2002 Concise Report

Macquarie Bank Limited
ACN 008 583 542

The Macquarie Bank Group's annual report consists of two documents – the 2002 Annual Review (incorporating the Concise Report) and the 2002 Financial Report. The 2002 Annual Review discusses the Group's operations and provides a summary of the financial statements.

If you would like a copy of the 2002 Financial Report, which contains the financial statements in full, please call us on (61 2) 8232 3333. Or you can access the 2002 Financial Report at www.macquarie.com.au/investorrelations

2002 Annual General Meeting
Macquarie Bank's 2002 Annual General Meeting will be held at 10.30 am on Thursday, 25 July 2002 at The Westin Sydney, No.1 Martin Place, Sydney. Details of the business of the meeting are contained in the separate Notice of Meeting sent to investors.

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

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

MACQUARIE BANK

The Macquarie Bank Group is a pre-eminent provider of investment banking and financial services. In Australasia we provide a full range of investment, financial markets and advisory products and services. Internationally we focus on select markets where we are able to provide special value.

Cover image

Growth in specialist funds
Drawing on our expertise in select sectors, an exciting area of growth is in the management of specialist asset class funds, such as infrastructure. During the year Macquarie Infrastructure Group acquired an effective holding of 43 per cent in Canada's Highway 407, the largest privatised tollroad in the world.

Highlights

– Profit from ordinary activities after tax attributable to ordinary equity holders increased 3.3 per cent to $250 million (132.83 cents per share)

– Return on average ordinary equity holders' funds was 18.7 per cent

– Dividends of 93 cents per share (70 per cent franked) for the year

– International income accounted for 26 per cent of the Group's income

– Total assets grew by $2.3 billion to $30.2 billion

– Year end capital adequacy ratio was 19.4 per cent

Consolidated Group Profits
Year ended 31 March

	2002 $M	2001 $M	% change
Total income	1,600	1,472	8.7%
Total expenses	-1,245	-1,147	8.5%
Pre-tax profit	355	325	9.2%
Income tax expense	-76	-53	43.4%
Profit after tax	279	272	2.6%
Outside equity interests	–	1	
Distribution on Macquarie Income Securities	-29	-31	-6.4%
Profit after tax attributable to ordinary equity holders	250	242	3.3%

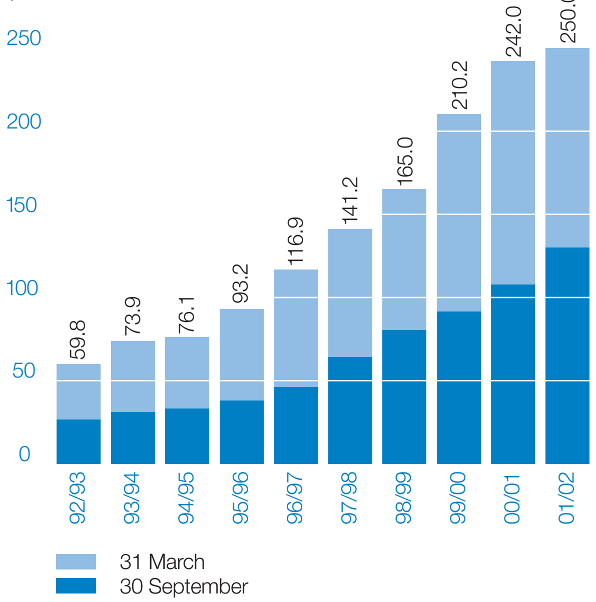
Relative Contributions to Consolidated Profit by Operating Groups

	2002 %	2001 %
Investment Banking Group		
– Corporate Finance/Infrastructure and Specialised Funds	30	19
– Structured Finance/Cross-border Leasing	11	18
– Other	20	9
Total Investment Banking Group	61	46
Treasury and Commodities Group	21	20
Banking and Property Group	16	14
Funds Management Group	3	3
Equity Markets Group	0	19
Financial Services Group	-1	-3
Other	–	1

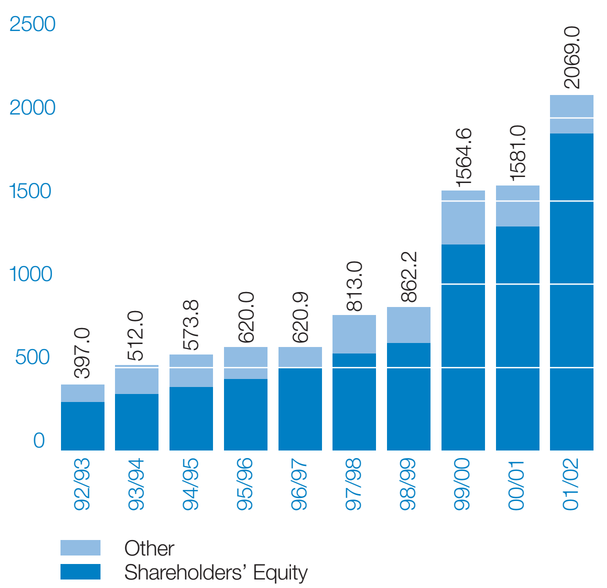
Ratings

	Short-term	Long-term
Fitch Ratings	F1	A+
Moody's Investors Service	P1	A2
Standard & Poor's	A1	A

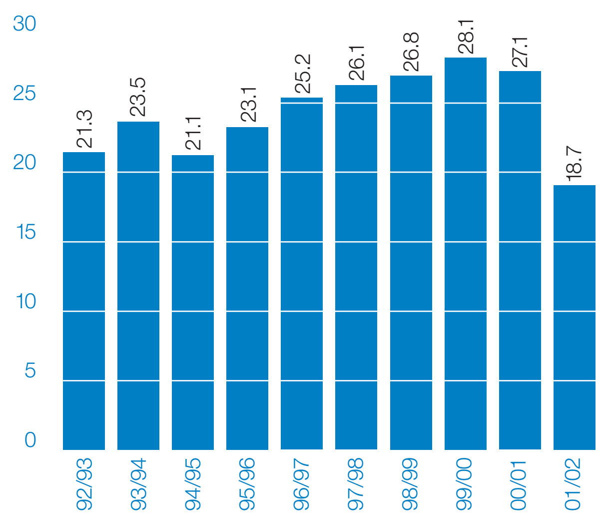
Reported Annual Net Profit Attributable to Ordinary Equity Holders
$million



Net Capital Base (regulatory)
$million at 31 March



Return on Average Ordinary Equity Holders' Funds
%pa year ended 31 March



Chairman's and Managing Director's Report

The year saw Macquarie perform well in a difficult environment and we are pleased to report an increase in profitability, albeit a modest one. Macquarie was one of only a few major investment banks globally to record a profit increase. Our key strategic initiatives progressed well during the year – we experienced growth in staff numbers, have seen broad increases in market share and we successfully completed a $500 million capital raising to assist in funding seed assets for our specialist funds.

Result

For the year ending 31 March 2002 the Macquarie Bank Group (the Group) is pleased to report a profit slightly ahead of the prior corresponding year.

- Consolidated pre-tax profit attributable to ordinary equity holders increased 10 per cent to $326 million.
- Consolidated after-tax profit attributable to ordinary equity holders increased 3.3 per cent to $250 million.

Sadly, the year was marked by the tragic events of 11 September 2001 and their social and economic consequences. In this difficult environment Macquarie performed well relative to industry peers, and was one of only a few major investment banks globally to record an increase in profitability, albeit a modest one.

Our basic strategic initiatives progressed well:

- the Bank experienced net growth in staff numbers
- broadly we have seen increases in market share
- the Bank successfully completed a $518 million capital raising to assist in funding seed assets for our specialist funds.

The performance and outlook of each of the Bank's operating Groups is described later in this Annual Review and the relative contributions are set out in the table on page 3. In summary:

- Investment Banking Group substantially increased its contribution, organising itself around its clients and growing specialist funds
- Treasury and Commodities Group increased its contribution slightly despite difficult market conditions
- Banking and Property Group made a record contribution with increased results in all businesses
- Funds Management Group's contribution was up with funds under management increasing by 19 per cent
- Equity Markets Group's contribution was down significantly with results in Australian and South African markets largely offset by adverse results from Hong Kong and European markets, in which difficult trading conditions prevailed
- Financial Services Group made a small negative contribution and is making good progress in its three-year development program.

The development of strategic opportunities through our specialist funds continued to be a focus across the Group. With our combined investment banking and industry sector expertise we were able to achieve strong growth across a range of funds and to develop new funds in the airport and Asian property sectors.

Total income grew by 8.7 per cent to $1.6 billion. This income derived from our broad range of businesses operating in 26 international locations. It reflects the diversity and quality of our business mix and geographic spread. Annuity income (from medium- or long-term contractual arrangements) represented approximately 35 per cent of our total income.

Basic earnings per share decreased 4.4 per cent to 132.83 cents per share.

The annual after-tax return on average ordinary equity holders' funds was 18.7 per cent.

The effective income tax rate for the period increased to 23.3 per cent, up from 18.4 per cent last year. This is a result of a change in the mix of Australian and international income, which is subject to lower tax rates.

Focus in international markets

Macquarie takes a focused approach to developing our international businesses. We are committed to competing in markets where we believe we can add special value for our clients. Despite subdued conditions across global financial markets, we continued to grow our operations – expanding existing businesses, forming joint ventures with local market partners and making some niche acquisitions.

International operating income was approximately $384.1 million, a decrease of 2.8 per cent over the prior corresponding year. International activities contributed 26 per cent of the Group's income.

Our clients – the centre of all we do

Macquarie's key focus is our clients. We provide our services to three broad client sets:

- investors and intermediaries
- corporates and governments
- professionals and entrepreneurs.

By focusing on our clients in this way we can continually develop and improve our offerings to each set.

Investors are the largest client set – both in client numbers and value created. We can provide a unique offering to investors because of the synergies that arise from our ability to combine the following areas of expertise:

- manufacture products
- hold and manage assets
- distribute products
- provide access to markets
- make prices
- provide risk management services.

This approach is exemplified in our specialist funds strategy, such as for the unlisted Macquarie Airports Group (MAG) and the recently ASX-listed Macquarie Airports (MAp) fund. Here we developed the product (the funds), we acquired the underlying assets (stakes in Bristol and Birmingham international airports) and we distributed ownership of the assets through the two funds.

Capital management

The Bank made a $500 million share placement in September 2001 and subsequently another $17.8 million was raised from the Share Purchase Plan offer to Australian and New Zealand shareholders. The capital raised was not earmarked for specific transactions but has enabled expansion of the Group's strategic development of its specialist funds through the acquisition of seed assets, particularly the acquisition of NTL Inc's Australian business.

The Group's capital adequacy ratio of 19.4 per cent and its Tier 1 ratio of 17.8 per cent continued to well exceed the minimum levels set by the Australian Prudential Regulation Authority.

Dividend reinvestment plan activated

Shareholders have been advised that the Dividend Reinvestment Plan (DRP) approved by shareholders at last year's Annual General Meeting has now been activated. Shareholders resident in Australia and New Zealand will be able to participate in the DRP in respect of the 2002 final ordinary dividend and acquire fully paid ordinary Bank shares at a 2.5 per cent discount to the prevailing market price and without any transaction costs.

What We Stand For

Macquarie Bank aspires to be a pre-eminent provider of financial services over the long haul. We recognise that, however our achievements to date are judged, the quest for improvement is never ending. The Macquarie culture is represented by the way in which we act and work together. The values to which we aspire can be summarised in six principles:

- Integrity
- Client commitment
- Strive for profitability
- Fulfilment for our people
- Teamwork
- Highest standards

Chairman's and Managing Director's Report continued

Our people

Encouraging staff in their philanthropic activities is one of the ways we seek to provide a stimulating and supportive environment for our people. During 2001 – International Year of the Volunteer – we recognised volunteer work undertaken by Macquarie staff, including work to fund the building of a community hall for the Sydney Rotary Club's Lifestart project. Lifestart is a family-focused, play-based early childhood intervention program for young children with an intellectual disability or developmental delay.

Total funds under management

Funds under management are those funds the Group actively manages where the underlying business is wealth creation. Details of these are given on page 50. In the year ending 31 March 2002 total Group funds under management grew 33.7 per cent to $41.3 billion.

The growth in funds under management reflected the success of our strategic emphasis on client wealth creation – particularly the development of our specialist funds in infrastructure and property.

Our people

At Macquarie Bank we provide an environment where our people can make use of their creativity and skills and be successful. It is an environment where entrepreneurs can flourish. By avoiding unnecessary bureaucracy while maintaining strong prudential controls we help our talented teams across the world to work together to achieve success for our clients, our staff and our shareholders.

In this past year we called on our people to rise to even higher standards than usual. We watched with great pride as they responded to the events of September 11, determined to help those affected, maintain services and not allow those tragic acts to further disrupt the communities of which we are a part.

Macquarie Bank was again pleased to be rated the top financial institution and the second best employer overall (up from fourth last year) on the list of Best Employers to Work for in Australia. We are proud to be recognised for our commitment to the continued success of our people.

Outlook

We expect that the investment of the new capital raised in 2001 will increasingly contribute to growth. In particular, we are confident of continued growth in specialist asset class funds management. We anticipate continued strong growth in business from our largest client set, investors and intermediaries. The benefits from cost initiatives implemented during the year should also have a positive impact on earnings.

We remain mindful that in the short term the Group's performance is subject to conditions in the markets in which we operate and that there are many unpredictable external influences that can affect performance. Nevertheless, the year ending 31 March 2002 saw improved levels of activity across the Group and, subject to market conditions, we expect good overall earnings growth in the current year.

David Clarke

David Clarke
Executive Chairman

Allan Moss

Allan Moss
Managing Director and Chief Executive Officer

Management and organisation

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

The Bank's activities are organised into six operating Groups, which focus on defined product or market segments. The six Groups are:

– Investment Banking Group
– Treasury and Commodities Group
– Equity Markets Group
– Banking and Property Group
– Funds Management Group
– Financial Services Group.

Each Group comprises several Divisions. The six Groups have the operating freedom to develop and implement business unit strategy, new products and services, market initiatives and domestic and international alliances.

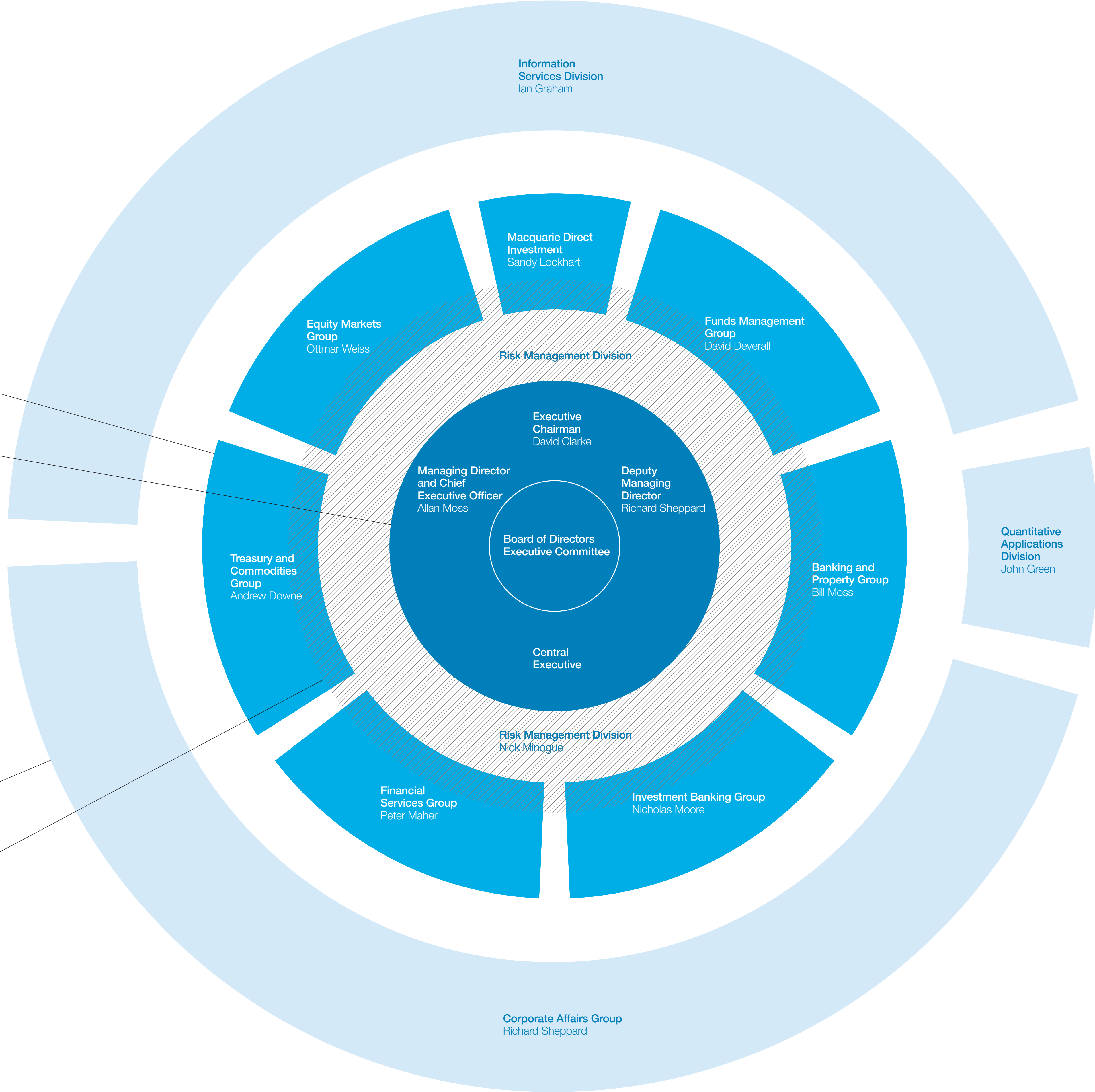
Outside of the major business Groups is a specialist business, Macquarie Direct Investment, which is responsible for managing the Bank's private equity activities.

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

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

A full directory of the Bank's Groups and Divisions is set out on page 51.

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



Macquarie in the community

The Macquarie Bank Foundation was established in 1984 to formalise the Bank's community support program, and with the aim of providing a leadership role in corporate social responsibility. Each year, a portion of the Bank's annual profit is allocated to the Foundation to fund programs benefiting the communities of which Macquarie is a part, in the areas of education, the arts, health research and health care, welfare and the environment.

During 2001 – International Year of the Volunteer – the Macquarie Bank Foundation was proud to salute the volunteer work undertaken by Macquarie Bank staff. Many staff were nominated by colleagues for efforts spanning a broad range of volunteer activities and organisations. Two awards were presented, for volunteer work with the Margaret Oates Soup Van, which serves the inner Melbourne suburbs of Collingwood and Richmond, and with the Sydney Rotary Club, which undertakes a range of activities including youth initiatives in the CBD. Donations were made to both organisations.

The Macquarie Bank Foundation also supports staff philanthropic activities through the Staff Donation Support Policy, which enables staff to apply for donations to augment their own fundraising efforts. Organisations supported by staff and the Foundation during 2001 included Humpty Dumpty Foundation, Leukaemia Foundation, NZIJ Hospice Charitable Trust, Diabetes Australia, Redfern Legal Centre, Matthew Talbot Hostel, WIRES, World Vision, Oxfam, Community Aid Abroad, Lifeline, and Alaska Aids Ride.

The tragedy of September 11 touched the lives of many people around the world. It hit particularly hard the financial districts of New York and Macquarie staff lost family, friends and colleagues. Through the Macquarie New York office the Foundation donated $US100,000 to relief agencies and charities working with victims' families and committed funds to support staff in their fundraising efforts.

The year saw the creation of a new website to help those affected by breast cancer – www.breasthealthlink.com

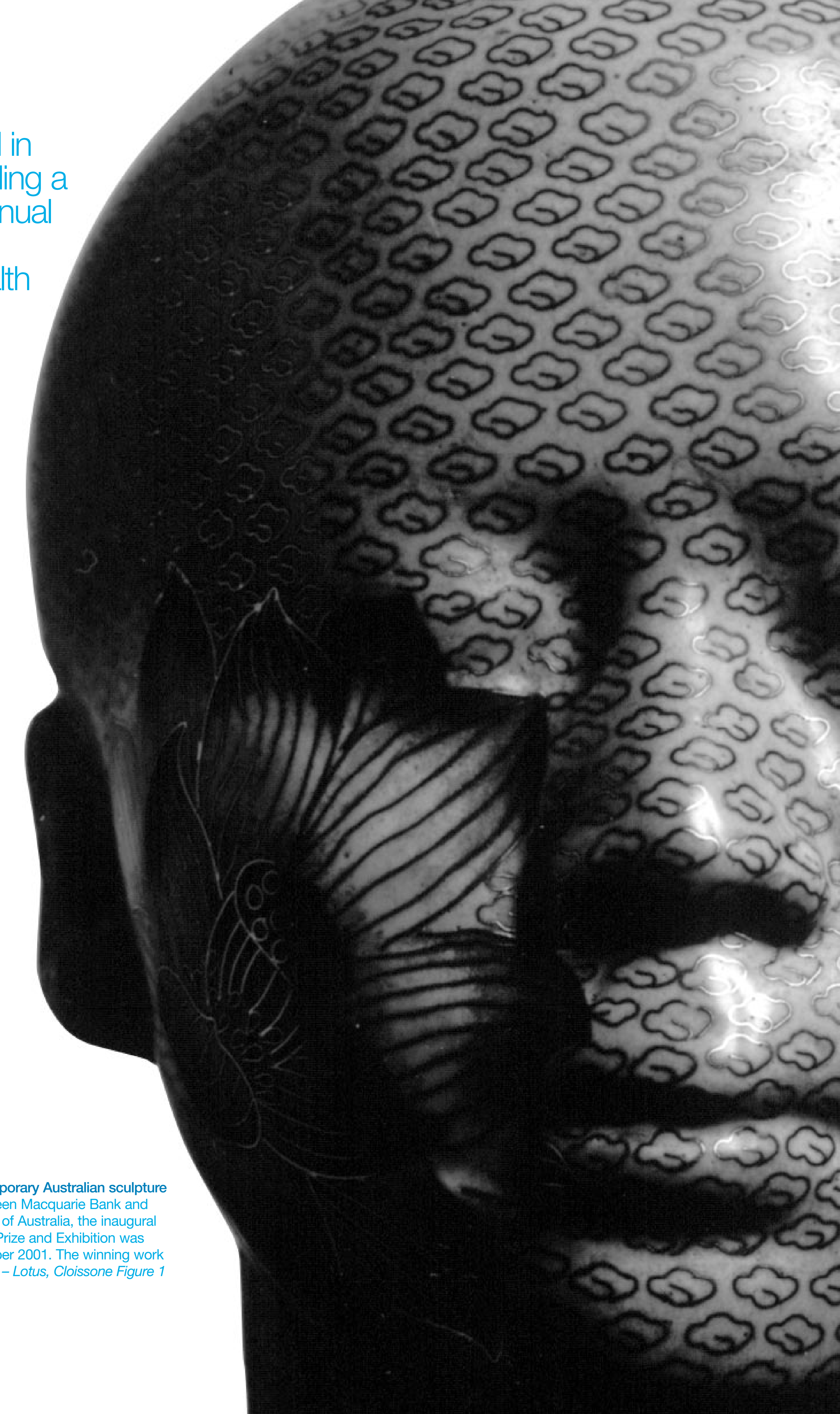
The site was devised by a senior staff member who had previously been diagnosed with breast cancer but given a clean bill of health following surgery and treatment. She saw the need for an easy-to-use site to help people learn more about breast cancer, communicate with others touched by cancer and find more information. Macquarie staff provided pro bono assistance to build the site, with support also coming from IBM, beyondE, KPMG and the National Breast Cancer Foundation.

The Macquarie Bank Foundation continues to provide funding to many community organisations. The Foundation endeavours to assist a wide range of groups in the important work they do to improve the wellbeing of the communities of which Macquarie is a part. In 2001 funding assistance was provided to a range of organisations including the Future Problem Solving Program of Australia, Sailability Programs in Queensland and Western Australia, the Disability Foundation of Australia, Good Beginnings and the Children's Cancer Institute of Australia.

As part of the Foundation's education initiatives two young Australians are travelling for 12 months as AFS Macquarie Bank scholars, one attending school in Japan and the other in Germany.

The inaugural National Sculpture Prize and Exhibition, a partnership between the National Gallery of Australia and Macquarie Bank, was awarded in November. The winner was Ah Xian for his work *Human Human – Lotus, Cloissone Figure 1*. The People's Choice Award was won by Ruth Downes for *Tea Party in the Mayoral Garden*. The Prize and Exhibition was an unqualified success, with more than 480 entries from around Australia, 30 finalists forming the exhibition and over 90,000 people attending the exhibition over the summer holidays. The Australian Embassy in Washington will host an exhibition featuring the People's Choice winner in June 2002.

The Macquarie Bank Asthma Australia Research Alliance hosted the first Research Colloquium early in 2002, bringing together 35 of Australia's leading paediatric asthma experts. The Colloquium forms an important component of the Alliance in its efforts to foster communication among Australian asthma researchers and develop blueprints for future asthma research.



Supporting contemporary Australian sculpture
A partnership between Macquarie Bank and the National Gallery of Australia, the inaugural National Sculpture Prize and Exhibition was awarded in November 2001. The winning work was *Human Human – Lotus, Cloissone Figure 1* by Ah Xian.

Investment Banking Group

Investment Banking Group achieved an outstanding result. The benefits of placing Macquarie's structuring, stockbroking, underwriting and advisory capabilities on a common platform were demonstrated by a significantly increased contribution. The Group again made the largest contribution to the Bank's result, with income from a diverse domestic and international base and a growing income stream from the Group's specialist asset funds.

Corporate and Structured Finance Division includes the Corporate Finance, Infrastructure and Specialised Funds, Structured Finance and Cross-border Leasing businesses.

Within Corporate Finance, activities are aligned into the following specialist industry groups: Infrastructure, Resources, Industrials, Property, Financial Institutions and Telecommunications, Media, Entertainment and Technology (TMET).

Corporate Finance grew its specialist funds under management from $5.3 billion to $11.8 billion – including undrawn commitments of $1.7 billion for Macquarie Infrastructure Group (MIG), Macquarie Airports Group (MAG) and Macquarie Airports (MAp).

Highlights included:

- MIG's outstanding returns in the year to 30 June 2001 and the resulting significant management performance fee
- MIG's 40 per cent investment in Cintra Concesiones de Infraestructuras de Transporte SA and associated $1.7 billion capital raising
- MIG's $690 million acquisition of an additional 18.4 per cent (taking the effective holding to 43 per cent) in Canada's Highway 407, the world's largest privatised tollroad
- establishment of MAG, a private equity airport investment fund with the initial investments being 50 and 24.1 per cent interests, respectively, in Bristol and Birmingham international airports
- establishment and listing of MAp, Australia's first single-purpose airport fund. MAp's first investment was a 36.7 per cent interest in MAG
- the $850 million acquisition of NTL Inc's Australian business, which owns and operates broadcast transmission infrastructure used by public broadcasters ABC and SBS. The acquisition settled just after balance date.
- the launch of Los Angeles-based Four Corners Capital Management, a collateralised debt obligation specialist funds management business.

Highlights for Corporate Finance's advisory business included:

- advising Normandy Mining on takeover offers from AngloGold and Newmont Mining. The eventual $5.2 billion transaction was the largest ever successful takeover in the Australian resources sector
- advising the Federal Government on the $1.2 billion privatisation of National Rail and Freightcorp's assets
- advising on and structuring of the financing for the Daejeon Riverside Expressway – a Korean greenfield project (conducted by Shinhan Macquarie Financial Advisory, the Bank's joint venture with Shinhan Bank in Korea)
- advising Brambles on its dual listed-companies merger with GKN plc
- advising The Coca-Cola Company on the $2.3 billion acquisition of Philippines bottling assets
- advising and structuring QBE's $665 million capital raising via a 'jumbo placement'
- advising Macquarie Office Trust on its successful $260 million takeover offer for 50 per cent of 2 Park Street Trust.

Macquarie maintained its strong position in the equity markets and its number two ranking for equity funds raised by transaction value in Australia in 2001 (Thomson Financial). Highlights included:

- involvement in 49 transactions, raising approximately $8.8 billion for clients
- GasNet initial public offering
- eight hybrid security issues including issues for Santos, Suncorp-Metway and Aristocrat
- more than $650 million of share buy-backs.

Structured Finance provides structuring assistance on corporate and project-financing transactions. Highlights included:

- two stapled bond transactions in Malaysia for Tenaga Nasional and Roadbuilder
- establishment of the Macquarie Nine Film and Television Fund, investing in Australian television and feature film projects.

Cross-border Leasing advises on and arranges finance for major capital expenditures. Although volumes were down, more than $9 billion in financings were completed. Highlights of the year included:

- air traffic control equipment for Skyguide (Swiss Air Traffic Control)
- telecommunications equipment for Deutsche Telekom, British Telecom, Telecom New Zealand, France Tel and Telekom Austria
- aircraft for Aer Lingus and Singapore Airlines
- US domestic transactions for Central Puget Sound Regional Transit Authority and New Jersey Transit.

Macquarie Capital provides tailored financial solutions using the Bank's balance sheet. A very strong year saw leasing books grow from $1.4 billion to $1.8 billion, including information technology equipment, general equipment and motor vehicles.

The contribution from Macquarie Equities Limited and Macquarie Research Equities was significantly higher than in the prior corresponding year. Broking revenue increased, reflecting improvements in market conditions and, more importantly, improved research, which led to greater market share. Macquarie Research Equities continued to offer extensive research on Australian and New Zealand stocks, covering 96 per cent (by market capitalisation) of the ASX 500 stocks with teams in Australia, Auckland, London, Hong Kong and New York.

The Investment Banking Group continued to expand its international capabilities, including:

- establishing a presence in Vienna focusing on cross-border leasing
- locating staff in Madrid following the Cintra acquisition
- establishing teams in New York with private debt placement and stadium finance skills.

Outlook

Further growth is expected in the next 12 months in infrastructure activities, leasing books and institutional stockbroking. Similarly, there should be growth in specialist funds from both expansion of existing funds and new funds. The Group is optimistic about its cross-border leasing activities with more transactions currently being documented than at the same time last year. There have also been signs of a recovery in mergers and acquisitions and initial public offerings from the low levels experienced towards the end of calendar 2001.

MIG acquires stake in world's largest private tollroad

The Corporate and Structured Finance Division grew its specialist funds under management from $5.3 billion to $11.8 billion, including undrawn commitments of $1.7 billion for Macquarie Infrastructure Group (MIG), Macquarie Airports Group (MAG) and Macquarie Airports (MAp). A highlight of the year was MIG's acquisition of a significant stake in Highway 407 in Canada, the world's largest privatised tollroad.

Treasury and Commodities Group

Treasury and Commodities Group enjoyed an improvement on last year's result – a strong outcome given the generally depressed and occasionally volatile commodities markets. All major operating businesses made a solid contribution. The Group successfully continued to expand its international activities.

Metals and Mining Division offers 24-hour price-making facilities for base and precious metals as well as financing and structured hedging facilities for metals projects. The Division's contribution, although strong, was slightly below that for the prior corresponding year due to a difficult market environment and lower hedging activity. Reduced client profitability also necessitated some increased provisioning.

Foreign Exchange Division provides 24-hour price-making services in G7 currency spot, forward and option products to Australian and international corporates and institutions. It also tailors structured term-hedging currency solutions. The Division enjoyed its most profitable year with all desks significantly increasing their profit contribution. The increase reflected higher turnover, increased market share and outstanding trading performances. Additionally, the Internet delivery business initiated 18 months ago is now opening new markets and has already generated a sound contribution to the Division's profits and diversity.

Treasury Division is responsible for the Bank's balance sheet, liquidity and interest rate management. Under the Bank's $US5 billion funding program the Division undertook a number of successful public and private transactions that further consolidated its presence in global funding markets. Despite some extreme volatility the Division delivered an excellent result while maintaining conservative management of the Bank's balance sheet and liquidity profile.

Innovative capital market solutions

For the fifth time, Debt Markets Division was arranger and lead manager of an automobile and equipment commercial hire purchase and finance lease-backed securities issue for ORIX Australia Corporation Limited's Eden Park Trust securitisation program. In addition to structuring the $191 million Eden Park Trust #5 issue, Debt Markets Division provided warehousing, derivatives, distribution and research facilities to the issuer.

Debt Markets Division provides a full spectrum of debt services and products to issuers, investors and balance sheet managers. It is particularly known for applying innovative securitisations to an expanding range of customer needs and opportunities. Its contribution was good but below the prior year's very strong result. The Division is selectively exporting its expertise. International initiatives include a new joint venture in South Africa.

Futures Division had another strong year of growth despite widely varying financial market conditions. Its contribution was well above the prior year's result, with increasing interest in international markets coming from both trading and funds management clients. The Division maintained a leading position in clearing and the number two position in execution on the Sydney Futures Exchange.

Agricultural Commodities Division operates in six international locations and is widely recognised as the world leader in over-the-counter agricultural financial products. Commodities covered include wheat, sugar, coffee, cotton and soy complex. The Division produced a profitable result in very difficult market conditions and despite some market disruptions following the events of 11 September 2001. However, its contribution was down on the prior year. Sugar was again a large contributor due to volatile market conditions, grain performed above expectations and wool achieved record volumes.

Risk Advisory Services provides specialised advisory teams that focus on servicing commodity markets (energy, agricultural and resources) and the treasury sector. The Division also has a specialised team responsible for the outsourced management of more than $4 billion of debt and asset portfolios for clients. Risk Advisory Services had a profitable year although its contribution was also down on the prior year.

Economic Research Division is the Bank's central source of economic and financial trend analysis and forecasts for business units and clients of the Bank. It also communicates the Bank's views on significant economic policy issues to the media and industry groups. The Division has made considerable progress in developing a more strategic business and investment focus in formulating economic advice. Two important measures of the success of this initiative have been the increased demand for the Division's services by several of the Bank's major corporate clients and the greater use of its economic research by institutional investment and broking clients.

Trading Funds Division incurred a small trading loss. Activities have been reduced and the Division has been absorbed.

Outlook

Treasury and Commodities Group expects moderate growth and will continue to focus on selective expansion and adding value for clients through superior service and product innovation. Opportunities will include further geographic expansion and establishment of an energy trading and finance business focused on international markets. The Group is positive about prospects for the next 12 months, including a continued strong outlook for Foreign Exchange and Metals and Mining given the expected fluctuations in currency markets and strong metals prices. However, the markets in which the Group operates, particularly commodities markets, are variable and conditions in these markets will be a major factor in the Group's future performance.

Banking and Property Group

Banking and Property Group posted its fourth consecutive record profit. There were increased contributions from every area – Property, Mortgages and Securitisation, Margin Lending, Banking and Medallist. All businesses are well positioned for continued growth and there are further initiatives in specialist property funds management.

Largest Australian property takeover of 2001
Macquarie Office Trust, in conjunction with General Property Trust, completed a successful takeover of 2 Park Street Trust, owner of the Citigroup Centre at 2 Park Street, Sydney. The transaction featured the first Reset Preference Unit issue for a listed property trust, raising $90 million in preferred equity. The Citigroup Centre, completed in 2000, is a premium-grade office tower featuring high-quality tenants and an excellent cash flow with an average 10-year unexpired lease term.

Property Division comprises Property Investment Management, Property Investment Banking, Property Finance and Property Asia business units. During the year Property Division and its associates increased funds under management by 42.6 per cent to $4.75 billion.

Property Investment Management (PIM) again performed strongly, rewarding investors with above-average returns across its four listed specialist-sector property trusts and nine property syndicates. Highlights included:

- Macquarie Office Trust's largest property takeover of 2001 (Citigroup Centre)
- Macquarie Direct Property's launch of three syndicates
- Macquarie CountryWide Trust's first investment in the US
- the record result achieved by Macquarie Goodman Management Limited, the 40 per cent-owned manager of the Macquarie Goodman Industrial Trust.

Property Investment Banking (PIB) posted a record profit and participated in transactions totalling more than $3 billion. Highlights included:

- agreement between Macquarie and Schroders Asian Properties LP to create a Shanghai property funds management and development business
- finalisation of PIB's $1.2 billion Federal Government asset sales program
- progress on mandates for Australia's two largest commercial projects – World Square in Sydney and Queen Victoria in Melbourne
- raising of $33 million to launch Macquarie Real Estate Equity Fund No. 1, an investment fund skewed towards residential developments
- securing of $75 million for the non-residential ICA Property Development Fund No. 2
- strong performance of the property development subsidiary Urban Pacific Limited.

Loan assets grew strongly in Property Finance, up by 30 per cent to $1.3 billion. The business generated strong profits, added new products and wrote record new business. It also established a presence in Seattle, which has enjoyed a promising start.

Property Asia was appointed in early 2002 as special adviser to the $US308 million Schroders Asian Properties Fund. It provides advice regarding the maximisation of investor returns, arrangement and structuring of finance, sourcing of new opportunities and the Fund's investment strategy.

Mortgages and Securitisation Division completed another strong year with significantly increased profitability. It successfully diversified distribution channels, improved yield and made a 10 per cent equity investment in Australia's largest mortgage broker, Australian Finance Group Limited. Alliances with Aussie Home Loans, Mortgage House, Royal Guardian and Australian Finance Group resulted in excellent new business flows, with the Division now managing some 65,000 loans totalling more than $8 billion. The Division also completed its first global bond issue in the US which, at $US1.2 billion, is its largest.

Margin Lending Division made another record profit contribution due to strong growth in loan volumes. Product innovation and diversity and an excellent distribution network were major strengths. Margin Lending has now extended this strategy to New Zealand, where its products are distributed through the Bank's Financial Services Group.

Banking Division marginally increased its contribution. A focus on growing new fee-generating services led to an improved revenue mix and reduced the historical reliance on loan margin revenue. Professional and Business Banking, which services niche professional industries and individuals, increased market share and established a presence in Adelaide. The Division successfully launched Wealth Link, which cross sells the Bank's retail products to its client base.

Medallist Golf Developments, Macquarie's joint venture with Greg Norman's Great White Shark Enterprises, continued to mature and is now involved in projects valued at $1.2 billion, encompassing 5,500 lots and 10 golf courses in Australia and the US. Highlights included:

- purchase of a controlling interest in a 1,000-hectare development in Savannah, Georgia
- acquisition of land in western Sydney for development
- exceptional sales at the Wild Heron and Pelican Waters projects.

Outlook
Banking and Property Group is positive about its outlook with two major transactions already announced post balance date: the acquisition by two Macquarie trusts of the office tower at No.1 Martin Place, Sydney and the $800 million ProLogis Trust. The Group expects continued growth in domestic margin lending and further geographic expansion in specialist property funds, property finance, mortgage securitisation and Medallist. However, there may be some slowing in the Australian property market and possible further pressure on lending margins.

Funds Management Group

Funds Management Group increased its contribution to the Bank's profit. There was good performance in most Australian funds and strong growth in international joint venture businesses. The Group's funds under management grew by 19 per cent to $27.1 billion.

Macquarie Funds Management Division grew funds under management by 14 per cent to $25.5 billion – representing $14.5 billion managed for institutional investors and $11.0 billion in retail funds.

Positioning Macquarie as a full-spectrum funds manager across all major asset classes in Australian and select international markets is essential to the Division's growth strategy. To this end the Division focused on developing innovative niche products and pricing structures that anticipate changing markets and can be fine-tuned for each client.

Four new products were launched in response to investors increasingly looking to global markets for new sources of returns and diversification:

- Macquarie Global Small Companies Solution
- Macquarie/PCG International Private Equity Fund
- Macquarie Global Enhanced Bond Fund
- Macquarie Global True Index Bond Fund.

With the addition of the two new bond funds, the Division now offers a complete range of Australian and international fixed-interest investments, enhancing its ability to deliver customised portfolios and maintaining its position as a leader in fixed interest management.

The Division's active equity funds showed improved performance at lower risk. This reflected changes made in 2001 to the risk controls and investment process which also led to significant upgrades from funds management research houses.

These funds are now consistent with Macquarie Funds Management's Precision Management approach in all asset classes, an approach that draws on its strength in risk management. Diversified funds also benefited, with top-quartile returns during the past year leading to a strengthened retail position for Macquarie.

Performance and flows into other funds continued to be pleasing. Macquarie Funds Management remains the only funds manager that offers True Index products (exact index returns with no management fee) in global and Australian fixed interest, equities and property securities. Performance fees from these funds provided significant income during the year. The Division has now introduced True Index Plus for Australian equities, which offers index returns plus 10 basis points with no management fee.

As opportunities in niche international markets have become increasingly important to growth, the Division established new wholly-owned businesses in Hong Kong and the United Kingdom, initially offering capabilities in low-risk equities. The first mandate in Hong Kong was a significant milestone and initial fund performance in the UK has been good.

International Division exports the Group's expertise into deregulating markets and currently participates in joint ventures in Malaysia with Arab-Malaysian Merchant Bank Berhad and in South Korea with IMM & Co., Ltd.

Total funds under management for these businesses increased 180 per cent to $3.3 billion. The Group's equity-accounted share quadrupled to $1.6 billion and the Division posted an increased profit contribution for the year.

The 30 per cent-owned Malaysian venture experienced good growth with total funds under management increasing 49 per cent to $1.6 billion. The business significantly increased its share of retail and institutional markets and is now the largest institutional asset manager in Malaysia.

The new 65 per cent-owned Korean venture also progressed with total funds under management growing from $0.1 billion to $1.6 billion. The business now manages a range of asset classes for institutional and retail investors, including many of Korea's leading institutions. It is expected to record its first annual profit in the next 12 months.

The Division continues to seek further opportunities to form new ventures in other Asian markets that demonstrate strong growth potential.

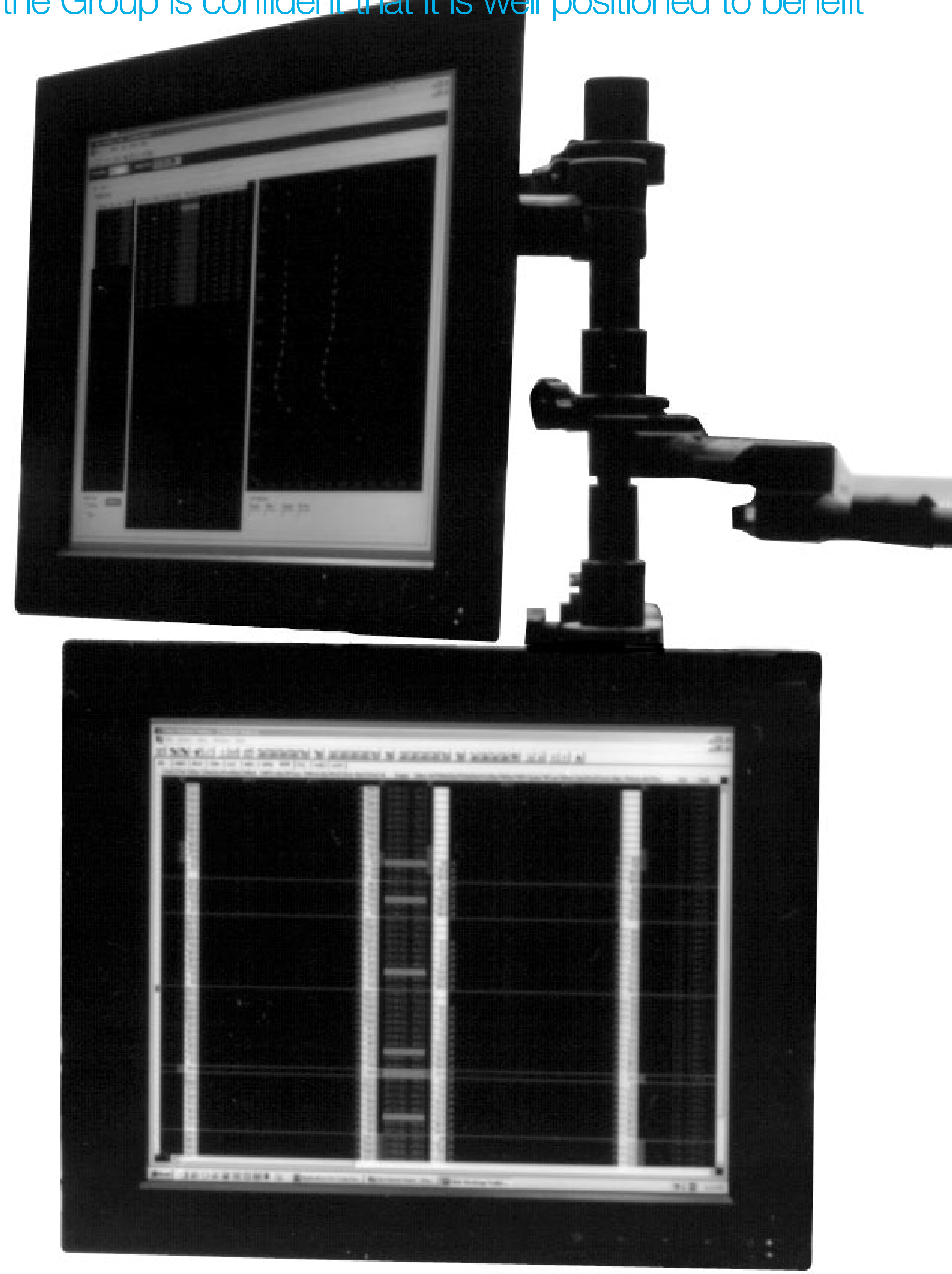
Outlook

In Australia the Group expects to gain an increasing share of the growing market for funds management products and services by offering innovative products and improved performance in active equities and diversified funds. The Group's strong international growth is also set to continue, via a number of new business opportunities and growth in existing businesses.

Korean funds management growth
Macquarie-IMM, the Group's Korean funds management alliance with IMM & Co., Ltd saw funds under management grow to 1.1 trillion Korean Won ($1.6 billion) during the year. The business now manages a range of asset classes for institutional and retail investors, including many of Korea's leading institutions.

Equity Markets Group

Equity Markets Group recorded a breakeven result for the year. The Australian operations contributed strongly and the South African joint venture achieved another record result. In other markets the Group was adversely affected by poor trading conditions. Very low investor demand and a regulatory market restructure severely impacted returns from the Hong Kong derivatives business. There were losses in the European derivatives business which is still in its establishment phase. However, the Group is confident that it is well positioned to benefit from any improvement in market sentiment.



Equity Markets Group undertakes the Bank's principal trading, risk arbitrage and market-making activities in equities and equity derivatives. It also originates equity-based financial products for retail and wholesale clients.

The Australian operation enjoyed an excellent year with the strong local economy increasing demand for warrants and retail products. Macquarie was the leading warrant issuer by value in 2001 with a market share of 25 per cent. That share increased to 36 per cent in the first three months of calendar 2002. The Group's standing in the instalment warrant market was maintained with a 60 per cent market share and a record volume outstanding. The Group also increased its share of the exchange-traded-options market by deploying new market-making technology.

In its fourth year of operation, the South African equity derivatives joint venture with The Standard Bank of South Africa produced another record result – despite very significant market movements. The business maintained its position as the leading warrant issuer and the largest market maker in over-the-counter structured equity derivatives in the South African market.

In the year to 31 March 2001 the Group's equity derivatives business in the Hong Kong market contributed some 10 per cent of the Bank's operating profit. In the year to 31 March 2002 it made a loss. Weak local retail demand had a very significant impact and a regulatory restructure of the warrants market prevented the issuance of warrants from June 2001 to the end of January 2002.

The issue of new warrants in Hong Kong is now less restrictive, with an increased number of issuers. Volumes of unlisted instruments sold to Asian investors (including equity-linked notes over US, European and Hong Kong stocks) steadily increased throughout the year.

The Group's European equity derivatives business incurred trading losses in its second year of operation and experienced market-related delays in commencing its UK activities. Efforts have been refocused on product issuance in other European markets where issuance commenced in December 2001. This activity is expected to form a growing element of the business over the next 12 months.

The Japanese equity derivatives business joint venture with Mizuho Securities (Mizuho) continued to experience poor trading conditions and subdued customer deal flow. A restructuring of the business resulted in relocation to Mizuho's offices in Tokyo and significantly closer links to Mizuho's network of clients. The operation is favourably leveraged to any improvement in Japanese market conditions.

The Group's first year of operations in Brazilian equity derivatives markets has been promising. The team in Sao Paulo grew to nine. The main focus continues to be the sale of equity structured products to the sizeable local pension fund industry.

Outlook

Equity Markets Group is well positioned to capitalise on any improvement in investor demand and increased transaction volumes. Warrant issuance has recommenced in Hong Kong but this business remains leveraged to market conditions. The Group's European operations are now restructured to focus on product issuance while the Japanese and Brazillian market operations will benefit from growing client deal flows. In Australia, market conditions may be less buoyant than in previous periods. The South African joint venture derivatives operation is likely to produce continuing strong performance. The Group will also further investigate other geographic expansion opportunities, particularly in Asia. Overall the Group is well positioned and leveraged for any improvement in market sentiment.

Investor demand drives Australian warrants growth
A strong Australian economy saw increasing demand for listed warrants, particularly from retail investors. With a market share of 25 per cent Macquarie was the leading issuer, by value, of listed warrants in the Australian market in 2001. In the first three months of 2002 that share increased to 36 per cent. Macquarie processes approximately 83,000 electronic warrant transactions per day.

Financial Services Group

As planned, Financial Services Group incurred a modest loss in the second year of its three-year development program. There was growth across all three distribution Divisions. The Group is targeting a strongly improved contribution in the next 12 months through the continued development of the retail brand, offering Australian investors access to Macquarie's innovative range of investment products and services.

The Group was established in June 2000 to provide an integrated, customer-centric approach to the Bank's retail financial services business. This has been a year of consolidation and good progress on this key initiative of the Bank, with most of the new technology required to consolidate Macquarie's retail services now in place.

Macquarie Adviser Services Division expanded the range of products and services offered to its network of more than 10,000 independent financial advisers (IFAs). Recognising the increasing importance of the IFA's role in Australia's wealth management market, the Division increased the resources dedicated to servicing this network. The Division drew more broadly on product specialists from Macquarie's institutional Divisions, many of whom are leaders in their field in Australia. This initiative was well received by IFAs.

The portfolio administration service, Macquarie Wrap Solutions, grew significantly. Assets under administration increased from \$1.0 billion to \$3.9 billion (breakeven achieved at \$2.7 billion) from 130 dealer groups. With the industry growing at more than 30 per cent per annum and Macquarie's wrap service rapidly capturing market share, the product is expected to contribute significantly to profitability in future years.

Macquarie Financial Services Division provides direct advisory services to Australasian investors in the form of stockbroking, financial planning, private banking and portfolio management services.

The Division maintained its reputation as a leading innovator in the domestic private banking market, winning the INSTO Distinction Award 2001 for Private Bank of the Year. This achievement highlighted Macquarie's ability to provide high-net-worth clients with sound advice for protecting and growing wealth, particularly in volatile times.

Client holdings increased by 12 per cent. The Division gained substantial market share, acquiring a number of experienced advisers at historically very low prices. With equity market volumes now increasing again the Division's advisory operations are well positioned for the next 12 months.

The Client Contact Centres and Shared Services Division consolidated the Group's client contact facilities into three centres – the National Adviser Contact Centre in Brisbane and the Direct and Wrap Client Contact Centres in Sydney. Macquarie significantly outperformed other financial service providers in terms of overall client satisfaction according to a survey conducted by independent research company Roberts Research Group.

The Marketing Division continued to support each of these three distribution Divisions by developing Macquarie's retail brand, sourcing new products for the retail market and improving the online experience for customers.

Internationally, the Group has made a significant investment in the New Zealand market. With 25 advisers and a considerable IFA network now established, the Group is well positioned to capitalise on this under-serviced market. Revenues from the Group's joint venture with Sanlam in South Africa are growing and it is now expanding into other Bank products, including a highly successful hedge fund sourced from Treasury and Commodities Group.

Outlook

With most of the technology program required to consolidate Macquarie's retail services now completed, and continued reductions in per account servicing costs, the Group expects to pass breakeven during financial year 2003. The Group is confident of increasing its profit contribution in the longer term. Rapid growth in Macquarie's share of the wealth management market will be achieved through further focus on improvements to the customer experience. In particular, the Group will be focusing on increasing awareness of Macquarie as a provider of innovative investment products and services, powered by Macquarie's investment banking capability and the unique insight into global asset markets that this capability offers the retail investor.

Enhancing the customer experience
Macquarie outperformed other financial service providers in terms of overall client satisfaction in a survey by independent research firm Roberts Research Group. During the year the Group's client contact facilities were consolidated into three centres, upgrading services to meet the needs of various client segments and achieving significant efficiency increases.

Other Divisions

Macquarie Direct Investment Division
Macquarie Direct Investment Division is responsible for managing the Bank's private equity activities. Investments are made through Bond Street Investments (a wholly-owned subsidiary) and the six Macquarie Investment Trusts. Since this activity commenced in its present form in 1982, the Division has invested some $330 million in 41 businesses. Of these, 22 have been realised generating attractive returns.

For the year to 31 March 2002 market conditions did not favour exits – either in trade sales or initial public offerings (IPOs) – and accordingly the Division did not realise any major investments and reported a small loss. However, the conditions were very attractive for making new investments and a record number of transactions were completed through Macquarie Investment Trust III (MIT III). This included the management buyout of Automotive Parts Group (Repco) – one of the largest such buyouts completed in Australia. This now means the $220 million MIT III, which had its final close in June 2000, is effectively fully invested. Macquarie Investment Trust IV, which includes a second retail fund (Macquarie Private Equity Trust II) has been launched. The Division is seeking to raise $400 million in capital commitments but over-subscriptions of up to $100 million may be taken.

Towards the end of calendar 2001 Bond Street Investments made an offer to acquire the units in Macquarie Investment Trust and Macquarie Holdings Trust. All unitholders took up this opportunity to liquidate their holdings and it is anticipated that the trusts will be wound up once the remaining investments are realised.

Although there is unquestionably increased competition in the Australian private equity market, Macquarie Direct Investment is well positioned for the future. With a few exceptions the investee companies in MIT II and MIT III are performing well. As market conditions improve it is expected that a number of these investments will be realised and will generate satisfactory returns.

Quantitative Applications Division
The Division worked very closely with the Equity Markets Group in the year to 31 March 2002. One significant project was the selection of a new business-support system for the Group and in the next 12 months the Division will integrate its analytic techniques into this system.

The Division actively contributes to knowledge in the finance industry and presented papers to conferences in Boston and Tokyo.

The Division has successfully pioneered innovative pricing techniques for credit and electricity derivatives and contributed to academic advancement in this field. A number of key relationships with universities produced mutually beneficial research.

Corporate Affairs Group
The Human Resources and Business Services Division provides key support services to offices around the world.

Human Resources assists with recruiting, developing, rewarding and retaining the best people in Australia and internationally. This is achieved by:

– sophisticated recruitment strategies and techniques

– leadership, personal-development and training programs that help staff realise their potential and expand their career horizons

– performance-based reward mechanisms.

Business Services delivers high-quality office environments and services to support each business. During the year the team was involved in significant international office expansions and relocations.

The Corporate Communications Division is responsible for protecting the strength and integrity of the Macquarie brand and for managing name and reputation risks across the Bank. The Division oversees the Bank's public, media, government and community relations in Australia and internationally.

The past year has seen increased focus on international activities, with a program of initiatives now in place to start to build a brand presence for Macquarie in international markets where the Bank's businesses are active.

Corporate Communications also supports the Bank's businesses in their marketing and promotional activities and coordinates brand management, advertising, sponsorship management and client relations. The Division also administers the Macquarie Bank Foundation.

The Company Secretarial and Investor Relations Division has responsibility for compliance with certain ASX and ASIC requirements, the Bank's share registry, employee equity schemes, professional risks insurances and investor relations. The Division was closely involved in the creation of the Dividend Reinvestment Plan approved by shareholders during the year, the September share placement and the Shareholder Purchase Plan offer in October.

Investor relations activity focused on meeting increasing investor interest, particularly from international institutions, especially since the Bank's shares were included in the Australian sub-index of the Morgan Stanley Capital International world index.

The Financial Operations Division supports the Bank's operating areas and management through the provision of Divisional accounting services, corporate services, international business support, financial planning and management, financial control and business improvement and reengineering. The Division also maintains a settlements function independent of the operating areas to provide prudential control.

Consistent with the Bank's increasing international presence, an international business support function was created within the Division to coordinate and facilitate the provision of support services to Macquarie's international offices.

The Taxation Division provides taxation support to all areas of the Bank and manages the Bank's relationships with revenue authorities and external taxation advisers around the world.

The Division had a busy year coordinating the Bank's response to numerous legislative changes in order to maintain the Bank's ongoing compliance with taxation obligations and ensure the appropriate management of taxation affairs. The Division relocated personnel to international offices to more effectively support businesses there.

The Division will continue to focus on developing its support to the whole Bank and ensuring taxation compliance in all jurisdictions.

Information Services Division
The Information Services Division (ISD) is responsible for:

– managing technology infrastructure

– supporting, maintaining and enhancing business systems

– delivering and deploying new systems, technologies and services.

ISD provides each major business in the Bank with a dedicated team that understands its particular technology needs.

The Bank's major IT development program, which supports the Financial Services Group's business objectives, is ahead of schedule. Successful early deliveries brought forward certain projects and the program is scheduled to finish during the next 12 months.

Projects for the Treasury and Commodities Group and the Banking Division were delivered to plan. Systems replacement initiatives in Equity Markets Group and Securitised Lending Division are well underway.

Key goals of improving the Wide Area Network, supporting travelling users and delivering a coherent storage strategy have all been achieved. Primary targets for the next 12 months are improved disaster recovery for all offices and significant upgrading of e-Commerce capabilities across businesses.

Risk Management Division
The Risk Management Division is an independent, centralised unit responsible for assessing and monitoring risks across the Bank. A full Risk Management Report is contained in the 2002 Financial Report.

Credit assesses the credit risk on lending and trading transactions. It allocates credit limits for counterparties and countries, develops procedures for measuring credit exposures and reviews the adequacy of legal documentation.

Finance sets trading limits for market risk and monitors exposures against those limits daily. It is responsible for compliance with the Australian Prudential Regulation Authority's prudential standards. Finance is also responsible for the Group's funding and liquidity policies.

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

Compliance oversees measures to ensure compliance with applicable regulations and laws in Australia and internationally as well as with obligations of fidelity and confidence to clients and counterparties.

Corporate Governance Statement

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

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

– adopting an annual budget and monitoring financial performance

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

– ensuring significant business risks are identified and appropriately managed

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

– selecting and appointing new Voting Directors

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

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

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

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

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

The Bank currently also has over 100 Non-Voting Executive Directors. Pursuant to the Bank's Constitution, they have no right to attend or vote at any Board meeting. However, they do have the power to exercise management powers delegated by the Board including to sign and countersign the Bank's common seal.

The Bank's Constitution provides that:

– the maximum number of Voting Directors shall be 10 unless amended by a resolution of the Voting Directors

– one third of the Voting Directors (excluding the Managing Director and rounded down) must retire from office at the annual general meeting each year; such retiring Directors are eligible for re-election

– Voting Directors appointed to fill casual vacancies must submit to election at the next general meeting

– the number of Voting Directors necessary to constitute a quorum is:

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

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

Terms and conditions of appointment and retirement of Non-Executive Directors

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

– remuneration

– term of appointment, subject to shareholder approval

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

– procedures for dealing with conflicts of interest

– availability of independent professional advice.

The Bank's Constitution provides that a Director may enter into an arrangement with the Bank or with any controlled entity. Directors or their firms may act in a professional capacity for the Bank or its controlled entities. However, these arrangements are subject to the restrictions and disclosures in the Corporations Law applicable to public companies and common law directors' duties.

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

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

As described in the Directors' Report, the Bank's Constitution provides an indemnity to past and present Voting Directors. As with other insurable risks, the Bank has insured itself against payments under this indemnity to the extent considered prudent. Individual directors and officers of the Group are insured by and pay the premium on a Directors & Officers Liability policy which is coordinated by the Bank. Voting Directors are parties to the Deed of Access, Indemnity and Insurance approved by shareholders in 1998 and have the benefit of the Indemnity and Insurance Deed Poll approved by shareholders in 1999, as described in the Directors' Report which follows.

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

Shareholders approved in 2000, the Non-Executive Director Share Option Plan whereby each year, provided the Bank meets a predetermined performance benchmark, the Bank will issue a small number of options over unissued shares to each Non-Executive Director. This plan will cease to operate after 2002.

Board committees

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

The Nominating Committee periodically reviews the composition of the Board and ensures that the Voting Directors bring a mix of qualifications, skills and experience to the Board. When a vacancy exists or whenever it is considered that the Board would benefit from the services of a new Voting Director, the Committee selects one or more candidates with the appropriate expertise and experience. The Committee may use the services of a professional recruitment firm. Candidates are then submitted to the Board.

Board composition

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

* B.R. Martin replaced D.S. Clarke as a member of the Audit and Compliance Committee in May 2001.
** H.M. Nugent replaced B.N. Kelman on the Nominating and Remuneration Committees on his retirement from the Board in July 2001.

Corporate Governance Statement continued

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

The Board adopted a revised charter for the Committee in March 2002. The main objective of the Committee is to assist the Board of Directors in reviewing any matters of significance affecting financial reporting of the Group including:

– ensuring the quality of financial and compliance reporting is appropriate

– making informed decisions regarding accounting and compliance policies, practices and disclosures

– reviewing the scope and results of operational risk reviews, compliance reviews, and external audits

– maintaining open lines of communication between the Board, the Operational Risk Review department, the external auditors, and the Group's Head of Compliance thus enabling information and points of view to be freely exchanged, and

– assessing the adequacy of the Group's internal control framework including accounting, compliance and operational risk management controls based on information provided or obtained. 'Compliance' refers to compliance with laws and regulations, internal compliance guidelines and procedures, and other prescribed internal standards of behaviour.

To fulfil these responsibilities the Committee meets with and receives regular reports from Operational Risk Review, the external auditors and Risk Management Division, dealing with matters which arise in connection with their reviews, audits or other work performed.

The Audit and Compliance Committee is also responsible for the nomination of external auditors and reviewing the quality and scope of the services provided by reference to the following principles and practices which were adopted in May 2002:

– the external auditor must remain independent of the Bank at all times and comply with Professional Statement F.1

– the external auditor must monitor its independence and report to the Board that it has remained independent

– the external auditor is to be appointed to all entities in the Macquarie Bank Group. It is also our preference that the same external auditor be appointed to trusts and other entities managed by the Macquarie Bank Group

– the external auditor is able to provide non-audit services so long as its independence is maintained and the services are provided on an arm's length basis

– significant non-audit assignments awarded to the external auditors must be approved in advance by the Committee

– all assignments are to be reported to the Committee every six months

– the Bank will not recruit the audit partners or other members of the audit team into senior audit-facing roles

– these arrangements apply to services supplied by the external auditors and their related firms to the Bank, its related entities and the trusts and entities managed by the Bank.

The Remuneration Committee (previously known as the Compensation Committee) reviews and/or approves compensation arrangements for all Voting and Non-Voting Directors and employees. The review includes allocations made to Directors and executive staff under the profit-share and option schemes. The Committee obtains the advice of external consultants on the appropriateness of remuneration packages and other employment conditions when required. It typically meets several times each year as the need arises. Committee recommendations on changes in policy, significant exceptions to policies and the remuneration of Voting Directors are submitted to the Board for approval.

The Bank's remuneration policy for Directors and senior management is discussed later in the Directors' Report. This policy is designed to encourage long-term commitment to the Bank by senior executives. In particular, a portion of each Executive Director's annual profit share is subject to restrictions for up to 10 years. The Bank maintains sufficient depth of management to ensure adequate candidates for succession when senior management depart. The Bank has a preference for filling vacancies from within.

Identifying significant business risks

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

The Bank's Risk Management Division is responsible for the review and analysis of prudential and risk issues across the Group. This Division, and the Bank's approach to risk management, are described earlier in this Report and also in the Bank's 2002 Financial Report.

Ethical standards

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

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

– provides education, advice and counselling to management and staff regarding integrity issues

– ensures that claims of integrity breaches are dealt with impartially, promptly and confidentially

– sees that staff who bring forward complaints of this nature are not victimised.

Commitment to shareholders and an informed market

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

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

The Bank produces two sets of financial information annually: the Interim Report for the six months to 30 September and the Concise Report and accompanying Financial Statements for the year to 31 March, which are made available to shareholders.

Shareholders are invited to attend the Bank's Annual General Meeting (AGM), usually held towards the end of July. Shareholders are provided with notes on all the resolutions proposed through the Notice of AGM each year. Unless specifically stated in the Notice of AGM, all holders of fully paid ordinary shares are eligible to vote on all resolutions. In the event that shareholders cannot attend the AGM they are able to lodge a proxy in accordance with the Corporations Law. Holders of Macquarie Income Securities and the Bank's Converting Preference Shares have limited voting rights as set out in their terms of issue.

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

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

Trading in the Bank's securities

Bank employees and Board members may only trade in the Bank's securities during nominated trading 'windows' which are typically of three to five weeks duration and follow the Bank's announcements of its interim and full year profits and after the Annual General Meeting. However, even within these designated windows, if an individual possesses material non-public price-sensitive information about the Bank, that person is prohibited from trading.

In June 2001, the Board agreed a policy on trading in Bank-related securities which also provides that Board members will generally not sell Bank shares while the shares are subject to an on-market buy-back, not undertake short-term trading in any Bank-related security and not trade in a derivative of a Macquarie security without the prior approval of the Chairman (or the Managing Director in the case of the Chairman).

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

Concise Report 2002

This Concise Report has been derived from the full consolidated Financial Report for the financial year ended 31 March 2002. The full consolidated Financial Report including the Independent Audit Report is available on request, free of charge. Please call (61 2) 8232 3333 and a copy will be forwarded to you. Alternatively, you may access the full consolidated Financial Report, the Independent Audit Report and the Concise Report via the internet at www.macquarie.com.au

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

Directors' Report

In accordance with a resolution of the Directors (the Directors) of Macquarie Bank Limited (the Bank), the Directors submit herewith the Statement of Financial Position as at 31 March 2002 and the Statement of Financial Performance and the Statement of Cash Flows of the Bank and the entities it controlled at the end of, and during, the financial year ended on that date and report as follows:

Directors

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

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

Non-Executive Directors:
J.G. Allpass
L.G. Cox, AO
H.K. McCann
B.R. Martin
H.M. Nugent

The above Directors each held office as a Director of the Bank throughout the financial year ended 31 March 2002.

In addition, Mr B.N. Kelman, AO, CBE held office as a Non-Executive Director of the Bank from the beginning of the financial year until his retirement on 26 July 2001.

Details of qualifications, experience and special responsibilities of the Directors at the date of this report are set out in the Directors' Report Schedule hereto.

Directors' meetings

The number of meetings of the Board of Directors (the Board) and meetings of Committees of the Board and the number of meetings attended by each of the Directors of the Bank during the financial year is summarised in the table below.

Principal activities

The principal activities of the Bank and its controlled entities during the financial year ended 31 March 2002 were those of a full service financial services provider offering a complete range of investment banking, commercial banking and retail financial services in Australia and selected financial services internationally.

Result

The consolidated profit from ordinary activities after income tax attributable to ordinary equity holders for the financial year ended 31 March 2002 was $250 million (2001: $242 million).

	Regular Board meetings		Special Board meetings		Committee meetings	
	eligible to attend	attended	eligible to attend	attended	eligible to attend	attended
D.S. Clarke	12	12	3	3	11	11
A.E. Moss	12	12	3	3		
M.R.G. Johnson	12	10	3	2		
J.G. Allpass	12	12	3	3	15	15
L.G. Cox	12	12	3	3		
H.K. McCann	12	12	3	2	7	7
B.R. Martin	12	12	3	3	8	8
H.M. Nugent	12	12	3	3	6	6
B.N. Kelman	3	2	1	–	4	3

The Committee meetings held during the financial year were in respect of the Remuneration Committee (formerly Compensation Committee) (8), the Nominating Committee (2) and the Board Audit and Compliance Committee (7).

Directors' Report continued

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

State of affairs
In the opinion of the Directors there were no significant changes in the state of affairs of the Bank and its controlled entities that occurred during the financial year under review not otherwise disclosed in this Report, the Concise Report or the Chairman's and Managing Director's Report.

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

Events subsequent to balance date
As disclosed in Note 6 of the Concise Report, a controlled entity acquired 100 per cent of the issued capital of ntl Australia Holdings Pty Limited on 2 April 2002.

At the date of this report, the Directors are not aware of any matter or circumstance which has arisen that has significantly affected or may significantly affect the operations of the Bank and its controlled entities, the results of those operations or the state of affairs of the Bank and its controlled entities in the financial years subsequent to 31 March 2002 not otherwise disclosed in this Report.

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

Security	Payment date	Payment type	$	In respect of year ended/period	
Ordinary shares	3 July 2001	Final	91,451,651	31 March 2001	Paid
	19 December 2001	Interim	80,993,953	31 March 2002	Paid
	2 July 2002	Final	103,219,911	31 March 2002	Provided
Macquarie Income Securities	17 April 2001	Periodic	7,753,209	15 January to 16 April 2001	Paid
	16 July 2001	Periodic	7,150,685	17 April to 15 July 2001	Paid
	15 October 2001	Periodic	7,230,136	16 July to 14 October 2001	Paid
	15 January 2002	Periodic	7,309,592	15 October 2001 to 14 January 2002	Paid
	15 April 2002	Periodic	6,038,356	15 January to 31 March 2002	Provided
Converting preference shares	15 June 2001	Periodic	5,519,850	15 December 2000 to 14 June 2001	Paid
	17 December 2001	Periodic	5,610,750	15 June to 16 December 2001	Paid
	17 June 2002	Periodic	3,184,521	17 December 2001 to 31 March 2002	Provided

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

Remuneration policy for Directors and Executive Officers

Non-Executive Directors
The Board of Directors (the Board) maintains a Remuneration Committee (the Committee) which currently comprises D.S. Clarke (Chairman), J.G. Allpass and H.M. Nugent. The Committee reviews compensation arrangements for all Directors. The Committee is also responsible for reviewing and approving recommendations for annual staff remuneration made to it by the Bank's management. The review includes allocations made to Directors and executive staff under the profit share and Employee Option Plan. The Committee may obtain the advice of external consultants on the appropriateness of remuneration packages and other employment conditions if required.

The Committee meets as the need arises. Committee recommendations on changes in policy, significant exceptions to policies and the remuneration of Directors are submitted to the Board for approval.

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

- Chairman of the Audit and Compliance Committee $26,700 pa
- Member of the Audit and Compliance Committee $20,000 pa
- Member of the Remuneration Committee $3,500 pa
- Member of the Nominating Committee $3,500 pa
- Chairman of Macquarie Life Limited $24,000 pa
- Director of Macquarie Life Limited $16,000 pa
- Chairman of Macquarie Investment Management Limited Compliance Committee $20,000 pa
- Member of Macquarie Investment Management Limited Compliance Committee $13,500 pa
- Director of Macquarie Bank Superannuation Pty Limited $16,000 pa
- Chairman of Macquarie Airports Management Limited $120,000 pa.

Non-Executive Directors can elect to be paid this remuneration in the form of other benefits, such as contributions to superannuation schemes. In addition, following approval at the Bank's 1999 Annual General Meeting, Non-Executive Directors may be remunerated in part by way of shares via the Macquarie Bank Non-Executive Director Share Acquisition Plan. Such shares are acquired on-market at prevailing market prices.

At the Bank's 2000 Annual General Meeting, shareholders approved the Macquarie Bank Non-Executive Director Option Plan under which each of the Bank's Non-Executive Directors may be invited to apply for five year options over fully paid shares in the Bank, in 2000, 2001 and 2002, valued at the time of determination (being 1 July 2001 for options issued during the financial year) at no more than 20 per cent of the then base Non-Executive Director annual fee, provided the Bank meets pre-determined performance benchmarks. An Australian Stock Exchange Limited listing rule waiver was granted to allow this three-year approval.

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

The Bank's Executive Directors (which include Executive Voting Directors and Executive Officers) have participated in a Directors' Profit Share Scheme (DPS) under which the Bank makes provision for performance-based remuneration. For the Bank's 2002 financial year and onwards, a revised profit sharing mechanism is in place whereby all staff, including Executive Directors, share in a pool determined annually as a proportion of after tax profit plus a proportion of earnings in excess of the Bank's estimated cost of capital. The effect of this is to provide substantial incentives in relation to superior profitability but low participation for less satisfactory performance.

The whole of the profit sharing provision for each financial year is charged against earnings in that year. However, in order to encourage long-term commitment, and to align the interests of staff and shareholders, a portion of each Executive Director's allocation is subject to restrictions for up to 10 years. These restrictions expire six months after retirement, if certain disqualifying events have not occurred.

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

From 1995, Executive Directors and Executive Officers have participated in the Bank's options plan. Refer to Note 32 to the full consolidated Financial Report – Employee Equity Participation for further information on the option plan.

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

Directors' Report continued

Directors' and Executive Officers' remuneration

Name and position	Base remuneration (a) $	Performance related remuneration $	Other benefits (b) $	Total remuneration expense $	Options $	Total remuneration $
Executive Directors						
D.S. Clarke	323,986	2,109,772	–	2,433,758	648,900	3,082,658
A.E. Moss	647,973	4,185,686	–	4,833,659	1,297,800	6,131,459
M.R.G. Johnson	241,816	2,172,321	–	2,414,137	–	2,414,137
Non-Executive Directors (c)						
J.G. Allpass	145,494	–	43,454	188,948	17,510	206,458
L.G. Cox	74,074	–	536,530	610,604	17,510	628,114
H.K. McCann	31,000	–	69,000	100,000	17,510	117,510
B.R. Martin	121,759	–	8,326	130,085	17,510	147,595
H.M. Nugent	92,168	–	5,575	97,743	17,510	115,253
B.N. Kelman	33,087	–	–	33,087	17,510	50,597
Executive Officers (d)						
N.W. Moore	500,066	4,147,536	–	4,647,602	1,256,600	5,904,202
W.J. Moss	463,676	2,321,480	–	2,785,156	1,442,000	4,227,156
A.J. Downe	463,676	2,449,566	–	2,913,242	782,800	3,696,042
W.R. Sheppard	500,066	2,014,559	–	2,514,625	556,200	3,070,825
P. Maher	440,199	1,051,781	–	1,491,980	206,000	1,697,980
R.H. Jenkins•	52,662	–	7,379,071	7,431,733	–	7,431,733
A.F. Lucas••	348,682	551,878	4,495,595	5,396,155	448,050	5,844,205

• R.H. Jenkins was a member of the Executive Committee until 3 May 2001. He resigned from the Bank on 2 July 2001. The other benefits include contractual retirement benefits which have accumulated since Mr Jenkins' appointment as an Executive Director on 1 July 1986. These amounts are only paid six months after retirement, if certain disqualifying events had not occurred. If such events had occurred, the amount would have been forfeited.

•• A.F. Lucas was a member of the Executive Committee until 15 October 2001. He remains an employee of the Bank. The balance in other benefits is an accrued contractual entitlement which will become payable upon Mr Lucas's retirement from the Bank. No conditions apply to this entitlement.

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

(b) Other benefits for Non-Executive Directors include the Bank's contributions to superannuation schemes and consulting fees and due diligence committee fees paid to L.G. Cox and J.G. Allpass.

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

(d) Executive Officers shown above, apart from Mr Jenkins and Mr Lucas, are the five highest paid current members of the Executive Committee who are not members of the Board.

Share options granted to Directors and Executive Officers

Name and position	Date options granted	Number of options granted	Value of options at 2 August 2001 $	Option exercise price $	Date first option tranche exercisable
Executive Directors					
D.S. Clarke	31 August 2001	63,000	648,900	34.71	1 July 2003••
A.E. Moss	2 August 2001	126,000	1,297,800	34.71	1 July 2003••
Non-Executive Directors					
J.G. Allpass	2 August 2001	1,700	17,510	34.71	•
L.G. Cox	2 August 2001	1,700	17,510	34.71	•
H.K. McCann	2 August 2001	1,700	17,510	34.71	•
B.R. Martin	2 August 2001	1,700	17,510	34.71	•
H.M. Nugent	2 August 2001	1,700	17,510	34.71	•
B.N. Kelman	25 July 2001	1,700	17,510	34.71	•
Executive Officers					
N.W. Moore	2 August 2001	122,000	1,256,600	34.71	1 July 2003••
W.J. Moss	2 August 2001	140,000	1,442,000	34.71	1 July 2003••
A.J. Downe	2 August 2001	76,000	782,800	34.71	1 July 2003••
W.R. Sheppard	2 August 2001	54,000	556,200	34.71	1 July 2003••
P. Maher	2 August 2001	20,000	206,000	34.71	1 July 2003••

• Options may be exercised at any time (subject to staff trading rules).

•• Options are issued subject to the exercise conditions referred to in Note 32 to the full consolidated Financial Report – Employee Equity Participation and are only exercisable in three equal tranches on or after 1 July 2003, 1 July 2004 and 1 July 2005.

All grants of options, with the exception of those to Mr B.N. Kelman and Mr D.S. Clarke, were made on 2 August 2001. For consistency, all options have been valued at 2 August 2001. Options were granted to Mr Kelman on 25 July 2001 and to Mr Clarke on 31 August 2001.

The value of options at grant date represents the assessed fair value of options using the Black-Scholes option pricing framework adjusted to take account of option trading period restrictions, vesting timeframes and, where appropriate, vesting restrictions. The following key assumptions have been adopted: risk free interest rate: 5.3%, life of options: 5 years, volatility of share price: 26% and dividend yield: 1.39% pa.

The exercise price of the above options granted was based on the weighted average market price during the calendar month of June 2001.

Directors' Report continued

Directors' equity participation

At 31 March 2002 the following Directors or entities related to them have relevant interests in the following shares and share options of the Bank:

	Share options 2002	Fully paid ordinary shares 2002
D.S. Clarke	194,250*	660,885
A.E. Moss	352,371*	324,857
M.R.G. Johnson	–	734,600
J.G. Allpass	4,200**	8,984
L.G. Cox	4,200**	366,361
H.K. McCann	4,200**	4,422
B.R. Martin	4,200**	4,536
H.M. Nugent	3,783**	3,348

* These share options were issued pursuant to the Employee Option Plan and are subject to the exercise conditions now applying to all new grants of options to Executive Directors.

** These share options were issued pursuant to the Non-Executive Director Share Option Plan. They were issued following shareholder approval at the Bank's 2000 Annual General Meeting.

J.G. Allpass has an interest in 4,000 (2001: 4,000) endowment warrants over ordinary shares of the Bank. These warrants expire on 30 June 2007.

During the financial year Directors received dividends relating to the abovementioned shareholdings at the same rate as other shareholders.

Directors' indemnification

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

- the liability is owed to the Bank or to a related body corporate;
- the liability did not arise out of conduct in good faith;
- the liability is for a pecuniary penalty order or a compensation order under the Corporations Act 2001; and
- in the case of a liability for legal costs, the costs are incurred in relation to a liability excluded above, the person is found guilty, grounds for a court order in proceedings by the Australian Securities and Investments Commission or a liquidator are established, or the court denies relief to the person in the relevant proceedings.

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

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

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

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

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

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

Directors' interests and benefits

Other than any benefit that may have been derived from loans provided by and to the Bank or a related entity and any amounts received in respect of previously accrued remuneration, no Director has, during the financial year and the period to the date of this report, become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in this Report, or the fixed salary of a full-time employee of the Bank or of a related entity) by reason of a contract made by the Bank or a related entity with the Director, or with a firm of which he/she is a member, or with an entity in which he/she has a substantial financial interest, with the exception of consulting fees paid, in the normal course of business totalling $2,110,000 (2001: $1,068,000) to the legal firm of Allens Arthur Robinson (formerly Allen Allen & Hemsley) of which Mr H.K. McCann is a partner. These fees are not significant compared to the Bank's total legal expenses for the financial year.

Share options

Information on the Bank's share option scheme and options granted during or since the end of the financial year is contained in Note 32 to the full consolidated Financial Report – Employee Equity Participation.

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

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

Environmental regulations

The Directors have determined that where there are environmental regulations that apply to the Bank and its controlled entities these have been complied with at all times during the financial year.

Rounding of amounts

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

D.S. Clarke
Director

A.E. Moss
Director

Sydney
15 May 2002

Directors' Report Schedule

Directors' experience and special responsibilities

David S. Clarke, 60, AO, BEc(Hons), Hon DScEcon(Syd), MBA(Harv)
– Executive Chairman of Board since the Bank's inception in February 1985
– Chairman of Board Nominating Committee
– Chairman of Board Remuneration Committee

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

Mark R.G. Johnson, 61, LLB(Hons)(Melb), MBA(Harv)
– Executive Deputy Chairman since September 2000
– Member of Board since February 1987

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

Allan E. Moss, 52, BA LLB(Hons)(Syd), MBA(Harv)
– Managing Director since August 1993
– Member of Board since June 1989

Allan Moss joined Hill Samuel Australia Limited (predecessor to the Bank) in the Corporate Services Group in 1977 and in 1982 became a Director of Hill Samuel Australia Limited. In 1983, he led the team responsible for preparing the submission to the Australian Government for the formation of Macquarie Bank. The following year, he founded the Risk Management Division which is responsible for the Bank's credit and other prudential controls. In 1986, he was made responsible for the Corporate Banking Group. He was appointed Head of the Financial Markets Group in 1988 and Deputy Managing Director the following year. Mr Moss became Managing Director in 1993.

John G. Allpass, 61, FCA, FCPA, FAICD
– Member of Board since January 1994
– Chairman of Board Audit and Compliance Committee
– Member of Board Remuneration Committee

John Allpass is a Chartered Accountant and has 32 years experience in the accounting profession. He was Managing Partner of KPMG Peat Marwick's Queensland practice for nine years until 1993. He was also a member of the KPMG Peat Marwick's National Board.

Laurence G. Cox, 63, AO, BCom(Melb), FCPA, FSIA
– Member of Board since January 1996

Laurie Cox joined the Board as a Non-Executive Director and also became Joint Chairman of Macquarie Corporate Finance Limited in January 1996. He was previously Executive Chairman of the Potter Warburg Group of Companies and a Director of SG Warburg Securities of London.

Barrie R. Martin, 66, BEc, ANZIIF (Fellow)
– Member of Board since August 1993
– Member of Board Audit and Compliance Committee
– Member of Board Nominating Committee

Barrie Martin is a former Non-Executive Chairman of Prudential Corporation Australia Limited and was Managing Director for the Prudential Group in Australia and New Zealand from July 1984 to December 1994.

H. Kevin McCann, 61, BA LLB(Hons)(Syd), LLM(Harv), FAICD
– Member of Board since December 1996
– Member of Board Audit and Compliance Committee

Kevin McCann is Co-Chairman of Partners, Allens Arthur Robinson, a firm of Australian lawyers. He has practised as a commercial lawyer since admission as a Partner in 1970, specialising in Mergers and Acquisitions, Mineral and Resources Law and Capital Markets Transactions.

Helen M. Nugent, 53, BA(Hons), PhD(Qld), MBA(Harv)
– Member of Board since June 1999
– Member of Board Nominating Committee
– Member of Board Remuneration Committee

Helen Nugent has held a number of high profile roles in the banking sector including Director of Strategy, Westpac Banking Corporation from 1994 to 1999, Non-Executive Director of the State Bank of New South Wales in 1993 and 1994 and Non-Executive Director of Mercantile Mutual from 1992 to 1994. She is also Chair of Macquarie Airports Management Limited, Swiss Re Australia and Funds SA, in addition to being a Director of TAB Queensland and Australia Post.

More detailed biographical information on Directors is available on the Bank's website.

Consolidated Statement of Financial Performance

For the financial year ended 31 March 2002

	Notes	Consolidated 2002 $M	Consolidated 2001 $M
Interest income		1,009	1,018
Interest expense		(790)	(839)
Net Interest Income		219	179
Fee and commission income		1,210	988
Fee and commission expense		(207)	(157)
Net Fee and Commission Income		1,003	831
Net Trading Income		361	457
Net Other Income		17	5
Total Income from Ordinary Activities		1,600	1,472
Employment expenses		(859)	(775)
Occupancy expenses		(84)	(76)
Non-salary technology expenses		(79)	(70)
Other operating expenses		(223)	(226)
Total Expenses from Ordinary Activities		(1,245)	(1,147)
Profit from ordinary activities before income tax		355	325
Income tax (expense)		(76)	(53)
Profit from Ordinary Activities after Income Tax		**279**	**272**
Loss from ordinary activities after income tax attributable to outside equity interest		–	1
Profit from Ordinary Activities after Income Tax attributable to Equity Holders of Macquarie Bank Limited		**279**	**273**
Distributions paid or provided on Macquarie Income Securities	4	(29)	(31)
Profit from Ordinary Activities after Income Tax attributable to Ordinary Equity Holders of Macquarie Bank Limited		**250**	**242**
		Cents per Share	
Basic Earnings per Share	5	**132.83**	**138.88**
Diluted Earnings per Share	5	**131.90**	**139.69**

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

Consolidated Statement of Financial Position

As at 31 March 2002

	Notes	Consolidated 2002 $M	Consolidated 2001 $M
Assets			
Cash and liquid assets		283	295
Securities purchased under resale agreements		4,313	3,323
Trading assets		4,864	4,192
Other securities		1,937	270
Loan assets		9,209	7,785
Other financial market assets		4,630	7,493
Other financial assets		1,927	1,487
Life insurance investment assets		2,588	2,580
Equity investments		102	88
Investments in associates and incorporated joint ventures		90	53
Fixed assets		135	108
Tax assets		156	174
Total Assets		**30,234**	**27,848**
Liabilities			
Due to other financial institutions		565	786
Securities sold under repurchase agreements		928	1,701
Securities borrowed		2,359	760
Deposits		4,520	3,865
Notes payable		9,434	8,000
Other financial market liabilities		3,811	6,099
Tax liabilities		17	24
Other liabilities		2,923	1,995
Life insurance policy liabilities		2,539	2,535
Provisions for dividends and distributions		109	98
Deferred tax liabilities		100	138
Other provisions		120	103
Total Liabilities excluding Loan Capital		**27,425**	**26,104**
Loan Capital			
Subordinated debt		242	256
Converting Preference Shares		150	150
Total Liabilities		**27,817**	**26,510**
Net Assets		2,417	1,338
Equity			
Contributed Equity			
Ordinary share capital		1,012	392
Macquarie Income Securities		391	391
Retained earnings	3	617	551
Total Equity Attributable to Equity Holders of Macquarie Bank Limited		2,020	1,334
Outside equity interests in controlled entities		397	4
Total Equity		**2,417**	**1,338**

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

Consolidated Statement of Cash Flows

For the financial year ended 31 March 2002

	Consolidated 2002 $M	Consolidated 2001 $M
Cash Flows from Operating Activities		
Interest and bill discounts received	980	1,017
Interest and other costs of finance (paid)	(821)	(790)
Dividends and trust income received	144	71
Fees, royalties and commissions received	1,149	956
Fees, royalties and commissions (paid)	(156)	(132)
Net receipts/(payments and proceeds) from dealing in financial instruments	627	(1,415)
Net (payments to suppliers)/receipts from customers (inclusive of GST)	(709)	(95)
Employment expenses (paid)	(816)	(727)
Income taxes (paid)	(165)	(141)
Life insurance investment income	84	119
Life insurance premiums received	1,854	1,739
Life insurance (policy payments)	(1,946)	(2,118)
Net Cash Flows from Operating Activities	225	(1,516)
Cash Flows from Investing Activities		
Loan assets (granted)/repaid	(3,698)	(1,076)
Proceeds from securitisation of loan assets	2,258	–
(Payments) for other securities	(1,788)	(75)
Proceeds from the sale of other securities	121	53
(Payments) for equity investments	(78)	(100)
Proceeds from the sale of equity investments	27	19
Proceeds from the sale of controlled entities	–	82
(Payments) for life insurance investments	(7,803)	(7,349)
Proceeds from the sale of life insurance investments	7,841	7,619
(Payments) for fixed assets	(75)	(67)
Proceeds from the sale of fixed assets	2	5
Net Cash Flows from Investing Activities	(3,193)	(889)
Cash Flows from Financing Activities		
Net increase in money market and other deposit accounts	2,231	2,526
Proceeds from the issue of ordinary share capital	623	55
Transaction costs for placement of ordinary share capital	(3)	–
On-market buy-back of ordinary share capital	–	(36)
Proceeds from outside equity interest	394	5
(Repayment) of subordinated debt	–	(85)
Dividends and distributions (paid)	(213)	(203)
Net Cash Flows from Financing Activities	3,032	2,262
Net Increase/(Decrease) in Cash	**64**	**(143)**
Cash at the beginning of the financial year	179	322
Cash at the End of the Financial Year	**243**	**179**

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

Discussion and Analysis

For the financial year ended 31 March 2002

Discussion and analysis of statement of financial performance

The economic entity achieved a profit from ordinary activities after income tax attributable to ordinary equity holders of $250 million, a 3.3% increase from last financial year. The return on average ordinary share capital was 19.4%, which was down on last financial year (27.1%), as a result of the significant increase in ordinary share capital issued during the financial year ended 31 March 2002.

Income from ordinary activities

– Income from ordinary activities increased by $128 million (8.7%) to $1,600 million. This growth is attributable to increases in net interest income and net fee and commission income. These increases were in part offset by a decrease in trading income.

– Net interest income increased by $40 million (22.3%) to $219 million. Interest income has decreased by $9 million (<1%) as a result of the reduction in interest rates. The impact of the rate reduction on interest income has been offset by the increase in average interest bearing assets of $3,698 million (27.6%). There was a decrease in interest expense of $49 million (5.8%) as a result of reduced interest rates although again the impact was offset by a growth in interest bearing liabilities of $4,433 million (33.1%).

– Net fee and commission income increased by $172 million (20.7%) to $1,003 million. Fee income increased across the majority of businesses, largely attributable to the growth in management and performance fees, particularly in the Banking and Property and Investment Banking Groups.

– Net trading income decreased by $96 million (21.0%) to $361 million. Although some trading businesses were able to benefit from the adverse market conditions throughout much of the financial year, the Equities Market Group suffered significant reductions in trading income due largely to the cessation of warrant issuance in Hong Kong for much of the financial year as a result of a regulatory hiatus and difficult conditions in other offshore markets.

– Net other income increased by $12 million to $17 million. This was largely as a result of the partial realisation of some of the Bank's investment in the Macquarie Infrastructure Group.

– Operating expenses increased by $98 million (8.5%) to $1,245 million. This increase was largely due to a 5.8% increase in staff numbers, an increase in compensation rates for staff and an increase in the Bank's premises. The overall growth in operating expenses has reduced significantly from last financial year as a result of a number of on-going initiatives to manage costs across the economic entity.

Income tax

– Income tax attributable to profits from ordinary activities has increased from 16.3% of profit from ordinary activities for the last financial year to 21.4% for the current financial year. Despite a decrease in the Australian corporate tax rate from 34% to 30% in the second half of the financial year, the economic entity's effective tax rate has increased as a result of a change in the mix between Australian and international income, which is generally subject to lower rates of income tax.

Earnings per share

– Basic earnings per share fell from 138.88 cents per share for 2001 to 132.83 cents per share. The decrease in earnings per share is a result of the increase in the number of ordinary shares on issue.

Dividends on ordinary share capital

– In line with the Bank's dividend policy, the Board has resolved to pay a final cash dividend of 52 cents per ordinary share (2001: 52 cents per ordinary share) in respect of the financial year ended 31 March 2002. The total annual dividend per ordinary share is 93 cents (2001: 93 cents per ordinary share).

– The interim ordinary dividend paid for the financial year ended 31 March 2002 was 70% franked at 30% (2001: 70% franked at 34%). The final ordinary dividend will also be 70% franked at 30% (2001: 70% franked at 30%).

– The extent of franking of future dividends is uncertain and is dependent on the Bank's future Australian taxable income.

Discussion and analysis of statement of financial position

– Equity attributable to ordinary equity holders increased by $686 million (51.4%) to $2,020 million. Ordinary share capital increased as a result of share placements totalling $518 million during the financial year and the exercise of options.

– The total capital adequacy ratio increased from 16.0% to 19.4% as at 31 March 2002 and the Tier 1 ratio also increased substantially from 12.9% to 17.8% as at 31 March 2002. These increases were primarily the result of a substantial increase in equity.

– Total assets increased by $2,386 million (8.6%) to $30,234 million. This increase is largely attributable to growth in loan assets, other securities and securities purchased under resale agreements, offset by a reduction in other financial market assets, which represents the positive fair value adjustments from trading in financial instruments.

The growth in loan assets of $1,424 million (18.3%) occurred as a result of increased lending activity in both the Banking and Property and Investment Banking Groups. The increase in other securities of $1,667 million was due to a growth in investments in debt securities, as a result of entering a joint venture with a client, and unit trusts, largely as a result of the Bank's joint venture with Pro-Logis in the US and investments in Macquarie Airports Group. The increase in securities purchased under resale agreements was a result of trading activity in the Treasury and Debt Markets businesses within the Treasury and Commodities Group.

– The Bank's credit ratings continue to reflect strong prudential controls and diversified earnings. During the financial year, the Bank maintained all its external credit ratings.

Discussion and analysis of statement of cash flows

– Cash flows from operating activities for the financial year was a net inflow of $225 million. This was a result of an increase in fee income and dividend income received and growth in the life insurance business offset by a contraction in trading activities.

– Cash flows from investing activities was a net outflow of $3,193 million, an increase of $2,304 million from the last financial year. This was a result of a growth in loan assets and purchases of other securities.

– Cash flows from financing activities was a net inflow of $3,032 million, an increase of $770 million (34.0%) from the last financial year. This was a result of the growth in ordinary share capital on issue and an inflow of funds from a joint venture with a client.

Notes to and forming part of the Concise Report

As at 31 March 2002

Note 1. Basis of Accounting

The Concise Report is derived from the full consolidated Financial Report of Macquarie Bank Limited and the entities that it controlled (together, the economic entity) at the end of and during the financial year ended 31 March 2002, which is prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views, the Corporations Act 2001 and the Banking Act.

The Concise Report has been prepared in accordance with Accounting Standard AASB 1039 Concise Financial Reports and the relevant provisions of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year. A full description of the accounting policies adopted by the economic entity is provided in the full consolidated Financial Report.

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with the current financial year. In particular, as a result of applying revised Accounting Standard AASB 1018 Statement of Financial Performance, revised Accounting Standard AASB 1034 Financial Report Presentation and Disclosure and AASB 1040 Statement of Financial Position for the first time, a number of comparative amounts were represented or reclassified to ensure comparability with the current reporting period.

Note 2. Segment Information

The economic entity operates as a financial services provider principally in Australia. Some of the economic entity's services and products are offered in locations outside of Australia where they are predominantly managed as part of the Australian divisional businesses, not as separate geographic locations. Certain segment information is available in Note 38 to the full consolidated Financial Report – Geographical Concentrations of Deposits and Borrowings and Note 41 to the full consolidated Financial Report – Credit Risk and Net Fair Value.

Note 3. Retained Earnings

	Consolidated 2002 $M	Consolidated 2001 $M
Balance at the beginning of the financial year	551	472
Profit from ordinary activities after income tax attributable to ordinary equity holders	250	242
Dividends paid or provided on ordinary share capital	(184)	(163)
Total Retained Earnings	**617**	**551**

Note 4. Dividends and Distributions Paid or Provided

	Consolidated 2002 $M	Consolidated 2001 $M
Ordinary Share Capital		
Dividends paid	81	72
Dividends provided	103	91
Total Dividends Paid or Provided	**184**	**163**

The interim ordinary dividend paid during the financial year ended 31 March 2002 was 70% franked at 30% (2001: 70% franked at 34%). The final ordinary dividend provided as at 31 March 2002 is 70% franked at 30% (2001: 70% franked at 30%).

The final dividend for the financial year ended 31 March 2002 will be paid on 2 July 2002.

	Cents per Share	
Cash Dividends per Share	**93.0**	**93.0**

Converting Preference Shares

Dividends on these shares of $11,070,000 (2001: $11,070,000) have been charged to the Statement of Financial Performance as interest expense. The dividend paid on 15 June 2001 was 70% franked at 34%, the dividend paid on 17 December 2001 was 70% franked at 30% and the dividend to be paid on 17 June 2002 will be 70% franked at 30%.

Franking Credits Available for the Subsequent Financial Year at the 30% (2001: 30%) Corporate Tax Rate	**36**	**19**

The franked portion of dividends proposed as at 31 March 2002 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax payable at the end of the financial year. The above amounts represent the balances of franking accounts as at the end of the financial year, adjusted for:

(a) franking credits that will arise from the payment of income tax payable as at the end of the financial year;
(b) franking debits that will arise from the payment of dividends proposed as at the end of the financial year;
(c) franking credits that may be prevented from being distributed in subsequent financial years; and
(d) franking debits that will arise from the receipt of tax receivables as at the end of the financial year.

Macquarie Income Securities		
Distributions paid (net of distributions previously provided)	23	24
Distributions provided	6	7
Total Distributions Paid or Provided	**29**	**31**

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

Notes continued

As at 31 March 2002

Note 5. Earnings Per Share

	Consolidated 2002 $M	Consolidated 2001 $M
	Cents per Share	
Basic Earnings per Share	**132.83**	**138.88**
Diluted Earnings per Share	**131.90**	**139.69**
Reconciliation of Earnings Used in the Calculation of Basic Earnings per Share		
Profit from ordinary activities after income tax	279	272
Loss from ordinary activities after income tax attributable to outside equity interests	–	1
Distribution paid or provided on Macquarie Income Securities	(29)	(31)
Total Earnings Used in the Calculation of Basic Earnings per Share	250	242
Reconciliation of Earnings Used in the Calculation of Diluted Earnings per Share		
Earnings used in calculating Basic Earnings per Share	250	242
Additional interest from paying up potential ordinary shares	21	25
Other non-discretionary changes in earnings arising from dilutive potential ordinary shares	19	30
Income tax attributable to adjusted earnings	(13)	(19)
Total Earnings Used in the Calculation of Diluted Earnings per Share	277	278
Weighted Average Number of Shares Used in the Calculation of Earnings per Share		
	Number of Shares	
Basic Earnings per Share	188,505,201	174,228,383
Diluted Earnings per Share	210,338,622	199,062,319

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

Note 6. Events Subsequent to Balance Date

On 2 April 2002, a controlled entity of the Bank acquired 100% of the issued capital of ntl Belgium sprl, the chief entity of ntl Australia Holdings Pty Limited (collectively ntl).

The principal activities of ntl are:

- provision of television and radio transmission services to Australian national broadcasters;
- provision of equipment hosting services to regional and community broadcasters, telecommunications operators and emergency services communication providers; and
- construction of a microwave telecommunications network along the eastern coast of Australia for the carriage of digital video signals and wholesale bandwidth.

ntl Belgium sprl was purchased for an initial cost of $313 million with additional consideration payable of up to $20 million in 2003, subject to any warranty claims and purchase price adjustments.

The estimated fair value of the assets and liabilities of ntl at the date of acquisition were as follows:

	$M
Cash and other assets	47
Fixed assets	584
Intangible assets	
Customer contracts	247
Goodwill on acquisition	110
Payables and provisions	
Enterprise Value	850
Borrowings	(517)
Total purchase price (subject to final adjustments)	(333)
	–

The existing ntl borrowings have been refinanced through a bridge debt facility and funding from the MBL Group of $102 million.

The actual fair value of the net assets and resulting goodwill may change as a result of the completion of valuations (which are not yet completed due to the geographic diversity and number of assets acquired) and final allocation of the purchase price.

The final effects of this transaction have not been brought to account as at 31 March 2002. The operating results, assets and liabilities of ntl will be consolidated from 2 April 2002.

Note 7. Full Consolidated Financial Report

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

Directors' Declaration

The Directors declare that, in their opinion, the Concise Report of the economic entity for the financial year ended 31 March 2002 as set out on pages 39 to 47 complies with Accounting Standard AASB 1039 Concise Finance Reports.

The financial statements and specific disclosures included in this Concise Report have been derived from the full consolidated Financial Report for the year ended 31 March 2002.

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

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

D.S. Clarke
Director

A.E. Moss
Director

Sydney
15 May 2002

Independent Audit Report

To the members of Macquarie Bank Limited

Scope

We have audited the Concise Report of Macquarie Bank Limited (the Bank) for the financial year ended 31 March 2002 as set out on pages 39 to 48, in order to express an opinion on it to the members of the Bank. The Bank's Directors are responsible for the Concise Report.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the Concise Report is free of material misstatement. We have also performed an independent audit of the full consolidated Financial Report of the Bank for the financial year ended 31 March 2002. Our audit report on the full consolidated Financial Report was signed on 15 May 2002, and was not subject to any qualification.

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

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

Audit opinion

In our opinion, the Concise Report of the Bank complies with Accounting Standard AASB 1039 Concise Financial Reports.

PricewaterhouseCoopers
Chartered Accountants

D.H. Armstrong
Partner

Sydney
15 May 2002

Five Year Summary

Year ended 31 March	1998	1999	2000	2001	2002
Financial Performance ($ million)					
Total income from ordinary activities	665	815	1,187	1,472	1,600
Total expenses from ordinary activities	498	597	885	1,147	1,245
Profit from ordinary activities before income tax	167	218	302	325	355
Income tax expense	26	53	79	53	76
Profit from ordinary activities	141	165	223	272	279
Outside equity interest	–	–	–	1	–
Macquarie Income Securities distributions	–	–	12	31	29
Profit from ordinary activities after income tax attributable to ordinary equity holders	141	165	211	242	250
Financial Position ($ million)					
Total assets	7,929	9,456	23,389	27,848	30,234
Total liabilities	7,348	8,805	22,154	26,510	27,817
Net assets	581	651	1,235	1,338	2,417
Risk weighted assets	4,967	4,987	8,511	9,860	10,651
Total loan assets	3,158	4,002	6,518	7,785	9,209
Impaired assets (net of provisions)	12	44	23	31	34
Share Information					
Cash dividends per share (cents per share)					
1st Half	21.0	30.0	34.0	41.0	41.0
2nd Half	30.0	38.0	52.0	52.0	52.0
Total	51.0	68.0	86.0	93.0	93.0
Basic earnings per share (cents)	88.1	101.3	124.33	138.88	132.83
Share price at 31 March ($)	14.35	19.10	26.40	27.63	33.26
Ordinary share capital (million shares) (a)	157.6	161.1	171.2	175.9	198.5
Market capitalisation at 31 March (fully paid ordinary shares) ($ million)	2,262	3,077	4,520	4,860	6,602
Ratios					
Return on average ordinary share capital	26.1%	26.8%	28.1%	27.1%	18.7%
Payout ratio	57.9%	67.2%	70.0%	67.5%	73.6%
Tier 1 ratio	11.7%	13.0%	14.5%	12.9%	17.8%
Capital adequacy ratio	16.4%	17.3%	18.4%	16.0%	19.4%
Impaired assets as % of loan assets	0.4%	1.1%	0.3%	0.4%	0.4%
Net loan losses as % of loan assets	0.0%	0.1%	0.1%	0.1%	0.2%
Funds Under Management ($ billion)					
Listed	2.3	3.0	4.2	6.9	11.8
Unlisted					
Retail	8.9	9.8	9.6	10.6	11.7
Wholesale	10.5	10.0	12.5	13.4	17.8
Total	21.7	22.8	26.3	30.9	41.3
Staff Numbers	2,474	3,119(b)	4,070(b)	4,467(b)	4,726(b)

(a) Number of fully paid ordinary shares at 31 March, excluding options and partly paid shares.
(b) Includes both permanent staff (full time, part time and fixed term) and contractors (including consultants and secondees).

Directory of Groups and Divisions

Executive Chairman
David Clarke

Managing Director and Chief Executive Officer
Allan Moss

Deputy Managing Director
Richard Sheppard

Investment Banking Group
Nicholas Moore
Corporate Finance
Michael Cook and Michael Carapiet
Structured Finance
Michael Price
Cross-border Leasing
Oliver Yates
Infrastructure and Specialised Funds
Anthony Kahn
Macquarie Capital
Garry Farrell
Macquarie Equities
Mark Bennett
Macquarie Research Equities
David Rickards

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

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

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Bill Moss
Property – Stephen Girdis
Property Investment Management
James Hodgkinson and Simon Jones
Property Finance
Grant Munro
Real Estate Investment Banking Asia Pacific
Matthew Banks
Medallist Golf Developments
Tony Fehon
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Frank Ganis
Margin Lending
Scott Young
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Gail Burke
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