17,695	10,486

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

MACQUARIE BANK LIMITED

and its subsidiaries

Notes to the consolidated financial statements 30 September 2008

1. Basis of preparation

This general purpose financial report for the half-year reporting period ended 30 September 2008 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 2008 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 2008. Certain comparatives have been restated for consistency in presentation at 30 September 2008.

MACQUARIE BANK LIMITED

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Notes to the consolidated financial statements continued 30 September 2008

	Half-year to 30 Sep 2008 \$m	Half-year to 31 Mar 2008 \$m	Half-year to 30 Sep 2007 \$m
2. Profit for the period			
Net interest income			
Interest and similar income received/receivable			
Other entities	3,152	3,342	2,998
Related body corporate entities	362	307	-
Interest expense and similar charges paid/payable			
Other entities	(2,758)	(2,993)	(2,560)
Related body corporate entities	(312)	(241)	-
Net interest income	444	415	438
Fee and commission income			
Fee and commission income	478	522	540
Income from life insurance business and other unit holder businesses	21	10	20
Total fee and commission income	499	532	560
Net trading income			
Equities	455	792	583
Commodities	172	287	130
Foreign exchange products	171	83	99
Interest rate products	142	32	17
Net trading income	940	1,194	829
Share of net profits of associates and joint ventures using the equity method	73	103	57
Other operating income and charges			
Net gains on disposal of investment securities available for sale	9	66	41
Impairment charge on investment securities available for sale	(117)	(60)	(24)
Net gains on disposal of associates (including associates held for sale) and joint ventures	-	54	40
Impairment charge on associates (including associates held for sale) and joint ventures	(44)	(288)	(2)
Net operating loss from disposal groups held for sale	(1)	(16)	-
Impairment charge on disposal group held for sale ⁽¹⁾	(197)	-	-
Gain/(loss) on deconsolidation of subsidiaries and businesses held for sale	40	(4)	103
Dividends/distributions received/receivable			
- investment securities available for sale	26	34	25
Write back of/(provision for) collective allowance on credit losses during the period	2	(22)	(10)
Specific provisions			
- loans provided for during the period	(121)	(56)	(15)
- other fees provided for during the period	(14)	-	-
- recovery of loans previously provided for	4	13	21
- loan losses written-off	(9)	(14)	(6)
- recovery of loans previously written-off	3	2	3
Other income	82	79	53
Total other operating income and charges	(337)	(212)	229
Net operating income	1,619	2,032	2,113

⁽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 period.

MACQUARIE BANK LIMITED*and its subsidiaries***Notes to the consolidated financial statements continued****30 September 2008**

	Half-year to 30 Sep 2008 \$m	Half-year to 31 Mar 2008 \$m	Half-year to 30 Sep 2007 \$m
2. Profit for the period continued			
Employment expenses			
Salary, salary related costs including commissions, superannuation and performance-related profit share	(543)	(946)	(1,016)
Share based payments	(17)	(22)	(29)
Provision for annual leave	(5)	(2)	(7)
Provision for long service leave	(3)	(3)	(3)
Total employment expenses	(568)	(973)	(1,055)
Brokerage and commission expenses			
Brokerage expenses	(192)	(273)	(198)
Other fee and commission expenses	(53)	(41)	(58)
Total brokerage and commission expenses	(245)	(314)	(256)
Occupancy expenses			
Operating lease rentals	(25)	(23)	(23)
Depreciation: infrastructure, furniture, fittings and leasehold improvements	(7)	(7)	(5)
Other occupancy expenses	(12)	(8)	(1)
Total occupancy expenses	(44)	(38)	(29)
Non-salary technology expenses			
Information services	(17)	(9)	(9)
Depreciation: computer equipment and software	(2)	(8)	(12)
Other non-salary technology expenses	(11)	(6)	(20)
Total non-salary technology expenses	(30)	(23)	(41)
Other operating expenses			
Professional fees	(41)	(37)	(49)
Auditors' remuneration	(4)	(5)	(5)
Travel and entertainment expenses	(26)	(55)	(40)
Advertising and promotional expenses	(14)	(19)	(8)
Communication expenses	(8)	(11)	(8)
Depreciation: communication equipment	-	(2)	(1)
Other expenses	(397)	(206)	(160)
Total other operating expenses	(490)	(335)	(271)
Total operating expenses	(1,377)	(1,683)	(1,652)

MACQUARIE BANK LIMITED

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Notes to the consolidated financial statements continued

30 September 2008

	Half-year to 30 Sep 2008 \$m	Half-year to 31 Mar 2008 \$m	Half-year to 30 Sep 2007 \$m
3. Revenue from operating activities			
Interest and similar income	3,514	3,649	2,998
Fee and commission income	478	522	540
Premium income, investment revenue/(expense) and management fees from life investment contracts and other unit holder businesses	92	(66)	271
Net trading income	940	1,194	829
Net gains on the disposal of investment securities available for sale and associates and joint ventures	9	120	81
Other income (excluding net gains on the disposal of investment securities available for sale and associates and joint ventures)	220	186	238
Total revenue from operating activities	5,253	5,605	4,957

4. Segment reporting

(i) Operating segments

For internal reporting and risk management purposes, the consolidated entity is divided into six operating groups (the "Groups"). These Groups have been set up based on the differences in core products and services offered, and are outlined below.

- **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;
- **Banking and Financial Services Group** is the primary relationship manager for Macquarie's retail clients, providing wealth management and banking products and services to intermediaries, small business and direct investors;
- **Real Estate Group** encompasses real estate fund and asset management, investment and development finance, unlisted equity raising, real estate investment banking and advisory, development and development management, real estate securitisation, and research;
- **Treasury and Commodities Group** activities include trading and related activities in a broad range of financial and commodity markets. Activities range across foreign exchange, debt and futures, as well as agriculture, energy and metals commodities;
- **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.
- **Macquarie Capital** includes the Group's wholesale structuring, underwriting, corporate advisory, infrastructure and specialist funds, private equity, and specialised equipment financing capabilities; and
- **Corporate** includes the Group Treasury division and head office and central support functions. Costs within Corporate include 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 are 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. The operating segments of the consolidated entity have changed during the period ended 30 September 2008. In accordance with AASB 8 *Operating Segments*, comparative information has been restated to reflect current reportable operating segments.

MACQUARIE BANK LIMITED*and its subsidiaries***Notes to the consolidated financial statements continued
30 September 2008****4. Segment reporting** continued**(i) Operating segments** continued

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

Half-year to 30 September 2008	Macquarie Funds Group \$m	Banking & Financial Services Group \$m	Real Estate Group \$m	Treasury & Commodities Group \$m	Macquarie Securities Group \$m	Macquarie Capital \$m	Corporate \$m	Continuing operations \$m	Discontinued operations \$m	Total \$m
Revenues from external customers	271	1,996	141	958	773	75	967	5,181	-	5,181
Inter-segmental (expense)/revenue ⁽¹⁾	(6)	(286)	(75)	(22)	(132)	9	512	-	-	-
Interest revenue	92	1,602	67	422	284	30	1,017	3,514	-	3,514
Interest expense	(30)	(1,160)	(4)	(379)	(125)	(8)	(1,364)	(3,070)	-	(3,070)
Depreciation and amortisation	(1)	(2)	(2)	(3)	-	(6)	-	(14)	-	(14)
Share of net (losses)/profits of associates and joint ventures using the equity method	(1)	(3)	45	8	-	22	2	73	-	73
Net operating (loss) from disposal groups held for sale	-	-	-	(1)	-	-	-	(1)	-	(1)
Reportable segment profit/(loss)	48	(176)	(129)	318	305	63	(237)	192	-	192
Reportable segment assets	10,451	38,884	3,561	37,402	27,812	6,746	28,238	153,094	-	153,094

MACQUARIE BANK LIMITED*and its subsidiaries***Notes to the consolidated financial statements continued
30 September 2008****4. Segment reporting** continued**(i) Operating segments** continued

Half-year to 31 March 2008	Macquarie Funds Group \$m	Banking & Financial Services Group \$m	Real Estate Group \$m	Treasury & Commodities Group \$m	Macquarie Securities Group \$m	Macquarie Capital \$m	Corporate \$m	Continuing operations \$m	Discontinued operations \$m	Total \$m
Revenues from external customers	100	1,924	225	1,083	1,096	267	791	5,486	226	5,712
Inter-segmental (expense)/revenue ⁽¹⁾	(33)	(236)	(81)	(114)	(107)	54	549	32	(32)	-
Interest revenue	12	1,377	49	334	307	187	1,383	3,649	(101)	3,548
Interest expense	(3)	(1,097)	(8)	(363)	(279)	21	(1,505)	(3,234)	(66)	(3,300)
Depreciation and amortisation	(1)	(12)	(1)	(4)	(1)	(25)	(9)	(53)	(5)	(58)
Share of net (losses)/profits of associates and joint ventures using the equity method	(2)	(4)	67	23	1	32	(14)	103	(33)	70
Net operating (loss)/income from disposal groups held for sale	-	-	-	-	-	(16)	-	(16)	3	(13)
Reportable segment profit/(loss)	68	91	(203)	366	154	21	(182)	315	14,321	14,636
Reportable segment assets	9,186	41,199	3,688	38,567	30,489	4,755	24,410	152,294	-	152,294

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Notes to the consolidated financial statements continued 30 September 2008

4. Segment reporting continued

(i) Operating segments continued

Half-year to 30 September 2007	Macquarie Funds Group \$m	Banking & Financial Services Group \$m	Real Estate Group \$m	Treasury & Commodities Group \$m	Macquarie Securities Group \$m	Macquarie Capital \$m	Corporate \$m	Continuing operations \$m	Discontinued operations \$m	Total \$m
Revenues from external customers	641	1,675	287	896	936	167	105	4,707	2,899	7,606
Inter-segmental (expense)/revenue ⁽¹⁾	(31)	(293)	(83)	(116)	(225)	(75)	1,016	193	(193)	-
Interest revenue	95	1,257	93	469	759	174	151	2,998	188	3,186
Interest expense	(5)	(794)	(7)	(333)	(358)	(182)	(881)	(2,560)	(103)	(2,663)
Depreciation and amortisation	-	(8)	(1)	(4)	(2)	(36)	(27)	(78)	(28)	(106)
Share of net profits/(losses) of associates and joint ventures using the equity method	4	(4)	40	7	3	4	3	57	36	93
Net operating (loss)/income from disposal groups held for sale	-	-	-	-	-	-	-	-	-	-
Reportable segment profit	209	147	124	281	448	45	(903)	351	709	1,060
Reportable segment assets	9,288	40,281	3,947	27,910	34,168	2,753	13,487	131,834	20,624	152,458

⁽¹⁾ Reporting systems do not enable the separation of intersegmental revenues and expenses. These are netted off and the net position is disclosed above.

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Notes to the consolidated financial statements continued 30 September 2008

4. 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, currency, 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 continuing operations \$m	Total discontinued operations \$m	TOTAL \$m
Half-year to 30 September 2008							
Revenues from external customers	685	2,356	129	2,011	5,181	-	5,181
Half-year to 31 March 2008							
Revenues from external customers	548	2,624	301	2,013	5,486	226	5,712
Half-year to 30 September 2007							
Revenues from external customers	1,275	1,973	299	1,160	4,707	2,899	7,606

(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 \$m	Non-current assets ⁽²⁾ \$m
30 September 2008		
Australia	4,319	123
Asia Pacific	156	28
Europe	328	10
North America	366	79
Other	12	-
TOTAL	5,181	240

	Revenues \$m	Non-current assets ⁽²⁾ \$m
31 March 2008		
Australia	4,224	80
Asia Pacific	232	25
Europe	974	10
North America	56	62
Continuing operations	5,486	177
Discontinued operations	226	-
TOTAL	5,712	177

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Notes to the consolidated financial statements continued

30 September 2008

4. Segment reporting continued

(iii) Geographical areas continued

	Revenues	Non-current assets ⁽²⁾
30 September 2007	\$m	\$m
Australia	3,888	49
Asia Pacific	345	5
Europe	466	102
North America	7	6
Other	1	-
Continuing operations	4,707	162
Discontinued operations	2,899	216
TOTAL	7,606	378

⁽²⁾ 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.

5. Income tax (expense)/credit

	Half-year to 30 Sep 2008 \$m	Half-year to 31 Mar 2008 \$m	Half-year to 30 Sep 2007 \$m
(i) Reconciliation of income tax (expense)/credit to prima facie tax payable			
Prima facie income tax expense on operating profit ⁽¹⁾	(73)	(4,393)	(412)
Tax effect of amounts which are non-assessable/(non-deductible) in calculating taxable income:			
Rate differential on offshore income	28	111	147
Distribution provided on Macquarie Income Preferred Securities and similar distributions	7	7	8
Share based payments expense	(5)	(6)	(19)
Gain on disposal of discontinued operations	-	4,249	-
Other items	36	67	3
Total income tax (expense)/credit	(7)	35	(273)
(ii) Income tax (expense)/credit is attributable to:			
Profit from continuing operations	(7)	10	(70)
Profit from discontinued operations	-	25	(203)
Total	(7)	35	(273)
(iii) Amounts recognised directly in equity			
Aggregate deferred tax arising in the period and not recognised in net profit or loss but recognised directly in equity:			
Net deferred tax – (credited)/debited directly in equity	(32)	(29)	28
Total	(32)	(29)	28

⁽¹⁾ Prima facie income tax on operating profit is calculated at the rate of 30 per cent (half-year to 31 March 2008: 30 per cent; half-year to 30 September 2007: 30 per cent). The Australian tax consolidated group has a tax year ending on 30 September.

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Notes to the consolidated financial statements continued

30 September 2008

6. Discontinued operations

(a) Description

On 13 November 2007, the Macquarie Bank Limited group implemented a restructure of the Macquarie Group under which a new listed non-operating holding company named Macquarie Group Limited ("MGL") was established as the ultimate parent entity of the Macquarie Group. The Macquarie Group comprises two separate sub-groups, a Banking Group and a Non-Banking Group.

The Non-Banking group was sold by Macquarie Bank Limited to Macquarie Financial Holdings Limited at fair value and is reported in this financial report as a discontinued operation.

(b) Financial performance

The financial performance presented is for the period ended 13 November 2007 (half-year to 31 March 2008) and the half-year to 30 September 2007:

	Half-year to 30 Sep 2008 \$m	Half-year to 31 Mar 2008 \$m	Half-year to 30 Sep 2007 \$m
Profit before income tax	-	133	912
Income tax credit/(expense)	-	25	(203)
Profit after income tax of discontinued operations	-	158	709
Gain on sale of the discontinued operations before income tax	-	14,163	-
Income tax expense	-	-	-
Gain on sale of the discontinued operation after income tax	-	14,163	-
Profit from discontinued operations	-	14,321	709

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30 September 2008

	Half-year to 30 Sep 2008 \$m	Half-year to 31 Mar 2008 \$m	Half-year to 30 Sep 2007 \$m
7. Dividends paid and distributions paid or provided			
(i) Dividends paid			
Ordinary share capital			
2008 Special dividend paid (\$46.55 per share)	-	13,990	-
2008 Special dividend paid (\$7.49 per share)	-	2,250	-
Interim dividend paid (\$1.45 per share)	-	395	-
Final dividend paid (\$2.33 per share) (March 2008: nil; September 2007: \$1.90 per share)	700	-	482
Total dividends paid (note 18)	700	16,635	482
(ii) Distributions paid or provided			
Macquarie Income Securities			
Distributions paid (net of distributions previously provided)	11	11	9
Distributions provided	8	7	7
Total distributions paid or provided	19	18	16

The Macquarie Income Security ("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)	1	2	3
Distributions provided	22	22	23
Total distributions paid or provided	23	24	26

The Macquarie Income Preferred Securities ("MIPS") represent the minority interest of a subsidiary. Accordingly, the distributions paid/provided in respect of the Macquarie Income Preferred Securities are recorded as movements in minority interest, as disclosed in Note 18 – 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 18 – Reserves, retained earnings and minority interest.

MACQUARIE BANK LIMITED

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Notes to the consolidated financial statements continued 30 September 2008

	As at 30 Sep 2008 \$m	As at 31 Mar 2008 \$m	As at 30 Sep 2007 \$m
8. Trading portfolio assets			
Trading securities			
Equities			
Listed	9,343	8,141	9,344
Unlisted	3,086	3,379	2,864
Corporate bonds	912	734	1,043
Commonwealth government bonds	765	807	76
Foreign government bonds	740	256	-
Promissory notes	605	1,302	2,664
Other government securities	598	259	293
Certificates of deposit	365	198	239
Bank bills	95	45	86
Total trading securities	16,509	15,121	16,609
Other trading assets			
Commodities	155	104	84
Total other trading assets	155	104	84
Total trading portfolio assets	16,664	15,225	16,693
9. Loan assets held at amortised cost			
Due from clearing houses	1,831	1,502	2,066
Due from governments ⁽¹⁾	403	102	152
Due from other entities			
Other loans and advances ⁽²⁾	48,274	45,456	47,860
Less specific provisions for impairment	(211)	(100)	(63)
Total due from other entities	48,063	45,356	47,797
Total gross loan assets	50,297	46,960	50,015
Less collective allowance for credit losses	(122)	(112)	(104)
Total loan assets held at amortised cost ⁽³⁾	50,175	46,848	49,911

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

⁽²⁾ Included within this balance are \$1,944 million of loan assets relating to the Italy mortgages business which are held for sale at 30 September 2008.

⁽³⁾ Included within this balance are amounts of \$22,957 million (31 March 2008: \$24,078 million; 30 September 2008: \$24,684 million) held by consolidated SPEs which are available as security to noteholders and debt providers.

	Half-year to 30 Sep 2008 \$m	Half-year to 31 Mar 2008 \$m	Half-year to 30 Sep 2007 \$m
Specific provisions for impairment			
Balance at the beginning of the period	100	63	71
Provided for during the period ⁽⁴⁾	121	58	20
Loan assets written off, previously provided for	(13)	(9)	-
Recovery of loans previously provided for ⁽⁴⁾	(4)	(7)	(28)
Transfer to related body corporate entities	-	(4)	-
Attributable to foreign currency translation	7	(1)	-
Balance at the end of the period	211	100	63
Specific provisions as a percentage of total gross loan assets	0.42%	0.21%	0.13%

⁽⁴⁾ Included within these balances are amounts relating to both continuing and discontinued operations as a result of the Macquarie Group restructure.

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

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30 September 2008

	Half-year to 30 Sep 2008 \$m	Half-year to 31 Mar 2008 \$m	Half-year to 30 Sep 2007 \$m
9. Loan assets held at amortised cost continued			
Collective allowance for credit losses			
Balance at the beginning of the period	112	104	91
(Written back)/provided for during the period ⁽⁴⁾	(2)	19	13
Transfer arising from purchase/(sale) of businesses to related body corporate entities	12	(11)	-
Balance at the end of the period	122	112	104

⁽⁴⁾ Included within these balances are amounts relating to both continuing and discontinued operations as a result of the Macquarie group restructure.

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

	As at 30 Sep 2008 \$m	As at 31 Mar 2008 \$m	As at 30 Sep 2007 \$m
10. Impaired assets			
Impaired debt investment securities available for sale with specific provisions for impairment	304	264	11
Less specific provisions for impairment	(114)	(56)	(8)
Impaired loan assets and other financial assets with specific provisions for impairment	607	244	217
Less specific provisions for impairment	(234)	(105)	(71)
Net impaired assets	563	347	149

Impaired assets have been reported in accordance with AASB 139 *Financial Instruments: Recognition and Measurement* and include loan assets and impaired items in respect of derivative financial instruments and unrecognised contingent commitments.

11. Investment securities available for sale

Equity securities			
Listed	232	327	747
Unlisted	228	202	272
Debt securities ⁽¹⁾⁽²⁾	15,586	14,207	11,073
Total investment securities available for sale	16,046	14,736	12,092

⁽¹⁾ Included within this balance are debt securities of \$nil (31 March 2008: \$nil; 30 September 2007: \$422 million) which are recognised as a result of total return swaps. The consolidated entity does not have legal title to these assets but has full economic exposure to them.

⁽²⁾ Includes \$13,936 million (31 March 2008: \$12,461 million; 30 September 2007: \$8,953 million) of Negotiable Certificates of Deposit due from financial institutions and \$1,087 million (31 March 2008: \$368 million; 30 September 2007: \$186 million) of bank bills.

12. Interests in associates and joint ventures using the equity method

Loans and investments without provisions for impairment	1,310	1,513	4,702
Loans and investments with provisions for impairment	764	738	89
Less provisions for impairment ⁽¹⁾	(339)	(295)	(7)
Loans and investments at recoverable amount	425	443	82
Total interests in associates and joint ventures using the equity method	1,735	1,956	4,784

⁽¹⁾ The investments in Macquarie CountryWide Trust and Macquarie Office Trust have been written down to their recoverable amounts based on publicly quoted market prices at 30 September 2008 as an estimate of their fair values.

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Notes to the consolidated financial statements continued 30 September 2008

12. Interests in associates and joint ventures using the equity method continued

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 2008 %	As at 31 Mar 2008 %	As at 30 Sep 2007 %
Diversified CMBS Investments Inc. ^{(c)(1)}	USA	31 March	57	57	57
Euro Gaming Limited ^(e)	UK	31 December	-	-	50
European Directories SA ^{(d)(2)}	Luxembourg	31 December	-	-	13
Macquarie AirFinance Limited ^(a)	Bermuda	31 December	-	-	34
Macquarie Airports ^{(a)(2)}	Australia	31 December	-	-	19
Macquarie Capital Alliance Group ^{(c)(2)}	Australia	30 June	-	-	17
Macquarie Communications Infrastructure Group ^{(a)(2)}	Australia	30 June	-	-	17
Macquarie CountryWide Trust ^{(b)(2)}	Australia	30 June	10	10	10
Macquarie Diversified Treasury (AA) Fund ^{(c)(2)}	Australia	30 June	19	19	18
Macquarie European Infrastructure Fund LP ^{(a)(2)}	UK	31 March	-	-	5
Macquarie Goodman Japan Limited ^{(b)(3)}	Singapore	31 March	50	50	50
Macquarie Infrastructure Group ^{(a)(2)}	Australia	30 June	-	-	2
Macquarie Prime REIT ^{(b)(4)}	Singapore	31 December	-	26	26
Macquarie Media Group ^(e)	Australia	30 June	-	-	20
Macquarie Office Trust ^{(b)(2)}	Australia	30 June	7	7	7
Redford Australian Investment Trust ^(a)	Australia	30 June	-	-	27

⁽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 investors has control in each's own right.

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

⁽³⁾ The reporting date of Macquarie Goodman Japan Limited has been changed from 30 June to 31 March effective 14 May 2008.

⁽⁴⁾ Macquarie Prime REIT has been classified as held for sale as at 30 September 2008.

^(a) Infrastructure

^(b) Property development/management entity

^(c) Funds management and investing

^(d) Directories business

^(e) Media, television, gaming and internet investments

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Notes to the consolidated financial statements continued 30 September 2008

	As at 30 Sep 2008 \$m	As at 31 Mar 2008 \$m	As at 30 Sep 2007 \$m
13. Non-current assets and disposal groups classified as held for sale			
Assets of disposal groups classified as held for sale ⁽¹⁾	-	-	410
Associates	287	-	425
Other non-current assets	55	35	-
Total non-current assets and assets of disposal groups classified as held for sale	342	35	835
Total liabilities of disposal groups classified as held for sale ⁽¹⁾	-	-	272

⁽¹⁾ The balance as at 30 September 2007 represents the assets and liabilities of America's Water Heater Rentals, Express Offshore Transport, Longview Oil & Gas, Windkraft Holleben 1 GMBH & Co KG and Windpark Bippen Grunsticks GMBH & Co KG.

All of the above non-current assets and assets/liabilities of disposal groups classified as held for sale are expected to be disposed of by way of sale to a Macquarie managed fund, trade sale 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.

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 2008 %	As at 31 Mar 2008 %	As at 30 Sep 2007 %
International Infrastructure Holdings Limited ^(b)	Australia	31 December	-	-	50
Retirement Villages Group ^(a)	Australia	30 June	-	-	48
Macquarie Infrastructure Partners A ^(b)	USA	31 December	-	-	13
Macquarie Infrastructure Partners B ^(b)	USA	31 December	-	-	13
Macquarie Prime REIT ^(c)	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) Retirement homes

^(b) Infrastructure

^(c) Property development/management entity

14. Trading portfolio liabilities

	As at 30 Sep 2008 \$m	As at 31 Mar 2008 \$m	As at 30 Sep 2007 \$m
Equity securities			
Listed	7,558	6,495	8,007
Unlisted	-	-	808
Commonwealth government securities	2,088	4,053	789
Other government securities	201	154	241
Corporate securities	55	14	30
Total trading portfolio liabilities	9,902	10,716	9,875

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Notes to the consolidated financial statements continued

30 September 2008

	As at 30 Sep 2008 \$m	As at 31 Mar 2008 \$m	As at 30 Sep 2007 \$m
15. Debt issued at amortised cost			
Debt issued at amortised cost ⁽¹⁾	52,485	54,763	55,304
Total debt issued at amortised cost	52,485	54,763	55,304

⁽¹⁾ Included in this balance are amounts payable to SPE noteholders of \$22,538 million (31 March 2008: \$23,958 million; 30 September 2007: \$24,427 million).

16. Other financial liabilities at fair value through profit or loss

Equity linked notes	6,022	6,017	5,046
Debt issued at fair value	161	254	698
Total other financial liabilities at fair value through profit or loss	6,183	6,271	5,744

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

Australian dollars	37,747	39,791	39,012
Euro	6,574	5,170	5,449
United States dollars	5,173	7,730	10,215
Canadian dollars	3,240	2,547	698
Great British pounds	2,762	2,133	1,846
Japanese yen	1,113	1,624	974
Hong Kong dollars	813	896	1,462
Singapore dollars	743	621	215
Turkish lira	-	-	663
Other currencies	503	522	514
Total by currency	58,668	61,034	61,048

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

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Notes to the consolidated financial statements continued 30 September 2008

	Half-year to 30 Sep 2008 \$m	Half-year to 31 Mar 2008 \$m	Half-year to 30 Sep 2007 \$m
17. Contributed equity			
Ordinary share capital			
Opening balance of 300,536,918 (1 October 2007: 271,086,657; 1 April 2007: 253,941,205) fully paid ordinary shares	3,586	4,336	3,103
Issue of 8,620,690 ordinary shares on 21 May 2007 at \$87.00 per share	-	-	745
On-market purchase of 313,615 shares pursuant to the Macquarie Bank Staff Share Acquisition Plan ("MBSSAP") and Non-Executive Directors Share Acquisition Plan ("NEDSAP") at \$88.67 per share	-	-	(28)
Allocation of 313,615 shares to employees pursuant to the MBSSAP and NEDSAP at \$88.67 per share	-	-	28
Issue of 5,466,294 shares on exercise of options	-	-	195
Issue of 912,076 shares on 25 June 2007 pursuant to the Share Purchase Plan at \$87.00 per share	-	-	79
Issue of 2,146,392 shares on 4 July 2007 pursuant to the Dividend Reinvestment Plan at \$86.44 per share	-	-	185
Issue of 31,501,643 shares to Macquarie Group Limited on 13 November 2007	-	2,250	-
Capital reduction by 2,051,382 shares on 13 November 2007	-	(3,000)	-
Issue of 3,926,700 shares to Macquarie B.H. Pty Ltd on 4 July 2008 at \$76.40 per share	300	-	-
Transfer from share based payments reserve for expensed options that have been exercised	-	-	29
Closing balance of 304,463,618 (31 March 2008: 300,536,918; 30 September 2007: 271,086,657) fully paid ordinary shares	3,886	3,586	4,336
Equity contribution from ultimate parent entity			
Balance at the beginning of the period	18	-	-
Additional paid up capital	23	18	-
Balance at the end of the period	41	18	-
	As at 30 Sep 2008 \$m	As at 31 Mar 2008 \$m	As at 30 Sep 2007 \$m
Treasury shares			
Treasury shares	-	-	(10)
Total treasury shares	-	-	(10)
Macquarie Income Securities			
4,000,000 Macquarie Income Securities of \$100 each	400	400	400
Less transaction costs for original placement	(9)	(9)	(9)
Total Macquarie Income Securities	391	391	391

MACQUARIE BANK LIMITED*and its subsidiaries***Notes to the consolidated financial statements continued****30 September 2008**

	Half-year to 30 Sep 2008 \$m	Half-year to 31 Mar 2008 \$m	Half-year to 30 Sep 2007 \$m
18. Reserves, retained earnings and minority interests			
Reserves			
Foreign currency translation reserve			
Balance at the beginning of the period	(20)	5	1
Currency translation differences arising during the period, net of hedge	6	(25)	4
Balance at the end of the period	(14)	(20)	5
Available for sale reserve			
Balance at the beginning of the period	56	291	228
Revaluation movement for the period, net of tax	(46)	(66)	70
Transfer to income statement from impairment	11	-	-
Transfer to profit on sale arising from Macquarie Group restructure	-	(152)	-
Transfer to profit on realisation	(13)	(17)	(7)
Balance at the end of the period	8	56	291
Share-based payments reserve			
Balance at the beginning of the period	186	177	144
Share based payments expense for the period ⁽¹⁾	-	9	62
Transfer to share capital on exercise of expensed options	-	-	(29)
Balance at the end of the period	186	186	177
Cash flow hedging reserve			
Balance at the beginning of the period	31	31	10
Revaluation movement for the period, net of tax	(58)	-	21
Balance at the end of the period	(27)	31	31
Share of reserves of interests in associates and joint ventures using the equity method			
Balance at the beginning of the period	(6)	9	(3)
Share of reserves during the period	9	(15)	12
Balance at the end of the period	3	(6)	9
Distribution to ultimate parent entity			
Balance at the beginning of the period	(65)	-	-
Arising from acquisitions of subsidiaries of MFHL Group (note 21)	(81)	-	-
Arising from Macquarie Group restructure	-	(65)	-
Balance at the end of the period	(146)	(65)	-
Total reserves at the end of the period	10	182	513
Retained earnings			
Balance at the beginning of the period	1,374	3,373	2,795
Profit attributable to equity holders of Macquarie Bank Limited	211	14,654	1,076
Distributions paid or provided on Macquarie Income Securities	(19)	(18)	(16)
Dividends paid on ordinary share capital (note 7)	(700)	(16,635)	(482)
Balance at the end of the period	866	1,374	3,373

⁽¹⁾ Included in this balance for both the half-year ended 31 March 2008 and 30 September 2007 are amounts relating to both continuing operations and discontinued operations as a result of the Macquarie Group restructure.

MACQUARIE BANK LIMITED

and its subsidiaries

Notes to the consolidated financial statements continued 30 September 2008

	As at 30 Sep 2008 \$m	As at 31 Mar 2008 \$m	As at 30 Sep 2007 \$m
18. Reserves, retained earnings and minority interests continued			
Minority interests			
Macquarie Income Preferred Securities ⁽²⁾			
Proceeds on issue of Macquarie Income Preferred Securities	894	894	894
Issue costs	(10)	(10)	(10)
	884	884	884
Current period profit	23	24	26
Distribution provided on Macquarie Income Preferred Securities	(23)	(24)	(26)
Foreign currency translation reserve	(104)	(132)	(86)
Total Macquarie Income Preferred Securities	780	752	798
Other minority interests			
Ordinary share capital	105	83	4
Preference share capital	-	-	6
Accumulated (losses)/profits	(6)	(1)	4
Total other minority interests	99	82	14
Total minority interests	879	834	812

⁽²⁾ On 22 September 2004, Macquarie Capital Funding LP, a subsidiary of the Bank, issued £350 million of Macquarie Income Preferred Securities ("the Securities"). The Securities, guaranteed non-cumulative step-up perpetual preferred securities, currently pay a 6.18% (31 March 2008: 6.18%; 30 September 2007: 6.18%) 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% (31 March 2008: 2.35%; 30 September 2007: 2.35%) per annum above the then five-year benchmark sterling gilt rate. The Securities may be redeemed on each fifth anniversary thereafter at the Bank's discretion. The first coupon was paid on 15 April 2005.

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.

	As at 30 Sep 2008 \$m	As at 31 Mar 2008 \$m	As at 30 Sep 2007 \$m
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19. Notes to the consolidated cash flow statement

Reconciliation of cash and cash equivalents

Cash and cash equivalents at the end of the period as shown in the consolidated cash flow statement is reconciled to related items in the consolidated balance sheet as follows:

Cash and balances with central banks	225	7	3
Due from other financial institutions			
- due from banks ⁽¹⁾	10,245	7,169	6,871
- trading securities ⁽²⁾	11,629	10,519	3,612
Cash and cash equivalents at the end of the period	22,099	17,695	10,486

⁽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.

MACQUARIE BANK LIMITED*and its subsidiaries***Notes to the consolidated financial statements continued****30 September 2008**

	Half-year to 30 Sep 2008 \$m	Half-year to 31 Mar 2008 \$m	Half-year to 30 Sep 2007 \$m
19. Notes to the consolidated cash flow statement continued			
Reconciliation of profit from ordinary activities and discontinued operations after income tax to net cash flows from operating activities			
Profit from ordinary activities and discontinued operations after income tax	235	14,680	1,100
Adjustments to profit from ordinary activities:			
Accretion of interest on investment securities available for sale	(489)	(441)	(98)
Amortisation of intangible assets	3	6	1
Depreciation on assets under operating leases	5	29	54
Depreciation on property, plant and equipment	9	34	51
Dividends received from associates	70	86	117
Fair value changes on investment securities available for sale transferred to profit or loss on realisation	(13)	(17)	(7)
Fair value changes on financial assets and liabilities at fair value through profit or loss	25	7	10
Gain on deconsolidation of subsidiaries and businesses held for sale	(40)	(14,151)	(217)
Impairment charge on disposal group held for sale	197	-	-
Impairment charge on associates (including associates held for sale) and joint ventures	44	288	2
Impairment charge on investment securities available for sale	117	60	24
Loss on disposal of property, plant and equipment	1	26	2
Net gains on disposal of associates (including associates held for sale) and joint ventures	-	(335)	(421)
Net gains on disposal of investment securities available for sale	(9)	(81)	(49)
Provisions for impairment on loan assets and fee receivables	138	106	13
Share based payments and other non-cash employment expense	23	27	62
Share of net profits of associates and joint ventures using the equity method	(73)	(66)	(94)
Changes in assets and liabilities:			
Decrease/(increase) in dividends receivable	4	62	(39)
Decrease in fees and non-interest income receivable	2,556	823	53
Increase/(decrease) in fees and commissions payable	3	(67)	(34)
Increase in current tax liabilities	339	249	140
Increase in deferred tax assets	(150)	(289)	(230)
(Decrease)/increase in deferred tax liabilities	(178)	133	28
Decrease/(increase) in interest receivable	125	(106)	(36)
Increase in interest payable	144	50	25
Increase/(decrease) in provisions for employee entitlements	1	(58)	18
Net loan assets repaid/(granted)	7	12,302	(5,241)
Decrease/(increase) in loan receivable from ultimate parent entity	2,500	(8,800)	-
Increase in debtors, prepayments, accrued charges and creditors	(765)	(2,424)	(127)
Decrease in financial instruments, foreign exchange and commodities	7,710	1,330	5,828
(Decrease)/increase in amounts due to other financial institutions, deposits and other borrowings	(5,189)	6,523	5,003
Decrease in life investment contract receivables	720	101	694
Net cash flows from operating activities	8,070	10,087	6,632

MACQUARIE BANK LIMITED

and its subsidiaries

Notes to the consolidated financial statements continued

30 September 2008

	As at 30 Sep 2008 \$m	As at 31 Mar 2008 \$m	As at 30 Sep 2007 \$m
20. Contingent liabilities and assets			
The following details of contingent liabilities and assets exclude derivatives.			
Contingent liabilities exist in respect of:			
Guarantees	280	281	206
Indemnities	10	78	78
Undrawn credit facilities	3,634	4,048	5,610
Undrawn credit facilities – revocable at any time	1,331	1,502	1,560
Other contingent liabilities ⁽¹⁾	271	266	588
Total contingent liabilities	5,526	6,175	8,042

⁽¹⁾ Other contingent liabilities include letters of credit, commitments certain of drawdown and performance related contingencies. Also included are forward asset purchases where the consolidated entity has entered into conditional agreements to acquire assets and operating businesses with the intention of subsequent disposal. These assets and businesses will be recognised when control passes to the consolidated entity. The total commitment at 30 September 2008 was \$39 million (31 March 2008: \$nil; 30 September 2007: \$459 million).

Contingent liabilities exist in respect of claims and potential claims against the consolidated entity. 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.

Of the total contingent liabilities above, \$5,004 million (31 March 2008: \$5,550 million; 30 September 2007: \$7,629 million) also represent contingent assets. Such commitments to provide credit may convert to loans and other assets in the ordinary course of business.

MACQUARIE BANK LIMITED

and its subsidiaries

Notes to the consolidated financial statements continued 30 September 2008

21. Acquisitions and disposals of subsidiaries

Significant entities acquired or consolidated due to acquisition of control:

(a) Subsidiaries of MFHL Group (comprising Macquarie Financial Holdings Limited and its subsidiaries)

Pursuant to an internal reorganisation, certain subsidiaries of the MFHL Group were acquired by subsidiaries of the Bank on 1 August 2008 and on 30 September 2008.

Other entities acquired during the period are as follows:

First China Property Group Limited and its subsidiaries.

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

	Half-year to 30 Sep 2008 \$m	Half-year to 31 Mar 2008 \$m	Half-year to 30 Sep 2007 \$m
Fair value of net assets acquired ⁽¹⁾			
Cash, other financial assets and other assets	3,645	67	24
Property, plant and equipment and assets held under operating leases	27	45	7
Goodwill and other intangible assets	7	102	29
Assets of disposal groups classified as held for sale	44	(118)	231
Payables, provisions, borrowings and other liabilities	(3,546)	(3)	(31)
Liabilities of disposal groups classified as held for sale	-	1	(6)
Minority interest	-	-	(4)
Total fair value of net assets acquired	177	94	250
Purchase consideration			
Cash consideration and costs directly attributable to acquisition	258	94	250
Total purchase consideration and costs directly attributable to acquisition	258	94	250
Net cash outflow			
Cash consideration and costs directly attributable to acquisition	(258)	(94)	(250)
Less cash and cash equivalents acquired	165	63	18
Net cash outflow	(93)	(31)	(232)

⁽¹⁾ In relation to the acquisition of subsidiaries of the MFHL Group, assets and liabilities acquired were recognised at carrying amounts. In accordance with the consolidated entity's accounting policy, the difference between the fair value of the consideration given over the carrying amounts recognised is recorded directly in reserves. For the period ended 30 September 2008, \$81 million was recognised in reserves – distribution to the ultimate parent entity.

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 2008 and 30 September 2007 comparatives relate to America's Water Heater Rentals LLC, Marine Services Holdings Limited, OzForex Pty Limited and Greater Peterborough Health Investment Plan, being the significant entities acquired or consolidated due to acquisition of control.

MACQUARIE BANK LIMITED

and its subsidiaries

Notes to the consolidated financial statements continued

30 September 2008

21. Acquisitions and disposals of subsidiaries continued

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

(a) Macquarie Asset Leasing Trust

On 23 July 2008, the Bank disposed of its 100 per cent interest in Macquarie Asset Leasing Trust to a subsidiary of the MFHL Group. The disposal was at fair value.

(b) MQ Japan Market Neutral Fund (Cayman Islands)

On 1 September 2008, a subsidiary of the Bank disposed of its 100 per cent interest in MQ Japan Market Neutral Fund (Cayman Islands).

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

	Half-year to 30 Sep 2008 \$m	Half-year to 31 Mar 2008 \$m	Half-year to 30 Sep 2007 \$m
Carrying value of assets and liabilities disposed of or deconsolidated			
Cash, other financial assets and other assets	452	15,599	33
Property, plant and equipment	-	105	-
Goodwill and other intangible assets	-	12	-
Assets of disposal groups classified as held for sale	-	558	1,112
Payables, provisions and other liabilities	(328)	(7,434)	(8)
Borrowings	-	(6,854)	-
Liabilities of disposal groups classified as held for sale	-	(267)	(1,067)
Minority interest	-	(15)	(9)
Total carrying value of assets and liabilities disposed of or deconsolidated	124	1,704	61
Net cash inflow			
Cash received	124	15,996	268
Less:			
Cash and cash equivalents disposed of or deconsolidated	(39)	(2,242)	(35)
Net cash inflow	85	13,754	233

The 31 March 2008 and 30 September 2007 comparatives relate to Greater Peterborough Health Investment Plan, entities of the Bank disposed as part of the Macquarie Group restructure, Emerging Markets Finance Limited, ATM Solutions Australasia Pty Limited and Macquarie IMM Investment Management Co Limited, being the significant entities disposed of or deconsolidated due to loss of control.

22. Events occurring after balance sheet date

Subsequent to the half-year ended 30 September 2008 the Macquarie Group will implement an internal reorganisation of its operating segments. The majority of the Real Estate Group will merge with Macquarie Capital.

This internal reorganisation will result in certain Macquarie Bank Limited subsidiaries and assets being sold to the non-banking group, which comprises Macquarie Financial Holdings Limited and its subsidiaries.

At the date of the half-year financial report, details of the internal reorganisation have not been finalised.

Subsequent to balance date there has been a further significant deterioration in equity markets which has impacted the market prices of our impaired co-investments in listed specialist funds. If the market prices at the date of this report had been used in the consolidated entity's assessment of recoverable amount rather than the 30 September 2008 prices then profit after tax would have been reduced by approximately \$50 million.

There were no other material events occurring after the balance sheet date.

MACQUARIE BANK LIMITED

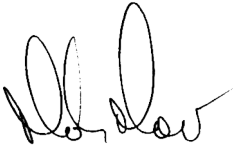
and its subsidiaries

Directors' declaration

In the Directors' opinion

- (a) the financial statements and notes set out on pages 5 to 32 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 2008 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.



Nicholas Moore
Executive Director



Richard Sheppard
Managing Director and
Chief Executive Officer

Sydney
17 November 2008

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 report of Macquarie Bank Limited, which comprises the balance sheet as at 30 September 2008, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration **for the Macquarie Bank Limited Group (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 2008 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.

For further explanation of a review, visit our website <http://www.pwc.com/au/financialstatementaudit>.

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.

Matters relating to the electronic presentation of the reviewed financial report

This review report relates to the financial report of the Company for the half-year ended 30 September 2008 included on Macquarie Bank Limited's web site. The Company's directors are responsible for the integrity of the Macquarie Bank Limited web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. 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.

Independence

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

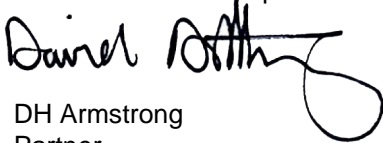
Conclusion

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 2008 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



DH Armstrong
Partner

Sydney
17 November 2008

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