

# MACQUARIE BANK LIMITED

A.B.N. 46 008 583 542

**Extracts from the 2003 financial report of the economic entity**



MACQUARIE  
BANK

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**MACQUARIE BANK LIMITED**  
*and its controlled entities*

**EXTRACTS FROM THE 2003 FINANCIAL REPORT**  
**TABLE OF CONTENTS**

	<b>PAGE</b>
<b>1. Statements of financial performance</b>	<b>3</b>
<b>2. Statements of financial position</b>	<b>4</b>
<b>3. Statements of cash flows</b>	<b>5</b>
4. Profit from ordinary activities	6
5. Segment reporting	8
6. Income tax (expense)	10
7. Dividends and distributions paid or provided	11
8. Earnings per share	12
9. Impaired assets	13
10. Average interest-bearing assets and liabilities and related interest	14
<b>11. Five year summary</b>	<b>15</b>

This financial information has been extracted from the audited financial report of Macquarie Bank Limited and its controlled entities for the financial year ended 31 March 2003.

**MACQUARIE BANK LIMITED**

*and its controlled entities*

**1. STATEMENT OF FINANCIAL PERFORMANCE**

	<b>Section</b>	<b>Consolidated 2003 \$M</b>	<b>Consolidated 2002 \$M</b>
Interest income		1,074	1,009
Interest expense		(827)	(790)
Net interest income	4	247	219
Fee and commission income		1,370	1,210
Fee and commission expense		(254)	(207)
Net fee and commission income	4	1,116	1,003
Trading income	4	402	361
Other income	4	194	52
Other expenses	4	(69)	(35)
Total income from ordinary activities		1,890	1,600
Employment expenses	4	(970)	(859)
Occupancy expenses	4	(92)	(84)
Non-salary technology expenses	4	(84)	(79)
Professional fees, travel and communication expenses	4	(123)	(117)
Other operating expenses	4	(161)	(106)
Total expenses from ordinary activities		(1,430)	(1,245)
<b>Profit from ordinary activities before income tax</b>		<b>460</b>	<b>355</b>
<b>Income tax (expense)</b>	<b>6</b>	<b>(96)</b>	<b>(76)</b>
<b>Profit from ordinary activities after income tax</b>		<b>364</b>	<b>279</b>
(Profit) from ordinary activities after income tax attributable to outside equity interest		(3)	-
<b>Profit from ordinary activities after income tax attributable to equity holders of Macquarie Bank Limited*</b>		<b>361</b>	<b>279</b>
Distributions paid or provided on Macquarie Income Securities	7	(28)	(29)
Profit from ordinary activities after income tax attributable to ordinary equity holders of Macquarie Bank Limited		333	250
		<b>Cents per share</b>	
<b>Basic earnings per share</b>	<b>6</b>	<b>164.84</b>	<b>132.83</b>
<b>Diluted earnings per share</b>	<b>6</b>	<b>163.06</b>	<b>129.14</b>

\* There were no valuation adjustments recognised directly in equity.

**MACQUARIE BANK LIMITED**  
and its controlled entities

**2. STATEMENT OF FINANCIAL POSITION**

	<b>Consolidated</b>	Consolidated
	<b>2003</b>	2002
	<b>\$M</b>	\$M
<b>ASSETS</b>		
Cash and liquid assets	311	283
Securities purchased under resale agreements	5,155	4,313
Trading assets	4,780	4,864
Other securities	2,181	1,937
Loan assets	9,894	9,209
Other financial market assets	5,309	4,630
Other financial assets	1,828	1,927
Life insurance investment assets	2,516	2,588
Equity investments	130	102
Investments in associates and incorporated joint ventures	142	90
Fixed assets	125	135
Tax assets	146	156
<b>Total assets</b>	<b>32,517</b>	<b>30,234</b>
<b>LIABILITIES</b>		
Due to other financial institutions	517	565
Securities sold under repurchase agreements	2,221	928
Securities borrowed	2,381	2,359
Deposits	3,966	4,520
Notes payable	10,069	9,434
Other financial market liabilities	4,718	3,811
Tax liabilities	18	17
Other financial liabilities	2,665	2,923
Life insurance policy liabilities	2,456	2,539
Provisions for dividends and distributions	213	109
Deferred tax liabilities	30	100
Other provisions	122	120
<b>Total liabilities excluding loan capital</b>	<b>29,376</b>	<b>27,425</b>
<b>Loan capital</b>		
Subordinated debt	406	242
Converting Preference Shares	150	150
<b>Total liabilities</b>	<b>29,932</b>	<b>27,817</b>
<b>Net assets</b>	<b>2,585</b>	<b>2,417</b>
<b>EQUITY</b>		
<b>Contributed equity</b>		
Ordinary share capital	1,137	1,012
Macquarie Income Securities	391	391
Retained earnings	659	617
Total equity attributable to equity holders of Macquarie Bank Limited	2,187	2,020
Outside equity interests in controlled entities	398	397
<b>Total equity</b>	<b>2,585</b>	<b>2,417</b>

**MACQUARIE BANK LIMITED**  
and its controlled entities

**3. STATEMENT OF CASH FLOWS**

	Consolidated 2003 \$M	Consolidated 2002 \$M
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Interest received	1,083	980
Interest and other costs of finance (paid)	(856)	(821)
Dividends and distributions received	90	144
Fees and other non-interest income received	1,294	1,149
Fees and commissions (paid)	(257)	(156)
Net receipts from dealing in financial instruments	1,113	627
(Payments) to suppliers	(441)	(709)
Employment expenses (paid)	(866)	(816)
Income taxes (paid)	(197)	(165)
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	-
<b>Net cash flows from operating activities</b>	<b>1,045</b>	<b>225</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Loan assets (granted)	(4,674)	(3,698)
Proceeds from securitisation of loan assets	4,407	2,258
Recovery of loans previously written-off	1	-
(Payments) for other securities	(737)	(1,788)
Proceeds from the realisation of other securities	298	121
(Payments) for equity investments	(109)	(78)
Proceeds from the sale of equity investments	13	27
(Payments) for fixed assets	(40)	(75)
Proceeds from the sale of fixed assets	2	2
(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	(296)	-
Broadcast Australia – cash deconsolidated	(17)	-
<b>Net cash flows from investing activities</b>	<b>(1,186)</b>	<b>(3,193)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net (decrease)/increase in money market and other deposit accounts	(32)	2,231
Proceeds from the issue of ordinary share capital	47	623
Transaction costs for the issue of ordinary share capital	-	(3)
Proceeds from outside equity interest	1	394
(Repayment) of subordinated debt	(50)	-
Issue of subordinated debt	225	-
Dividends and distributions (paid)	(141)	(213)
Broadcast Australia – net proceeds from borrowings	137	-
<b>Net cash flows from financing activities</b>	<b>187</b>	<b>3,032</b>
<b>Net increase in cash</b>	<b>46</b>	<b>64</b>
Cash at the beginning of the financial year	243	179
<b>Cash at the end of the financial year</b>	<b>289</b>	<b>243</b>

**MACQUARIE BANK LIMITED**  
and its controlled entities

**4. PROFIT FROM ORDINARY ACTIVITIES**

	Consolidated 2003 \$M	Consolidated 2002 \$M
<b>Interest income</b>		
Interest income received/receivable:		
- other entities	1,074	1,009
- controlled entities	-	-
Interest expense paid/payable:		
- other entities	(827)	(790)
- controlled entities	-	-
<b>Total net interest income</b>	<b>247</b>	<b>219</b>
<b>Fee and commission income</b>		
- revenue	1,342	1,181
- expense	(254)	(207)
Income from life insurance business	28	29
<b>Net fee and commission income</b>	<b>1,116</b>	<b>1,003</b>
<b>Trading income</b>		
Arising from trading instruments	232	220
Net gains from foreign currency trading	98	87
Dividends and distributions received/receivable – other trading assets	72	54
<b>Total trading income</b>	<b>402</b>	<b>361</b>
<b>Other income</b>		
Proceeds from the sale of other securities and equity investments	311	148
Less carrying value of other securities and equity investments	(280)	(129)
Profit on the sale of other securities and equity investments	31	19
Broadcast Australia – transmission income	49	-
Broadcast Australia – gain on deconsolidation	54	-
Share of net profits of associates and incorporated joint ventures accounted for using the equity method	-	6
Life insurance income earned on shareholders' funds	8	5
Dividends received/receivable		
- other securities and equity investments	30	6
- controlled entities	-	-
Management fees and cost recoveries – controlled entities	-	-
<b>Other income</b>	<b>22</b>	<b>16</b>
<b>Total other income</b>	<b>194</b>	<b>52</b>
Provision for diminution of equity investments	(62)	-
Provisions for uncertainties	4	(5)
Charge for specific provisions		
- provided for during the financial year	(9)	(16)
- recovery of loans previously provided for	10	2
- loan losses written off	(2)	(2)
- recovery of loans previously written off	1	1
<b>Total net charge for provisions</b>	<b>(58)</b>	<b>(20)</b>
Writedown of investments in controlled entities to recoverable amount	-	-
<b>Other expenses</b>	<b>(11)</b>	<b>(15)</b>
<b>Total other expenses</b>	<b>(69)</b>	<b>(35)</b>
<b>Total net other income</b>	<b>125</b>	<b>17</b>
<b>Total income from ordinary activities</b>	<b>1,890</b>	<b>1,600</b>

**MACQUARIE BANK LIMITED**  
and its controlled entities

**4. PROFIT FROM ORDINARY ACTIVITIES (CONT.)**

	<b>Consolidated</b>	Consolidated
	<b>2003</b>	2002
	<b>\$M</b>	\$M
<b>Employment expenses</b>		
Salary, salary related costs, superannuation, performance-related profit share and staff training	(961)	(850)
Provision for annual leave	(3)	(6)
Provision for long service leave	(3)	(3)
Broadcast Australia – employment expenses	(3)	-
<b>Total employment expenses</b>	<b>(970)</b>	<b>(859)</b>
<b>Occupancy expenses</b>		
Operating lease rental	(66)	(62)
Depreciation: furniture, fittings and leasehold improvement	(15)	(13)
Other occupancy expenses	(11)	(9)
<b>Total occupancy expenses</b>	<b>(92)</b>	<b>(84)</b>
<b>Non-salary technology expenses</b>		
Information services	(32)	(31)
Depreciation: computer equipment and software	(31)	(29)
Other non-salary technology expenses	(21)	(19)
<b>Total non-salary technology expenses</b>	<b>(84)</b>	<b>(79)</b>
<b>Other operating expenses</b>		
Professional fees	(67)	(52)
Travel expenses	(36)	(42)
Communication expenses	(16)	(19)
Depreciation: communication equipment	(4)	(4)
<b>Total professional fees, travel and communication expenses</b>	<b>(123)</b>	<b>(117)</b>
Auditors' remuneration	(6)	(6)
Other operating expenses	(102)	(100)
Broadcast Australia – other operating expenses	(53)	-
<b>Total other operating expenses</b>	<b>(161)</b>	<b>(106)</b>
<b>Total expenses from ordinary activities</b>	<b>(1,430)</b>	<b>(1,245)</b>

**MACQUARIE BANK LIMITED**  
and its controlled entities

**5. 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; and
- Lending: banking activities, mortgages, margin lending and leasing.

	Asset and Wealth Management	Financial Markets	Investmen t Banking	Lending	Total
	\$M	\$M	\$M	\$M	\$M
<b>31 March 2003</b>					
<b>Financial performance</b>					
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	-
<b>Total revenue from ordinary activities</b>	<b>673</b>	<b>883</b>	<b>995</b>	<b>767</b>	<b>3,318</b>
Profit from ordinary activities before income tax	108	120	158	74	460
Income tax (expense)/benefit	(26)	(23)	(40)	(7)	(96)
<b>Profit from ordinary activities after income tax</b>	<b>82</b>	<b>97</b>	<b>118</b>	<b>67</b>	<b>364</b>
Non-cash expenses: depreciation	(19)	(11)	(13)	(7)	(50)
<b>Financial position</b>					
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



**MACQUARIE BANK LIMITED**  
and its controlled entities

5. **SEGMENT REPORTING (CONT.)**

**Primary segment – business**

	Asset and Wealth Management	Financial Markets	Investme nt Banking	Lending	Total
	\$M	\$M	\$M	\$M	\$M
<b>31 March 2002</b>					
<b>Financial performance</b>					
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
<b>Total revenue from ordinary activities</b>	<b>608</b>	<b>824</b>	<b>751</b>	<b>723</b>	<b>2,906</b>
Profit from ordinary activities before income tax	65	73	137	80	355
Income tax (expense)	(14)	(17)	(25)	(20)	(76)
<b>Profit from ordinary activities after income tax</b>	<b>51</b>	<b>56</b>	<b>112</b>	<b>60</b>	<b>279</b>
Non-cash expenses: depreciation	(16)	(11)	(13)	(6)	(46)
<b>Financial position</b>					
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
<b>31 March 2003</b>			
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
<b>31 March 2002</b>			
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

**MACQUARIE BANK LIMITED**  
and its controlled entities

**6. INCOME TAX (EXPENSE)**

	<b>Consolidated 2003 \$M</b>	Consolidated 2002 \$M
Prima facie income tax (expense) on profit from ordinary activities*	<b>(138)</b>	(114)
Add back/(deduct) tax effect of permanent differences:		
Recoupment of unbooked tax losses	18	12
Rate differential on offshore income	13	11
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
Dividend paid/provided on Converting Preference Shares	(4)	(4)
Effect of change in tax rates	-	(2)
Other items	2	6
<b>Total income tax (expense)</b>	<b>(96)</b>	(76)

\* 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.

**MACQUARIE BANK LIMITED**  
and its controlled entities

**7. DIVIDENDS AND DISTRIBUTIONS PAID OR PROVIDED**

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>2003</b>	<b>2002</b>
	<b>\$M</b>	<b>\$M</b>
<b>Ordinary share capital</b>		
Dividends paid – interim (41 (2002: 41) cents per share)	<b>83</b>	81
Dividends provided		
- final (52 (2002: 52) cents per share)	<b>106</b>	103
- special (50 (2002: Nil) cents per share)	<b>102</b>	-
<b>Total dividends paid or provided</b>	<b>291</b>	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 the full consolidated financial report.

	<b>Cents per share</b>	
<b>Cash dividends per share</b>	<b>143</b>	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%.

<b>Franking credits available for the subsequent financial year at a corporate tax rate of 30% (2003: 30%)</b>	<b>40</b>	15
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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, therefore reflects 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; and
- (d) franking debits that will arise from the receipt of tax receivables as at the end of the financial year.

**Macquarie Income Securities**

Distributions paid (net of distributions previously provided)	23	23
Distributions provided	5	6

<b>Total distributions paid or provided</b>	<b>28</b>	29
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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”.

**MACQUARIE BANK LIMITED**  
and its controlled entities

**8. EARNINGS PER SHARE**

	Consolidated 2003 \$M	Consolidated 2002 \$M
	<b>Cents per share</b>	
<b>Basic earnings per share</b>	<b>164.84</b>	132.83
<b>Diluted earnings per share</b>	<b>163.06</b>	129.14
<b>Reconciliation of earnings used in the calculation of basic earnings per share</b>		
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)
<b>Total earnings used in the calculation of basic earnings per share</b>	<b>333</b>	250
<b>Reconciliation of earnings used in the calculation of diluted earnings per share</b>		
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
<b>Total earnings used in the calculation of diluted earnings per share</b>	<b>345</b>	262
	<b>Number of shares</b>	
<b>Total weighted average number of ordinary shares used in the calculation of basic earnings per share</b>	<b>202,014,367</b>	188,505,201
<b>Weighted average number of shares used in the calculation of diluted earnings per share</b>		
Weighted average fully paid ordinary shares	202,014,367	188,505,201
<u>Potential ordinary shares</u>		
Weighted average Converting Preference Shares	6,500,512	5,727,049
Weighted average options	3,063,783	8,643,225
<b>Total weighted average number of ordinary shares used in the calculation of diluted earnings per share</b>	<b>211,578,662</b>	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.

**MACQUARIE BANK LIMITED**  
and its controlled entities

**9. IMPAIRED ASSETS**

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

	<b>Consolidated 2003 \$M</b>	Consolidated 2002 \$M
Non-accrual loans without specific provisions for impairment	-	1
Impaired derivative financial instruments without specific provisions for impairment	-	15
Non-accrual loans with specific provisions for impairment	<b>30</b>	55
Less specific provisions	<b>(14)</b>	(22)
<b>Total non-accrual loans with specific provisions for impairment</b>	<b>16</b>	<b>33</b>
Impaired derivative financial instruments with specific provisions for impairment	<b>1</b>	1
Less specific provisions	<b>(1)</b>	(1)
<b>Total impaired derivative financial instruments with specific provisions for impairment</b>	<b>-</b>	<b>-</b>
<b>Total net impaired assets</b>	<b>16</b>	<b>49</b>
<b>Revenue forgone on impaired assets</b>		
Interest	<b>1</b>	3
<b>Total revenue forgone on impaired assets</b>	<b>1</b>	<b>3</b>

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

**MACQUARIE BANK LIMITED**  
and its controlled entities

**10. AVERAGE INTEREST-BEARING ASSETS AND LIABILITIES AND RELATED INTEREST**

	Consolidated 2003			Consolidated 2002		
	Av. Balance	Interest	Av. rate	Av. balance	Interest	Av. rate
	\$M	inc./ <i>(exp.)</i> \$M	%	\$M	Inc./ <i>(exp.)</i> \$M	%
<b>ASSETS</b>						
<b>Interest bearing assets</b>						
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
<b>Total interest bearing assets</b>	<b>18,553</b>	<b>1,015</b>		<b>17,098</b>	<b>957</b>	
<b>Total non-interest bearing assets</b>	<b>14,034</b>	<b>-</b>		<b>12,466</b>	<b>-</b>	
<b>Total assets</b>	<b>32,587</b>	<b>1,015</b>		<b>29,564</b>	<b>957</b>	
<b>LIABILITIES</b>						
<b>Interest bearing liabilities</b>						
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
<b>Loan capital</b>						
Subordinated debt	241	(13)	5.4	250	(14)	5.6
Converting Preference Shares	150	(11)	7.4	150	(11)	7.4
<b>Total interest bearing liabilities</b>	<b>19,676</b>	<b>(770)</b>		<b>17,841</b>	<b>(751)</b>	
<b>Total non-interest bearing liabilities</b>	<b>10,338</b>	<b>-</b>		<b>9,632</b>	<b>-</b>	
<b>Total liabilities</b>	<b>30,014</b>	<b>(770)</b>		<b>27,473</b>	<b>(751)</b>	
<b>Net assets</b>	<b>2,573</b>	<b>245</b>		<b>2,091</b>	<b>206</b>	
<b>EQUITY</b>						
<b>Contributed equity</b>						
Ordinary share capital	1,088			753		
Macquarie Income Securities	391			391		
Retained earnings	690			583		
<b>Total equity attributable to equity holders of MBL</b>	<b>2,169</b>			<b>1,727</b>		
Outside equity interests in controlled entities	404			364		
<b>Total equity</b>	<b>2,573</b>			<b>2,091</b>		

Average interest income and expense in relation to assets and liabilities set off in the Statement 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”.

**MACQUARIE BANK LIMITED**  
and its controlled entities  
**FIVE YEAR SUMMARY**

Financial year ended 31 March	1999	2000	2001	2002	2003
<b>Financial performance (\$ million)</b>					
Total income from ordinary activities	815	1,187	1,472	1,600	1,890
Total expenses from ordinary activities	597	885	1,147	1,245	1,430
Profit from ordinary activities before income tax	218	302	325	355	460
Income tax expense	53	79	53	76	96
Profit from ordinary activities	165	223	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	165	211	242	250	333
<b>Financial position (\$ million)</b>					
Total assets	9,456	23,389	27,848	30,234	32,517
Total liabilities	8,805	22,154	26,510	27,817	29,932
Net assets	651	1,235	1,338	2,417	2,585
Risk weighted assets	4,987	8,511	9,860	10,651	10,053
Total loan assets	4,002	6,518	7,785	9,209	9,894
Impaired assets (net of provisions)	44	23	31	49	16
<b>Share information</b>					
Cash dividends per share (cents per share)					
Interim	30	34	41	41	41
Final	38	52	52	52	52
Special	-	-	-	-	50
Total	68	86	93	93	143
Basic earnings per share (cents per share)	101.3	124.33	138.88	132.83	164.84
Share price at 31 March (\$)	19.10	26.40	27.63	33.26	24.70
Ordinary share capital (million shares) (a)	161.1	171.2	175.9	198.5	204.5
Market capitalisation at 31 March (fully paid ordinary shares) (\$ million)	3,077	4,520	4,860	6,602	5,051
<b>Ratios</b>					
Return on average ordinary shareholders' funds	26.8%	28.1%	27.1%	18.7%	18.7%
Payout ratio (excluding special dividend)	67.2%	70.0%	67.5%	73.6%	56.8%
Tier 1 ratio	13.0%	14.5%	12.9%	17.8%	19.1%
Capital adequacy ratio	17.3%	18.4%	16.0%	19.4%	21.5%
Impaired assets as % of loan assets	1.1%	0.3%	0.4%	0.5%	0.2%
Net loan losses as % of loan assets	0.1%	0.1%	0.1%	0.2%	0.0%
<b>Funds under management (\$billion)</b>					
Listed	3.0	4.2	6.9	11.8	18.0
Unlisted					
Retail	9.8	9.6	10.6	11.7	12.4
Wholesale	10.0	12.5	13.4	17.8	21.9
<b>Total</b>	<b>22.8</b>	<b>26.3</b>	<b>30.9</b>	<b>41.3</b>	<b>52.3</b>
<b>Staff numbers (b)</b>	<b>3,119</b>	<b>4,070</b>	<b>4,467</b>	<b>4,726</b>	<b>4,802</b>

(a) Number of fully paid ordinary shares at 31 March, excluding options and partly paid shares.

(b) Includes both permanent staff (full time, part time and fixed term) and contractors (including consultants and secondees)

13/05/03