Risk management report 01
Statements of financial performance 06
Statements of financial position 07
Statements of cash flows 08
Notes to and forming part of the financial statements
01 Significant accounting policies 09
02 Profit from ordinary activities 13
03 Revenue 14
04 Segment reporting 15
05 Income tax (expense) 17
06 Dividends and distributions paid or provided 18
07 Earnings per share 19
08 Securities purchased under resale agreements 20
09 Trading assets 20
10 Other securities 20
11 Loan assets 21
12 Impaired assets 22
13 Other financial assets 22
14 Life insurance business 23
15 Equity investments 23
16 Joint ventures and associated entities 24
17 Fixed assets 27
18 Tax assets/(deferred tax liabilities) 28
19 Investments in controlled entities 28
20 Due to other financial institutions 30
21 Securities sold under repurchase agreements 30
22 Securities borrowed 30
23 Notes payable 30
24 Other financial liabilities 30
25 Other provisions 31
26 Loan capital 31
27 Contributed equity 32
28 Reserves, retained earnings and outside equity interests 33
29 Notes to the statements of cash flows 33
30 Related party information 35
31 Retirement benefits 37
32 Executive officers' remuneration 38
33 Employee equity participation 39
34 Contingent liabilities 47
35 Capital and other expenditure commitments 48
36 Lease commitments 48
37 Objectives of holding and issuing derivative financial instruments 48
38 Average interest-bearing assets and liabilities and related interest 49
39 Geographical concentration of deposits and borrowings 50
40 Maturity analysis of monetary assets and liabilities and liquidity management 51
41 Interest rate risk and face value 54
42 Credit risk and net fair value 59
43 Audit and other services provided by PricewaterhouseCoopers 63
44 Acquisition and disposal of Broadcast Australia Holdings Pty Limited 64
Directors' declaration 66
Independent audit report 67
Investor Information 68
Financial summary since listing 71

Risk management report

Risk is an integral part of the Macquarie Bank Group's businesses. Management of that risk is therefore critical to the Group's continuing profitability. Strong independent prudential management has been a key to the Group's success over many years. Where risk is assumed it is within a calculated and controlled framework.

The main risks faced by the Group are market risk, credit risk, liquidity risk, operational risk, and legal compliance and documentation risk. It is the responsibility of the Risk Management Division to assess and manage these risks within the Macquarie Bank Group.

The principles followed by Macquarie Bank in risk management are:

— *Independence* – Risk Management Division is independent of the operating areas of the Group, reporting directly to the Managing Director and the Board.

— *Centralised prudential management* – Risk Management Division's responsibility covers the whole of the Macquarie Bank Group. Therefore it can assess risks from a Group-wide perspective and ensure a consistent approach across all operating areas.

— *Approval of all new business activities* – Operating areas cannot undertake new businesses or activities, offer new products, or enter new markets without first consulting Risk Management Division. The Division identifies, quantifies and assesses all risks and sets prudential limits. Where appropriate, these limits are approved by the Executive Committee and the Board.

— *Continuous assessment* – Risk Management Division continually reviews risks to account for changes in market circumstances and the Group's operating areas.

— *Frequent monitoring* – Centralised systems exist to allow Risk Management Division to monitor credit and market risks daily. Risk Management Division staff liaise closely with operating and support Divisions.

Market risk
Market risk is the exposure to adverse changes in the value of the Group's trading portfolios as a result of changes in market prices or volatility. The Group is exposed to the following risks in each of the major markets in which it trades:

— foreign exchange markets: changes in spot and forward exchange rates and the volatility of exchange rates

— interest rate markets: changes in the level, shape and volatility of yield curves, the basis between different interest rate securities and derivatives and credit margins

— equities markets: changes in the price and volatility of individual equities, equity baskets and equity indices

— bullion markets: changes in the price and volatility of gold and silver

— commodity markets: changes in the price and volatility of base metals, agricultural commodities and energy products.

Risk Management Division measures exposures in all markets for each dealing desk and for markets in aggregate. Risk exposures are measured on derivatives and underlying assets and liabilities in the same market, together.

Risk Management Division sets limits for all exposures in all markets. Limits on the Group's aggregate market risk are approved by the Group's Executive Committee. The aggregate exposure to each market is limited to a small percentage of the Group's shareholders' funds. Trading limits are not targets and actual exposures in normal day to day trading tend to be well below limits.

The Division monitors market risks against limits daily and provides a report of market exposures to senior management every day.

Market risk limits are set on the following bases:

— a wide range of price and volatility scenarios, including comprehensive worst case, or stress, scenarios. These scenarios are measured every day and form the cornerstone of the risk management approach

— a statistically based Value At Risk (VAR) measure which, to correspond with the Australian Prudential Regulatory Authority's (APRA) capital adequacy standard, is based on a 10-day holding period and a 99 per cent confidence level. Risk Management Division performs back testing on the VAR results, that is a comparison of actual daily trading profits and losses against the daily VAR. VAR is calculated using a Monte Carlo simulation approach

— volume and open position limits are set on a large number of market instruments and positions in order to constrain concentration risk and to avoid the accumulation of risky, illiquid positions.

Risk management report continued

The table below shows the average, maximum and minimum VAR over the year for the major markets in which the Group operates. The VAR shown in the table is based on a one-day holding period. The aggregate VAR is on a correlated basis.

	2003 Average $M	2003 Maximum $M	2003 Minimum $M	2002 Average $M	2002 Maximum $M	2002 Minimum $M
Value at risk (VAR) figures for the financial year ended March 2003						
Equities	**3.00**	**4.92**	**1.77**	4.35	6.75	2.11
Interest rates	**1.98**	**3.52**	**0.67**	1.48	4.40	0.72
Foreign exchange and bullion	**0.88**	**2.31**	**0.27**	1.18	3.90	0.27
Commodities	**1.01**	**1.87**	**0.39**	0.76	1.88	0.25
Aggregate	**3.77**	**5.48**	**2.72**	4.84	7.25	2.54

There are two areas in which non-traded market risks arise in the Group.

First, some interest rate risk arises in the banking book. The raising of liabilities to fund on-balance sheet assets is centrally managed by the Treasury area in the Treasury and Commodities Group. Treasury has the responsibility of managing the mismatch between assets and liabilities. This ensures that business areas that lend can focus on margins rather than on exposures to interest rates.

Treasury must manage its interest rate exposures within interest rate trading book limits. These exposures are included in the value-at-risk figures set out in this report.

As a result of the above practice, virtually all of the Group's interest rate is captured in the trading book. Banking book businesses either have no limit to take interest rate risk, i.e. they must be fully hedged at all times, or are given a small limit to cover residual risks. Residual interest rate risk in the banking book is monitored regularly by Risk Management Division.

Second, market risks arise on equity-like exposures that are taken by the Group from time to time. These exposures include:

— Holdings in specialised funds managed by the Group

— Direct investments in entities external to the Group

— Property

— Lease residuals.

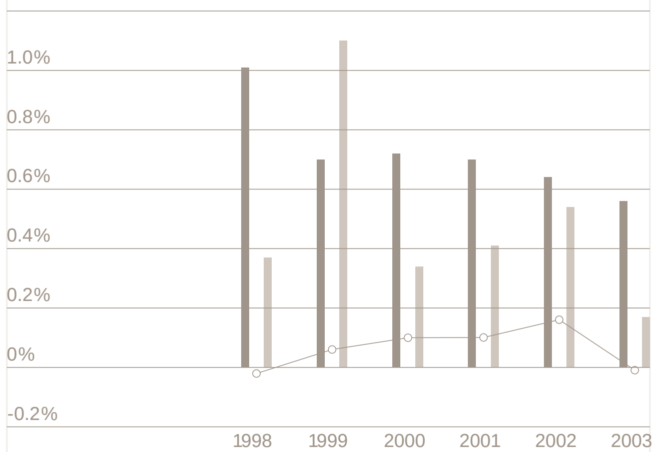
All positions of this kind are reviewed and approved by Risk Management Division and, where appropriate, by Executive Committee and the Board. Consistent with the approach taken with market risks in the trading areas of the Group, equity positions are subject to worst case, or stress, scenario analysis. The Group's total exposure to equity positions on this worst case basis is subject to a portfolio limit approved by the Board.

Credit risk

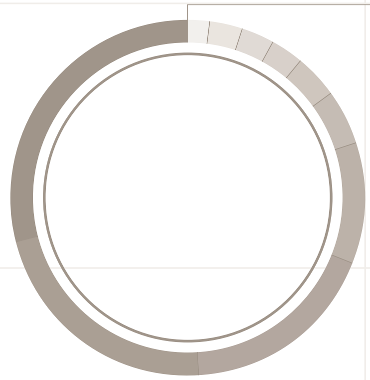
Credit risk arises from both lending and trading activities. In the case of trading activity credit risk reflects the possibility that the trading counterparty will not be in a position to complete the contract once the settlement becomes due. The resultant credit exposure will be a function of the movement of prices over the period of the underlying contract.

Systems for the assessment of potential credit exposures exist for each of the Group's trading activities. As with market exposures, no credit exposures are entered into without appropriate analysis. Limits are set on the basis of these potential exposures.

The Group's philosophy on credit risk reflects the principle of separating prudential control from operational management. Responsibility for approval of credit exposures is delegated to specific individuals. All approvals reflect two principles: a requirement for dual sign-off and a requirement that, above relatively small figures, all credit exposures must be approved outside the business line proposing to undertake them. Most credit decisions are therefore taken within the Risk Management Division.

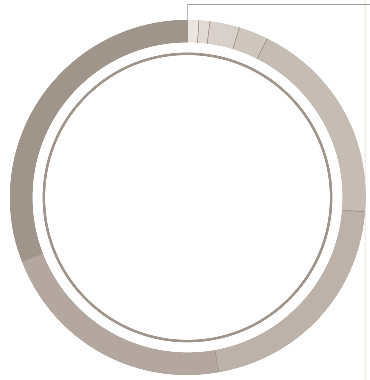


PROVISION FOR UNCERTAINTIES TO LOANS, ADVANCES AND LEASES
IMPAIRED ASSETS TO LOANS, ADVANCES AND LEASES
NET LOAN LOSSES TO LOANS, ADVANCES AND LEASES



LOANS, ADVANCES AND LEASES BY SECTOR

FINANCE AND INSURANCE	29%
INDIVIDUALS AND HOUSEHOLDS	22%
PROPERTY AND BUSINESS SERVICES	18%
OTHER	11%
GOVT ADMINISTRATION AND DEFENCE	5%
PERSONAL AND OTHER SERVICES	4%
MINING	3%
CONSTRUCTION	3%
MANUFACTURING	3%
WHOLESALE TRADE	2%
	100%



FUNDING BY SOURCE

SHORT-TERM NOTES	31%
CORPORATE CLIENTS	22%
LONG-TERM BONDS	21%
RETAIL CLIENTS	19%
GOLD LOANS	3%
SUBORDINATED DEBT	2%
DUE TO BANKS/CLEARING HOUSES	1%
CONVERTIBLE PREFERENCE SHARES	1%
	100%

All limits are reviewed at least once a year, or more frequently if necessary, to ensure that the most current information available on counterparties is taken into account.

All credit exposures are monitored regularly against limits. Credit exposures which fluctuate through time are monitored daily. These include off-balance sheet exposures such as swaps, forward contracts and options, which are assessed using sophisticated valuation techniques.

To mitigate credit risk, the Group makes increasing use of margining and other forms of collateral or credit enhancement techniques where appropriate.

The Group's policies to control credit risk include avoidance of unacceptable concentrations of risk either to any economic sector or to an individual counterparty. Large exposures to single counterparties or groups of counterparties are generally restricted unless the credit is of the highest standard or there is a high level of security.

The Group has modest, though growing, exposures offshore. There are small amounts held in nostro balances and exposures to OECD and some Asia Pacific, Latin American and African countries. Where appropriate the country risk is covered by political risk insurance.

Liquidity risk

Liquidity risk is recognised as one of the most important issues for the Macquarie Bank Group. The Group's liquidity policy is reviewed regularly and has been agreed with the Australian Prudential Regulation Authority (APRA).

Liquidity requirements are managed on a day to day basis by the Treasury and Commodities Group which is responsible for ensuring funding is readily available for all the Group's transactions, even in a crisis scenario, and for maintaining a diversity of funding sources.

Risk Management Division monitors liquidity on a daily basis to ensure the funding profile meets liquidity policies.

A full description of the Group's liquidity policy is contained in Note 40 to the Financial Report.

Operational risk

Macquarie Bank faces operational risks which could lead to reputation damage, financial loss or regulatory risk in the event of an operational failure or error. Responsibility for management of operational risk lies in the first instance with the business unit concerned. Business Operational Risk Managers have been appointed to help ensure business units meet this responsibility.

Controls over operational risk are designed to ensure transactions are appropriately approved and that checks and balances exist over their processing, recording and reconciliation. These include procedures and controls which ensure that all transactions are accurately recorded and properly reflected in internal systems and records and that they are confirmed on a timely basis.

Consistent formalised controls operate across the Group over the management of specific operational risks. Tight control is achieved through specialised centralised departments, formal approval processes, and Group-wide policies and procedures. Project teams and special interest groups with clear reporting lines are formed to manage or focus on one-off or common risks where appropriate.

A Group-wide process of operational risk self-assessment by management has been established to provide further focus on operational risk management.

Macquarie's approach to managing risk through the above framework allows new risks to be identified and dealt with in a proactive manner, as well as regularly reviewing existing risks.

The role of Operational Risk Review (ORR) is to assess whether operational risk management procedures in Macquarie are adequate. ORR undertakes independent reviews of risk throughout the Group, reporting directly to the Board Audit and Compliance Committee and senior management on issues or weaknesses.

Risk management report continued

Legal and compliance risk
Macquarie Bank actively manages legal and compliance risks to its businesses. Legal and compliance risks include the risk of breaches of applicable laws and regulatory requirements, actual or perceived breaches of obligations of fidelity or confidence to clients and counterparties, unenforceability of counterparty obligations, or the inappropriate documentation of contractual relationships.

Each of the Group's businesses is responsible for developing and implementing its own legal risk management and compliance procedures. Risk Management Division's Compliance function assesses compliance risk from a Group-wide perspective and works closely with legal, compliance and prudential teams throughout the Group to ensure appropriate standards are applied consistently to compliance risks. The development of new businesses and regulatory changes, domestically and internationally, are key areas of focus within this role.

International offices
Macquarie Bank's policy is that international offices are subject to the same risk management controls that apply in Australia. Before an international office can be set up, or undertake new activities, Risk Management Division analyses the proposed activities and procedures to ensure appropriate risk management controls are in place. Risk Management Division staff monitor and routinely visit overseas offices to ensure compliance with prudential controls. In addition, Risk Management Division staff are located in certain of the larger offices.

Where international offices undertake trading activities, daily reports are produced in Sydney and all exposures, both credit and market, are monitored against established limits.

Capital adequacy
The Group's capital adequacy ratio at 31 March 2003, measured under APRA's guidelines, amounted to 21.4 per cent (2002:19.4%).
The Tier 1 ratio was 19.0 per cent (2002: 17.8%).

The Group's capital base was made up of:	**31 March 2003 $M**	31 March 2002 $M
Tier 1		
Share capital and reserves, less goodwill and other deductions	**1,902**	1,900
Tier 2		
Macquarie Income Securities (excess over level allowable for Tier 1 capital)	**74**	133
Subordinated debt	**406**	242
Less amortised amount	**(69)**	(49)
General reserve for losses	**55**	59
Less associated tax benefits @ 30%	**(17)**	(18)
	449	367
Total capital	**2,351**	2,267
Less capital deductions	**(204)**	(198)
Net capital base	**2,147**	2,069

Balance sheet risk-weighted assets – 31 March 2003	Amount $M	Risk weight %	Risk adjusted asset $M
Cash, bullion, Commonwealth and State Governments, trading book assets	12,202	0	—
Local Governments, Non-Corporate Public Sector Entities, banks	3,906	20	781
Mortgage loans, stockbroking debtors	986	50	493
Other assets — 100% risk weighting	6,397	100	6,397
— 0% risk weighting	9,026	0	—
Total assets	32,517		7,671
Less: attributable to APS 120 subsidiaries			(107)
Total balance sheet risk-weighted assets			7,564

Off-balance sheet risk-weighted assets – 31 March 2003	Nominal amount $M	Credit conversation factor	Credit equivalent amount	Risk weight %	Risk adjusted asset $M
Guarantees, letters of credit and endorsements	382	50-100	256	0-100	223
Forward purchases and undrawn commitments	3,925	0-100	362	0-100	251
Foreign exchange, interest rate and other market related transactions	180,239	N/A	4,105	0-50	1,412
Total off-balance sheet risk-weighted assets					1,886

Market risk – 31 March 2003	99% 10 day VAR* $M	Multiplier	Capital charge $M	Conversation factor	Risk adjusted asset $M
Interest rates – general market risk	8				
Equities – general market risk	6				
Equities – specific risk	2				
Foreign exchange and bullion	2				
Commodities	3				
Aggregate	8	3	25	12.5	307
Surcharge for equities event and default risk			2	12.5	21
Debt securities specific risk (standard method)			20	12.5	252
Total market risk risk-weighted assets					580
Total risk-weighted exposure					10,030

* Average for the 60 days to 31 March 2003

The Group has in place a high level capital management plan. The Board sets capital targets, having regard to APRA requirements, ratings agencies and market expectations, and the views of management. The actual capital adequacy position of the Group is calculated regularly by Risk Management Division and Financial Operations Division. In addition, forecasts of the Group's capital adequacy are made up to two years ahead so that the Group can anticipate future capital needs in response to new transactions and new businesses.

Statements of financial performance

For the financial year ended 31 March 2003

	Notes	Consolidated 2003 $M	Consolidated 2002 $M	Bank 2003 $M	Bank 2002 $M
Interest income		**1,074**	1,009	**902**	848
Interest expense		**(827)**	(790)	**(860)**	(832)
Net interest income	2	**247**	219	**42**	16
Fee and commission income		**1,370**	1,210	**475**	371
Fee and commission expense		**(254)**	(207)	**(131)**	(115)
Net fee and commission income	2	**1,116**	1,003	**344**	256
Trading income	2	**402**	361	**335**	365
Other income	2	**194**	52	**598**	415
Other expenses	2	**(69)**	(35)	**(61)**	(52)
Total income from ordinary activities		**1,890**	1,600	**1,258**	1,000
Employment expenses	2	**(970)**	(859)	**(710)**	(599)
Occupancy expenses	2	**(92)**	(84)	**(64)**	(58)
Non-salary technology expenses	2	**(84)**	(79)	**(66)**	(62)
Professional fees, travel and communication expenses	2	**(123)**	(117)	**(81)**	(74)
Other operating expenses	2	**(161)**	(106)	**(61)**	(58)
Total expenses from ordinary activities		**(1,430)**	(1,245)	**(982)**	(851)
Profit from ordinary activities before income tax		**460**	355	**276**	149
Income tax (expense)	5	**(96)**	(76)	**(20)**	(18)
Profit from ordinary activities after income tax		**364**	279	**256**	131
(Profit) from ordinary activities after income tax attributable to outside equity interests		**(3)**	—	**—**	—
Profit from ordinary activities after income tax attributable to equity holders of Macquarie Bank Limited*		**361**	279	**256**	131
Distributions paid or provided on Macquarie Income Securities	6	**(28)**	(29)	**—**	—
Profit from ordinary activities after income tax attributable to ordinary equity holders of Macquarie Bank Limited		**333**	250	**256**	131
		Cents per share			
Basic earnings per share	7	**164.84**	132.83		
Diluted earnings per share	7	**163.06**	129.14		

*There were no valuation adjustments recognised directly in equity.

The statements of financial performance should be read in conjunction with the accompanying notes.

Statements of financial position

As at 31 March 2003

	Notes	Consolidated 2003 $M	Consolidated 2002 $M	Bank 2003 $M	Bank 2002 $M
Assets					
Cash and liquid assets		**311**	283	**147**	165
Securities purchased under resale agreements	8	**5,155**	4,313	**4,982**	4,126
Trading assets	9	**4,780**	4,864	**4,327**	4,114
Other securities	10	**2,181**	1,937	**228**	52
Loan assets	11	**9,894**	9,209	**7,498**	7,201
Other financial market assets	1(xxi)	**5,309**	4,630	**5,125**	4,726
Other financial assets	13	**1,828**	1,927	**1,184**	1,198
Life insurance investment assets	14	**2,516**	2,588	**—**	—
Due from controlled entities		**—**	—	**3,620**	3,608
Equity investments	15	**130**	102	**26**	26
Investments in associates and incorporated joint ventures	16	**142**	90	**69**	40
Fixed assets	17	**125**	135	**106**	123
Tax assets	18	**146**	156	**174**	147
Investments in controlled entities	19	**—**	—	**2,278**	2,161
Total assets		**32,517**	30,234	**29,764**	27,687
Liabilities					
Due to other financial institutions	20	**517**	565	**230**	201
Securities sold under repurchase agreements	21	**2,221**	928	**2,221**	928
Securities borrowed	22	**2,381**	2,359	**2,796**	2,925
Deposits		**3,966**	4,520	**3,930**	4,487
Notes payable	23	**10,069**	9,434	**10,069**	9,693
Other financial market liabilities	1(xxi)	**4,718**	3,811	**4,705**	3,930
Tax liabilities		**18**	17	**12**	8
Other financial liabilities	24	**2,665**	2,923	**2,181**	1,825
Life insurance policy liabilities		**2,456**	2,539	**—**	—
Due to controlled entities		**—**	—	**748**	1,177
Provisions for dividends and distributions		**213**	109	**208**	103
Deferred tax liabilities	18	**30**	100	**—**	—
Other provisions	25	**122**	120	**117**	117
Total liabilities excluding loan capital		**29,376**	27,425	**27,217**	25,394
Loan capital					
Subordinated debt	26	**406**	242	**406**	242
Converting Preference Shares	26	**150**	150	**150**	150
Total liabilities		**29,933**	27,817	**27,773**	25,786
Net assets		**2,585**	2,417	**1,991**	1,901
Equity					
Contributed equity					
Ordinary share capital	27	**1,137**	1,012	**1,137**	1,012
Macquarie Income Securities	27	**391**	391	**391**	391
Investment revaluation reserve	28	**—**	—	**85**	144
Retained earnings	28	**659**	617	**378**	354
Total equity attributable to equity holders of Macquarie Bank Limited		**2,187**	2,020	**1,991**	1,901
Outside equity interests in controlled entities	28	**398**	397	**—**	—
Total equity		**2,585**	2,417	**1,991**	1,901

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

Statements of cash flows

For the financial year ended 31 March 2003

	Notes	Consolidated 2003 $M	Consolidated 2002 $M	Bank 2003 $M	Bank 2002 $M
Cash flows from operating activities					
Interest received		**1,083**	980	**918**	817
Interest and other costs of finance (paid)		**(856)**	(821)	**(876)**	(827)
Dividends and distributions received		**90**	144	**401**	315
Fees and other non-interest income received		**1,294**	1,149	**842**	679
Fees and commissions (paid)		**(257)**	(156)	**(126)**	(101)
Net receipts from dealing in financial instruments		**1,113**	627	**921**	900
(Payments) to suppliers		**(441)**	(709)	**(133)**	(425)
Employment expenses (paid)		**(866)**	(816)	**(603)**	(554)
Income taxes (paid)		**(197)**	(165)	**(52)**	(66)
Life insurance investment income		**105**	84	**—**	—
Life insurance premiums received		**1,710**	1,854	**—**	—
Life insurance (policy payments)		**(1,750)**	(1,946)	**—**	—
Broadcast Australia – net receipts from operations		**17**	—	**—**	—
Net cash flows from operating activities	29	**1,045**	225	**1,292**	738
Cash flows from investing activities					
Loan assets (granted)		**(4,674)**	(3,698)	**(5,123)**	(4,944)
Proceeds from securitisation of loan assets		**4,407**	2,258	**4,407**	2,258
Recovery of loans previously written-off		**1**	—	**1**	—
(Payments) for other securities		**(737)**	(1,788)	**(335)**	(43)
Proceeds from the realisation of other securities		**298**	121	**120**	54
(Payments) for equity investments		**(109)**	(78)	**(40)**	—
Proceeds from the sale of equity investments		**13**	27	**13**	—
Payments for the purchase of controlled entities		**—**	—	**(202)**	(1,151)
(Payments) for fixed assets		**(40)**	(75)	**(29)**	(55)
Proceeds from the sale of fixed assets		**2**	2	**1**	—
(Payments) for life insurance investments		**(5,881)**	(7,803)	**—**	—
Proceeds from the sale of life insurance investments		**5,847**	7,841	**—**	—
Broadcast Australia – payment for acquisition, net of cash acquired	44	**(296)**	—	**—**	—
Broadcast Australia – cash deconsolidated	44	**(17)**	—	**—**	—
Net cash flows from investing activities		**(1,186)**	(3,193)	**(1,187)**	(3,881)
Cash flows from financing activities					
Net (decrease)/increase in money market and other deposit accounts		**(32)**	2,231	**(247)**	2,753
Proceeds from the issue of ordinary share capital		**47**	623	**47**	623
Transaction costs for the issue of ordinary share capital		**—**	(3)	**—**	(3)
Proceeds from outside equity interest		**1**	394	**—**	—
(Repayment) of subordinated debt		**(50)**	—	**(50)**	—
Issue of subordinated debt		**225**	—	**225**	—
Dividends and distributions (paid)		**(141)**	(213)	**(109)**	(183)
Broadcast Australia – net proceeds from borrowings		**137**	—	**—**	—
Net cash flows from financing activities		**187**	3,032	**(134)**	3,190
Net increase/(decrease) in cash		**46**	64	**(29)**	47
Cash at the beginning of the financial year		**243**	179	**154**	107
Cash at the end of the financial year	29	**289**	243	**125**	154

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

Notes to and forming part of the financial statements

As at 31 March 2003

Note one > Significant accounting policies

The significant accounting policies adopted in the preparation of this financial report and that of the previous financial year, except as otherwise stated, are:

i) Preparation of financial report

This financial report is a general purpose financial report which has been 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 1959.

This financial report has been prepared on a historical cost basis, except where otherwise stated. The carrying value of any non-current assets does not exceed their recoverable amount. In assessing recoverable amounts for particular classes of assets the relevant cash flows have not been discounted to their present values, unless otherwise stated.

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current financial year.

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

ii) Consolidation

This financial report comprises the financial report of Macquarie Bank Limited (the Bank), being the chief entity, and its controlled entities (together, “the economic entity”). A controlled entity is one in which the Bank has the capacity to directly or indirectly control decision-making in relation to financial and operating policies, so as to require that entity to conform with the Bank’s objectives. The effects of all transactions between entities in the economic entity have been eliminated in full. Outside equity interests in the results and equity of controlled entities, where the Bank owns less than 100% of the issued capital, are shown separately in the consolidated Statements of Financial Performance and Financial Position respectively.

Where control of an entity was obtained during the financial year, its results have been included in the consolidated Statement of Financial Performance from the date on which control commenced. Where control of an entity ceased during the financial year its results are included for that part of the financial year during which control existed.

iii) Foreign currencies

All foreign currency monetary assets and liabilities, including those belonging to controlled entities located overseas, have been translated into Australian currency at the rates of exchange prevailing at balance date, with all relevant movements recognised in the Statement of Financial Performance. Transactions in foreign currencies have been recorded at the rates of exchange prevailing at transaction dates. Gains or losses arising on transactions and from dealing in foreign exchange have been recognised in the Statement of Financial Performance.

Forward foreign exchange contracts, entered into in the normal course of business, are accounted for as specified in the accounting policy note “xxi) – Financial instruments”.

Foreign currency liabilities are generally matched by assets or derivative financial instruments in the same currency. The total amounts of unmatched foreign currency liabilities and assets and consequent foreign currency exposures are not material.

iv) Interest income

Interest income from loans and deposits is brought to account on an accruals basis. Interest on finance leases is brought to account progressively over the life of the lease consistent with the outstanding investment balance.

Accrued coupons, amortisation of premiums and accretion of discounts are brought to account as interest income on a yield to maturity basis in accordance with the terms of the security.

v) Fee income

Corporate advice and other fee income is brought to account as work is completed and a fee agreed with clients.

Fees earned from financing transactions in respect of risk margins are deferred and brought to account as interest income on a straight-line basis over the term of the financing arrangement. Fees earned in respect of cost recoveries are brought to account upon receipt. Where the financing exposure is sold down to investors, the previously unearned amount is brought to account as fee income.

Notes continued

As at 31 March 2003

Note one > Significant accounting policies continued

vi) Dividends and distributions
Dividends and distributions are recognised as income in the Statement of Financial Performance upon declaration.

vii) Income tax
The principles of the liability method of tax effect accounting have been adopted whereby the income tax expense for the financial year is calculated by reference to the accounting profit after allowing for permanent differences between accounting profit and taxable income. The tax assets relating to tax losses are not carried forward as an asset unless the benefit is virtually certain of realisation.

Income tax on cumulative timing differences is set aside to either the deferred tax liabilities or deferred tax assets accounts at the rates which are expected to apply when those timing differences reverse.

No provision is made for additional taxes which could become payable if certain retained earnings or reserves of foreign controlled entities were to be distributed. It is not expected that any substantial amount will be distributed from these retained earnings or reserves in the foreseeable future.

viii) Repurchase and reverse repurchase agreements
Securities purchased under resale agreements represent assets of the economic entity. The difference between the purchase price and the resale price is brought to account as interest income over the term of the agreement.

Securities sold under repurchase agreements represent liabilities of the economic entity. The difference between the sale price and the repurchase price is brought to account as interest expense over the term of the agreement.

ix) Trading assets and securities borrowed
Trading assets, including debt and equity securities, bank bills, treasury notes, bullion and commodities are purchased with the intent that they be sold during the course of day to day trading operations. Securities borrowed include equities and fixed interest securities that are transacted in the normal course of business. They are recorded at net market value, which approximates their net fair value. Any realised gains or losses from the sale of trading assets and unrealised gains or losses arising from market value adjustments are recognised in the Statement of Financial Performance.

x) Other securities
Other securities are purchased with the intent that they be held for a period of time, though not necessarily until maturity. They are recorded at the lower of cost and recoverable amount. Where the carrying value of a security is in excess of its recoverable amount, the security will be written down to its recoverable amount and the difference recognised as an expense in the Statement of Financial Performance.

xi) Credit review
All loan assets are subject to recurring review and assessment of the level of credit risk. All bad debts are written off in the period in which they are recognised and specific provisions are made for impaired assets.

Impaired loans are classified as follows:

a) Non-accrual with:

i) no performance (representing loans on which no income is being received)

ii) partial performance (representing loans on which income which is less than the legal entitlement is received)

iii) full performance with provisions (representing loans on which full income is being received but where a provision against loss has been made)

b) Restructured loans (where the original loan agreement has been modified)

c) Other real estate owned (representing loans acquired through enforcement of security).

xii) Securitisation of loan assets
The economic entity securitises loan assets via the issue of bonds to investors through unrelated trusts and companies. Fees earned in respect of services provided in connection with the management of the trusts and companies are brought to account on an accrual basis. All credit risk associated with securitisation of the assets are assumed by the investors on purchase of the bonds.

xiii) Property purchased for sale and development
Property purchased for sale and development represents properties purchased for the specific purpose of being held for development and sale. Property is stated at the lower of its purchase cost or recoverable amount.

xiv) Equity investments
Investments in non-related entities intended for long-term retention are shown at cost. Where the carrying value of the investment is in excess of its recoverable amount, the investment will be written down to its recoverable amount and the difference recognised as an expense in the Statement of Financial Performance.

xv) Investments in associates and incorporated joint ventures
Investments in associates and incorporated joint ventures are accounted for on consolidation using the equity method. Associates are those entities over which the consolidated entity exercises significant influence but not control. The economic entity's share of profits of these investments is recognised as income in the consolidated Statement of Financial Performance.

xvi) Investments in controlled entities
Investments in controlled entities are recorded at deemed cost. Where the carrying value of these investments is in excess of their recoverable amount, the investment will be written down to its recoverable amount and the difference will be recognised as an expense in the Statement of Financial Performance.

xvii) Fixed assets
Fixed assets are stated at cost less accumulated depreciation. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets at the following rates:

Art	1%
Personal computers	50%
Other computer equipment	33.3%
Furniture and fittings	10%
Plant and equipment	20%
Leasehold improvements*	20%

* Where remaining lease terms are less than 5 years, leasehold improvements are depreciated over the lease term.

Certain internal and external costs directly incurred in acquiring and developing certain software have been capitalised and are being amortised over their useful life, usually for a period of between 3 and 5 years. Costs incurred on software maintenance are expensed as incurred.

Depreciation rates are reviewed annually and reassessed in the light of commercial and technological developments.

The costs of repairs and maintenance are expensed as incurred.

Where the useful life of an asset or class of assets has been reduced or effectively ended then the book value of such asset or class of assets or their useful lives would be reduced as appropriate. Adjustments arising from such restatements and on disposal of fixed assets are recognised in the Statement of Financial Performance.

xviii) Provision for employee entitlements
Liabilities for unpaid salaries, salary related costs and provisions for annual leave are recorded in the Statement of Financial Position at the current salary rates. Provisions for long service leave are recognised at the present value of expected future payments to be made. In determining this amount, consideration is given to expected future salary levels, on-costs and employee service histories. Expected future payments are discounted to their net present value using rates on Commonwealth Government securities with terms that match as closely as possible the expected future cash flows.

Notes continued

As at 31 March 2003

Note one > Significant accounting policies continued

xix) Provision for uncertainties

The economic entity maintains a provision for uncertainties to cover the inherent risk of loss that may arise from non-recovery of amounts receivable or contingent exposures. An assessment as to the adequacy of the provision is made at the end of each reporting period. Should the provision be considered inadequate, either due to losses applied against the provision or to changes in the size or risk characteristics of the economic entity's portfolio, a charge would be made in the Statement of Financial Performance in the current financial year to adjust the provision.

xx) Statement of cash flows

For the purposes of the Statement of Cash Flows, cash includes cash and liquid assets, balances due to the clearing bank and balances due to clearing houses.

xxi) Financial instruments

Financial instruments include futures, forwards and forward rate agreements, swaps and options in the interest rate, foreign exchange, commodity and equity markets. The economic entity uses these derivative instruments for trading activities and in conjunction with the management of existing assets and liabilities (refer Note 37 – Objectives of holding and issuing derivative financial instruments).

Transactions that are entered into for trading purposes or used as hedges of other trading assets or instruments are carried at market value, which approximates their net fair value with resultant gains and losses recognised in the Statement of Financial Performance and included within "other financial market assets" and "other financial market liabilities" in the Statement of Financial Position.

Transactions entered into for hedging purposes or used to modify the interest rate characteristics of specific assets and liabilities are brought to account on the same basis as the income or expense which is recognised on the hedged instrument or the underlying asset or liability.

xxii) Funds under management

Within the economic entity certain controlled entities act as a custodian and/or single responsible entity for a number of investment funds and trusts. As at 31 March 2003, the investment funds and trusts, both individually and collectively, have an excess of assets over liabilities. The value of funds managed by the economic entity (measured based on the net assets of the individual funds) exceeds $52.3 billion (2002: $41.3 billion). These investment funds and trusts have not been consolidated in the financial report because individual entities within the economic entity do not have control of the funds and trusts.

The controlled entity also manages life insurance statutory fund assets that are consolidated, refer below.

Commissions and fees earned in respect of the economic entity's funds management activities are brought to account on an accruals basis.

xxiii) Life insurance business

The following are key accounting policies in relation to the life insurance business:

Fees and charges

Fees and charges are recognised as revenue when services are provided to policy holders. This is commonly referred to as the "Margin on Services" methodology in accordance with Actuarial Standards AS 1.02 "Valuation of Policy Liabilities" issued by the Life Insurance Actuarial Standards Board.

Investment assets

Investments are measured at net market value which approximates their fair value. Market value is determined based on quoted prices for listed securities and market yields for fixed interest and discount securities. Changes in net market values are recognised in the Statement of Financial Performance in the financial year in which the changes occur.

Restriction on assets

Investments held in the Life Funds can only be used within the restrictions imposed under the Life Insurance Act 1995. The main restrictions are that the assets in a fund can only be used to meet the liabilities and expenses of that fund, to acquire investments to further the business of the fund or as distributions when solvency and capital adequacy requirements are met. Shareholders can only receive a distribution, by way of dividend, when the capital adequacy requirements of the Life Insurance Act 1995 are met.

Policy liabilities

Policy liabilities are measured as the accumulated benefits available to policy holders, calculated in accordance with AS 1.02.

Note two > Profit from ordinary activities

	Consolidated 2003 $M	Consolidated 2002 $M	Bank 2003 $M	Bank 2002 $M
Interest income				
Interest income received/receivable:				
other entities	**1,074**	1,009	**732**	739
controlled entities	**—**	—	**170**	109
Interest expense paid/payable:				
other entities	**(827)**	(790)	**(804)**	(777)
controlled entities	**—**	—	**(56)**	(55)
Total net interest income	**247**	219	**42**	16
Fee and commission income				
revenue	**1,342**	1,181	**475**	371
expense	**(254)**	(207)	**(131)**	(115)
Income from life insurance business (refer Note 14)	**28**	29	**—**	—
Net fee and commission income	**1,116**	1,003	**344**	256
Trading income				
Arising from trading instruments	**232**	220	**196**	259
Net gain from foreign currency trading	**98**	87	**98**	87
Dividends and distributions received/receivable – other trading assets	**72**	54	**41**	19
Total trading income	**402**	361	**335**	365
Other income				
Proceeds from the sale of other securities and equity investments	**311**	148	**133**	54
Less carrying value of other securities and equity investments	**(280)**	(129)	**(130)**	(43)
Profit on the sale of other securities and equity investments	**31**	19	**3**	11
Broadcast Australia – transmission income	**49**	—	**—**	—
Broadcast Australia – gain on deconsolidation (refer Note 44)	**54**	—	**—**	—
Share of net profits of associates and incorporated joint ventures accounted for using the equity method (refer Note 16)	**—**	6	**—**	—
Life insurance income earned on shareholders' funds	**8**	5	**—**	—
Dividends received/receivable				
other securities and equity investments	**30**	6	**12**	2
controlled entities	**—**	—	**208**	83
Management fees and cost recoveries – controlled entities	**—**	—	**347**	317
Other income	**22**	16	**28**	2
Total other income	**194**	52	**598**	415
Provision for diminution of equity investments	**(62)**	—	**(39)**	—
Provision for uncertainties (refer Note 25)	**4**	(5)	**5**	(7)
Charge for specific provisions				
provided for during the financial year (refer Note 11)	**(9)**	(16)	**(7)**	(14)
recovery of loans previously provided for (refer Note 11)	**10**	2	**8**	2
loan losses written off	**(2)**	(2)	**—**	(1)
recovery of loans previously written off	**1**	1	**1**	1
Total net charge for provisions	**(58)**	(20)	**(32)**	(19)
Writedown of investments in controlled entities to recoverable amount	**—**	—	**(21)**	(19)
Other expenses	**(11)**	(15)	**(8)**	(14)
Total other expenses	**(69)**	(35)	**(61)**	(52)
Total net other income	**125**	17	**537**	363
Total income from ordinary activities	**1,890**	1,600	**1,258**	1,000

Notes continued

As at 31 March 2003

Note two > Profit from ordinary activities continued

	Consolidated 2003 $M	Consolidated 2002 $M	Bank 2003 $M	Bank 2002 $M
Employment expenses				
Salary, salary-related costs, superannuation, performance-related profit share and staff training	**(961)**	(850)	**(706)**	(594)
Provision for annual leave	**(3)**	(6)	**(1)**	(3)
Provision for long service leave	**(3)**	(3)	**(3)**	(2)
Broadcast Australia – employment expenses	**(3)**	—	**—**	—
Total employment expenses	**(970)**	(859)	**(710)**	(599)
Occupancy expenses				
Operating lease rental	**(66)**	(62)	**(46)**	(44)
Depreciation: furniture, fittings and leasehold improvements (refer Note 17)	**(15)**	(13)	**(11)**	(10)
Other occupancy expenses	**(11)**	(9)	**(7)**	(4)
Total occupancy expenses	**(92)**	(84)	**(64)**	(58)
Non-salary technology expenses				
Information services	**(32)**	(31)	**(17)**	(19)
Depreciation: computer equipment and software (refer Note 17)	**(31)**	(29)	**(30)**	(28)
Other non-salary technology expenses	**(21)**	(19)	**(19)**	(15)
Total non-salary technology expenses	**(84)**	(79)	**(66)**	(62)
Other operating expenses				
Professional fees	**(67)**	(52)	**(49)**	(35)
Travel expenses	**(36)**	(42)	**(20)**	(25)
Communication expenses	**(16)**	(19)	**(8)**	(10)
Depreciation: communication equipment (refer Note 17)	**(4)**	(4)	**(4)**	(4)
Total professional fees, travel and communication expenses	**(123)**	(117)	**(81)**	(74)
Auditors' remuneration (refer Note 43)	**(6)**	(6)	**(2)**	(3)
Other operating expenses	**(102)**	(100)	**(59)**	(55)
Broadcast Australia – other operating expenses	**(53)**	—	**—**	—
Total other operating expenses	**(161)**	(106)	**(61)**	(58)
Total expenses from ordinary activities	**(1,430)**	(1,245)	**(982)**	(851)

Note three > Revenue

	Consolidated 2003 $M	Consolidated 2002 $M	Bank 2003 $M	Bank 2002 $M
Interest income	**1,074**	1,009	**902**	848
Fee and commission income	**1,342**	1,181	**475**	371
Investment revenue and management fees from life insurance business (refer Note 14)	**26**	174	**—**	—
Trading income	**402**	361	**335**	365
Proceeds from the sale of other securities and equity investments	**311**	148	**133**	54
Other income (excluding profit on the sale of other securities and equity investments)	**163**	33	**595**	404
Total revenue	**3,318**	2,906	**2,440**	2,042

Note four > Segment reporting

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment or the relevant portion that can be allocated to a segment on a reasonable basis. Segment assets include all assets used by a segment. The carrying amount of certain assets used jointly by segments are allocated based on reasonable estimates of usage.

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

The segment information has been prepared in conformity with the economic entity's accounting policies as disclosed in Note 1 – Significant accounting policies.

Primary segment – business

For internal reporting and risk management purposes, the economic entity is divided into six operating Groups (the Groups). The Groups do not meet the definition of a reportable business segment for the purposes of reporting in accordance with AASB 1005 "Segment Reporting", because the Groups provide certain products to customers which have the same, or similar, risk and return characteristics. The revised AASB 1005 has been applied for the first time by the economic entity for the financial year ended 31 March 2003.

For the purposes of determining business segments the activities of the economic entity have been divided into four areas:

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

	Asset and Wealth Management $M	Financial Markets $M	Investment Banking $M	Lending $M	Total $M
					31 March 2003
Financial performance					
Revenue from external customers	**669**	**1,039**	**1,035**	**575**	**3,318**
Intersegmental revenue	**3**	**(157)**	**(37)**	**191**	**—**
Share of profits or losses of associates and incorporated joint ventures	**1**	**1**	**(3)**	**1**	**—**
Total revenue from ordinary activities	**673**	**883**	**995**	**767**	**3,318**
Profit from ordinary activities before income tax	**108**	**120**	**158**	**74**	**460**
Income tax (expense)	**(26)**	**(23)**	**(40)**	**(7)**	**(96)**
Profit from ordinary activities after income tax	**82**	**97**	**118**	**67**	**364**
Non-cash expenses: depreciation	**(19)**	**(11)**	**(13)**	**(7)**	**(50)**
Financial position					
Total assets	**3,058**	**16,998**	**3,684**	**8,777**	**32,517**
Total liabilities	**2,734**	**23,497**	**557**	**3,144**	**29,932**
Fixed assets acquired during the financial year	**12**	**9**	**520**	**9**	**550**
Investment in associates and incorporated joint ventures	**12**	**7**	**107**	**16**	**142**

Notes continued

As at 31 March 2003

Note four > Segment reporting continued

	Asset and Wealth Management $M	Financial Markets $M	Investment Banking $M	Lending $M	Total $M
					31 March 2002
Financial performance					
Revenue from external customers	597	974	804	525	2,900
Intersegmental revenue	6	(150)	(53)	197	—
Share of profits or losses of associates and incorporated joint ventures	5	—	—	1	6
Total revenue from ordinary activities	608	824	751	723	2,906
Profit from ordinary activities before income tax	65	73	137	80	355
Income tax (expense)	(14)	(17)	(25)	(20)	(76)
Profit from ordinary activities after income tax	51	56	112	60	279
Non-cash expenses: depreciation	(16)	(11)	(13)	(6)	(46)
Financial position					
Total assets	3,180	14,899	3,249	8,906	30,234
Total liabilities	2,792	20,662	1,070	3,293	27,817
Fixed assets acquired during the financial year	52	10	7	6	75
Investment in associates and incorporated joint ventures	22	—	45	23	90

Secondary segment – geographical

Geographical segments have been determined based on where the revenues have been recorded and customers are located. The operations of the economic entity are headquartered in Australia and this is the only location that is a reportable segment. All other locations are below the reportable segment threshold and have been collectively classified as “other”.

	Australia $M	Other $M	Total $M
			31 March 2003
Revenue from external customers	**2,732**	**586**	**3,318**
Total assets	**21,756**	**10,761**	**32,517**
Fixed assets acquired during the financial year	**547**	**3**	**550**
			31 March 2002
Revenue from external customers	2,333	567	2,900
Total assets	23,507	6,727	30,234
Fixed assets acquired during the financial year	64	11	75

Note five > Income tax (expense)

	Consolidated 2003 $M	Consolidated 2002 $M	**Bank 2003 $M**	Bank 2002 $M
Prima facie income tax (expense) on profit from ordinary activities*	**(138)**	(114)	**(83)**	(48)
Add back/(deduct) tax effect of permanent differences:				
Recoupment of unbooked tax losses	**18**	12	**—**	—
Rate differential on offshore income	**13**	11	**8**	3
Distribution paid/provided on Macquarie Income Securities	**8**	9	**—**	—
Net effect of different tax treatments for life insurance business	**3**	4	**—**	—
Rebateable dividend income	**2**	2	**62**	31
Dividend paid/provided on Converting Preference Shares	**(4)**	(4)	**(4)**	(4)
Effect of change in tax rates	**—**	(2)	**—**	2
Other items	**2**	6	**(3)**	(2)
Total income tax (expense)	**(96)**	(76)	**(20)**	(18)

*Prima facie income tax on profit from ordinary activities is calculated at the rate of 30% (2002: 34%) on profit from 1 April to 30 September 2002 and at a rate of 30% (2002: 30%) on profits from 1 October 2002 to 31 March 2003. The economic entity has a tax year ending on 30 September.

The economic entity is currently subject to an audit by the Australian Taxation Office (ATO). Some amended assessments have been issued by the ATO for the 1988 to 1993 years. Other issues of potential taxation liability have been raised but have not yet been subject to the issue of amended assessments. Objections have been lodged in respect of the amended assessments and the other issues of alleged liability are also disputed.

The ATO is also reviewing the interests held by the economic entity in research and development syndicates. One syndicate dispute was decided in the economic entity’s favour by the Administrative Appeals Tribunal and is now the subject of an appeal by the ATO to the Full Federal Court. Amended assessments have been issued in relation to another syndicate, against which objections will be lodged.

In relation to the Macquarie Income Securities, a public ruling has been issued by the ATO advising that in its view deductions are not available for distributions on this type of security. The Bank has received independent legal advice confirming that deductions are available for the distributions paid or provided. Macquarie Finance Limited has objected against the ATO’s disallowance of the interest deductions and the matter is the subject of an appeal to the Federal Court.

In preparing this financial report the Directors have considered the information currently available and have taken legal advice as to the economic entity’s tax liability and in accordance with this believe that provisions made are adequate.

Notes continued

As at 31 March 2003

Note six > Dividends and distributions paid or provided

	Consolidated 2003 $M	Consolidated 2002 $M	Bank 2003 $M	Bank 2002 $M
Ordinary share capital				
Dividends paid – interim (41 (2002: 41) cents per share)	**83**	81	**83**	81
Dividends provided				
— final (52 (2002: 52) cents per share)	**106**	103	**106**	103
— special (50 (2002: Nil) cents per share)	**102**	—	**102**	—
Total dividends paid or provided	**291**	184	**291**	184

The interim ordinary dividend paid during the financial year ended 31 March 2003 was 85% franked at 30% (2002: 70% franked at 30%). The final ordinary dividend provided as at 31 March 2003 is 100% franked at 30% (2002: 70% franked at 30%) and the special ordinary dividend provided as at 31 March 2003 is 100% franked at 30%.

On 8 May 2002, the Directors resolved that they would activate the Dividend Reinvestment Plan (the DRP) effective for the dividend to be paid on 2 July 2002. The DRP was approved by ordinary shareholders at the 2001 Annual General Meeting. The DRP is optional and offers ordinary shareholders in Australia and New Zealand the opportunity to acquire fully paid ordinary shares, without transaction costs, at a 2.5% discount to prevailing market value. A shareholder can elect to participate in or terminate their involvement in the DRP at any time. Details of fully paid ordinary shares issued pursuant to the DRP are included in Note 27 – Contributed equity.

				Cents per share
Cash dividends per share	**143**	93	**143**	93

Converting Preference Shares

Dividends on these shares of $11 million (2002: $11 million) have been charged to the Statement of Financial Performance as interest expense. The dividend paid on 17 June 2002 was 70% franked at 30%, the dividend paid on 16 December 2002 was 85% franked at 30% and the dividend to be paid on 16 June 2003 will be 100% franked at 30%.

Franking credits available for the subsequent financial year at a corporate tax rate of 30% (2002: 30%)	**40**	15	**—**	—

With effect from 1 July 2002, Australian tax law requires companies to maintain franking accounts on a tax paid basis. The disclosure above, including the prior year comparatives, reflects therefore the new tax paid basis of measuring franking credits.

The franked portion of dividends proposed as at 31 March 2003 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 the 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 credits that may be prevented from being distributed in subsequent financial years
c) franking debits that will arise from the payment of dividends proposed as at the end of the financial year
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**	23	**—**	—
Distributions provided	**5**	6	**—**	—
Total distributions paid or provided	**28**	29	**—**	—

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

Note seven > Earnings per share

	Consolidated 2003 $M	Consolidated 2002 $M
		Cents per share
Basic earnings per share	**164.84**	132.83
Diluted earnings per share	**163.06**	129.14
Reconciliation of earnings used in the calculation of basic earnings per share		
Profit from ordinary activities after income tax	**364**	279
Profit from ordinary activities after income tax attributable to outside equity interests	**(3)**	—
Distributions paid or provided on Macquarie Income Securities	**(28)**	(29)
Total earnings used in the calculation of basic earnings per share	**333**	250
Reconciliation of earnings used in the calculation of diluted earnings per share		
Earnings used in calculating basic earnings per share	**333**	250
Interest savings from conversion of Converting Preference Shares	**11**	11
Other non-discretionary changes in earnings arising from dilutive potential ordinary shares	**1**	1
Total earnings used in the calculation of diluted earnings per share	**345**	262
		Number of shares
Total weighted average number of ordinary shares used in the calculation of basic earnings per share	**202,014,367**	188,505,201
Weighted average number of shares used in the calculation of diluted earnings per share		
Weighted average fully paid ordinary shares	**202,014,367**	188,505,201
Potential ordinary shares		
Weighted average Converting Preference Shares	**6,500,512**	5,727,049
Weighted average options	**3,063,783**	8,643,225
Total weighted average number of ordinary shares used in the calculation of diluted earnings per share	**211,578,662**	202,875,475

Comparative figures have been adjusted to conform with revisions to AASB 1027 "Earnings per Share" which were first applicable in the current financial year.

Information concerning the classification of securities

Converting Preference Shares

These mandatorily convert to fully paid ordinary shares on 15 June 2004 and so are considered to be potential ordinary shares and have been included in the balance of diluted earnings per share.

Options

Options granted to employees under the Employee Option Plan are considered to be potential ordinary shares and have been included in the balance of diluted earnings per share.

Included in the balance of weighted average options are 486,175 (2002: 1,924,107) options that were converted, lapsed or cancelled during the financial year. There are a further 14,240,580 (2002: 357,500) options that have not been included in the balance of weighted average options on the basis that their strike price was greater than the average market price of the Bank's fully paid ordinary shares for the financial year ended 31 March 2003 and therefore they are not considered to be dilutive.

Notes continued

As at 31 March 2003

	Consolidated 2003 $M	Consolidated 2002 $M	Bank 2003 $M	Bank 2002 $M
Note eight > Securities purchased under resale agreements				
Listed equity securities	**2,694**	935	**2,523**	748
Commonwealth government securities	**1,992**	3,146	**1,992**	3,146
Foreign OECD government securities	**415**	221	**415**	221
Corporate securities	**54**	11	**52**	11
Total securities purchased under resale agreements	**5,155**	4,313	**4,982**	4,126
Note nine > Trading assets				
Trading securities				
Listed equity securities	**1,535**	1,480	**1,682**	1,403
Certificates of deposit	**1,071**	620	**898**	477
Debt securities	**1,061**	1,289	**773**	1,028
Other government securities	**485**	573	**485**	573
Commonwealth government bonds	**355**	220	**355**	220
Bank bills	**213**	350	**74**	85
Foreign OECD government securities	**8**	49	**8**	49
Treasury notes	**—**	225	**—**	225
Total trading securities	**4,728**	4,806	**4,275**	4,060
Other trading assets				
Bullion – allocated	**52**	58	**52**	54
Total other trading assets	**52**	58	**52**	54
Total trading assets	**4,780**	4,864	**4,327**	4,114
Note ten > Other securities				
Listed				
Shares and units in unit trusts at cost	**75**	10	**49**	9
Less provision for diminution	**(42)**	(9)	**(29)**	(9)
Shares and units in unit trusts at recoverable amount	**33**	1	**20**	—
Shares and units in unit trusts at cost	**131**	66	**106**	12
Total listed other securities	**164**	67	**126**	12
Unlisted				
Shares and units in unit trusts at cost	**4**	3	**4**	3
Less provision for diminution	**(1)**	—	**(1)**	—
Shares and units in unit trusts at recoverable amount	**3**	3	**3**	3
Shares and units in unit trusts at cost	**172**	166	**98**	35
Debt investment securities	**1,842**	1,701	**1**	2
Total unlisted investment securities	**2,017**	1,870	**102**	40
Total other securities	**2,181**	1,937	**228**	52

The market value of certain listed units held as at 31 March 2003 was $157 million (2002: $80 million), as compared to a book value of $126 million (2002: $23 million).

	Consolidated 2003 $M	Consolidated 2002 $M	Bank 2003 $M	Bank 2002 $M
Note eleven > Loan assets				
Due from other financial institutions				
Loans and advances	**1,769**	699	**1,665**	636
Lease receivables	**10**	12	**10**	12
Total due from other financial institutions	**1,779**	711	**1,675**	648
Due from governments				
Lease receivables	**602**	522	**488**	403
Loans and advances	**76**	84	**70**	77
Total due from governments	**678**	606	**558**	480
Due from other entities				
Other loans and advances	**6,759**	7,395	**5,231**	6,034
Less specific provisions	**(14)**	(22)	**(13)**	(21)
	6,745	7,373	**5,218**	6,013
Lease receivables	**692**	519	**47**	60
Total due from other entities	**7,437**	7,892	**5,265**	6,073
Total loan assets	**9,894**	9,209	**7,498**	7,201

Governments include Federal, State and Local governments and related enterprises in Australia.

	Consolidated 2003 $M	Consolidated 2002 $M	Bank 2003 $M	Bank 2002 $M
Specific provisions				
Balance at the beginning of the financial year	**22**	16	**21**	15
Provided for during the financial year	**9**	16	**7**	14
Loan assets written off, previously provided for	**(7)**	(8)	**(7)**	(6)
Recovery of loans previously provided for	**(10)**	(2)	**(8)**	(2)
Total specific provisions	**14**	22	**13**	21
Specific provisions as a percentage of loan assets	**0.14%**	0.24%	**0.17%**	0.29%

The specific provisions relate to doubtful loan assets that have been identified and provided for.

Notes continued

As at 31 March 2003

Note twelve > Impaired assets

Impaired assets includes loan assets and impaired items in respect of derivative financial instruments and unrecognised contingent commitments, which are classified as:

	Consolidated 2003 $M	Consolidated 2002 $M	Bank 2003 $M	Bank 2002 $M
Non-accrual loans without specific provisions for impairment	—	1	—	1
Impaired derivative financial instruments without specific provisions for impairment	—	15	—	15
Non-accrual loans with specific provisions for impairment	30	55	28	50
Less specific provisions	(14)	(22)	(13)	(21)
Total non-accrual loans with specific provisions for impairment	16	33	15	29
Impaired derivative financial instruments with specific provisions for impairment	1	1	1	1
Less specific provisions	(1)	(1)	(1)	(1)
Total impaired derivative financial instruments with specific provisions for impairment	—	—	—	—
Total net impaired assets	**16**	**49**	**15**	**45**
Revenue forgone on impaired assets				
Interest	1	3	1	3
Total revenue forgone on impaired assets	**1**	**3**	**1**	**3**

Revenue recognised in respect of impaired assets was less than $1 million for the financial years ended 31 March 2003 and 2002.

Note thirteen > Other financial assets

	Consolidated 2003 $M	Consolidated 2002 $M	Bank 2003 $M	Bank 2002 $M
Debtors and prepayments	971	838	808	844
Amounts due from brokers and clients*	562	918	257	318
Property purchased for sale and development	72	22	—	—
Other	223	149	119	36
Total other financial assets	**1,828**	**1,927**	**1,184**	**1,198**

* Amounts due from brokers and clients are receivable within three working days of the relevant trade date.

Note fourteen > Life insurance business

	Consolidated 2003 $M	Consolidated 2002 $M	Bank 2003 $M	Bank 2002 $M
Life insurance investment assets				
Debt securities	1,269	1,028	—	—
Units in unit trusts	981	1,081	—	—
Equity securities	183	243	—	—
Cash assets	83	236	—	—
Total life insurance investment assets	**2,516**	**2,588**	**—**	**—**

Investment assets are held primarily to satisfy policy holder liabilities, which are investment linked.

	Consolidated 2003 $M	Consolidated 2002 $M	Bank 2003 $M	Bank 2002 $M
Income from life insurance business				
Investment revenue and management fees	26	174	—	—
Life insurance claims and changes in policy liabilities	8	(138)	—	—
Direct fees	(6)	(7)	—	—
Total income from life insurance business	**28**	**29**	**—**	**—**

Solvency

Solvency requirements for the life insurance business have been met at all times during the financial year.

As at 31 March 2003, the life insurance business had investment assets in excess of policy holder liabilities of $60 million (2002: $49 million).

Note fifteen > Equity investments

	Consolidated 2003 $M	Consolidated 2002 $M	Bank 2003 $M	Bank 2002 $M
Listed				
Shares and units in unit trusts at cost	—	1	—	1
Shares and units in unit trusts at cost	8	8	8	8
Less provision for diminution	(2)	(4)	(2)	(4)
Shares and units in unit trusts at recoverable amount	6	4	6	4
Total listed investments	6	5	6	5
Unlisted				
Shares and units in unit trusts at cost	109	93	18	17
Shares and units in unit trusts at cost	33	20	8	10
Less provision for diminution	(18)	(16)	(6)	(6)
Shares and units in unit trusts at recoverable amount	15	4	2	4
Total unlisted investments	124	97	20	21
Total equity investments	**130**	**102**	**26**	**26**

The market value of these investments is not materially different from their book value.

Notes continued

As at 31 March 2003

Note sixteen > Joint ventures and associated entities

	Consolidated 2003 $M	Consolidated 2002 $M	Bank 2003 $M	Bank 2002 $M
Associated entities and incorporated joint ventures				
Investments at cost	**139**	86	**69**	37
Investments at cost	**7**	7	**—**	5
Less provision for diminution	**(4)**	(3)	**—**	(2)
Investments at recoverable amount	**3**	4	**—**	3
Total investments in associated entities and incorporated joint ventures	**142**	90	**69**	40

Reconciliation of movement in the economic entity's investment in associated entities and incorporated joint ventures:

	Consolidated 2003 $M	Consolidated 2002 $M
Balance at the beginning of the financial year	**90**	53
Associates acquired during the financial year	**69**	44
Share of net profits of associates and incorporated joint ventures	**—**	6
Dividends received/receivable from associates during the financial year	**(4)**	(5)
Unrealised foreign exchange (losses) on revaluation of investments in associates and incorporated joint ventures	**(6)**	(1)
Associates disposed of during the financial year	**(5)**	(3)
Investments in associates provided for/written-off during the financial year	**(1)**	(1)
Share of associates' equity buybacks	**(1)**	(3)
Balance at the end of the financial year	**142**	90

Note sixteen > Joint ventures and associated entities continued

Name of entity	Participating interest %	Consolidated 2003 $M	Consolidated 2002 $M
303 Collins Street Trust (a)••	56	**11**	11
AmInvestment Management Sdn Bhd (Malaysia) (c) (formerly AMMB Asset Management Sdn Bhd)	30	**1**	1
AmInvestment Services Bhd (Malaysia) (c) (formerly AMMB Investment Services Bhd)	30	**1**	1
August Trading Limited (c)	49	**6**	—
Austian (Tianjin) Real Estate Development Co. Limited (China) (a)••	50	**3**	3
Bondi Beach Railway Limited (a)••	50	•	•
The Cannery Unit Trust (a)	20	•	•
Develop Co. Pty Limited (a)••	50	•	—
The Financial Arena Pty Limited (b) (formerly Ozestock Pty Limited)	20	•	•
First China Property Group Limited (Hong Kong) (a)•• (formerly Absolute Best Limited)	50	**2**	—
First Southern Crown Limited (d)	30	•	—
Four Corners Capital Management LLC (United States) (c)••	67	**24**	26
Gen Y Limited (f)	20	**1**	—
Green Square Joint Venture (a)	30	**3**	3
Helmsman Funds Management Limited (c)••	50	•	—
Helmsman Funds Management Pty Limited (c)••	50	•	•
ICA Property Group Pty Limited (a)	45	**4**	—
Innofin Pty Limited (South Africa) (c)	33	**4**	3
Macquarie Capital Partners LLC (United States) (c)••	58	**7**	7
Macquarie CCY Feeder Fund (Bermuda) (c)	39	•	•
Macquarie FX Feeder Fund (Bermuda) (c)	39	•	•
Macquarie FX Feeder Fund No. 2 (Bermuda) (c)	39	•	•
Macquarie Goodman Management Limited (a)•••	40	**25**	21
Macquarie-IMM Asset Management Co. Limited (c)••	65	•	—
Macquarie Offshore Feeder Fund (Bermuda) (c)	39	•	•
Macquarie Offshore Feeder Fund No. 2 (Bermuda) (c)	39	•	•
Macquarie Offshore Feeder Fund No. 3 (Bermuda) (c)	39	•	•
Macquarie Pro-Logis Management LLC (a)••	50	**10**	—
Macquarie Real Estate Equity Fund No. 1 Pty Limited (a)	23	**3**	2
Macquarie Securitisation Shanghai Co. Limited (China) (c)••	50	•	—
Macquarie Shinhan Infrastructure Management Co. Limited (Korea) (c)••	80	•	—
Medallist Schofields Trust (a)••	50	**6**	—
Medallist Springfield Unit Trust (a)••	50	**7**	—
Medallist Vintage Trust (a)••	50	**5**	—
Medallist Developments Pty Limited (a)••	70	•	•
Medallist Development Trust (a)••	70	**3**	•
Medallist Holdings Inc. (United States) (a)••	80	**5**	2
Mining Equipment Company Pty Limited (d)	45	•	•
MP Management LLC (United States) (c)••	50	•	•
MPI Private Trustee Limited (Bermuda) (c)••	50	•	•
OMNI Investments Pty Limited (e)	30	**1**	•
River Links Development Pty Limited (a)	41	**4**	4
Securiclear Pty Limited (c)••	50	•	•
SHI Holdings Pty Limited (f)	20	**3**	—
Shinhan Macquarie Financial Advisory Co. Limited (Korea) (c)	49	**1**	1
South African Infrastructure Funds Managers (Proprietary) Limited (South Africa) (c)••	50	•	•
SPT Telecommunications Pty Limited (b)	50	•	—
Tasman Economics Pty Limited (c)	27	•	•
Tianjin Macquarie Property Development Management Co. Limited (China) (a)••	50	**2**	2
Vytel Spectrum Pty Limited (b)••	50	•	•
Associates disposed of during the financial year		**—**	3
Total investments in associates and incorporated joint ventures		**142**	90

Notes continued

As at 31 March 2003

Note sixteen > Joint ventures and associated entities continued

Name of entity	Participating Interest %	**Consolidated 2003 $M**	Consolidated 2002 $M
Artsim Pty Limited (b)	—	**—**	1
Helmsman Nominees Pty Limited (c)	—	**—**	•
ICA Property Development Fund No. 1 Pty Limited (a)	—	**—**	2
ICA Property Development Fund No. 2 Pty Limited (a)	—	**—**	•
Trading Room Pty Limited (b)	—	**—**	•

* Value of the investment held by the economic entity is less than $1 million.
** Voting rights for this investment are not proportional to the ownership interest. The economic entity has joint control because neither the economic entity nor its fellow investors have control in their own right.
*** The market value of this investment as at 31 March 2003 was $140 million (2002: $145 million).

a) Property development/management entity
b) Media, television and internet investments
c) Funds management and investment banking services
d) Mining equipment leasing
e) Theme park and consulting services
f) Consumer products

Unincorporated joint ventures

The economic entity has participating interests in the following unincorporated joint ventures:

Joint venture name	Participating Interest %	**Interest in assets employed 2003 $M**	2002 $M
Concept Blue Joint Venture	50	**14**	6
Kingscliff South Joint Venture	33	**7**	•
Springthorpe Syndicate	28	**7**	6
Soap Joint Venture	3	**—**	•
Total interest in assets employed of unincorporated joint ventures		**28**	12

* Value of investment held by economic entity is less than $1 million.

Note seventeen > Fixed assets

	Consolidated 2003 $M	Consolidated 2002 $M	**Bank 2003 $M**	Bank 2002 $M
Furniture, fittings and leasehold improvements				
Cost	**78**	77	**71**	72
Less accumulated depreciation	**(46)**	(37)	**(43)**	(35)
Total furniture, fittings and leasehold improvements	**32**	40	**28**	37
Computer equipment and software				
Cost	**208**	196	**191**	182
Less accumulated depreciation	**(128)**	(109)	**(117)**	(103)
Total computer equipment and software	**80**	87	**74**	79
Communication equipment				
Cost	**75**	25	**22**	24
Less accumulated depreciation	**(62)**	(17)	**(18)**	(17)
Total communication equipment	**13**	8	**4**	7
Total fixed assets	**125**	135	**106**	123

Reconciliation of the movement in the economic entity's fixed assets at their written-down value:

	Furniture, fittings and leasehold improvements $M	**Computer equipment and software $M**	**Communication equipment $M**	**Total $M**
Balance at the beginning of the financial year	40	87	8	135
Fixed assets acquired during the financial year	14	51	485	550
Fixed assets disposed of during the financial year	(7)	(27)	(460)	(494)
Depreciation expense for the financial year	(15)	(31)	(4)	(50)
Depreciation expense for Broadcast Australia*	—	—	(16)	(16)
Balance at the end of the financial year	**32**	**80**	**13**	**125**

* Included in the balance of Broadcast Australia – other operating expenses (refer Note 2).

Notes continued

As at 31 March 2003

	Consolidated 2003 $M	Consolidated 2002 $M	Bank 2003 $M	Bank 2002 $M
Note eighteen > Tax assets/(deferred tax liabilities)				
Attributable to timing differences	**84**	102	**174**	147
Attributable to tax losses	**62**	54	**—**	—
Total tax assets	**146**	156	**174**	147
Deferred tax liabilities	**(30)**	(100)	**—**	—

The tax assets have been applied against deferred tax liabilities to the extent that they are expected to be realised in the same period.

Note nineteen > Investments in controlled entities

	Consolidated 2003 $M	Consolidated 2002 $M	Bank 2003 $M	Bank 2002 $M
Investments at deemed cost	**—**	—	**2,240**	2,094
Investments at deemed cost	**—**	—	**78**	80
Less provision for diminution	**—**	—	**(40)**	(13)
Investments at recoverable amount	**—**	—	**38**	67
Total investments in controlled entities	**—**	—	**2,278**	2,161

The net asset value of the Bank's investment in controlled entities as at 31 March 2003 is $2.5 billion (2002: $2.3 billion) resulting in an unrecognised revaluation increment of $196 million (2002: $119 million).

The material controlled entities of the Bank, based on contribution to the economic entity's profit from ordinary activities, the size of the investment made by the Bank or the nature of the activities conducted by the controlled entity, are:

Bond Street Custodians Limited
Boston Australia Limited
City Link Management Limited
Felter Pty Limited *
Hills Motorway Management Limited
Horizon Energy Investment Management Limited
Liana Pty Limited
Macquarie (HK) Financial Services Limited [incorp. in Hong Kong]
Macquarie Acceptances Limited
    Macquarie Direct Investment Limited
        Macquarie Direct Investment A Limited
        Macquarie Direct Investment B Limited
    Macquarie Investment Management Limited
    Macquarie Office Management Limited
Macquarie Airports Management Limited
Macquarie Australia Corporate Finance Limited
Macquarie Australia Securities Limited
Macquarie Australia Technology Pty Limited
Macquarie Corporate Finance (USA) Inc. [incorp. in United States of America]
Macquarie Corporate Finance Holdings Pty Limited *
    Macquarie Corporate Finance Limited
Macquarie CountryWide Management Limited
Macquarie Development Capital Pty Limited
Macquarie Direct Property Management Limited
Macquarie Diversified Portfolio Investments Pty Limited
    Macquarie Diversified Investments Limited Partnership (outside equity interest 27%)
Macquarie Equities (Asia) Limited [incorp. in Hong Kong]

Note nineteen > Investments in controlled entities continued

Macquarie Equities (Australia) Limited
Macquarie Equities (US) Holdings Pty Limited
    Macquarie Equities (USA) Inc. [incorp. in United States of America]
Macquarie Equities Limited
Macquarie Equity Capital Markets Limited
Macquarie Finance Limited
Macquarie Financial Products Management Limited
Macquarie Fleet Finance Pty Limited
Macquarie Infrastructure Debt Management Limited
Macquarie Investment Management (UK) Limited [incorp. in United Kingdom] (formerly Macquarie Infrastructure Investment Management (UK) Limited)
Macquarie Infrastructure Investment Management Limited
    AMT Management Limited
Macquarie Internationale Holdings Limited [incorp. in United Kingdom]
    Macquarie Capital Korea Co. Limited [incorp. in South Korea] (formerly Macquarie IT Korea Co. Limited)
Macquarie Investment Services Limited
Macquarie Leasing Pty Limited *
Macquarie Leisure Management Limited
Macquarie Life Limited
Macquarie Options Pty Limited *
Macquarie Private Portfolio Management Limited
    Macquarie (Tianjin) Property Services Co. Limited [incorp. in China]
Macquarie Real Estate Asia Limited [incorp. in Hong Kong] (formerly Macquarie Property Management (International) Limited)
Macquarie Risk Management Advisory Pty Limited
Macquarie Securitisation Limited
Macquarie Specialised Asset Management 2 Limited
Macquarie Specialised Asset Management Limited
MAIL Holdings Limited
    Macquarie Risk Advisory Services Limited
SPAL Limited
Urban Pacific Limited

Note: All entities were incorporated in Australia unless otherwise stated.

Overseas controlled entities carry on business predominantly in their place of incorporation.

Beneficial interest in all entities is 100%, unless otherwise stated.

* With the exception of the entities so marked, all private companies with affix "Pty Limited" qualify as small companies and as such are not required to prepare an audited financial report.

Notes continued

As at 31 March 2003

	Consolidated 2003 $M	Consolidated 2002 $M	Bank 2003 $M	Bank 2002 $M
Note twenty > Due to other financial institutions				
OECD central banks	**366**	328	**98**	56
Clearing bank	**19**	9	**19**	9
Clearing houses	**3**	31	**3**	2
Other	**129**	197	**110**	134
Total due to other financial institutions	**517**	565	**230**	201

Amounts due to clearing houses are settled on the next business day.

	Consolidated 2003 $M	Consolidated 2002 $M	Bank 2003 $M	Bank 2002 $M
Note twenty one > Securities sold under repurchase agreements				
Government securities	**1,584**	549	**1,584**	549
Foreign OECD government securities	**404**	220	**404**	220
Listed equity securities	**172**	71	**172**	71
Corporate securities	**61**	88	**61**	88
Total securities sold under repurchase agreements	**2,221**	928	**2,221**	928
Note twenty two > Securities borrowed				
Listed equity securities	**1,478**	365	**1,893**	931
Commonwealth government securities	**547**	1,664	**547**	1,664
Other government securities	**356**	318	**356**	318
Corporate securities	**—**	12	**—**	12
Total securities borrowed	**2,381**	2,359	**2,796**	2,925
Note twenty three > Notes payable				
Euro floating rate notes	**3,743**	3,600	**3,743**	3,600
Euro commercial paper	**2,760**	2,340	**2,760**	2,340
Negotiable certificates of deposit	**2,191**	2,149	**2,191**	2,149
US commercial paper	**373**	609	**373**	609
Domestic issued paper	**257**	495	**257**	754
Other notes	**745**	241	**745**	241
Total notes payable	**10,069**	9,434	**10,069**	9,693
Reconciliation of notes payable by major currency:				
United States dollars	**3,914**	4,586	**3,914**	4,586
Australian dollars	**2,671**	2,656	**2,671**	2,915
Hong Kong dollars	**1,310**	654	**1,310**	654
Great British pounds	**1,181**	517	**1,181**	517
Japanese yen	**788**	283	**788**	283
Euros	**205**	738	**205**	738
Total notes payable by currency	**10,069**	9,434	**10,069**	9,693

The Bank's primary tool for domestic and international debt issuance is its multi-currency, multi-jurisdictional Debt Instrument Program. Securities are issued for terms varying from one week to 30 years.

	Consolidated 2003 $M	Consolidated 2002 $M	Bank 2003 $M	Bank 2002 $M
Note twenty four > Other financial liabilities				
Creditors	**952**	326	**937**	148
Amounts due to brokers and clients*	**893**	1,874	**480**	1,002
Accrued charges and sundry provisions	**769**	657	**721**	612
Other	**51**	66	**43**	63
Total other financial liabilities	**2,665**	2,923	**2,181**	1,825

* Amounts due to brokers and clients are payable within three working days of the relevant trade date.

	Consolidated 2003 $M	Consolidated 2002 $M	Bank 2003 $M	Bank 2002 $p
Note twenty five > Other provisions				
Provision for uncertainties	**55**	59	**54**	59
Provision for annual leave	**37**	36	**33**	33
Provision for long service leave	**30**	25	**30**	25
Total other provisions	**122**	120	**117**	117

Provision for uncertainties

The provision for uncertainties is a general provision and is intended to cover the inherent risk of loss that may arise from the non-recovery of amounts receivable or contingent exposures.

	Consolidated 2003 $M	Consolidated 2002 $M	Bank 2003 $M	Bank 2002 $M
Balance at the beginning of the financial year	**59**	54	**59**	52
Provided/(written back) during the financial year	**(4)**	5	**(5)**	7
Total provision for uncertainties	**55**	59	**54**	59
Provision for uncertainties as a percentage of risk-weighted exposures	**0.55%**	0.55%		

Note twenty six > Loan capital

Subordinated debt

Agreements between the Bank and the lenders provide, in the event of liquidation, that entitlement of such lenders to repayment of the principal sum and interest thereon is and shall at all times be and remain subordinated to the rights of all other present and future creditors of the Bank.

The dates upon which the Bank has committed to repay the principal sum to the lenders are as follows:

	Consolidated 2003 $M	Consolidated 2002 $M	Bank 2003 $M	Bank 2002 $M
1 April 2003	**10**	10	**10**	10
1 April 2004	**83**	94	**83**	94
1 April 2005	**28**	28	**28**	28
16 October 2007*	**—**	50	**—**	50
23 April 2008	**60**	60	**60**	60
18 February 2013	**225**	—	**225**	—
Total subordinated debt	**406**	242	**406**	242

* On 16 October 2002, the Bank exercised its right to redeem this debt after five years. The debt was redeemed at face value.

	Consolidated 2003 $M	Consolidated 2002 $M	Bank 2003 $M	Bank 2002 $M
Reconciliation of subordinated debt by major currency:				
Australian dollars	**295**	120	**295**	120
United States dollars	**83**	94	**83**	94
Japanese yen	**28**	28	**28**	28
Total subordinated debt by currency	**406**	242	**406**	242

In accordance with Australian Prudential Regulation Authority guidelines, the Bank includes the applicable portion of the principal sum as Tier 2 capital.

	Consolidated 2003 $M	Consolidated 2002 $M	Bank 2003 $M	Bank 2002 $M
1,500,000 Converting Preference Shares of $100 each	**150**	150	**150**	150

The Converting Preference Shares are classified as debt in accordance with AASB 1033 "Presentation and Disclosure of Financial Instruments". Non-cumulative dividends are paid six monthly at a fixed rate of 7.38% p.a. They convert to ordinary shares of the Bank, at a predetermined rate, on 15 June 2004 although if certain Trigger Events occur, including the non-payment of a dividend or in the event of the Bank being placed into liquidation or wound up, conversion may occur earlier. The Bank also has the option to convert them to ordinary shares any time after 15 June 2003.

In accordance with Australian Prudential Regulation Authority Guidelines, the Bank includes the Converting Preference Shares as Tier 1 capital.

Notes continued

As at 31 March 2003

Note twenty seven > Contributed equity

	Consolidated 2003 No. of shares	Consolidated 2002 No.of shares	Bank 2003 $M	Bank 2002 $M
Ordinary share capital				
Opening balance of fully paid ordinary shares	**198,499,828**	175,868,560	**1,012**	392
Placement of ordinary shares on 20 September 2001 at $35 per share	**—**	14,285,715	**—**	500
Transaction costs for placement of shares			**—**	(3)
Placement of ordinary shares on 6 November 2001 at $35 per share	**—**	509,666	**—**	18
Issue of shares on exercise of options	**3,036,064**	7,797,007	**46**	104
Issue of shares pursuant to the Employee Share Plan at $26.22 (2002: $37.03) per share*	**49,666**	38,880	**1**	1
Issue of shares on 2 July 2002 pursuant to the Dividend Reinvestment Plan at $29.60 per share	**1,679,485**	—	**50**	—
Issue of shares on 20 December 2002 pursuant to the Dividend Reinvestment Plan at $22.86 per share	**1,233,101**	—	**28**	—
Closing balance of fully paid ordinary shares	**204,498,144**	198,499,828	**1,137**	1,012

* The value of these shares was expensed as part of the employee profit share pool.

As at 31 March 2003, 24,873,005 (2002: 21,328,077) options granted to employees over unissued ordinary shares had not been exercised. For further information regarding the terms and conditions of the issue of options and shares to employees refer to Note 33 – Employee equity participation.

	Consolidated 2003 $M	Consolidated 2002 $M	Bank 2003 $M	Bank 2002 $M
Macquarie Income Securities				
4,000,000 Macquarie Income Securities of $100 each	**400**	400	**400**	400
Less: transaction costs for original placement	**(9)**	(9)	**(9)**	(9)
Total Macquarie Income Securities	**391**	391	**391**	391

The Macquarie Income Securities are classified as equity in accordance with AASB 1033 "Presentation and Disclosure of Financial Instruments". Interest is paid quarterly at a floating rate of BBSW plus 1.7% p.a. From the date of issue until 15 January 2003 there was a guaranteed minimum interest rate of 7.25% p.a. Payment of interest to holders is subject to certain conditions, including the profitability of the Bank. They are a perpetual instrument with no conversion rights. They were listed for trading on the Australian Stock Exchange on 19 October 1999.

Note twenty eight > Reserves, retained earnings and outside equity interests

	Consolidated 2003 $M	Consolidated 2002 $M	Bank 2003 $M	Bank 2002 $M
Investment revaluation reserve				
Balance at the beginning of the financial year	**—**	—	**144**	272
Amounts transferred (to) retained earnings*	**—**	—	**(59)**	(128)
Total investment revaluation reserve**	**—**	—	**85**	144

* During the current financial year, certain controlled entities paid dividends out of retained earnings as at 31 March 2002 to the Bank of $59 million (2002: $128 million). These retained earnings had been taken into account as at 31 March 2002 in determining the value of the Bank's investment in controlled entities.

** Unrecognised revaluation increment on investments in controlled entities at 31 March 2003 is $196 million (2002: $119 million).

	Consolidated 2003 $M	Consolidated 2002 $M	Bank 2003 $M	Bank 2002 $M
Retained earnings				
Balance at the beginning of the financial year	**617**	551	**354**	279
Profit from ordinary activities after income tax attributable to equity holders	**361**	279	**256**	131
Distributions paid or provided on Macquarie Income Securities	**(28)**	(29)	**—**	—
Amounts transferred from investment revaluation reserve	**—**	—	**59**	128
Dividends paid or provided on ordinary share capital (refer Note 6)	**(291)**	(184)	**(291)**	(184)
Total retained earnings	**659**	617	**378**	354
Outside equity interests in controlled entities				
Ordinary share capital	**7**	6	**—**	—
Partnership capital	**393**	393	**—**	—
Accumulated losses	**(2)**	(2)	**—**	—
Total outside equity interests in controlled entities	**398**	397	**—**	—

Note twenty nine > Notes to the statements of cash flows

Reconciliation of cash

Cash at the end of the financial year as shown in the Statements of Cash Flows is reconciled to related items in the Statements of Financial Position as follows:

	Consolidated 2003 $M	Consolidated 2002 $M	Bank 2003 $M	Bank 2002 $M
Cash and liquid assets	**311**	283	**147**	165
Due to other financial institutions				
— clearing houses	**(3)**	(31)	**(3)**	(2)
— clearing bank	**(19)**	(9)	**(19)**	(9)
Cash at the end of the financial year	**289**	243	**125**	154

Notes continued

As at 31 March 2003

Note twenty nine > Notes to the statements of cash flows continued

	Consolidated 2003 $M	Consolidated 2002 $M	Bank 2003 $M	Bank 2002 $M
Reconciliation of profit from ordinary activities after income tax to net cash flows from operating activities				
Profit from ordinary activities after income tax	**361**	279	**256**	131
Non-cash flows in profit from ordinary activities				
Broadcast Australia acquisition and disposal	**(59)**	—	**—**	—
Charges for provisions	**58**	20	**32**	21
Depreciation	**50**	46	**45**	32
Dividends received from controlled entities	**—**	—	**64**	128
Equity accounted profits	**—**	(6)	**—**	—
Dividends received from equity accounted investments	**4**	5	**—**	4
Loss on sale of fixed assets	**—**	1	**—**	—
Write-down of investment in controlled entities to recoverable amount	**—**	—	**21**	19
Changes in assets and liabilities				
(Increase)/decrease in dividends receivable	**(6)**	(4)	**77**	(4)
(Increase)/decrease in fees and commissions receivable	**(18)**	(31)	**20**	(9)
(Decrease)/increase in fees and commissions payable	**(11)**	50	**(1)**	14
(Decrease)/increase in tax liabilities	**1**	(7)	**4**	2
Decrease/(increase) in tax assets	**10**	18	**(27)**	(32)
(Decrease)/increase in deferred tax liabilities	**(70)**	—	**—**	—
Decrease/(increase) in interest receivable	**9**	(29)	**16**	(22)
(Decrease)/increase in interest payable	**(9)**	(31)	**(16)**	(4)
Increase in employment provisions	**6**	12	**5**	10
Increase/(decrease) in debtors, prepayments, accrued charges and creditors	**(34)**	(439)	**194**	(178)
Decrease in financial instruments	**724**	383	**602**	626
Decrease/(increase) in life insurance receivables	**29**	(42)	**—**	—
Net cash flows from operating activities	**1,045**	225	**1,292**	738
Financing arrangements				
Total used	**—**	55	**—**	—
Total unused	**130**	71	**—**	—
Total overdraft facilities	**130**	126	**—**	—

Macquarie Equities (Asia) Limited, a controlled entity of the Bank incorporated in Hong Kong, has a HKD 200 million overdraft facility. The facility may be drawn down at any time and is subject to annual review on 31 December of each year. As at 31 March 2003 the facility is undrawn (2002: HKD 0.7 million drawn).

Macquarie Finance (NZ) Limited, a controlled entity of the Bank incorporated in New Zealand, has a NZD 95 million overdraft facility. The facility may be drawn down at any time and is subject to annual review on 15 February of each year. As at 31 March 2003 the facility is undrawn (2002: NZD 67 million drawn). The Bank has provided a guarantee over this facility.

The economic entity has not obtained any additional standby facilities because there are liquidity controls in place which limit the extent of any cash flow mismatch.

Note thirty > Related party information

Controlled entities

Transactions between the Bank and its controlled entities principally arise from the provision of banking and other financial services, the granting of loans, acceptance of funds on deposit and provision of management and administration services. These transactions may or may not be on commercial terms. All transactions undertaken during the financial year with controlled entities are eliminated in the consolidated financial report. Amounts due from and due to controlled entities, at balance date, are shown in the Statements of Financial Position.

Balances arising from lending and borrowing activities between the Bank and its controlled entities are repayable on demand. No security has been provided in respect of these lending activities. Interest received or receivable from and paid or payable to controlled entities and dividends received and receivable by the Bank from controlled entities are disclosed in Note 2 – Profit from ordinary activities.

Directors

The Directors who held office during the financial year were:

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:

L.G. Cox, AO

Independent* Non-Executive Directors:

J.G. Allpass
H.K. McCann
B.R. Martin
J.R. Niland, AC
H.M. Nugent

The above Directors each held office as a Director of the Bank throughout the financial year ended 31 March 2003 with the exception of Prof. J.R. Niland, who was appointed as a Non-Executive Director of the Bank on 27 February 2003.

* In accordance with the Bank's definition of independence (as set out in the Corporate Governance Statement contained in the 2003 Annual Review).

Notes continued

As at 31 March 2003

Note thirty > Related party information continued

Directors' remuneration

The remuneration policy for the Directors named on the previous page is set out in the Directors' report.

Remuneration received or receivable by Directors of the Bank from the Bank and all its controlled entities:

	Consolidated 2003 $'000	Consolidated 2002 $'000	**Bank 2003 $'000**	Bank 2002 $'000
Base remuneration	**2,118**	1,797	**2,118**	1,797
Other benefits	**1,022**	565	**1,022**	565
Performance-related remuneration	**8,607**	8,468	**8,607**	8,468
Remuneration recognised in the statement of financial performance	**11,747**	10,830	**11,747**	10,830
Value of options granted	**933**	2,054	**933**	2,054
Total Directors' remuneration	**12,680**	12,884	**12,680**	12,884

The number of Directors whose remuneration fell within the following bands was:

	Number 2003	Number 2002
$0 - $9,999	**1**	—
$50,000 – $59,999	—	1
$100,000 – $109,999	—	1
$110,000 – $119,999	—	1
$140,000 – $149,999	—	1
$200,000 – $209,999	**1**	1
$220,000 – $229,999	**1**	—
$230,000 – $239,999	**1**	—
$280,000 – $289,999	**1**	—
$620,000 – $629,999	—	1
$960,000 – $969,000	**1**	—
$1,830,000 – $1,839,999	**1**	—
$2,410,000 – $2,419,999	—	1
$2,950,000 – $2,959,999	**1**	—
$3,080,000 – $3,089,999	—	1
$5,960,000 – $5,969,999	**1**	—
$6,130,000 – $6,139,999	—	1

Directors' loans

Loans and guarantee facilities provided to Directors of the Bank and to parties related to them are made in the ordinary course of business on normal commercial terms and conditions.

Note thirty > Related party information continued

	Consolidated 2003 $'000	Consolidated 2002 $'000
Loans outstanding at the beginning of the financial year	**22,871**	2,391
Advances	**289**	21,622
Repayments	**(726)**	(1,142)
Total Directors' loans	**22,434**	22,871

During the financial year the Bank brought to account interest income from loans made to Directors of $2,225,000 (2002: $1,682,000). The aggregate amount of any undrawn facilities as at 31 March 2003 was $2,225,000 (2002: $1,597,000).

Loans and other financial instrument transactions are made by the Bank in the ordinary course of its banking business with related parties. Relief from disclosure of these transactions (with the exception of transactions with Directors) is granted to Australian banks and their controlled entities by the Australian Securities & Investments Commission in Class Order 98/110 dated 10 July 1998. The Class Order requires the Directors to issue a statutory declaration, signed by two Directors, stating that the Bank has systems of internal controls and procedures which provide assurance that any loans or other financial instrument transactions which are not entered into on normal terms and conditions are drawn to the attention of the Directors so that they may be disclosed in the financial report. The Bank will lodge the statutory declaration with the Australian Securities & Investments Commission with these financial statements.

Directors' equity participation

As at 31 March 2003 the Directors held, in aggregate, the following interests in shares and share options of the Bank and details of the movements in those interests are:

	Share options		**Fully paid ordinary shares**	
	2003	2002	**2003**	2002
Aggregate acquired during the financial year	323,400	197,500	184,657	480,151
Aggregate exercised/disposed of during the financial year	61,371	502,500	34,600	76,500
Aggregate held at the end of the financial year	829,233	567,204	2,258,050	2,107,993

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

Other transactions with Directors

During the financial year certain Directors had monies on deposit with the Bank within normal customer relationships on terms and conditions no more favourable than those available to other customers.

Note thirty one > Retirement benefits

There were no prescribed benefits provided to Directors and Executive Officers during the current and previous financial years.

Notes continued

As at 31 March 2003

Note thirty two > Executive officers' remuneration

The remuneration policy for the Bank's Executive Officers is set out in the Directors' report.

Remuneration received or receivable by executives principally involved in the management of the Bank and its controlled entities:

	Consolidated 2003 $'000	Consolidated 2002 $'000	Bank 2003 $'000	Bank 2002 $'000
Base remuneration	**4,456**	4,795	**4,456**	4,795
Performance-related remuneration*	**22,880**	25,295	**22,880**	25,295
Other amounts payable to executive officers who have left the Bank***	**—**	11,875	**—**	11,875
Remuneration recognised in the Statement of Financial Performance	**27,336**	41,965	**27,336**	41,965
Value of options granted	**2,285**	7,885	**2,285**	7,885
Total executive officers' remuneration	**29,621**	49,850	**29,621**	49,850

The number of executives whose remuneration fell within the following bands was:

	2003 Number	2002 Number	2003 Number	2002 Number
$1,500,000 – $1,509,999	**1**	1	**1**	1
$1,510,000 – $1,519,999	**—**	1	**—**	1
$1,540,000 – $1,549,999	**1**	—	**1**	—
$1,590,000 – $1,599,999	**1**	—	**1**	—
$1,690,000 – $1,699,999	**—**	1	**—**	1
$1,830,000 – $1,839,999	**1**	—	**1**	—
$2,410,000 – $2,419,999	**—**	1	**—**	1
$2,620,000 – $2,629,999	**1**	—	**1**	—
$2,950,000 – $2,959,999	**1**	—	**1**	—
$3,070,000 – $3,079,999	**—**	1	**—**	1
$3,080,000 – $3,089,999	**—**	1	**—**	1
$3,330,000 – $3,339,999**	**—**	1	**—**	1
$3,410,000 – $3,419,999	**1**	—	**1**	—
$3,690,000 – $3,699,999	**—**	1	**—**	1
$3,860,000 – $3,869,999	**1**	—	**1**	—
$4,220,000 – $4,229,999	**—**	1	**—**	1
$4,310,000 – $4,319,999	**1**	—	**1**	—
$5,840,000 – $5,849,999***	**—**	1	**—**	1
$5,900,000 – $5,909,999	**—**	1	**—**	1
$5,960,000 – $5,969,999	**1**	—	**1**	—
$6,130,000 – $6,139,999	**—**	1	**—**	1
$7,430,000 – $7,439,999**	**—**	1	**—**	1

* The portion of performance-related remuneration subject to restrictions noted in the Directors' report is excluded from the disclosures above.

** Includes retained profit share that has been previously accumulated. These amounts are only paid six months after the ED leaving the Bank, if certain disqualifying events had not occurred. If such events had occurred, the amounts would have been forfeited.

*** Includes an accrued contractual entitlement which will be payable upon the ED leaving the Bank.

The remuneration paid to executive officers has been calculated in accordance with AASB 1017 "Related Party Disclosures" and AASB 1028 "Accounting for Employee Entitlements".

Note thirty three > Employee equity participation

Option plan

In December 1995, the Bank introduced an Employee Option Plan (the Plan), as a replacement for the Bank's now closed partly paid share scheme. Staff eligible to participate are those of Associate Director level and above and consultants to the economic entity. At 31 March 2003 there were 1,152 (2002: 1,009) participants in the Plan.

Options, currently for five years, over fully paid unissued ordinary shares in the Bank are granted to Lacuna Nominees Pty Limited as nominee for the individual or the individual's controlled company or an entity approved under the Plan to hold options on trust for an individual.

The options are issued for no consideration and are granted at prevailing market prices. The exercise price of new options granted is generally based on the weighted average market price during the month prior to acceptance of employment for new employees or during the calendar month of June in respect of options granted as a result of annual promotions and compensation reviews.

The following is a summary of options which have been granted pursuant to the Plan:

Latest date for exercise of options	Exercise price	Balance as at 31 March 2002	Options issued during the financial year	Options exercised during the financial year	Options lapsed during the financial year	Balance as at 31 March 2003
18 July 2002	$11.17	800,934	—	(800,933)	(1)	**—**
11 August 2002	$11.17	61,371	—	(61,371)	—	**—**
23 October 2002	$13.17	20,000	—	(20,000)	—	**—**
10 March 2003	$11.39	6,668	—	(6,668)	—	**—**
11 March 2003	$13.20	6,668	—	(6,668)	—	**—**
30 March 2003	$11.53	20,000	—	(20,000)	—	**—**
8 April 2003	$11.95	16,668	—	(16,668)	—	**—**
30 April 2003	$13.15	10,000	—	(10,000)	—	**—**
8 May 2003	$13.48	6,668	—	(6,668)	—	**—**
9 May 2003	$14.35	6,668	—	(6,668)	—	**—**
14 May 2003	$13.82	6,680	—	(6,680)	—	**—**
15 May 2003	$14.32	13,200	—	(13,200)	—	**—**
18 May 2003	$13.28	20,000	—	(20,000)	—	**—**
20 May 2003	$14.47	5,668	—	(5,668)	—	**—**
11 June 2003	$14.31	11,334	—	(11,334)	—	**—**
12 June 2003	$14.89	50,000	—	—	—	**50,000**
26 June 2003	$14.52	14,500	—	(14,500)	—	**—**
27 July 2003	$14.89	17,000	—	(17,000)	—	**—**
21 August 2003	$14.47	38,334	—	(10,000)	—	**28,334**
28 August 2003	$14.29	1,676,523	—	(657,421)	—	**1,019,102**
16 September 2003	$14.83	14,168	—	(14,168)	—	**—**
18 September 2003	$14.59	5,668	—	—	—	**5,668**
22 September 2003	$14.67	13,300	—	(13,300)	—	**—**
23 September 2003	$13.11	5,668	—	(5,668)	—	**—**
25 September 2003	$14.62	11,336	—	—	—	**11,336**
6 November 2003	$14.48	5,667	—	—	—	**5,667**
11 November 2003	$13.50	11,334	—	—	—	**11,334**
24 November 2003	$14.54	11,334	—	—	—	**11,334**
25 November 2003	$13.03	5,668	—	(5,668)	—	**—**
26 November 2003	$13.40	36,834	—	—	—	**36,834**
2 December 2003	$12.25	17,000	—	—	—	**17,000**
4 December 2003	$14.65	17,000	—	—	—	**17,000**
6 December 2003	$12.73	17,000	—	(11,333)	—	**5,667**
7 December 2003	$15.23	14,167	—	—	—	**14,167**
12 February 2004	$15.06	11,334	—	—	—	**11,334**
15 February 2004	$13.32	28,334	—	—	—	**28,334**
22 February 2004	$14.55	28,334	—	(14,166)	(14,168)	**—**
23 February 2004	$14.18	28,334	—	(11,333)	—	**17,001**
25 February 2004	$15.60	17,000	—	—	—	**17,000**

Notes continued

As at 31 March 2003

Note thirty three > Employee equity participation continued

Option plan continued

Latest date for exercise of options	Exercise price	Balance as at 31 March 2002	Options issued during the financial year	Options exercised during the financial year	Options lapsed during the financial year	Balance as at 31 March 2003
31 March 2004	$18.89	127,500	—	(15,000)	—	**112,500**
23 April 2004	$14.46	11,334	—	(5,666)	—	**5,668**
27 April 2004	$14.36	131,668	—	(5,666)		**126,002**
28 April 2004	$17.07	17,000	—	(5,500)	—	**11,500**
29 April 2004	$17.17	11,334	—	(11,334)	—	**—**
30 April 2004	$17.29	10,000	—	—	—	**10,000**
11 May 2004	$16.82	11,334	—	—	—	**11,334**
4 June 2004	$17.33	20,000	—	—	—	**20,000**
8 June 2004	$14.52	17,000	—	(11,332)	—	**5,668**
25 June 2004	$17.11	11,334	—	(5,666)	—	**5,668**
28 June 2004	$14.48	28,334	—	(14,166)	—	**14,168**
13 August 2004	$18.51	5,304,881	—	(840,559)	(70,076)	**4,394,246**
16 August 2004	$19.07	10,000	—	(5,000)	—	**5,000**
17 August 2004	$18.44	53,334	—	—	—	**53,334**
18 August 2004	$14.36	17,000	—	—	—	**17,000**
19 August 2004	$19.00	25,000	—	—	—	**25,000**
23 August 2004	$18.08	10,000	—	—	—	**10,000**
24 August 2004	$19.07	25,000	—	—	(25,000)	**—**
25 August 2004	$19.09	10,000	—	—	—	**10,000**
26 August 2004	$17.92	10,000	—	—	—	**10,000**
30 August 2004	$17.82	25,000	—	—	—	**25,000**
31 August 2004	$18.51	613,124	—	(157,086)	(31,672)	**424,366**
6 September 2004	$18.14	10,000	—	—	—	**10,000**
7 September 2004	$18.08	50,000	—	—	—	**50,000**
24 September 2004	$18.51	22,750	—	(6,375)	—	**16,375**
27 September 2004	$18.51	37,500	—	—	—	**37,500**
11 October 2004	$18.51	5,000	—	—	—	**5,000**
9 November 2004	$18.86	5,000	—	—	—	**5,000**
10 November 2004	$20.28	5,000	—	(3,171)	(1,829)	**—**
12 November 2004	$19.07	10,000	—	(10,000)	—	**—**
15 November 2004	$17.93	37,500	—	—	(37,500)	**—**
25 November 2004	$18.51	30,000	—	(12,500)	—	**17,500**
29 November 2004	$20.29	75,000	—	(12,500)	—	**62,500**
1 December 2004	$18.51	3,334	—	—	—	**3,334**
7 December 2004	$20.01	5,000	—	(3,332)	—	**1,668**
9 December 2004	$20.18	5,000	—	—	—	**5,000**
10 December 2004	$19.52	10,000	—	—	—	**10,000**
13 December 2004	$20.29	15,000	—	(10,416)	(4,584)	**—**
20 January 2005	$20.18	33,334	—	—	—	**33,334**
21 January 2005	$18.51	19,500	—	—	—	**19,500**
24 January 2005	$19.97	17,500	—	—	—	**17,500**
25 January 2005	$20.05	5,000	—	—	—	**5,000**
28 January 2005	$23.22	21,775	—	—	—	**21,775**
10 February 2005	$20.05	100,000	—	—	—	**100,000**
6 March 2005	$18.51	22,500	—	—	—	**22,500**
21 March 2005	$21.16	5,000	—	—	—	**5,000**
22 March 2005	$24.14	5,000	—	—	—	**5,000**
24 March 2005	$24.56	5,000	—	—	—	**5,000**
27 March 2005	$24.44	7,500	—	(2,500)	—	**5,000**
28 March 2005	$23.76	32,500	—	—	—	**32,500**
21 July 2005	$23.94	3,800,921	—	(107,880)	(195,520)	**3,497,521**
1 August 2005	$20.14	3,334	—	—	—	**3,334**
2 August 2005	$23.94	50,000	—	—	—	**50,000**
3 August 2005	$18.51	15,000	—	(1,666)	—	**13,334**
5 August 2005	$24.29	5,000	—	—	—	**5,000**
7 August 2005	$24.69	30,000	—	—	—	**30,000**
8 August 2005	$23.94	12,083	—	—	—	**12,083**
9 August 2005	$24.12	5,000	—	—	—	**5,000**
10 August 2005	$25.71	5,000	—	—	—	**5,000**
11 August 2005	$23.94	111,182	—	—	(8,082)	**103,100**
12 August 2005	$25.49	5,000	—	—	(5,000)	**—**

Note thirty three > Employee equity participation continued

Option plan continued

Latest date for exercise of options	Exercise price	Balance as at 31 March 2002	Options issued during the financial year	Options exercised during the financial year	Options lapsed during the financial year	Balance as at 31 March 2003
13 August 2005	$23.06	5,000	—	—	—	**5,000**
14 August 2005	$24.16	12,500	—	—	—	**12,500**
15 August 2005	$24.24	5,000	—	—	—	**5,000**
17 August 2005	$23.63	5,000	—	—	—	**5,000**
18 August 2005	$23.76	5,000	—	—	—	**5,000**
19 August 2005	$24.43	12,500	—	—	—	**12,500**
20 August 2005	$24.04	5,000	—	—	—	**5,000**
22 August 2005	$23.02	12,500	—	—	—	**12,500**
24 August 2005	$24.56	17,500	—	—	—	**17,500**
25 August 2005	$25.37	5,000	—	—	—	**5,000**
26 August 2005	$25.65	5,000	—	—	—	**5,000**
30 August 2005	$23.94	120,764	—	(1,666)	—	**119,098**
28 September 2005	$25.59	5,000	—	—	—	**5,000**
29 September 2005	$25.85	5,000	—	—	—	**5,000**
11 October 2005	$20.18	3,334	—	—	—	**3,334**
12 October 2005	$25.01	5,000	—	—	(5,000)	**—**
13 October 2005	$24.36	12,500	—	—	—	**12,500**
14 October 2005	$25.59	10,000	—	—	—	**10,000**
15 October 2005	$26.12	12,500	—	—	—	**12,500**
11 December 2005	$27.56	5,000	—	—	—	**5,000**
12 December 2005	$26.57	17,500	—	—	—	**17,500**
13 December 2005	$24.80	32,500	—	—	(32,500)	**—**
22 December 2005	$24.24	5,000	—	—	—	**5,000**
27 December 2005	$26.45	5,000	—	—	—	**5,000**
28 December 2005	$27.63	5,000	—	—	—	**5,000**
29 December 2005	$26.32	12,500	—	—	—	**12,500**
2 January 2006	$27.28	32,500	—	—	—	**32,500**
3 January 2006	$27.86	5,000	—	—	—	**5,000**
5 January 2006	$27.71	5,000	—	—	—	**5,000**
8 January 2006	$26.95	5,000	—	—	—	**5,000**
9 January 2006	$27.97	20,000	—	—	—	**20,000**
11 January 2006	$27.15	12,500	—	—	(7,293)	**5,207**
12 January 2006	$27.93	5,000	—	—	—	**5,000**
15 January 2006	$27.81	5,000	—	—	(5,000)	**—**
16 January 2006	$27.46	12,500	—	—	—	**12,500**
17 January 2006	$27.71	5,000	—	—	—	**5,000**
18 January 2006	$27.71	12,500	—	—	—	**12,500**
19 January 2006	$28.29	12,500	—	—	—	**12,500**
23 January 2006	$28.51	12,500	—	—	(8,334)	**4,166**
30 January 2006	$27.83	5,000	—	—	—	**5,000**
31 January 2006	$27.71	5,000	—	—	—	**5,000**
1 February 2006	$27.98	100,000	—	—	—	**100,000**
2 February 2006	$27.71	22,500	—	—	(12,500)	**10,000**
26 February 2006	$18.51	12,500	—	—	—	**12,500**
27 February 2006	$28.39	5,000	—	—	—	**5,000**
28 February 2006	$28.15	5,000	—	—	(5,000)	**—**
13 March 2006	$27.13	5,000	—	—	(5,000)	**—**
20 March 2006	$28.19	5,000	—	—	—	**5,000**
29 March 2006	$27.66	5,000	—	—	(5,000)	**—**
2 April 2006	$28.00	5,000	—	—	—	**5,000**
11 April 2006	$27.28	5,000	—	—	(5,000)	**—**
17 April 2006	$27.04	12,500	—	—	—	**12,500**
18 April 2006	$28.57	5,000	—	—	(5,000)	**—**
19 April 2006	$28.55	5,000	—	—	—	**5,000**
20 April 2006	$28.05	12,500	—	—	—	**12,500**
23 April 2006	$28.50	5,000	—	—	—	**5,000**
24 April 2006	$26.85	5,000	—	—	—	**5,000**

Notes continued

As at 31 March 2003

Note thirty three > Employee equity participation continued

Option plan continued

Latest date for exercise of options	Exercise price	Balance as at 31 March 2002	Options issued during the financial year	Options exercised during the financial year	Options lapsed during the financial year	Balance as at 31 March 2003
28 May 2006	$27.60	5,000	—	—	—	**5,000**
29 May 2006	$27.77	5,000	—	—	—	**5,000**
6 June 2006	$27.53	5,000	—	—	—	**5,000**
15 June 2006	$27.58	5,000	—	—	—	**5,000**
24 July 2006	$28.19	5,000	—	—	—	**5,000**
26 July 2006	$28.22	5,000	—	—	(5,000)	**—**
27 July 2006	$29.72	5,000	—	—	—	**5,000**
30 July 2006	$29.56	5,000	—	—	(5,000)	**—**
31 July 2006	$28.15	5,000	—	—	—	**5,000**
1 August 2006	$28.46	5,000	—	—	—	**5,000**
2 August 2006	$34.71	4,681,069	—	—	(214,393)	**4,466,676**
3 August 2006	$30.25	5,000	—	—	—	**5,000**
7 August 2006	$28.21	5,000	—	—	—	**5,000**
8 August 2006	$27.78	12,500	—	—	(12,500)	**—**
9 August 2006	$29.50	10,000	—	—	—	**10,000**
10 August 2006	$31.00	12,500	—	—	(12,500)	**—**
13 August 2006	$29.35	5,000	—	—	—	**5,000**
27 August 2006	$35.99	5,000	—	—	—	**5,000**
28 August 2006	$34.71	5,000	—	—	—	**5,000**
29 August 2006	$35.41	5,000	—	—	—	**5,000**
30 August 2006	$27.57	12,500	—	—	—	**12,500**
31 August 2006	$34.71	812,220	—	—	(72,414)	**739,806**
3 September 2006	$34.82	5,000	—	—	—	**5,000**
4 September 2006	$27.60	5,000	—	—	—	**5,000**
5 September 2006	$31.48	25,000	—	—	—	**25,000**
6 September 2006	$33.95	5,000	—	—	—	**5,000**
20 September 2006	$28.19	20,000	—	—	—	**20,000**
21 September 2006	$32.20	12,500	—	—	—	**12,500**
24 September 2006	$36.66	12,500	—	—	—	**12,500**
25 September 2006	$36.48	12,500	—	—	—	**12,500**
26 September 2006	$35.95	12,500	—	—	—	**12,500**
27 September 2006	$33.01	10,000	—	—	—	**10,000**
28 September 2006	$34.71	303,936	—	—	(52,736)	**251,200**
1 October 2006	$35.93	5,000	—	—	—	**5,000**
2 October 2006	$37.10	5,000	—	—	(5,000)	**—**
3 October 2006	$36.47	12,500	—	—	(8,732)	**3,768**
8 October 2006	$29.72	5,000	—	—	—	**5,000**
9 October 2006	$37.52	5,000	—	—	—	**5,000**
12 October 2006	$36.68	5,000	—	—	—	**5,000**
15 October 2006	$28.39	5,000	—	—	—	**5,000**
16 October 2006	$35.59	5,000	—	—	(5,000)	**—**
29 October 2006	$37.75	12,500	—	—	—	**12,500**
30 October 2006	$37.05	12,500	—	—	—	**12,500**
31 October 2006	$37.26	5,000	—	—	—	**5,000**
7 November 2006	$37.94	5,000	—	—	—	**5,000**
13 November 2006	$36.85	5,000	—	—	—	**5,000**
14 November 2006	$36.86	5,000	—	—	—	**5,000**
15 November 2006	$36.70	12,500	—	—	(12,500)	**—**
16 November 2006	$35.71	5,000	—	—	—	**5,000**
22 November 2006	$37.58	32,500	—	—	—	**32,500**
26 November 2006	$36.84	12,500	—	—	—	**12,500**
3 December 2006	$36.05	5,000	—	—	—	**5,000**
5 December 2006	$35.71	5,000	—	—	—	**5,000**
10 December 2006	$36.36	12,500	—	—	—	**12,500**
20 December 2006	$37.55	5,000	—	—	—	**5,000**
25 January 2007	$37.67	12,500	—	—	—	**12,500**

Note thirty three > Employee equity participation continued

Option plan continued

Latest date for exercise of options	Exercise price	Balance as at 31 March 2002	Options issued during the financial year	Options exercised during the financial year	Options lapsed during the financial year	Balance as at 31 March 2003
4 February 2007	$37.47	5,000	—	—	—	**5,000**
12 March 2007	$36.08	5,000	—	—	—	**5,000**
13 March 2007	$36.54	17,500	—	—	—	**17,500**
14 March 2007	$36.34	10,000	—	—	—	**10,000**
15 March 2007	$35.24	5,000	—	—	—	**5,000**
18 March 2007	$37.52	5,000	—	—	—	**5,000**
19 March 2007	$36.85	5,000	—	—	—	**5,000**
20 March 2007	$35.15	5,000	—	—	—	**5,000**
21 March 2007	$36.39	5,000	—	—	—	**5,000**
22 March 2007	$36.85	5,000	—	—	—	**5,000**
25 March 2007	$36.67	5,000	—	—	—	**5,000**
26 March 2007	$36.68	5,000	—	—	—	**5,000**
27 March 2007	$36.55	32,500	—	—	—	**32,500**
28 March 2007	$36.73	5,000	—	—	(5,000)	**—**
29 March 2007	$35.90	5,000	—	—	(5,000)	**—**
1 April 2007	$36.34	—	12,500	—	—	**12,500**
2 April 2007	$37.52	—	5,000	—	—	**5,000**
3 April 2007	$34.82	—	12,500	—	—	**12,500**
4 April 2007	$35.99	—	12,500	—	—	**12,500**
5 April 2007	$35.22	—	5,000	—	—	**5,000**
8 April 2007	$35.59	—	5,000	—	—	**5,000**
9 April 2007	$37.35	—	5,000	—	—	**5,000**
10 April 2007	$36.67	—	5,000	—	—	**5,000**
17 April 2007	$36.48	—	5,000	—	(5,000)	**—**
18 April 2007	$36.95	—	5,000	—	—	**5,000**
23 May 2007	$33.16	—	5,000	—	—	**5,000**
24 May 2007	$35.31	—	5,000	—	—	**5,000**
27 May 2007	$32.93	—	12,500	—	—	**12,500**
28 May 2007	$32.76	—	5,000	—	—	**5,000**
29 May 2007	$33.12	—	5,000	—	—	**5,000**
4 July 2007	$33.54	—	45,000	—	—	**45,000**
5 July 2007	$33.45	—	5,000	—	—	**5,000**
8 July 2007	$33.05	—	12,500	—	—	**12,500**
9 July 2007	$33.37	—	12,500	—	—	**12,500**
10 July 2007	$36.00	—	5,000	—	—	**5,000**
11 July 2007	$35.21	—	5,000	—	—	**5,000**
12 July 2007	$33.20	—	12,500	—	—	**12,500**
15 July 2007	$33.19	—	5,000	—	—	**5,000**
19 July 2007	$33.19	—	5,000	—	—	**5,000**
22 July 2007	$33.06	—	12,500	—	—	**12,500**
23 July 2007	$32.47	—	5,000	—	—	**5,000**
1 August 2007	$30.51	—	5,500,205	—	(118,014)	**5,382,191**
23 August 2007	$33.45	—	5,000	—	—	**5,000**
26 August 2007	$31.54	—	17,500	—	—	**17,500**
27 August 2007	$32.77	—	5,000	—	—	**5,000**
28 August 2007	$33.06	—	5,000	—	—	**5,000**
29 August 2007	$33.10	—	12,500	—	—	**12,500**
30 August 2007	$30.51	—	960,450	—	(13,941)	**946,509**

Notes continued

As at 31 March 2003

Note thirty three > Employee equity participation continued

Option plan continued

Latest date for exercise of options	Exercise price	Balance as at 31 March 2002	Options issued during the financial year	Options exercised during the financial year	Options lapsed during the financial year	Balance as at 31 March 2003
2 September 2007	$31.49	—	5,000	—	—	**5,000**
3 September 2007	$32.90	—	12,500	—	—	**12,500**
4 September 2007	$33.28	—	5,000	—	(5,000)	**—**
5 September 2007	$31.28	—	5,000	—	—	**5,000**
6 September 2007	$30.51	—	20,000	—	—	**20,000**
10 October 2007	$30.51	—	5,000	—	—	**5,000**
11 October 2007	$30.51	—	237,000	—	(8,674)	**228,326**
14 October 2007	$33.20	—	5,000	—	—	**5,000**
15 October 2007	$26.45	—	20,000	—	—	**20,000**
16 October 2007	$37.43	—	5,000	—	—	**5,000**
21 October 2007	$31.28	—	5,000	—	—	**5,000**
24 October 2007	$25.04	—	5,000	—	—	**5,000**
25 October 2007	$24.60	—	5,000	—	—	**5,000**
28 October 2007	$24.48	—	5,000	—	—	**5,000**
5 November 2007	$24.57	—	5,000	—	—	**5,000**
20 November 2007	$30.51	—	22,200	—	(4,900)	**17,300**
29 November 2007	$33.20	—	5,000	—	—	**5,000**
24 December 2007	$30.51	—	318,500	—	(7,500)	**311,000**
27 December 2007	$27.18	—	12,500	—	—	**12,500**
30 December 2007	$31.54	—	25,000	—	—	**25,000**
31 December 2007	$23.25	—	5,000	—	(5,000)	**—**
2 January 2008	$26.45	—	5,000	—	—	**5,000**
3 January 2008	$31.56	—	12,500	—	—	**12,500**
24 January 2008	$23.48	—	5,000	—	—	**5,000**
28 January 2008	$22.22	—	12,500	—	—	**12,500**
3 February 2008	$21.66	—	12,500	—	—	**12,500**
4 February 2008	$30.22	—	5,000	—	—	**5,000**
6 February 2008	$22.42	—	5,000	—	—	**5,000**
10 February 2008	$20.44	—	5,000	—	—	**5,000**
11 February 2008	$21.08	—	5,000	—	—	**5,000**
12 February 2008	$23.03	—	5,000	—	—	**5,000**
13 February 2008	$20.50	—	5,000	—	—	**5,000**
14 February 2008	$20.96	—	5,000	—	—	**5,000**
19 February 2008	$22.76	—	5,000	—	—	**5,000**
3 March 2008	$25.93	—	5,000	—	—	**5,000**
4 March 2008	$21.54	—	5,000	—	—	**5,000**
5 March 2008	$23.82	—	5,000	—	—	**5,000**
6 March 2008	$22.22	—	3,000	—	—	**3,000**
7 March 2008	$25.23	—	5,000	—	—	**5,000**
10 March 2008	$23.55	—	12,500	—	—	**12,500**
12 March 2008	$23.82	—	5,000	—	—	**5,000**
13 March 2008	$21.23	—	5,000	—	—	**5,000**
14 March 2008	$25.82	—	32,500	—	—	**32,500**
17 March 2008	$20.57	—	12,500	—	—	**12,500**
24 March 2008	$25.23	—	12,500	—	—	**12,500**
Total options on issue		21,328,077	7,658,855	(3,036,064)	(1,077,863)	**24,873,005**

Note thirty three > Employee equity participation continued

Option plan continued

Since 31 March 2003, an additional 130,000 options have been granted and 46,704 options have lapsed.

The market value of shares which would be issued from the exercise of these options at 31 March 2003 was $614 million (2002: $709 million). No unissued shares, other than those referred to above, are under option as at the date of this report.

Options granted after 15 May 1996 and before the 1997 promotions and compensation reviews had vesting periods ranging up to four years after the date of grant. Each new tranche of options was issued such that 25% of each tranche became exercisable after each of the first four anniversaries of the date of grant. Options granted thereafter vest as to one third of each tranche after the second, third and fourth anniversaries of the date of commencement of employment for new starters and, for existing employees, on 1 July two, three and four years after the allocation of the options. Subject to staff trading rules, options can be exercised after the vesting period at any time up to expiry. In individual cases, such as where an employee leaves with the Bank's agreement towards the end of a vesting period, the Bank's Executive Committee has the power to waive the remainder of any vesting period and allow exercise of some or all of the relevant options.

In respect of each tranche of vested options granted to Executive Directors of the Bank after the 1997 Annual General Meeting until the 2002 promotion and compensation review grants:

— one third of the vested options may only be exercised if the Bank's average annual Return on Equity for the three previous financial years is at or above the 55th percentile of the corresponding figures for all companies in the then ASX All Industrials Index

— another third of the vested options may only be exercised if the Bank's average annual Return on Equity for the three previous financial years is at or above the 65th percentile of the corresponding figures for all companies in the then ASX All Industrials Index, and

— the final third of the vested options may only be exercised if the Bank's average annual Return on Equity for the three previous financial years is at or above the 75th percentile of the corresponding figures for all companies in the then ASX All Industrials Index,

with the conditions to be examined quarterly from vesting until expiry of the options. Options which have vested but are not able to be exercised at a particular examination date, will be exercisable (until expiry) at or after future quarterly examination dates when and if the exercise conditions pertaining to any of those dates have been met.

Following cessation of publication of the ASX All Industrials Index in mid-2002, the Board exercised its authority to resolve that whether the exercise conditions are met from that point on is to be determined by having regard to the actual performance of the Bank by using the formula set out in the exercise conditions but with the words "All Ordinaries Index excluding companies in the GICS Level 2 'Energy' and GICS Level 3 'Metals and Mining' classifications" replacing "ASX All Industrials Index"; and using "Return on Ordinary Equity" instead of "Return on Equity".

Further, in respect of new employee options from mid-2002 onwards, in respect of each tranche of vested options granted to members of the Bank's Executive Committee and to other Executive Directors of the Bank, options may only be exercisable if the Bank's average annual return on ordinary equity for the three previous financial years is at or above the 65th and 50th percentiles respectively, of the corresponding figures for all companies in the then S&P/ASX 300 Industrials Index.

The Plan Rules provide that the total number of options which can be on issue at any one time is limited such that the number of shares resulting from exercise of all unexercised options does not exceed 20% of the number of the Bank's then issued ordinary shares plus the number of shares which the Bank would have to issue if all rights to require the Bank to issue shares, which the Bank has then granted (including options) were then enforced or exercised to the greatest extent permitted. The Board has a second limitation on the number of options being the same calculation as in the Plan Rules except that any partly paid shares issued less than five years ago, which have been fully paid up and where the relevant Executive is still with the Bank, will be treated as still being partly paid and any exercised options granted less than five years ago, where the executive is still with the Bank, will be treated as still being unexercised.

Fully paid ordinary shares issued on the exercise of options rank pari passu with all other fully paid ordinary shares then on issue.

On 25 May 2000, the Board approved amendments to the Plan Rules referred to as the Deferred Exercise Share Option Plan (DESOP). Shares resulting from the exercise of options will now be placed under the DESOP, unless option holders request otherwise. Unless the Bank is aware of circumstances which, in the reasonable opinion of the Bank, indicate that the relevant Executive may have acted fraudulently, dishonestly or in a manner which is in breach of his/her obligations to the Bank or any associated entity, then such a request will be granted.

Shares acquired under DESOP cannot be sold, transferred or disposed of for a period of six months from the date that the shares are transferred into a participating employee's name and are also subject to forfeiture by an employee in a number of circumstances including theft, fraud, dishonesty, or defalcation in relation to affairs of the Bank or a related entity or if they carry out or fail to carry out an act which brings the Bank or an associated entity into disrepute.

Notes continued

As at 31 March 2003

Note thirty three > Employee equity participation continued

Option plan continued

Shares held in the DESOP will be withdrawn on the earlier of:

— an employee's resignation from the Bank or a related company

— upon request from the employee (after the expiration of the non-disposal period)

— ten years from the date that the options were originally granted.

Options carry no dividend or voting rights but have standard adjustment clauses for bonus and rights issues and reconstructions.

Employee Share Plan

Following shareholder approval at the 1997 Annual General Meeting, the Bank introduced the Macquarie Bank Employee Share Plan (ESP) whereby each financial year, eligible employees are offered up to $1,000 worth of fully paid ordinary Bank shares for no cash payment. The Bank's staff profit sharing pools and for certain staff, future commissions, are adjusted downwards by the aggregate market value of the shares issued under the ESP.

Shares issued under the ESP cannot be sold until the earlier of three years after issue or the time when the participant is no longer employed by the Bank or a subsidiary of the Bank. In all other respects, shares issued rank equally with all other fully paid ordinary shares then on issue.

The number of shares each participant receives is $1,000 divided by the weighted average price at which the Bank's shares are traded on Australian Stock Exchange Limited on the seven days up to and including the date of allotment, rounded down to the nearest whole share.

The employees who are eligible for an offer are those permanent employees who have been continuously employed by the Bank or a subsidiary of the Bank since 1 April of the relevant year, are still employed by the Bank or a subsidiary of the Bank on the relevant allotment date and are Australian residents on both the closing date of an offer and on the relevant allotment date. Persons who are ineligible include all non-permanent staff, staff seconded to the Bank from external companies, staff on leave without pay, staff who have been given notice of dismissal from employment by the Bank or subsidiary of the Bank or who have tendered their resignation to avoid such a dismissal (even if they would, but for this requirement, be eligible to acquire shares) and any staff member that a Group Head believes should be ineligible based on poor performance.

The latest offer under the ESP was made during December 2002. A total of 1,307 (2002: 1,440) staff participated in this offer. On 17 January 2003, the participants were each issued with 38 (2002: 27) fully paid ordinary shares based on the offer amount of $1,000 and the then calculated average market share price of $26.22 (2002: $37.03) that is, a total of 49,666 (2002: 38,880) shares were issued. The shares were issued for no cash consideration.

Staff Share Acquisition Plan

Following shareholder approval at the 1999 Annual General Meeting, the Bank introduced the Macquarie Bank Staff Share Acquisition Plan (MBSSAP) whereby each financial year, Australian-based eligible employees are given the opportunity to nominate an amount of their pre-tax available profit share or future commission to purchase fully paid ordinary Bank shares (Shares). The total number of Shares purchased under the MBSSAP is limited in any financial year to three per cent of the Bank's Shares as at the beginning of that financial year.

Shares are acquired at prevailing market prices. Any applicable brokerage, workers' compensation premiums and payroll tax are to the employee's account.

Shares acquired under the MBSSAP cannot be sold, transferred or disposed of for a period of six months from the date that the Shares are transferred into a participating employee's name except in special circumstances or if the employee resigns. The Shares held in the MBSSAP are also subject to forfeiture by an employee in a number of circumstances including theft, fraud, dishonesty, or defalcation in relation to the affairs of the Bank or a related company or if they carry out an act or fail to do an act which brings the Bank or a related company into disrepute.

Shares held in the MBSSAP will be withdrawn on the earlier of:

— an employee's resignation from the Bank or a related company

— upon request by the employee (after the expiration of the non-disposal period)

— ten years from the date that the Shares are registered in an employee's name.

In all other respects, Shares rank equally with all other fully paid ordinary shares then on issue.

Eligible employees are Australian-based permanent full-time or part-time employees of the Bank or a related company who either receive available profit share in the relevant year of at least $1,000 in total or allocate at least $1,000 in available commission towards the MBSSAP.

The fourth offer under the MBSSAP was made during May 2002. A total of 272 (2002: 293) staff participated in the MBSSAP. On 27, 28 and 30 July 2003, a total of 382,276 (2002: 238,041) shares were acquired on-market.

Note thirty four > Contingent liabilities

	Consolidated 2003 $M	Consolidated 2002 $M	**Bank 2003 $M**	Bank 2002 $M
Contingent liabilities exist in respect of:				
Guarantees (a) (b)	**113**	142	**928**	1,082
Letters of credit (a)	**13**	117	**110**	221
Underwriting facilities	**614**	496	**614**	496
Undrawn credit facilities	**2,017**	2,079	**2,014**	1,841
Cross-border leasing indemnities (c)	**244**	213	**327**	82
Total contingent liabilities	**3,001**	3,047	**3,993**	3,722
Analysis of undrawn credit facilities by maturity:				
Current	**1,319**	1,029	**1,419**	966
Non-current	**698**	1,050	**595**	875
Total undrawn credit facilities	**2,017**	2,079	**2,014**	1,841

Contingent liabilities exist in respect of claims and potential claims against entities in the economic entity. Where necessary appropriate provisions have been made in the financial report. The economic entity does not consider that the outcome of any such claims known to exist at the date of this report, either individually or in aggregate, are likely to have a material effect on its operations or financial position. Information regarding the ATO audit of the Bank is included in Note 5 – Income tax (expense).

a) All external guarantees, other than noted for Macquarie Investment Management Limited (MIML) in (d) below, and letters of credit are provided by the Bank. Included in external guarantees are guarantees backed by cash of $10 million (2002: $16 million).

b) The Bank has entered into a group guarantee with a number of controlled entities who act as Single Responsible Entities and the Australian Securities & Investments Commission for the purposes of the Net Tangible Assets calculation under the controlled entities' dealers licence conditions. The Bank has provided a guarantee of $10 million for 12 controlled entities, which is capped at $5 million in respect of any one entity.

c) Indemnities granted to counterparties in respect of termination and default events in cross-border leasing transactions.

d) MIML covenants that while it acts as Single Responsible Entity of the Macquarie Cash Management Trust, unitholders in that trust will be paid upon redemption or repurchase of a unit issued prior to 28 April 1985, where the unitholder has continuously held units from 28 April 1985, not less than the sum of $1.00: $45 million (2002: $54 million). At 31 March 2003 the audited financial report of the Macquarie Cash Management Trust discloses the value of units on issue and the income entitlement thereon aggregating $8.9 billion (2002: $8.4 billion) and assets aggregating $9.0 billion (2002: $8.4 billion).

Notes continued

As at 31 March 2003

	Consolidated 2003 $M	Consolidated 2002 $M	Bank 2003 $M	Bank 2002 $M
Note thirty five > Capital and other expenditure commitments				
Not later than one year	**4**	3	**4**	3
Total capital and other expenditure commitments	**4**	3	**4**	3
Note thirty six > Lease commitments				
Non-cancellable operating leases expiring:				
Not later than one year	**60**	63	**60**	63
Later than one year and not later than five years	**242**	242	**242**	242
Later than five years	**378**	370	**378**	370
Total operating lease commitments	**680**	675	**680**	675

Operating leases relate to commercial buildings and motor vehicles leased by the Bank's staff. The future lease commitments disclosed are net of any rental incentives received and sub-lease income earned.

Note thirty seven > Objectives of holding and issuing derivative financial instruments

The Bank is an active price maker in derivatives on interest rates, foreign exchange, commodities and equities. Its objective is to earn profits from the price making spread and from managing the residual exposures on hedged positions. Proprietary position taking is a small part of the Bank's trading activities. Risks on derivatives are managed together with all other trading positions in the same market. All trading positions, including derivatives, are marked to market daily.

The economic entity also uses derivatives to hedge banking operations and for asset/liability management. Profits and losses on these transactions are brought to account over the life of the underlying transaction. The types of contracts which the economic entity trades are detailed below:

Futures: Futures contracts provide the holder with the obligation to buy a specified financial instrument or commodity at a fixed price and fixed date in the future. Contracts may be closed early via cash settlement. Futures contracts are exchange traded.

Forwards and forward rate agreements: Forward contracts, which resemble futures contracts, are an agreement between two parties that a financial instrument or commodity will be traded at a fixed price and fixed date in the future. A forward rate agreement provides for two parties to exchange interest rate differentials based on an underlying principal amount at a fixed date in the future.

Swaps: Swap transactions provide for two parties to swap a series of cash flows in relation to an underlying principal amount, usually to exchange a fixed interest rate for a floating interest rate. Cross-currency swaps provide a tool for two parties to manage risk arising from movements in exchange rates.

Options: Option contracts provide the holder the right to buy or sell financial instruments or commodities at a fixed price over an agreed period or on a fixed date. The contract does not oblige the holder to buy or sell, however the writer must perform if the holder exercises the rights pertaining to the option.

Note thirty eight > Average interest-bearing assets and liabilities and related interest

	Av. Balance $M	Interest inc./(exp.) $M	Av. rate %	Av. balance $M	Interest Inc./(exp.) $M	Av. rate %
Assets						
Interest bearing assets			**Consolidated 2003**			Consolidated 2002
Cash and liquid assets	**72**	**3**	**3.7**	58	2	3.4
Securities purchased under resale agreement	**3,294**	**143**	**4.3**	3,593	158	4.4
Trading assets	**3,354**	**175**	**5.2**	3,254	166	5.1
Other securities	**1,776**	**56**	**3.2**	1,556	59	3.8
Loan assets	**10,037**	**637**	**6.3**	8,598	570	6.6
Other financial assets	**20**	**1**	**4.6**	39	2	5.1
Total interest bearing assets	**18,553**	**1,015**		17,098	957	
Total non-interest bearing assets	**14,034**	**—**		12,466	—	
Total assets	**32,587**	**1,015**		29,564	957	
Liabilities						
Interest bearing liabilities						
Due to other financial institutions	**1,112**	**(29)**	**2.6**	972	(27)	2.8
Securities sold under repurchase agreements	**1,704**	**(72)**	**4.2**	1,697	(74)	4.4
Securities borrowed	**892**	**(49)**	**5.5**	1,029	(51)	5.0
Deposits	**4,423**	**(170)**	**3.8**	4,126	(170)	4.1
Notes payable	**10,659**	**(407)**	**3.8**	9,128	(386)	4.2
Other financial liabilities	**495**	**(19)**	**3.8**	489	(18)	3.7
Loan capital						
Subordinated debt	**241**	**(13)**	**5.4**	250	(14)	5.6
Converting Preference Shares	**150**	**(11)**	**7.4**	150	(11)	7.4
Total interest bearing liabilities	**19,676**	**(770)**		17,841	(751)	
Total non-interest bearing liabilities	**10,338**	**—**		9,632	—	
Total liabilities	**30,014**	**(770)**		27,473	(751)	
Net assets	**2,573**	**245**		2,091	206	
Equity						
Contributed equity						
Ordinary share capital	**1,088**			753		
Macquarie Income Securities	**391**			391		
Retained earnings	**690**			583		
Total equity attributable to equity holders of MBL	**2,169**			1,727		
Outside equity interests in controlled entities	**404**			364		
Total equity	**2,573**			2,091		

Average interest income and expense in relation to assets and liabilities set off in the Statements of Financial Position in accordance with applicable accounting standards are not included in the above analysis. Such interest and expense is shown gross in Note 2 – Profit from ordinary activities in accordance with the requirements of AASB 1018 "Statement of Financial Performance".

Notes continued

As at 31 March 2003

Note thirty nine > Geographical concentration of deposits and borrowings

	Australia $M	Europe $M	North America $M	Asia $M	Other $M	Total $M
						Consolidated 2003
Due to other financial institutions	**316**	**151**	**18**	**32**	**—**	**517**
Securities sold under repurchase agreements	**1,540**	**245**	**—**	**436**	**—**	**2,221**
Securities borrowed	**1,245**	**689**	**—**	**443**	**4**	**2,381**
Deposits	**3,589**	**61**	**208**	**90**	**18**	**3,966**
Notes payable	**2,728**	**420**	**206**	**6,714**	**1**	**10,069**
Subordinated debt	**295**	**—**	**—**	**111**	**—**	**406**
Converting Preference Shares	**150**	**—**	**—**	**—**	**—**	**150**
Total deposits and borrowings by geographical location	**9,863**	**1,566**	**432**	**7,826**	**23**	**19,710**
						Consolidated 2002
Due to other financial institutions	363	110	1	91	—	565
Securities sold under repurchase agreements	554	52	13	309	—	928
Securities borrowed	2,122	230	—	7	—	2,359
Deposits	4,198	49	193	74	6	4,520
Notes payable	2,742	43	703	5,946	—	9,434
Subordinated debt	120	—	94	28	—	242
Converting Preference Shares	150	—	—	—	—	150
Total deposits and borrowings by geographical location	10,249	484	1,004	6,455	6	18,198

The table details the source of deposits and borrowings, based upon the location of the relevant counterparty. The economic entity's exposure is not concentrated in any one particular industry or with one particular counterparty type.

Refer to "Liquidity management" within Note 40 – Maturity analysis of monetary assets and liabilities and liquidity management, for a discussion on the sources of the economic entity's funding.

Note forty > Maturity analysis of monetary assets and liabilities and liquidity management

	At call $M	Overdrafts $M	3 months or less $M	3 months to 12 months $M	1 year to 5 years $M	Over 5 years $M	No maturity specified $M	Total $M
								Consolidated 2003
Assets								
Cash and liquid assets	**311**	**—**	**—**	**—**	**—**	**—**	**—**	**311**
Securities purchased under resale agreements	**3,438**	**—**	**1,717**	**—**	**—**	**—**	**—**	**5,155**
Trading assets	**4,780**	**—**	**—**	**—**	**—**	**—**	**—**	**4,780**
Other securities	**2,181**	**—**	**—**	**—**	**—**	**—**	**—**	**2,181**
Loan assets	**1,839**	**77**	**1,928**	**1,384**	**4,462**	**204**	**—**	**9,894**
Life insurance investment assets*	**82**	**—**	**1,012**	**97**	**159**	**—**	**1,166**	**2,516**
Equity investments	**—**	**—**	**—**	**—**	**—**	**—**	**130**	**130**
Investments in associates and JVs	**—**	**—**	**—**	**—**	**—**	**—**	**142**	**142**
Total monetary assets	**12,631**	**77**	**4,657**	**1,481**	**4,621**	**204**	**1,438**	**25,109**
Liabilities								
Due to other financial institutions	**72**	**—**	**181**	**172**	**89**	**3**	**—**	**517**
Securities sold under repurchase agreements	**841**	**—**	**1,179**	**201**	**—**	**—**	**—**	**2,221**
Securities borrowed	**2,381**	**—**	**—**	**—**	**—**	**—**	**—**	**2,381**
Deposits	**2,529**	**—**	**537**	**175**	**595**	**130**	**—**	**3,966**
Notes payable	**—**	**—**	**4,678**	**2,584**	**2,807**	**—**	**—**	**10,069**
Life insurance policy liabilities	**—**	**—**	**—**	**—**	**—**	**—**	**2,456**	**2,456**
Subordinated debt	**—**	**—**	**10**	**—**	**111**	**285**	**—**	**406**
Converting Preference Shares	**—**	**—**	**—**	**—**	**150**	**—**	**—**	**150**
Total monetary liabilities	**5,823**	**—**	**6,585**	**3,132**	**3,752**	**418**	**2,456**	**22,166**

* The life insurance business offers an investment linked product. Policy holders are primarily exposed to the liquidity risk on life insurance investment assets. The members are subject to liquidity risk on the surplus in the life insurance statutory funds.

The table details the maturity distribution of selected monetary assets and liabilities.

Maturities represent the remaining period as at 31 March 2003 to the repayment date. Certain deposits however are recorded at their expected maturity date rather than the contractual repayment date. These deposits, although withdrawable on demand, display the necessary characteristics of longer term deposits.

Notes continued

As at 31 March 2003

Note forty > Maturity analysis of monetary assets and liabilities and liquidity management continued

Consolidated 2002

	At call $M	Overdrafts $M	3 months or less $M	3 months to 12 months $M	1 year to 5 years $M	Over 5 years $M	No maturity specified $M	Total $M
Assets								
Cash and liquid assets	283	—	—	—	—	—	—	283
Securities purchased under resale agreements	3,383	—	743	187	—	—	—	4,313
Trading assets	4,864	—	—	—	—	—	—	4,864
Other securities	1,937	—	—	—	—	—	—	1,937
Loan assets	752	47	818	1,002	5,892	698	—	9,209
Life insurance investment assets*	234	—	698	325	4	—	1,327	2,588
Equity investments	—	—	—	—	—	—	102	102
Investments in associates and JVs	—	—	—	—	—	—	90	90
Total monetary assets	11,453	47	2,259	1,514	5,896	698	1,519	23,386
Liabilities								
Due to other financial institutions	204	—	89	36	236	—	—	565
Securities sold under repurchase agreements	449	—	479	—	—	—	—	928
Securities borrowed	2,359	—	—	—	—	—	—	2,359
Deposits	2,506	—	986	101	782	145	—	4,520
Notes payable	—	—	4,300	2,380	2,754	—	—	9,434
Life insurance policy liabilities	—	—	—	—	—	—	2,539	2,539
Subordinated debt	—	—	—	—	132	110	—	242
Converting Preference Shares	—	—	—	—	150	—	—	150
Total monetary liabilities	5,518	—	5,854	2,517	4,054	255	2,539	20,737

* The life insurance business offers an investment linked product.
Policy holders are primarily exposed to the liquidity risk on life insurance investment assets.
The members are subject to liquidity risk on the surplus in the life insurance statutory funds.

Note forty > Maturity analysis of monetary assets and liabilities and liquidity management continued

Liquidity management

The liquidity policy of the economic entity is approved by the Board and agreed with the Australian Prudential Regulation Authority (APRA). This policy is reviewed regularly by the Risk Management Division to ensure it continues to meet the needs of the economic entity under all market circumstances. The economic entity's liquidity policy requires that:

1) Core assets (that is, on-balance sheet assets that cannot be liquefied quickly) plus liquidity buffers are funded with deposits/borrowings with a minimum maturity greater than 1 week (5 working days)
2) Specified percentages of borrowings have maturities beyond 6 and 12 months. A limit is also set on the maximum percentage of deposits maturing within the next 3 months and in any one month
3) The economic entity must keep at least a certain percentage of its total assets in highly liquid form (for example, Commonwealth and State Government debt, non-callable deposits, bank bills, overnight loans and repurchase agreements).

Within these parameters, on a day-to-day basis, liquidity management is the responsibility of the funding desk within the Treasury and Commodities Group.

An objective of the economic entity's liquidity policy is to achieve a sound deposit base with a wide spread of core depositors. In respect of the retail market, the Bank focuses its attention on small and medium sized corporate depositors who do not generally access the professional market. Retail deposits are accessed through a number of products in a variety of locations.

The offshore Debt Instrument Programme continues to expand and provides an important source of funding in a number of currencies over a range of terms. Domestic non-callable deposits, commercial paper and bond issuances also provide another source of funding.

Notes continued

As at 31 March 2003

Note forty one > Interest rate risk and face value

	Weighted average effective interest rate %	Floating interest rate maturities $M	Fixed interest rate repricing: 1 month or less $M	1 month to 3 months $M	3 months to 12 months $M	1 year to 5 years $M	Over 5 years $M	Non-interest bearing $M	Total $M
									Consolidated 2003
On-balance sheet assets									
Cash and liquid assets	**2.7**	**311**	**—**	**—**	**—**	**—**	**—**	**—**	**311**
Securities purchased under resale agreements	**3.9**	**3,438**	**1,717**	**—**	**—**	**—**	**—**	**—**	**5,155**
Trading assets	**3.3**	**—**	**980**	**864**	**540**	**413**	**395**	**1,588**	**4,780**
Other securities	**3.6**	**—**	**144**	**579**	**553**	**340**	**178**	**387**	**2,181**
Loan assets	**6.1**	**1,842**	**4,275**	**1,079**	**1,116**	**1,568**	**6**	**8**	**9,894**
Other financial market assets	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**5,309**	**5,309**
Other financial assets	**—**	**14**	**—**	**—**	**—**	**—**	**—**	**1,814**	**1,828**
Life insurance investment assets*	**2.6**	**82**	**—**	**1,012**	**97**	**160**	**—**	**1,165**	**2,516**
Equity investments	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**130**	**130**
Investments in associates and JVs	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**142**	**142**
Fixed assets	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**125**	**125**
Tax assets	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**146**	**146**
Total on-balance sheet assets		**5,687**	**7,116**	**3,534**	**2,306**	**2,481**	**579**	**10,814**	**32,517**
On-balance sheet liabilities									
Due to other financial institutions	**1.4**	**72**	**26**	**155**	**172**	**89**	**—**	**3**	**517**
Securities sold under repurchase agreements	**4.9**	**490**	**1,325**	**205**	**201**	**—**	**—**	**—**	**2,221**
Securities borrowed	**2.5**	**—**	**66**	**—**	**—**	**275**	**562**	**1,478**	**2,381**
Deposits	**2.3**	**2,529**	**430**	**107**	**175**	**595**	**130**	**—**	**3,966**
Notes payable	**2.7**	**—**	**2,608**	**2,070**	**2,584**	**2,807**	**—**	**—**	**10,069**
Other financial markets liabilities	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**4,718**	**4,718**
Tax liabilities	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**18**	**18**
Other financial liabilities	**0.9**	**499**	**—**	**—**	**—**	**—**	**—**	**2,166**	**2,665**
Life insurance policy liabilities	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**2,456**	**2,456**
Provisions for dividends and distributions	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**213**	**213**
Deferred tax liabilities	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**30**	**30**
Other provisions	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**122**	**122**
Subordinated debt	**5.6**	**—**	**10**	**—**	**—**	**111**	**285**	**—**	**406**
Converting Preference Shares	**7.4**	**—**	**—**	**—**	**—**	**150**	**—**	**—**	**150**
Total on-balance sheet liabilities		**3,590**	**4,465**	**2,537**	**3,132**	**4,027**	**977**	**11,204**	**29,932**
Off-balance sheet financial instruments		**—**	**(1,523)**	**725**	**1,972**	**(337)**	**92**	**—**	**929**
Analysis of interest sensitivity gap									
Net		**2,097**	**1,128**	**1,722**	**1,146**	**(1,883)**	**(306)**		
Cumulative interest sensitivity gap		**2,097**	**3,225**	**4,947**	**6,093**	**4,210**	**3,903**		

* The life insurance business offers an investment linked product. Policy holders are primarily exposed to the interest rate risk on life insurance investment assets. The shareholders are subject to interest rate risk on the surplus in the life insurance statutory funds.

Changes in market interest rates affect the level of future cash flows. The table details the exposure of the economic entity's assets and liabilities to interest rate risk. The amount shown represents the face value of assets and liabilities, or the equivalent asset or liability arising from a derivative financial instrument.

The interest rate shown is the effective interest rate or weighted average effective interest rate in respect of a class of assets or liabilities. For floating rate instruments the rate is the current market rate; for fixed rate instruments the rate is a historical rate. The bandings reflect the next contractual repricing date of the asset or liability.

Notes continued

As at 31 March 2003

Note forty one > Interest rate risk and face value continued

Consolidated 2002

	Weighted average effective interest rate %	Floating interest rate maturities $M	Fixed interest rate repricing: 1 month or less $M	1 month to 3 months $M	3 months to 12 months $M	1 year to 5 years $M	Over 5 years $M	Non-interest bearing $M	Total $M
On-balance sheet assets									
Cash and liquid assets	2.6	283	—	—	—	—	—	—	283
Securities purchased under resale agreements	4.4	3,384	929	—	—	—	—	—	4,313
Trading assets	3.3	—	1,007	640	213	696	770	1,538	4,864
Other securities	4.2	—	396	539	343	388	—	271	1,937
Loan assets	6.9	2,425	3,454	2,242	216	764	106	2	9,209
Other financial market assets	—	—	—	—	—	—	—	4,630	4,630
Other financial assets	—	14	—	—	—	—	—	1,913	1,927
Life insurance investment assets*	2.2	234	—	—	325	4	—	2,025	2,588
Equity investments	—	—	—	—	—	—	—	102	102
Investments in associates and JVs	—	—	—	—	—	—	—	90	90
Fixed assets	—	—	—	—	—	—	—	135	135
Tax assets	—	—	—	—	—	—	—	156	156
Total on-balance sheet assets		6,340	5,786	3,421	1,097	1,852	876	10,862	30,234
On-balance sheet liabilities									
Due to other financial institutions	2.5	172	51	38	36	237	—	31	565
Securities sold under repurchase agreements	4.9	487	428	13	—	—	—	—	928
Securities borrowed	4.8	—	—	—	—	971	1,023	365	2,359
Deposits	2.6	3,252	194	500	101	328	145	—	4,520
Notes payable	2.9	—	3,314	4,416	1,332	372	—	—	9,434
Other financial markets liabilities	—	—	—	—	—	—	—	3,811	3,811
Tax liabilities	—	—	—	—	—	—	—	17	17
Other financial liabilities	1.6	1,057	—	—	—	—	—	1,866	2,923
Life insurance policy liabilities	—	—	—	—	—	—	—	2,539	2,539
Provisions for dividends and distributions	—	—	—	—	—	—	—	109	109
Deferred tax liabilities	—	—	—	—	—	—	—	100	100
Other provisions	—	—	—	—	—	—	—	120	120
Subordinated debt	5.2	—	110	—	122	10	—	—	242
Converting Preference Shares	7.4	—	—	—	—	150	—	—	150
Total on-balance sheet liabilities		4,968	4,097	4,967	1,591	2,068	1,168	8,958	27,817
Off-balance sheet financial instruments		—	70	737	(1,558)	834	234	—	317
Analysis of interest sensitivity gap									
Net		1,372	1,759	(809)	(2,052)	618	(58)		
Cumulative interest sensitivity gap		1,372	3,131	2,322	270	888	830		

* The life insurance business offers an investment linked product. Policy holders are primarily exposed to the interest rate risk on life insurance investment assets. The members are subject to interest rate risk on the surplus in the life insurance statutory funds.

Notes continued

As at 31 March 2003

Note forty one > Interest rate risk and face value continued

	1 month or less $M	1 month to 3 months $M	3 months to 12 months $M	1 year to 5 years $M	Over 5 years $M	Total $M
						Consolidated 2003
Foreign exchange contracts	**19,522**	**10,840**	**7,841**	**7,103**	**228**	**45,534**
Commodity contracts	**4,556**	**4,880**	**5,504**	**7,571**	**2,006**	**24,517**
Equity contracts	**1,655**	**2,641**	**2,950**	**1,154**	**3**	**8,403**
Total face value of off-balance sheet financial assets and liabilities	**25,733**	**18,361**	**16,295**	**15,828**	**2,237**	**78,454**
						Consolidated 2002
Foreign exchange contracts	11,131	8,411	9,277	7,557	631	37,007
Commodity contracts	4,223	4,296	6,033	4,056	3,447	22,055
Equity contracts	797	2,973	1,432	857	39	6,098
Total face value of off-balance sheet financial assets and liabilities	16,151	15,680	16,742	12,470	4,117	65,160

The table shows the face value of off-balance sheet financial assets and liabilities not included in the previous table. The bandings represent the respective maturity or expiry date.

The interest rate risk table is prepared in accordance with the requirements of AASB 1033 "Presentation and Disclosure of Financial Instruments" and as such it does not include off-balance sheet derivative financial instruments relating to currencies, commodities or equities, nor certain off-balance sheet securities purchase and sale agreements, all of which are also interest rate sensitive. Therefore, for internal risk management, the Bank does not use the repricing information in the way presented in the table. Interest rate risk, like all market risk, is measured and controlled on the basis of a wide range of rate movement scenarios, including worst case scenarios, calculated daily and covering all interest rate sensitive instruments. The Bank also calculates daily Value At Risk measures for all market risks, including interest rate risk.

Note forty two > Credit risk and net fair value

	Central bank $M	Governments $M	Other financial institutions $M	Other $M	Total $M
					Consolidated 2003 Credit risk/net fair value by counterparty
On-balance sheet financial assets					
Cash and liquid assets	**1**	**—**	**310**	**—**	**311**
Securities purchased under resale agreements	**100**	**408**	**2,909**	**1,738**	**5,155**
Trading assets	**—**	**880**	**1,200**	**2,700**	**4,780**
Other securities	**—**	**10**	**439**	**1,732**	**2,181**
Loan assets	**—**	**678**	**1,779**	**7,437**	**9,894**
Other financial market assets	**2**	**359**	**2,467**	**2,481**	**5,309**
Other financial assets	**—**	**—**	**—**	**1,828**	**1,828**
Life insurance investment assets*	**—**	**—**	**—**	**2,516**	**2,516**
Equity investments	**—**	**—**	**—**	**130**	**130**
Investments in associates and JVs	**—**	**—**	**—**	**142**	**142**
Total on-balance sheet financial assets	**103**	**2,335**	**9,104**	**20,704**	**32,246**
Reconciliation of other financial market assets:					
Interest rate contracts	**—**	**321**	**970**	**402**	**1,693**
Foreign exchange contracts	**2**	**38**	**1,155**	**602**	**1,797**
Commodity contracts	**—**	**—**	**342**	**1,135**	**1,477**
Equity contracts	**—**	**—**	**—**	**342**	**342**
Total on-balance sheet revaluations of off-balance sheet financial assets	**2**	**359**	**2,467**	**2,481**	**5,309**

* The life insurance business offers an investment linked product. Policy holders are primarily exposed to credit risk on life insurance investment assets. The members are subject to interest rate risk on the surplus in the life insurance statutory funds.

Net fair value reflects the present value of future cash flows associated with a financial asset or liability, including the cost of exchange or settlement where appropriate. Net fair value is a combination of the quoted market price and valuation techniques based upon option pricing models. Except for certain equity investments, the carrying value of on-balance sheet financial assets is not materially different to the net fair value of these items.

The net fair value in respect of financial assets represents maximum credit risk, which is the potential loss arising through the default of counterparties to financial instruments. In accordance with AASB 1033 "Presentation and Disclosure of Financial Instruments" the amount at risk excludes the value of any collateral or other security provided by the counterparty.

These disclosures do not reflect the impact of any master netting arrangements.

For the purposes of the disclosures, the definition of financial assets does not include fixed assets and tax assets.

Notes continued

As at 31 March 2003

Note forty two > Credit risk and net fair value continued

Consolidated 2002
Credit risk/net fair value by counterparty

	Central bank $M	Governments $M	Other financial institutions $M	Other $M	Total $M
On-balance sheet financial assets					
Cash and liquid assets	8	—	275	—	283
Securities purchased under resale agreements	—	81	1,602	2,630	4,313
Trading assets	—	1,189	1,133	2,542	4,864
Other securities	—	10	138	1,789	1,937
Loan assets	—	606	711	7,892	9,209
Other financial market assets	—	131	1,873	2,626	4,630
Other financial assets	—	—	—	1,927	1,927
Life insurance investment assets*	—	—	—	2,588	2,588
Equity investments	—	—	—	102	102
Investments in associates and JVs	—	—	—	90	90
Total on-balance sheet financial assets	8	2,017	5,732	22,186	29,943
Reconciliation of other financial market assets:					
Interest rate contracts	—	64	681	309	1,054
Foreign exchange contracts	—	67	961	1,319	2,347
Commodity contracts	—	—	231	841	1,072
Equity contracts	—	—	—	157	157
Total on-balance sheet revaluations of off-balance sheet financial assets	—	131	1,873	2,626	4,630

* The life insurance business offers an investment linked product. Policy holders are primarily exposed to credit risk on life insurance investment assets. The members are subject to interest rate risk on the surplus in the life insurance statutory funds.

Note forty two > Credit risk and net fair value continued

Consolidated 2003
Credit risk/net fair value by region of exposure

	Australia $M	Europe $M	North America $M	Asia $M	Other $M	Total $M
On-balance sheet financial assets						
Cash and liquid assets	**116**	**80**	**53**	**60**	**2**	**311**
Securities purchased under resale agreements	**2,528**	**1,984**	**133**	**510**	**—**	**5,155**
Trading assets	**3,218**	**566**	**113**	**876**	**7**	**4,780**
Other securities	**301**	**1,205**	**434**	**241**	**—**	**2,181**
Loan assets	**8,324**	**110**	**290**	**1,085**	**85**	**9,894**
Other financial market assets	**3,014**	**1,309**	**570**	**307**	**109**	**5,309**
Other financial assets	**1,418**	**170**	**78**	**155**	**7**	**1,828**
Life insurance investment assets*	**2,516**	**—**	**—**	**—**	**—**	**2,516**
Equity investments	**67**	**13**	**20**	**15**	**15**	**130**
Investments in associates and JVs	**76**	**6**	**47**	**9**	**4**	**142**
Total on-balance sheet financial assets	**21,578**	**5,443**	**1,738**	**3,258**	**229**	**32,246**
Reconciliation of other financial market assets:						
Interest rate contracts	**1,085**	**342**	**196**	**71**	**—**	**1,694**
Foreign exchange contracts	**968**	**662**	**73**	**92**	**1**	**1,796**
Commodity contracts	**709**	**283**	**301**	**102**	**82**	**1,477**
Equity contracts	**252**	**22**	**—**	**42**	**26**	**342**
Total on-balance sheet revaluations of off-balance sheet financial assets	**3,014**	**1,309**	**570**	**307**	**109**	**5,309**

Consolidated 2002
Credit risk/net fair value by region of exposure

	Australia $M	Europe $M	North America $M	Asia $M	Other $M	Total $M
On-balance sheet financial assets						
Cash and liquid assets	108	48	85	41	1	283
Securities purchased under resale agreements	3,645	599	69	—	—	4,313
Trading assets	3,853	410	95	470	36	4,864
Other securities	228	922	526	261	—	1,937
Loan assets	8,060	115	177	718	139	9,209
Other financial market assets	2,858	927	674	117	54	4,630
Other financial assets	1,465	320	86	52	4	1,927
Life insurance investment assets*	2,588	—	—	—	—	2,588
Equity investments	50	17	5	15	15	102
Investments in associates and JVs	43	—	35	9	3	90
Total on-balance sheet financial assets	22,898	3,358	1,752	1,683	252	29,943
Reconciliation of other financial market assets:						
Interest rate contracts	640	155	240	20	—	1,055
Foreign exchange contracts	1,465	560	287	33	1	2,346
Commodity contracts	614	204	147	54	53	1,072
Equity contracts	139	8	—	10	—	157
Total on-balance sheet revaluations of off-balance sheet financial assets	2,858	927	674	117	54	4,630

* The life insurance business offers an investment linked product. Policy holders are primarily exposed to credit risk on life insurance investment assets. The members are subject to interest rate risk on the surplus in the life insurance statutory funds.

Notes continued

As at 31 March 2003

Note forty two > Credit risk and net fair value continued

	Net fair value by region of exposure					
	Australia $M	Europe $M	North America $M	Asia $M	Other $M	Total $M
						Consolidated 2003
On-balance sheet revaluations of off-balance sheet financial liabilities						
Interest rate contracts	**613**	**498**	**292**	**102**	**1**	**1,506**
Foreign exchange contracts	**828**	**669**	**48**	**52**	**31**	**1,628**
Commodity contracts	**349**	**398**	**348**	**103**	**5**	**1,203**
Equity contracts	**247**	**50**	**—**	**66**	**18**	**381**
Total on-balance sheet revaluations of off-balance sheet financial liabilities	**2,037**	**1,615**	**688**	**323**	**55**	**4,718**
						Consolidated 2002
On-balance sheet revaluations of off-balance sheet financial liabilities						
Interest rate contracts	415	194	364	5	1	979
Foreign exchange contracts	1,113	414	246	29	1	1,803
Commodity contracts	225	411	209	49	6	900
Equity contracts	123	6	—	—	—	129
Total on-balance sheet revaluations of off-balance sheet financial liabilities	1,876	1,025	819	83	8	3,811

The table details the net fair value of off-balance sheet financial liabilities.

Note forty three > Audit and other services provided by PricewaterhouseCoopers (PwC)

During the financial year, the auditor of the Bank, PwC, and its related practices earned the following remuneration:

	Consolidated 2003 $'000	Consolidated 2002 $'000	**Bank 2003 $'000**	Bank 2002 $'000
PwC – Australian firm				
Audit and review of financial reports of the Bank or any entity in the economic entity	**1,130**	949	**864**	724
Other audit-related work	**510**	618	**447**	618
Other assurance services	**82**	40	**82**	40
Total audit and other assurance services	**1,722**	1,607	**1,393**	1,382
Advisory services	**482**	725	**482**	725
Taxation	**619**	1,306	**434**	911
Total remuneration paid to PwC – Australian firm	**2,823**	3,638	**2,309**	3,018
Related practices of PwC – Australian firm (including PwC – overseas firms)				
Audit and review of financial reports of the Bank or any entity in the economic entity	**966**	641	**—**	9
Other audit-related work	**142**	271	**—**	8
Other assurance services	**290**	349	**—**	—
Total audit and other assurance services	**1,398**	1,261	**—**	17
Taxation	**1,625**	1,359	**—**	—
PwC Legal	**—**	44	**—**	44
Total remuneration paid to related practices of PwC – Australian firm	**3,023**	2,664	**—**	61
Total remuneration paid to PwC	**5,846**	6,302	**2,309**	3,079

It is the Bank's policy to employ PwC on assignments additional to their statutory audit duties where PwC's expertise and experience with the Bank are important; these assignments are principally tax advice and due diligence reporting on acquisitions, or where PwC is awarded assignments on a competitive basis.

It is the Bank's policy to seek competitive tenders for all major consulting projects.

Notes continued

As at 31 March 2003

Note forty four > Acquisition and disposal of Broadcast Australia Holdings Pty Limited

Acquisition

On 2 April 2002, a controlled entity of the Bank, Macquarie Communications Infrastructure Limited (MCIL), acquired 100% of the issued capital of ntl Belgium sprl, the chief entity of ntl Australia Holdings Pty Limited, which was subsequently renamed Broadcast Australia Holdings Pty Limited (BA). The operating results of BA have been included in the Statements of Financial Performance from the date of acquisition until its deconsolidation on 12 August 2002.

The fair value of assets and liabilities acquired differs from those disclosed in the 31 March 2002 financial statements as a result of valuations being finalised subsequent to acquisition and revisions in the final allocation of the purchase consideration.

Details of the acquisition are as follows:	$M
Fair value of net assets acquired	
Cash and other financial assets	63
Fixed assets	527
Intangible assets	405
Payables and provisions	(145)
Borrowings	(517)
Total fair value of net assets acquired	333
Purchase consideration	
Cash consideration	313
Deferred consideration	20
Total purchase consideration	333
Reconciliation of cash movement	
Cash consideration	(313)
Less: cash acquired	17
Total cash outflow	(296)

Note forty four > Acquisition and disposal of Broadcast Australia Holdings Pty Limited continued

Deconsolidation

The shares in MCIL and units in the Macquarie Communications Infrastructure Trust were stapled together to form the Macquarie Communications Infrastructure Group (MCG). On 12 August 2002, MCG ceased to be a controlled entity of the Bank following the public offering of 115 million stapled securities in MCG. The Bank has retained a holding of 50 million securities, which represents 32.25% of the securities on issue. These securities must be held in escrow for a 12-month period and the Bank has agreed to waive its voting rights during this period.

Details of the disposal are as follows:	$M
Carrying value of assets and liabilities deconsolidated	
Cash and other financial assets	61
Fixed assets	492
Intangible assets *	418
Payables and provisions	(104)
Borrowings **	(921)
Total carrying value of assets and liabilities deconsolidated	(54)
Reconciliation of cash movement	
Cash received	—
Less: cash deconsolidated	(17)
Total cash outflow	(17)
Gain on deconsolidation	
MCG loss from ordinary activities after income tax from 2 April to 12 August 2002	(54)
Recoupment of MCG loss from ordinary activities after income tax upon deconsolidation	54
Advisory fees recognised as income upon deconsolidation	30
Gain from holding investment in MCG	20
Total gain on deconsolidation	50

* Includes advisory fees recognised as income by the Bank upon deconsolidation.

** Includes borrowings from the economic entity which were repaid subsequent to 12 August 2002.

In addition, the Bank also earned an underwriting fee of $5 million relating to the initial public offering of securities in MCG.

Directors' declaration

The Directors declare that the financial report and notes set out on pages 6 to 65:

a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements

b) give a true and fair view of the Bank's and consolidated entity's financial position as at 31 March 2003 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

In the Directors' opinion:

a) the financial report and notes are in accordance with the Corporations Act 2001

b) there are reasonable grounds to believe that the Bank will be able to pay its debts as and when they become due and payable.

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

D.S. Clarke Director

A.E. Moss Director
Sydney, 12 May 2003

Independent audit report

To the Members of Macquarie Bank Limited

Audit opinion
In our opinion, the financial report, set out on pages 6 to 66:

— presents a true and fair view, as required by the Corporations Act 2001 in Australia, of the financial position of Macquarie Bank Limited (the Bank) and the Macquarie Bank Limited Group (the Group) as at 31 March 2003 and of their performance for the year ended on that date

— is presented in accordance with the Corporations Act 2001, Accounting Standards and other mandatory professional reporting requirements in Australia, and the Corporations Regulations 2001.

This opinion must be read in conjunction with the following explanation of the scope and summary of our role as auditor.

Scope and summary of our role

The financial report – responsibility and content
The preparation of the financial report for the year ended 31 March 2003 is the responsibility of the Directors of the Bank. It includes the financial statements for the Bank and for the Group, which incorporates the Bank and the entities it controlled during the year ended 31 March 2003.

The auditor's role and work
We conducted an independent audit of the financial report in order to express an opinion on it to the members of the Bank. Our role was to conduct the audit in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. Our audit did not involve an analysis of the prudence of business decisions made by the Directors or Management.

In conducting the audit, we carried out a number of procedures to assess whether in all material respects the financial report presents fairly a view in accordance with the Corporations Act 2001, Accounting Standards and other mandatory professional reporting requirements in Australia, and the Corporations Regulations 2001, which is consistent with our understanding of the Bank's and the Group's financial position, and their performance as represented by the results of their operations and cash flows.

The procedures included:

— selecting and examining evidence, on a test basis, to support amounts and disclosures in the financial report. This included testing, as required by auditing standards, certain internal controls, transactions and individual items. We did not examine every item of available evidence

— evaluating the accounting policies applied and significant accounting estimates made by the Directors in their preparation of the financial report

— obtaining written confirmation regarding material representations made to us in connection with the audit

— reviewing the overall presentation of information in the financial report.

Our audit opinion was formed on the basis of these procedures.

Independence
As auditor, we are required to be independent of the Group and free of interests which could be incompatible with integrity and objectivity. In respect of this engagement, we followed the independence requirements set out by The Institute of Chartered Accountants in Australia, the Corporations Act 2001 and the Auditing and Assurance Standards Board.

PricewaterhouseCoopers

D.H. Armstrong Partner
Sydney, 12 May 2003

Investor Information

2003 Annual General Meeting

The 2003 Annual General Meeting of the Bank will be held at 10.30 am on Thursday, 31 July 2003 at The Westin Sydney, in the Grand Ballroom, Lower Level, No. 1 Martin Place, Sydney, NSW. Details of the business of the meeting are contained in the separate Notice of Meeting sent to security holders.

Voting rights

Ordinary Shares

At meetings of members or classes of members each member may vote in person or by proxy or attorney. On a show of hands every person present who is a member or a representative of a member has one vote and on a poll every member present in person or by proxy or attorney has:

I) one vote for each fully paid share held, and

II) that proportion of a vote for any partly paid ordinary share held that the amount paid on the partly paid share bears to the total issue price of the share.

Converting Preference Shares

Holders of Converting Preference Shares have:

a) the right to vote at any general meeting of the Bank only in the following circumstances:

- i) during a period during which a dividend (or part of a dividend) in respect of the shares is in arrears
- ii) on a proposal to reduce the Bank's share capital
- iii) on a resolution to approve the terms of a buy-back agreement
- iv) on a proposal that affects rights attached to the share
- v) on a proposal to wind up the Bank
- vi) on a proposal for the disposal of the whole of the Bank's property, business and undertaking
- vii) during the winding up of the Bank, and

b) the same voting rights, in those circumstances, as holders of ordinary shares (as set out above).

Macquarie Income Securities

Holders of Macquarie Income Securities, as holders of preference shares, have:

a) the right to vote at any general meeting of the Bank only in each of the following circumstances:

- i) during a period when two consecutive Semi-annual Dividends due and payable on the Preference Shares have not been paid in full, and no Optional Dividend (as defined in the preference share terms) has been paid
- ii) on any proposal to reduce the Bank's share capital
- iii) on any resolution to approve the terms of a buy-back agreement
- iv) on any proposal that affects the rights attaching to the preference shares
- v) on a proposal to wind up the Bank
- vi) on any proposal for the disposal of the whole of the Bank's property, business and undertaking
- vii) during the winding up of the Bank, and

b) the same voting rights, in those circumstances, as holders of ordinary shares (as set out above).

Stock Exchange Listing

Fully paid ordinary shares and Converting Preference Shares issued by Macquarie Bank Limited and Macquarie Income Securities are quoted on the Australian Stock Exchange. Macquarie Bank's code on the Australian Stock Exchange is MBL, the Converting Preference Shares' code is MBLPA and the Macquarie Income Securities' code is MBLHB. Macquarie Bank also has debt securities quoted on the Luxembourg Stock Exchange.

Enquiries

Investors who wish to enquire about any matter relating to their shareholding or Macquarie Income Securities holding are invited to contact the Share Registry office below or visit its internet site at www.computershare.com.

Computershare Investor Services Pty Limited
GPO Box 7045
Sydney New South Wales 1115 Australia
Telephone: 03 9615 5970
Freecall: 1300 855 080
Facsimile: 02 8234 5050
Email: sydney.services@computershare.com.au
Website: www.computershare.com

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

Investor Relations
Macquarie Bank Limited
Level 15, No. 1 Martin Place
Sydney New South Wales 2000 Australia
Telephone: 02 8232 4750
Facsimile: 02 8232 4330
Email: investor.information@macquarie.com

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

Fully-paid ordinary shares

Twenty Largest Ordinary Shareholders at 21 May 2003	Ordinary Shares	% of Ordinary Shares
National Nominees Limited	22,015,368	10.75
JP Morgan Nominees Australia Limited	20,957,635	10.23
Westpac Custodian Nominees Limited	14,071,135	6.87
Commonwealth Custodial Services Limited	5,232,994	2.56
Citicorp Nominees Pty Limited <CFS WSLE Imputation Fnd A/C>	5,222,765	2.55
MLC Limited	4,552,957	2.22
Citicorp Nominees Pty Limited	4,265,109	2.08
ING Life Limited	4,234,393	2.07
RBC Global Services Australia Nominees Pty Limited <RBC DRP A/C>	3,760,592	1.84
HSBC Custody Nominees (Australia) Limited	3,644,997	1.78
Citicorp Nominees Pty Limited <CFS WSLE Geared Shr Fnd A/C>	3,548,100	1.73
AMP Life Limited	3,274,357	1.60
Argo Investments Limited	3,246,120	1.59
Warbont Nominees Pty Limited <Unpaid Entrepot A/C>	2,888,796	1.41
Citicorp Nominees Pty Limited <CFS Imputation Fund A/C>	2,840,334	1.39
CSFB Fourth Nominees Pty Ltd <Unpaid A/C>	2,700,000	1.32
Citicorp Nominees Pty Limited <CFS Wsle Aust Share Fnd A/C>	2,696,929	1.32
Queensland Investment Corporation	2,351,990	1.15
Citicorp Nominees Pty Limited <CFS Wsle Industrial Shr A/C>	1,957,229	0.96
Cogent Nominees Pty Limited	1,792,571	0.88
	115,254,371	56.30

Substantial Shareholders

At 21 May 2003 the following shareholders were registered by the Company as substantial shareholders, having declared a relevant interest in accordance with the Corporations Act 2001 (Cth), in the voting shares below:

Holder	Ordinary Shares	Date of Notice
Commonwealth Bank Group	22,505,074	14 April 2003
ING Australia Holdings Limited Group	10,279,205	16 January 2003
Permanent Trustee Company Limited Group	11,620,011	21 April 1999

Spread of Ordinary Shareholdings

Details of the spread of Ordinary shareholders at 21 May 2003 are as follows:

Range	Shareholders	Shares
1-1,000 shares	29,578	12,040,318
1,001-5,000	7,750	15,626,123
5,001-10,000	705	5,070,045
10,001-100,000	707	19,727,245
100,001 shares and over	133	152,314,084
	38,873	204,777,815

298 shareholders (representing 2,496 fully-paid shares) held less than a marketable parcel.

All 24,686,858 options on issue at 21 May 2003 are held by Lacuna Nominees Pty Limited as nominee for participants in the Bank's Option Plans.

Investor Information continued

Converting Preference Shares

Twenty Largest Converting Preference Shareholders at 21 May 2003	Converting Preference Shares	% of Converting Preference Shares
Westpac Custodian Nominees Limited	314,715	20.98
AMP Life Limited	130,000	8.67
Citicorp Nominees Pty Limited	50,580	3.37
Mr Alfred Orenstein & Mrs Lucy Orenstein	46,500	3.10
Brencorp No 11 Pty Limited	29,094	1.94
Questor Financial Services Limited <TPS RF A/C>	20,381	1.36
RBC Global Services Australia Nominees Pty Limited <Flexiplan A/C>	17,793	1.19
Lucy Orenstein	15,000	1.00
Baker Custodian Corporation	11,000	0.73
Hardings Hardware Pty Ltd	10,810	0.72
Perpetual Trustee Company Limited	10,755	0.72
Commonwealth Custodial Services Limited	10,000	0.67
Art Gallery of NSW Trust	9,100	0.61
Argo Investments Limited	8,400	0.56
Albert Investments Pty Limited	8,000	0.53
RBC Global Services Australia Nominees Pty Limited <BKCUST A/C>	8,000	0.53
RBC Global Services Australia Nominees Pty Limited <RA A/C>	7,890	0.53
Albert Investments Pty Limited	7,000	0.47
HFT Nominees Pty Ltd <Black Bird Share Trust A/C>	7,000	0.47
MBF Investments Pty Ltd	7,000	0.47
	729,018	48.62

Spread of Shareholdings

Details of the spread of Converting Preference Shareholders at 21 May 2003 are as follows:

	Holders	Shares
1-1,000 shares	1,587	410,472
1,001-5,000	125	312,049
5,001-10,000	17	120,851
10,001-100,000	9	211,913
100,001 shares and over	2	444,715
	1,740	1,500,000

1 shareholder (representing three Converting Preference Shares) held less than a marketable parcel.

Macquarie Income Securities

Twenty Largest Macquarie Income Security Holders at 21 May 2003	Macquarie Income Securities	% of Macquarie Income Securities
Westpac Custodian Nominees Limited	321,974	8.05
Citicorp Nominees Pty Ltd	165,866	4.15
Treaty Services Pty Ltd	123,753	3.09
Questor Financial Services Limited <TPS RF A/C>	97,866	2.45
RBC Global Services Australia Nominees Pty Limited <Flexiplan A/C>	62,829	1.57
J B Were Capital Markets Limited	61,642	1.54
J P Morgan Nominees Australia Limited	61,189	1.53
Tower Trust Limited	49,020	1.23
Merrill Lynch (Australia) Nominees Pty Ltd	48,760	1.22
UBS Warburg Private Clients Nominees Pty Ltd	35,925	0.90
The Australian National University Investment Office	32,775	0.82
RBC Global Services Australia Nominees Pty Limited <JBENIP A/C>	32,566	0.81
ANZ Nominees Limited	30,270	0.76
Temple Society Central Fund	25,500	0.64
Albert Investment Pty Ltd	25,000	0.63
Cogent Nominees Pty Limited <SMP Accounts>	22,201	0.56
Uniting Church (NSW) Trust Association	19,880	0.50
Perpetual Trustee Company Limited	18,501	0.46
National Nominees Limited	16,748	0.42
Catholic Church Endowment Society Incorporated	15,000	0.38
	1,267,265	31.71

Spread of Holdings

Details of the spread of Macquarie Income Security Holders at 21 May 2003 are as follows:

	Holders	Securities
1-1,000 securities	6,270	1,700,549
1,001-5,000	344	707,551
5,001-10,000	30	231,371
10,001-100,000	25	748,936
100,001 securities and over	3	611,593
	6,672	4,000,000

1 holder (representing five Macquarie Income Securities) held less than a marketable parcel.

Financial summary since listing*

Financial year ended 31 March	1996	1997	1998	1999	2000	2001	2002	2003
Financial performance ($ million)								
Total income from ordinary activities	435	530	665	815	1,186	1,472	1,600	1,890
Total expenses from ordinary activities	336	392	498	597	885	1,147	1,245	1,430
Profit from ordinary activities before income tax	99	138	167	218	301	325	355	460
Income tax expense	6	21	26	53	79	53	76	96
Profit from ordinary activities	93	117	141	165	222	272	279	364
Outside equity interest	—	—	—	—	—	(1)	—	3
Macquarie Income Securities distributions	—	—	—	—	12	31	29	28
Profit from ordinary activities after income tax attributable to ordinary equity holders	93	117	141	165	210	242	250	333
Financial position ($ million)								
Total assets	5,174	6,142	7,929	9,456	23,389	27,848	30,234	32,517
Total liabilities	4,746	5,642	7,348	8,805	22,154	26,510	27,817	29,932
Net assets	428	500	581	651	1,235	1,338	2,417	2,585
Risk weighted assets	4,030	4,686	4,967	4,987	8,511	9,860	10,651	10,030
Total loan assets	2,688	2,682	3,158	4,002	6,518	7,785	9,209	9,894
Impaired assets (net of provisions)	57	46	12	44	23	31	49	16
Share information								
Cash dividends per share (cents per share)								
Interim	—	18	21	30	34	41	41	41
Final	34.7(a)	25	30	38	52	52	52	52
Special	—	—	—	—	—	—	—	50
Total	34.7(a)	43	51	68	86	93	93	143
Basic earnings per share (cents per share)	61.0(a)	74.89	88.09	101.33	124.33	138.88	132.83	164.84
Share price at 31 March ($)	5.78(a)	8.50	14.35	19.10	26.40	27.63	33.26	24.70
Ordinary share capital (million shares) (b)	138.7	151.4	157.6	161.1	171.2	175.9	198.5	204.5
Market capitalisation at 31 March fully paid ordinary shares) ($ million)	832(c)	1,287	2,262	3,077	4,520	4,860	6,602	5,051
Ratios								
Return on average ordinary shareholders' funds	23.1%	25.2%	26.1%	26.8%	28.1%	27.1%	18.7%	18.7%
Payout ratio (excluding special dividend)	61.0%	60.5%	57.9%	67.2%	70.0%	67.5%	73.6%	56.8%
Tier 1 ratio	11.8%	12.9%	11.7%	13.0%	14.5%	12.9%	17.8%	19.0%
Capital adequacy ratio	15.4%	13.2%	16.4%	17.3%	18.4%	16.0%	19.4%	21.4%
Impaired assets as % of loan assets	2.3%	1.7%	0.4%	1.1%	0.3%	0.4%	0.5%	0.2%
Net loan losses as % of loan assets	0.0%	0.0%	0.0%	0.1%	0.1%	0.1%	0.2%	0.0%
Funds under management ($ billion)								
Listed	0.6	1.1	1.6	3.0	4.2	6.9	11.8	18.0
Unlisted								
Retail	5.6	7.2	9.0	9.8	9.6	10.6	11.7	12.4
Wholesale	7.6	8.6	10.8	10.0	12.5	13.4	17.8	21.9
Total	13.8	16.9	21.4	22.8	26.3	30.9	41.3	52.3
Staff numbers (d)	1,732	1,965	2,474	3,119	4,070	4,467	4,726	4,802

* The Bank's ordinary shares were quoted on the Australian Stock Exchange on 29 July 1996.

a) Adjusted for bonus issue.
b) Number of fully paid ordinary shares at 31 March, excluding options and partly paid shares.
c) Based on unadjusted share price of $6.00.
d) Includes both permanent staff (full time, part time and fixed term) and contractors (including consultants and secondees).

Contact directory

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

Australia

Sydney
No. 1 Martin Place
Sydney NSW 2000
Telephone 612 8232 3333
Facsimile 612 8232 7780

20 Bond Street
Sydney NSW 2000
Telephone 612 8232 3333
Facsimile 612 8232 3350

9 Hunter Street
Sydney NSW 2000
Telephone 612 8232 3333
Facsimile 612 8232 7780

363 George Street
Sydney NSW 2000
Telephone 612 8297 0604
Facsimile 612 8297 4603

Adelaide
Level 2, West Wing
50 Grenfell Street
Adelaide SA 5000
Telephone 1800 806 310
Facsimile 618 8410 9450

Macquarie Financial Services
Level 1 & 2, West Wing
50 Grenfell Street
Adelaide SA 5000
Telephone 618 8203 0200
Facsimile 618 8212 4829

Brisbane
Level 1, 300 Queen Street
Brisbane QLD 4000
Telephone 617 3233 5333
Facsimile 617 3233 5399

Macquarie Financial Services
Level 12, Comalco Place
12 Creek Street
Brisbane QLD 4000
Telephone 617 3233 5888
Facsimile 617 3229 5999

Gold Coast
Macquarie Financial Services
Ground Floor, 12 Short Street
Southport QLD 4215
Telephone 617 5532 8955
Facsimile 617 5532 8731

Gosford
Suite 1, 215 Albany Street
North, Gosford NSW 2250
Telephone 612 4324 2799
Facsimile 612 4324 3924

Kalgoorlie
63 Hannan Street
Kalgoorlie WA 6430
Telephone 618 9021 1422
Facsimile 618 9021 8133

Melbourne
Level 23, 101 Collins Street
Melbourne VIC 3000
Telephone 613 9635 8000
Facsimile 613 9635 8080

Perth
Level 27, Allendale Square
77 St George's Terrace
Perth WA 6000
Telephone 618 9224 0666
Facsimile 618 9224 0633

Macquarie Financial Services
Level 28, Allendale Square
77 St George's Terrace
Perth WA 6000
Telephone 618 9224 0888
Facsimile 618 9224 0895

Shepparton
Macquarie Financial Services
Shop 10, 127 Fryer Street
Shepparton VIC 3630
Telephone 613 5822 2876
Facsimile 613 5822 1583

Sunshine Coast
Macquarie Financial Services
69 Mary Street
Noosaville QLD 4566
Telephone 617 5474 1608
Facsimile 617 5474 2359

Toowoomba
Macquarie Financial Services
Old Post Office Building
140 Margaret Street
Toowoomba QLD 4350
Telephone 617 4639 2588
Facsimile 617 4639 3905

Townsville
Macquarie Financial Services
Ground Floor, 51 Sturt Street
Townsville QLD 4810
Telephone 617 4771 6089
Facsimile 617 4771 6244

Austria

Vienna
Wienerbergstrasse 11
Tower East, 31 Floor
1100 Vienna Austria
Telephone 431 205 300 20
Facsimile 431 205 300 30

Brazil

Sao Paulo
Rua Jeronimo da Veiga
45 – 14 andar cj. 142
Sao Paulo SP 04536-000 Brazil
Telephone 5511 3066 2600
Facsimile 5511 3167 3807

Canada

Toronto
8th Floor, 121 King Street West
Toronto, Ontario
MH5 3T9 Canada
Telephone 1416 594 0200
Facsimile 1416 594 0020

Vancouver
Suite 2664, Bentall Centre
1055 Dunsmuir Street
PO Box 49183
Vancouver BC
V7X 1K8 Canada
Telephone 1604 605 3944
Facsimile 1604 605 1634

China

Shanghai
Suite 5C, Level 5
Dong Yi Building
88-90 Chang Shu Road
Shanghai PRC 200040
Telephone 8621 6249 2212
Facsimile 8621 6249 2810

Tianjin
No 145 Mu Nan Dao
Heping District
Tianjin PRC 300050
Telephone 8622 2313 4528
Facsimile 8622 2313 4529

Germany

Frankfurt
Beethovenstrasse 18
D-60325 Frankfurt/Main
Germany
Telephone 4969 7474 9710
Facsimile 4969 7474 9797

Munich
Stollbergstrasse 22
80539 Munich Germany
Telephone 4989 290 530
Facsimile 4989 290 5320

Hong Kong

17/F Citic Tower
1 Tim Mei Avenue
Central, Hong Kong
Telephone 852 2823 3700
Facsimile 852 2823 3790

Indonesia

Jakarta
Jakarta Stock Exchange
Building, Tower 21, 8th Floor
Jalan Jend, Sudirman
Kav. 52-53 Blck F-2
Jakarta 12190 Indonesia
Telephone 6221 515 4585
Facsimile 6221 515 4579

Ireland

Dublin
Suite 223, Alexandra House
The Sweepstakes
Ballsbridge, Dublin 4
Ireland
Telephone 3531 631 9351
Facsimile 3531 631 9434

Japan

Tokyo
Taisho Seimei Hibiya
Building 10F
9-1 Yurakucho 1-Chome
Chiyoda-ku
Tokyo 100-0006 Japan
Telephone 813 5220 2727
Facsimile 813 5220 2726

c/- Mizuho Securities
Level 6, Otemachi First Square
1-5-1 Otemachi Chiyodo-ku
Tokyo 100-0004 Japan
Telephone 813 5208 3119
Facsimile 813 3516 7224

Korea

Seoul
4th Floor, Hanwha Building
110 Sokong-Dong, Chung-Ku
Seoul 100-755 Korea
Telephone 822 3782 2200
Facsimile 822 3782 2299

Kookmin Macquarie Business Cooperation
Level 8, Kookmin Bank Building
9-1, 2-Ka, Namdaemun-Ro
Choong-ku,
Seoul 100-703 Korea
Telephone 822 317 2218
Facsimile 822 317 2778

Macquarie-IMM Asset Management
4th Floor, Hanwha Building
110 Sokong-Dong, Chung-Ku
Seoul 100-070 Korea
Telephone 822 3782 2300
Facsimile 822 3782 2400

Shinhan Macquarie Financial Advisory
8th Floor, Hanwha Building
110 Sokong-Dong, Chung-ku,
Seoul 100-755 Korea
Telephone 822 3705 8555
Facsimile 822 3705 8585

Malaysia

Kuala Lumpur
Level 12, Menara Dion
27 Jalan Sultan Ismail
50250 Kuala Lumpur Malaysia
Telephone 603 381 3081
Facsimile 603 381 3082

Labuan
Macquarie Bank Limited (Labuan Branch)
Unit Level 3 (A) Main Office Tower
Financial Park Labuan, Jalan
Merdeka, 87000 Federal Territory
Labuan Malaysia
Telephone 6087 583 080
Facsimile 6087 583 088

New Zealand

Auckland
Level 14, Phillips Fox Tower
209 Queen Street
Auckland 1 New Zealand
Telephone 649 357 6931
Facsimile 649 309 6220

Christchurch
Level 17, Forsyth Barr House
764 Colombo Street
Christchurch New Zealand
Telephone 643 366 8851
Facsimile 643 366 8852

Wellington
Ground Floor, Lombard House
95 Customhouse Quay
Wellington New Zealand
Telephone 644 462 4999
Facsimile 644 462 4900

Singapore

23 Church Street
#11-05 Capital Square
Singapore 049481
Telephone 65 6536 3875
Facsimile 65 6536 3926

South Africa

Cape Town
South African Infrastructure Fund Managers (Pty) Limited
Ground Floor, Kildare House
The Oval, 1 Oakdale Road
Newlands 7700 Cape Town
South Africa
Telephone 2721 683 9355
Facsimile 2721 683 8565

Johannesburg
17th Floor, The Forum
Cnr Maude & Fifth Street
Sandton 2146
South Africa
Telephone 2711 666 0360
Facsimile 2711 784 6251

c/- ABSA Corporate and Merchant Bank
ABSA Towers North 1N1
180 Commissioner Street
Johannesburg 2001
South Africa
Telephone 2711 350 8392
Facsimile 2711 350 2519

c/- Nedbank Corporate
6th Floor Corporate Place
Nedcor Sandton
135 Rivonia Road
Sandown 2196 South Africa
Telephone 2711 535 4024
Facsimile 2711 625 7081

Switzerland

Geneva
7, Rue Georges-Leschot
1205 Geneva Switzerland
Telephone 4122 800 2338
Facsimile 4122 800 2336

United Kingdom

London
Level 29 & 30, CityPoint
1 Ropemaker Street
London EC2Y 9HD
United Kingdom
Telephone 4420 7065 2000
Facsimile 4420 7065 2017

United States of America

Chicago
Macquarie Capital Partners
11 South LaSalle Street
4th Floor, Chicago, Illinois
60603 USA
Telephone 1312 499 8500
Facsimile 1312 499 8585

Houston
Two Allen Center
1200 Smith Street
Suite 1140, Houston, Texas
77002 USA
Telephone 1713 986 3600
Facsimile 1713 986 3610

Jupiter
Medallist Developments
1070 East Indiantown Road
Suite 208, Jupiter, Florida
33477 USA
Telephone 1561 743 9062
Facsimile 1561 743 2406

Memphis
5125 Elmore Road
Suite 6, Memphis, TN
38134 USA
Telephone 1901 743 7400
Facsimile 1901 322 7402

New York
Rockefeller Centre
600 Fifth Avenue, 21st Floor
New York, NY
10020 USA
Telephone 1212 548 6555
Facsimile 1212 399 8930

San Diego
11440 W Bernardo Ct
Suite 366
San Diego, CA
92127 USA
Telephone 1858 207 1096
Facsimile 1858 207 1097

San Jose
19925 Stevens Creek Blvd
Suite 162
Cupertino, CA
9501 USA
Telephone 1408 973 7842
Facsimile 1408 973 7277

Seattle
City Center Building
1420 Fifth Avenue, Suite 2975
Seattle, Washington
98101 USA
Telephone 1206 674 3380
Facsimile 1206 674 3394

Investor Relations
Telephone 612 8232 4750
Facsimile 612 8232 4330

Registered Office
Level 3, 25 National Circuit
Forrest ACT 2603
Telephone 612 6225 3000

Share Registry
Computershare Investor
Services Pty Ltd
GPO Box 242 Melbourne
VIC 8060
Toll free 1300 855 080
Telephone 613 9615 5970
Facsimile 613 8235 8220

Design: Emery Vincent Design // Photography: Martin Mischkulnig
Cover image: Visual Image Services Transport for London
Film: Kolorart Graphics // Printing: Mailing and Print Services