

**APPENDIX 4E  
ANNUAL REPORT**

**MACQUARIE BANK LIMITED  
ABN 46 008 583 542**

**YEAR ENDED 31 MARCH 2004**

**1 Details of the reporting period and the previous corresponding period**

Current period: 1 April 2003 to 31 March 2004 Prior corresponding period: 1 April 2002 to 31 March 2003
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**2 Results For Announcement To The Market**

	<b>Key information</b>	<b>Year ended 31 March 2004 \$M</b>	<b>Year ended 31 March 2003 \$M</b>	<b>% Change</b>
2.1	<b>Income from ordinary activities</b>	2,465	1,890	30%
2.2	<b>Profit/(loss) from ordinary activities after tax attributable to equity holders</b>	521	361	44%
2.3	<b>Net profit/loss attributable to ordinary shareholders</b>	494	333	48%

	<b>Dividends</b>	<b>Amount per security</b>	<b>Franked amount per security</b>
2.4	Interim dividend	52 cents	90%
	Final dividend (declared, not yet provided at 31 March 2004, in accordance with AASB 1044)	70 cents	90%
	Special dividend	-	-
2.5	<b>Record date for determining entitlements to the dividends</b>		
	Record date for the final ordinary dividend is 28 May 2004.		

2.6	<b>Commentary</b>
	<p>For the year ended 31 March 2004, Macquarie Bank Limited achieved a record annual result with a net profit after income tax attributable to ordinary shareholders of \$494 million. This was up 48% on the prior corresponding period.</p> <p>Total income from ordinary activities increased to \$2,465 million, an increase of 30% on the prior corresponding period. Total expenses from ordinary activities increased to \$1,780 million. This was 24% up on the prior corresponding period. Basic earnings per share (EPS) has increased to 233.0 cents, 41% up on the prior corresponding period.</p> <p>Refer to the 2004 Results Announcement for more details.</p>

**3 Statement of financial performance**

Refer to Attachment A.
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#### 4 Statement of financial position

Refer to Attachment A.
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#### 5 Statement of cash flows

Refer to Attachment A.
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#### 6 Dividend details

	Year ended 31 March 2004 \$M	Year ended 31 March 2003 \$M
<p><b><u>Ordinary share capital</u></b></p> <p><b>Final dividend provided:</b> Nil (2003: 52) cents per share</p> <p><b>Interim dividend paid:</b> 52 (2003: 41) cents per share</p> <p><b>Special dividend provided:</b> Nil (2003: 50) cents per share</p>	-	106
	113	83
	-	102
<p>There is no provision for final dividend in respect of the financial year ended 31 March 2004 as a result of a change in accounting policy. The economic entity has adopted the new Australian Accounting Standard AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets" for the first time from 1 April 2003. A provision for dividends is now recognised at the time the dividends are declared, determined or publicly recommended. Previously the Bank recognised a provision for dividend in the reporting period to which the dividend related even though the dividend was declared or announced after the end of the reporting period.</p> <p>The interim dividend paid during the financial year ended 31 March 2004 was 90% franked at 30% (2003: 85% franked at 30%).</p> <p>Since year end, the Directors have declared the payment of a final dividend of 70 cents per fully paid ordinary shares, 90% franked at 30%. The aggregate amount of the final dividend to be paid on 2 July 2004 out of retained profits at 31 March 2004, but not recognised as a liability at year end as a result of the change in accounting policy for providing for dividends is, \$151 million. This amount has been estimated based on the number of shares eligible to participate as at 31 March 2004.</p>		
<p><b><u>Converting preference shares</u></b></p> <p>Dividends on these shares of \$5 million (2003: \$11 million) have been charged to the Statement of Financial Performance as interest expense in accordance with AASB 1033 "Presentation and Disclosure of Financial Instruments".</p> <p>The dividend paid on 25 September 2003 was fully franked at 30%. The dividend paid on 16 June 2003 was fully franked at 30% and the dividend paid on 16 December 2002 was 85% franked at 30%.</p> <p>There will be no further preference dividends paid in respect of these shares following their conversion to fully paid ordinary shares on 25 September 2003.</p>		
<p><b><u>Macquarie Income Securities</u></b></p> <p>Distributions paid during the financial year ended 31 March 2004 (net of distributions previously provided) were \$21 million (2003: \$23 million). Distributions provided at 31 March 2004 are \$6 million (2003: \$5 million). The distributions in respect of Macquarie Income Securities are classified as distributions on an equity instrument in accordance with AASB 1033 "Presentation and Disclosure of Financial Instruments".</p>		

## 7 Dividend or distribution reinvestment plan details

The Dividend Reinvestment Plan ("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 the prevailing market value. On 30 October 2003, the 2.5% discount which had been provided on the DRP was reduced to nil. A shareholder can elect to participate in or terminate their involvement in the DRP at any time.
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## 8 Retained earnings

	Year ended 31 March 2004 \$M	Year ended 31 March 2003 \$M
Balance at the beginning of the financial year	659	617
Profit from ordinary activities after income tax attributable to members	521	361
Distributions paid or provided on Macquarie Income Securities	(27)	(28)
Dividends paid or provided on ordinary share capital	(113)	(291)
<b>Total retained earnings</b>	<b>1,040</b>	<b>659</b>

## 9 Net tangible asset per security

	Year ended 31 March 2004 \$	Year ended 31 March 2003 \$
Ordinary shares	10.72	8.23

## 10 Control gained or lost over entities in the financial year, and those having material effect

Name of entities where control was gained in the financial year	Date Control Gained
Four Corners Capital Management LLC	13-Aug-03
Mac IT 2000 Trust	31-Aug-03
Mellon Brascan Money Market FIF	31-Aug-03
Pipeway Limited	1-Oct-03
Cempipe Limited	1-Oct-03
Mainsaver Inc	1-Oct-03
ISL Systems Inc	1-Oct-03
Saur Water Services Plc	1-Oct-03
Dynamco Limited	1-Oct-03
Optimum Information Systems Limited	1-Oct-03
South East Water Plc	1-Oct-03
Mid-Sussex Water Limited	1-Oct-03
Eastbourne Water Plc	1-Oct-03
Mid Southern Water Plc	1-Oct-03
West Kent Water Plc	1-Oct-03
Wilmington Investment Funds No. 1 LLC	12-Feb-04
Mongoose Acquisition LLC	3-Mar-04
Mongoose Pty Limited	3-Mar-04
Macquarie-IMM Asset Management Co Limited	1-Jun-03
OMNI Leisure Operations Limited	30-Jun-03
ING International Holdings (UK) Limited	8-Mar-04
A-Train AB	15-Jan-04
A-Train Invest AB	15-Jan-04

The above entities did not contribute materially to the reporting entity's profit from ordinary activities

Name of entities where control was lost in the financial year	Date Control Lost
Global Debt Investments No. 3 Pty Limited	26-Sep-03
Macquarie Essential Assets Partnership	16-May-03
Macquarie Real Estate Equity Fund No.2 Pty Limited	13-Aug-03
Macquarie Transmission Alberta Limited	16-May-03
ntl Telecommunications Pty Limited	8-Sep-03
The Global Debt Limited Partnership	26-Sep-03
Pipeway Limited	1-Dec-03
Cempipe Limited	1-Dec-03
Mainsaver Inc	1-Dec-03
ISL Systems Inc	1-Dec-03
Macquarie DDR Management Limited	27-Feb-04
MJL Delta Limited	31-Mar-04
Japan Infrastructure Group Co. Limited	31-Mar-04

The above entities did not contribute materially to the reporting entity's profit from ordinary activities

11 **Investment associates and joint ventures**

Name	Ownership Interest (%)
AmInvestment Management Sdn Bhd (Malaysia)	30
AmInvestment Services Bhd (Malaysia)	30
Austian (Tianjin) Real Estate Development Co. Limited (China)	50
Bondi Beach Railway Pty Limited	50
The Cannery Unit Trust	20
Concept Blue Finance Pty Ltd	50
Coriolis Holdings Pty Limited	50
Dun & Bradstreet Consumer Credit Pty Limited	29
East Coast Portfolio Trust	27
Edenbrooke Village Pty Limited	50
First China Property Group Limited (Hong Kong)	50
First Southern Crown Limited	30
Gen Y Limited	20
Hakone Turnpike Limited	50
Helmsman Funds Management Limited	50
Helmsman Funds Management Pty Limited	50
ICA Property Group Pty Limited	45
Japan Infrastructure Group Co. Limited (Japan)	50
Kuraby Developments Pty Ltd	50
Leisure Equity Partners Pty Limited	50
Macquarie Capital Partners LLC (United States)	58
Macquarie CCY Feeder Fund (Bermuda)	39
Macquarie Central Office CR-REIT (Korea)	22
Macquarie FX Feeder Fund (Bermuda)	39
Macquarie FX Feeder Fund No. 2 (Bermuda)	39
Macquarie Goodman Management Limited	40
Macquarie Offshore Feeder Fund (Bermuda)	39
Macquarie Offshore Feeder Fund No. 2 (Bermuda)	39
Macquarie Offshore Feeder Fund No. 3 (Bermuda)	39
Macquarie Pro-Logis Management LLC (United States)	50
Macquarie Real Estate Equity Fund No. 1 Pty Limited	23
Macquarie Real Estate Equity Fund No. 2 Pty Limited	20
Macquarie Securitisation Shanghai Co. Limited (China)	50
Macquarie Shinhan Infrastructure Management Co. Limited (Korea)	80
Macquarie Syndication (No. 17) Pty Limited	50
Medallist Developments Pty Limited	70
Medallist Development Trust	70
Medallist Holdings Inc. (United States)	80
Medallist Schofields Trust	50
Medallist Springfield Unit Trust	50
Medallist Vintage Trust	50
Mining Equipment Company Pty Limited	45
Moodmessaging Pty Limited	30
MP Management LLC (United States)	50
MPI Private Trustee Limited (Bermuda)	50
Oxton Custodian Pty Limited	49
Proximity Development Pty Ltd	33
Ringwood Superabrasives Pty Limited	22
River Links Development Pty Limited	41
RMAC Australia Pty Limited	50
Securiclear Pty Limited	50
SHI Holdings Pty Limited	20
Shinhan Macquarie Financial Advisory Co Limited (Korea)	49
Smartsalary Pty Limited	20

**11 Investment associates and joint ventures (continued)**

	Name	Ownership Interest (%)
	Southern African Infrastructure Funds Managers (Proprietary) Limited (South Africa)	50
	Tasman Economics Pty Limited	25
	The Financial Arena Pty Limited	20
	Tianjin Macquarie Property Development Management Co. Limited (China)	50
	United Securities Investment Trust Enterprise (Taiwan)	40
	Vytel Spectrum Pty Limited	50

The above entities did not contribute materially to the reporting entity's profit from ordinary activities

**12 Other information**

	<p><b>a.</b> Following annual promotions and compensation reviews the Board has approved the issue of invitations for approximately 8.6 million employee options on the same basis as previous years. These options are expected to be granted in July or August 2004.</p> <p><b>b.</b> For more detailed information on the entity's financial performance and financial position, refer to the 2004 Results Announcement.</p>
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**13 Foreign entities**

	Not applicable
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**14 Commentary on results for the financial year**

	Refer to the 2004 Results Announcement for details.
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**15 Audited report**

	The report is based on audited accounts.
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**16 Statement if financial report is not audited**

	Not applicable as the financial report is audited.
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**17 Statement if financial report is audited**

	The financial report has been audited and is not subject to disputes or qualifications.
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**APPENDIX 4E – ATTACHEMENT A**  
**MACQUARIE BANK LIMITED**  
**ABN 46 008 583 542**

**CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2004**

	Consolidated 2004 \$M	Consolidated 2003 \$M
Interest income	<b>1,235</b>	1,074
Interest expense	<b>(965)</b>	(827)
Net interest income	<b>270</b>	247
Fee and commission income	<b>1,649</b>	1,370
Fee and commission expense	<b>(331)</b>	(254)
Net fee and commission income	<b>1,318</b>	1,116
Trading income	<b>562</b>	402
Other income	<b>393</b>	194
Other expenses	<b>(78)</b>	(69)
Total income from ordinary activities	<b>2,465</b>	1,890
Employment expenses	<b>(1,257)</b>	(970)
Occupancy expenses	<b>(102)</b>	(92)
Non-salary technology expenses	<b>(106)</b>	(84)
Professional fees, travel and communication expenses	<b>(162)</b>	(129)
Other operating expenses	<b>(153)</b>	(155)
Total expenses from ordinary activities	<b>(1,780)</b>	(1,430)
<b>Profit from ordinary activities before income tax</b>	<b>685</b>	460
<b>Income tax (expense)</b>	<b>(161)</b>	(96)
<b>Profit from ordinary activities after income tax</b>	<b>524</b>	364
(Profit) from ordinary activities after income tax attributable to outside equity interest	<b>(3)</b>	(3)
<b>Profit from ordinary activities after income tax attributable to equity holders of Macquarie Bank Limited*</b>	<b>521</b>	361
Distributions paid or provided on Macquarie Income Securities	<b>(27)</b>	(28)
Profit from ordinary activities after income tax attributable to ordinary equity holders of Macquarie Bank Limited	<b>494</b>	333
	Cents per share	
<b>Basic earnings per share</b>	<b>233.0</b>	164.8
<b>Diluted earnings per share</b>	<b>229.3</b>	163.1

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

**APPENDIX 4E – ATTACHEMENT A**  
**MACQUARIE BANK LIMITED**  
**ABN 46 008 583 542**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2004**

	Consolidated 2004 \$M	Consolidated 2003 \$M
<b>ASSETS</b>		
Cash and liquid assets	647	311
Securities purchased under resale agreements	8,598	5,155
Trading assets	6,891	4,780
Other securities	1,847	2,181
Loan assets	10,777	9,839
Other financial market assets	6,694	5,309
Other financial assets	3,531	1,828
Life insurance investment assets	2,350	2,516
Equity investments	138	130
Investments in associates and incorporated joint ventures	169	142
Fixed assets	1,945	125
Tax assets	184	146
<b>Total assets</b>	<b>43,771</b>	<b>32,462</b>
<b>LIABILITIES</b>		
Due to other financial institutions	1,935	517
Securities sold under repurchase agreements	2,597	2,221
Securities borrowed	5,750	2,381
Deposits	4,215	3,966
Notes payable	12,608	10,069
Other financial market liabilities	5,821	4,718
Tax liabilities	53	18
Other financial liabilities	4,215	2,665
Life insurance policy liabilities	2,291	2,456
Provisions for dividends and distributions	6	213
Deferred tax liabilities	413	30
Other provisions	74	67
<b>Total liabilities excluding loan capital</b>	<b>39,978</b>	<b>29,321</b>
<b>Loan capital</b>		
Subordinated debt	960	406
Converting Preference Shares	-	150
<b>Total liabilities</b>	<b>40,938</b>	<b>29,877</b>
<b>Net assets</b>	<b>2,833</b>	<b>2,585</b>
<b>EQUITY</b>		
<b>Contributed equity</b>		
Ordinary share capital	1,382	1,137
Macquarie Income Securities	391	391
Retained earnings	1,040	659
Total equity attributable to equity holders of Macquarie Bank Limited	2,813	2,187
Outside equity interests in controlled entities	20	398
<b>Total equity</b>	<b>2,833</b>	<b>2,585</b>



**APPENDIX 4E – ATTACHEMENT A**  
**MACQUARIE BANK LIMITED**  
**ABN 46 008 583 542**

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2004**

	Consolidated 2004 \$M	Consolidated 2003 \$M
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Interest received	<b>1,231</b>	1,083
Interest and other costs of finance (paid)	<b>(927)</b>	(856)
Dividends and distributions received	<b>120</b>	90
Fees and other non-interest income received	<b>1,612</b>	1,294
Fees and commissions (paid)	<b>(320)</b>	(257)
Net receipts from dealing in financial instruments	<b>(2,063)</b>	1,113
(Payments) to suppliers	<b>(639)</b>	(441)
Employment expenses (paid)	<b>(919)</b>	(866)
Income taxes (paid)	<b>(138)</b>	(197)
Life insurance investment income	<b>101</b>	105
Life insurance premiums received	<b>1,279</b>	1,710
Life insurance (policy payments)	<b>(1,618)</b>	(1,750)
Infrastructure assets and businesses purchased for resale		
– net receipts from operations	<b>47</b>	17
<b>Net cash flows from operating activities</b>	<b>(2,234)</b>	1,045
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Loan assets (granted)	<b>(5,828)</b>	(4,674)
Proceeds from securitisation of loan assets	<b>4,928</b>	4,407
Recovery of loans previously written-off	<b>2</b>	1
(Payments) for other securities	<b>(1,349)</b>	(737)
Proceeds from the realisation of other securities	<b>1,381</b>	298
(Payments) for life insurance investments	<b>(5,561)</b>	(5,881)
Proceeds from the sale of life insurance investments	<b>5,881</b>	5,847
(Payments) for equity investments	<b>(166)</b>	(109)
Proceeds from the sale of equity investments	<b>85</b>	13
(Payments) for fixed assets	<b>(108)</b>	(40)
Proceeds from the sale of fixed assets	<b>23</b>	2
(Payments) for infrastructure assets and businesses purchased for resale, net of cash acquired	<b>(950)</b>	-
Payment for acquisition of controlled entities, net of cash acquired	<b>250</b>	(296)
Proceeds from the sale of controlled entities	<b>41</b>	-
Cash deconsolidated	<b>(4)</b>	(17)
<b>Net cash flows from investing activities</b>	<b>(1,375)</b>	(1,186)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net (decrease)/increase in money market and other deposit accounts	<b>2,826</b>	(32)
(Repayment) of subordinated debt	<b>(70)</b>	(50)
Issue of subordinated debt	<b>672</b>	225
Dividends and distributions (paid)	<b>(208)</b>	(141)
Proceeds from the issue of ordinary share capital	<b>121</b>	47
Payment for buy back of ordinary shares	<b>(167)</b>	-
Proceeds from outside equity interest	<b>(382)</b>	1
Proceeds from borrowing for purchase of infrastructure assets and businesses purchased for resale	<b>1,062</b>	137
<b>Net cash flows from financing activities</b>	<b>3,854</b>	187

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<b>Net increase in cash</b>	<b>245</b>	46
Cash at the beginning of the financial year	<b>289</b>	243
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<b>Cash at the end of the financial year</b>	<b>534</b>	289

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