

CONTENTS

Interim result	1
Directors' report	16
Statement of financial performance	17
Statement of financial position	18
Statement of cash flows	19
Notes to and forming part of the financial statements	
1. Basis of preparation	20
2. Profit from ordinary activities	21
3. Segment information	22
4. Income tax expense	22
5. Dividends and distributions paid or provided	23
6. Earnings per share	24
7. Trading assets	25
8. Other securities	25
9. Loan assets	26
10. Impaired assets	26
11. Notes payable	27
12. Other provisions	27
13. Contributed equity	28
14. Retained earnings and outside equity interests	28
15. Contingent liabilities	29
16. Average statement of financial position	30
17. Acquisition and deconsolidation of Broadcast Australia Holdings Pty Limited	32
Directors' Declaration	34
Independent Review Report	35
Five Year Summary	36

INTERIM REPORT

Macquarie Bank Limited

INTERIM RESULT

Macquarie Bank (the Bank) achieved a record half-year profit in the half-year to 30 September 2002. The result was achieved in a very challenging period marked by turbulent markets. Throughout, the Bank maintained its strong focus on the operating performance of existing and new businesses, whilst continuing to seek opportunities both in Australia and offshore.

Consolidated after tax profit attributable to ordinary shareholders was \$183 million, compared with \$130 million in the previous corresponding period, an increase of 41 per cent. Profit before tax attributable to ordinary shareholders increased by 50 per cent on the previous corresponding period to \$250 million.

The result reflects the strengths and diversity of the Bank's businesses. With global equity markets falling and investment banking businesses globally generally contracting, the Bank was not only able to weather the conditions but significantly increase profits. Particularly strong results were achieved by Treasury and Commodities Group, assisted by volatility in financial markets, and Banking and Property Group, which benefited from flows into property assets from equities. Investment Banking Group made another strong and increased contribution notwithstanding market conditions and the other Groups performed satisfactorily. The Bank benefited from cost initiatives, with the expense to income ratio improving substantially over the prior corresponding period.

The annualised after tax return on average ordinary shareholders' funds was 21.3 per cent. Basic earnings per share (EPS) were 91.2 cents, up 25 per cent from the previous corresponding period. The increase in EPS was due to growth in profit after tax attributable to ordinary shareholders of 41 per cent offset by growth in the weighted average number of issued shares of 12 per cent.

Notwithstanding the excellent profitability achieved, the Bank recognises that during the period, its share price fell significantly as did that of its listed airport fund, Macquarie Airports (MAp). At the Bank's 2002 Annual General Meeting in July and in the Chairman's letter to shareholders of 26 August 2002, we addressed what we saw as the main factors behind the recent drop in our share price. In relation to the Sydney Airport acquisition, MAp was part of the Southern Cross Consortium which included a group of experienced international infrastructure investors. MAp management is working hard to achieve the best results from the assets under management and the benefits of Macquarie's involvement are already evident at Bristol, Birmingham and Sydney airports where forecast results are being exceeded. The Bank remains confident about the long-term value of MAp's airports portfolio.

Total shareholder returns since the Bank's ordinary shares were listed in July 1996 have been strong, outperforming all but two of the companies in the ASX 50 at the time of our listing. We strive to continue this performance. Significant efforts are being directed at increasing international investor interest in the Bank and its specialist funds. We have been very focused on developing a wide range of strategic initiatives to increase market share in our existing businesses and to ensure future sustainable growth in each of our operating Groups.

The Bank's total operating income rose by 23 per cent from the previous corresponding period to \$983 million excluding transmission income from the Broadcast Australia Holdings Pty Limited transmission business (formerly ntl Australia Holdings Pty Limited) (BA) which the Bank held for four and a half months. International income was up on the previous six months but slightly down compared to the previous corresponding period reflecting the difficult global market conditions. Domestic income rose 44 per cent on the prior corresponding period.

Fees and commissions contributed 67 per cent of the Bank's income and increased 28 per cent on the previous corresponding period. The increase reflects growth in specialist funds, the corresponding growth in base funds management fees, increased performance fees and strong growth across all Property businesses.

Trading income contributed 22 per cent of the Bank's income and was 11 per cent above the previous corresponding period. Volatility in world commodity markets led to strong client activity in Agricultural Commodities and Metals and Mining Divisions. Foreign Exchange Division consolidated its market share with increased trade flows and Debt Markets Division also had good deal flow. There was a modest recovery in equities trading income on the previous six months, although it was slightly down on the previous corresponding period.

Net interest income contributed 13 per cent of the Bank's income and increased 48 per cent on the previous corresponding period.

In other income, a \$20 million gain on the sale of the transmission assets of BA into the newly created Macquarie Communications Infrastructure Group (MCG) and dividend income from equity investments were offset by \$61 million in provisions for diminution in the value of the Bank's holdings in MAp and MCG, which were written down to the lower of cost and market at 30 September 2002, in line with the Bank's accounting policies.

INTERIM REPORT

Macquarie Bank Limited

While total operating expenses rose 16 per cent from the previous corresponding period, the benefits of cost control were evident in the reduction in the expense/income ratio from 77.4 per cent to 73.0 per cent. Employment costs represented 72 per cent of operating expenses, slightly up on the previous corresponding period due to an increased provision for performance-based remuneration as a result of the Bank's improved profitability and return on shareholders' funds. The full year cost of performance-based remuneration is dependent upon the Bank's performance over the entire year. Staff profit sharing arrangements, whereby a significant part of the Bank's remuneration expense is subject to performance, have been a key part of the Bank's success and have been in place since the Bank's formation in 1985. Non-employment costs only increased six per cent on the prior corresponding period.

The Bank maintained a strong Tier 1 capital base of approximately \$1.9 billion. The Tier 1 capital ratio was slightly reduced to 15.8 per cent with the Bank expanding its specialist funds activities as foreshadowed to shareholders.

All of the Groups contributed to earnings with record results from both Treasury and Commodities and Banking and Property Groups and another strong result from Investment Banking Group.

The Investment Banking Group made a solid and increased contribution despite writedowns on some of its equity investments. The Treasury and Commodities Group contribution increased over 100 per cent compared to the previous corresponding period with significant contributions from Foreign Exchange, Metals and Mining, Treasury and Debt Markets. The Banking and Property Group contribution increased 65 per cent with record results from all of the property businesses, Banking and the Golf and Leisure business. The Equity Markets Group operated profitably despite very difficult market conditions. The diversified nature of Funds Management Group's business enabled it to grow total funds under management by five per cent to \$28.3 billion despite difficult global market conditions. The Financial Services Group achieved breakeven as forecast despite tough market conditions.

RELATIVE CONTRIBUTIONS BY OPERATING GROUP (%)

	Half-year to 30 Sept 2002	Full-year to 31 Mar 2002	
Investment Banking	Corporate Finance (incorporating Specialist Funds)	31	30
	Structured Finance and Cross-border Leasing	10	11
	Other Investment Banking (including Institutional Broking and Macquarie Capital)	10	20
	Total Investment Banking	51	61
	Treasury and Commodities	25	21
	Banking and Property	18	16
	Equity Markets	3	-
	Funds Management	2	3
	Financial Services	1	(1)
	Total	100	100

The figures set out in this table are relative to the Bank's overall performance and are based on figures before tax and before staff profit sharing. They should be taken as a guide only to relative contributions and are derived from management accounts.

CONSOLIDATED GROUP PROFIT (\$ million)

Half-year to 30 September	2002*	2001	Change*
Total operating income	983	800	23%
Total operating expenses	(718)	(619)	16%
Profit before tax	265	181	46%
Income tax expense	(67)	(37)	
Net profit after tax	198	144	
Outside equity interests	(1)	1	
Macquarie Income Securities distribution	(14)	(15)	
Profit attributable to ordinary shareholders	183	130	41%

* Adjusted to exclude the BA transmission income and operating expenses for the holding period from 2 April 2002 to 12 August 2002.

N.B: Pre-tax profit attributable to ordinary shareholders of \$250 million was derived using pre-tax profit of \$265 million, less outside equity interests in the pre-tax profits of a controlled entity of \$1 million, less the distribution of Macquarie Income Securities of \$14 million.

CONTRIBUTION TO OPERATING INCOME (%)

Half-year to 30 September	2002	2001
Fee and commission income	67	65
Trading income	22	25
Interest and similar income	13	11
Other	(3)	(1)
Total operating income	100	100

BALANCE SHEET AND CAPITAL ADEQUACY RATIOS

Total assets at 30 September 2002 increased 8 per cent to \$32.5 billion from \$30.2 billion at 31 March 2002.

Trading assets rose 12 per cent to \$5.5 billion from \$4.9 billion at 31 March 2002.

Loan assets increased from \$9.2 billion at 31 March 2002 to \$11.2 billion at 30 September 2002 due to organic growth across most lending businesses.

Other securities also increased, up 21 per cent from \$1.9 billion at 31 March 2002 to \$2.3 billion. This was due primarily to the Bank's increased holding of equity investments, including MAp and MCG.

Risk weighted assets increased 10 per cent from \$10.7 billion at 31 March 2002 to \$11.8 billion at

30 September 2002. These movements were a result of asset growth and a change in the mix of risk weighted assets driven by changes in the balance sheet components as described above.

In May 2002, the Bank activated its Dividend Reinvestment Plan for ordinary shareholders in Australia and New Zealand. Approximately 1.7 million new ordinary shares were issued following the final dividend paid in early July 2002.

The Bank's capital adequacy ratio of 16.3 per cent and its Tier 1 ratio of 15.8 per cent continue to well exceed the minimum levels set by the Australian Prudential Regulation Authority.

INTERIM REPORT

Macquarie Bank Limited

CAPITAL ADEQUACY

	30 Sept 2002	31 March 2002	30 Sept 2001
Tier 1 capital (\$m)	1,871	1,900	1,822
Total capital (\$m)	1,924	2,068	2,095
Risk weighted assets (\$m)	11,812	10,650	10,469
Tier 1 ratio (%)	15.8	17.8	17.4
Capital adequacy ratio (%)	16.3	19.4	20.0

IMPAIRED ASSETS

The Bank's credit quality continues to be sound. Impaired assets were \$60 million at 30 September 2002, a decrease of \$10 million from the previous corresponding period.

IMPAIRED ASSETS (NET OF SPECIFIC PROVISIONS) (\$ million)

	30 Sept 2002	31 March 2002	30 Sept 2001
Non-accrual loans	45	34	45
Impaired derivative financial instruments	15	15	25
Total	60	49	70

CREDIT RATINGS

The Bank's credit ratings reflect a history of strong financial performance, the quality and diversity of business activities, a strong management team and well established liquidity and risk management practices. The Bank's credit ratings have recently been affirmed at their current levels.

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

ACCOUNTING PRACTICES AND DISCLOSURE

The headline result for the half-year has been determined using the Bank's accounting policies that have been consistently applied across all the operating Groups. These policies state, for example, that only those assets that are part of the trading portfolio may be carried at market value. All other assets must be recorded at the lower of cost and recoverable amount. As a result of this policy, the Bank has certain listed equity investments that are not held for trading purposes that are carried at values less than the prevailing market value. No profits will be recognised in relation to these investments until they are sold.

The Bank holds analyst briefing sessions on its interim and full year results in November and May respectively. These sessions provide information on the financial results and an operational overview for the period under review. Profit announcements, investor presentations and other material announcements are lodged with ASX immediately and are available on our website. In addition, as part of the Bank's commitment to broaden the investor base, we present at various investment conferences and conduct investor visits throughout the year.

INVESTMENT BANKING GROUP

The Investment Banking Group improved its contribution compared to the prior corresponding period despite difficult market conditions. Activity was strong across all areas of the Group. The result was achieved after accounting for unrealised losses in relation to the Bank's holdings in MAP and MCG securities but without taking into account unrealised gains in respect of the Bank's holding in Macquarie Infrastructure Group (MIG).

Corporate and Structured Finance Division:

- was placed first in the Thomson league tables for value of Australian merger and acquisition transactions for the six months to 30 June 2002; and
- rated second in the equivalent equity capital markets table on total capital raised, and ranked first for Initial Public Offerings completed to 30 June 2002.

During the period, specialised funds under management grew to \$14 billion (including undrawn commitments of \$1.1 billion) from \$11.8 billion (\$1.7 billion undrawn).

Activities are aligned into industry groups. Highlights for these groups are discussed below.

Highlights for the Infrastructure and Utilities Group included a leading role in the Southern Cross Consortium's successful bid for Sydney Airport, refinancing Transurban Group's existing debt facilities with a mixture of bank and capital markets facilities totalling approximately \$2.02 billion, including the largest single corporate bond issue for an infrastructure asset in Australia to that time, and a continued increase in the number of offshore transactions:

- KESAS toll roads refinancing (advising on an issue of Islamic bonds) in Malaysia;
- project financing for gas meters for United Utilities in the UK;

- advising MIG on the acquisition of an 82 per cent interest in San Diego Expressway Partnership Limited, the concession owner for the SR125 toll road in San Diego, California; and
- advising on the purchase of a 44.7 per cent interest in the Rome airport system.

Highlights for the Industries Groups included:

- the acquisition by the Bank of ntl Australia Holdings Pty Limited (subsequently renamed Broadcast Australia Holdings Pty Limited) from ntl Inc for \$850 million;
- continuing international expansion, including advising Village Roadshow on the sale of a Korean cinema business;
- acting in relation to the sale by AXA APH of its health insurance operations for \$595 million;
- acting as sole lead manager and underwriter to the issue of \$350 million of Reset Preference Shares by Insurance Australia Group Limited ("IAG") and as sole adviser for IAG's subsequent \$300 million structured off-market ordinary share buy-back;
- advising Centennial Coal on its \$331 million acquisition of the Powercoal assets from the New South Wales Government;
- advising Francisco Gold on a successful C\$240 million scrip offer made by Glamis Gold. This was Macquarie's first advisory role on a public company acquisition within North America;
- joint lead manager and underwriter to the successful \$720 million non-renounceable shareholder entitlement offer by Qantas;
- adviser to United Group on its acquisition of KFPW;

INTERIM REPORT

Macquarie Bank Limited

- managing and underwriting an issue of \$140 million of Reset Preference Units by Macquarie Goodman Capital Trust, the largest hybrid capital raising in the listed property trust sector in 2002 to date; and
- arranging the \$354 million initial public offer (IPO) of Macquarie ProLogis Trust, the first property trust IPO since 1999 and the first Australian listed property trust to invest in US industrial property.

Structured Finance and Cross-Border Leasing launched two new fund products during the period, the Macquarie Nine Film fund and the Fusion funds, raising \$200 million in total and completed cross-border leasing transactions during the first half for a number of clients including Qantas, SNCB (Belgian rail), Austrian Post and Swisscom.

Infrastructure and Specialised Funds Division

continued to experience strong growth in funds under management and management fees as it built upon its world class portfolio of assets. Highlights included launching MCG with the Broadcast Australia business as its seed asset, completing a \$1 billion capital raising for MIG for the acquisition of an additional interest in Highway 407 in Toronto and MIG's acquisition of an 82 per cent interest in the SR125 toll road concession.

As part of the Southern Cross Consortium, Macquarie Airports (MAp) acquired an interest in Sydney Airport and, subject to regulatory approvals, will acquire an interest in the Rome airports. The MAp share price, in a tough and negative environment, continues to be a disappointment and, as previously mentioned, is a key focus of management attention. The performance of the overall portfolio of Macquarie's specialist funds, however, continues to be very good.

Macquarie Capital experienced growth in its business both in Australia and internationally. The leasing book (which includes motor vehicles and information technology equipment) grew from \$1.8 billion to \$2.2 billion during the period.

The profit contribution from the **Institutional Stockbroking Division** and **Macquarie Research Equities** was down in a challenging period. However, brokerage continued its upward trend, reflecting improved sales and research. The client base is now 50 per cent international and 50 per cent domestic, serviced by sales teams located in Sydney, Melbourne, London, Munich, New York, Hong Kong, Wellington and Auckland. The Asian Equities business continued to grow, particularly in Hong Kong where research capacity has expanded to cover 55 per cent of that market (compared with 96 per cent of the combined Australian and New Zealand markets).

Outlook

The Group expects to be able to maintain or improve on its full year contribution last year. Some businesses may be adversely impacted if international equities markets remain depressed. Currently, the deal pipeline is at least as strong as this time last year. Significant transactions currently being undertaken are:

- advising Placer Dome on its bid for AurionGold;
- advising the preferred tenderer for the Western Sydney Orbital; and
- acting in a number of roles in relation to Powerco's acquisition of substantial gas and electricity distribution assets in New Zealand.

TREASURY AND COMMODITIES GROUP

The Group's contribution was up by more than 100 per cent on the prior corresponding period. Strong contributions were made from all major businesses with Foreign Exchange, Treasury, Metals and Mining and Debt Markets Divisions all achieving excellent results. The Group has actively increased its market share as competitors have withdrawn from some of its markets.

Foreign Exchange Division provides 24-hour interbank price-making services in Australian dollar spot, forwards and options and provides interbank pricing in Yen and Euro during the Sydney time zone. Foreign Exchange had a notably good period with very good customer business flows and strong contributions from each business within the Division, with all of them exceeding last year's first half performance. The Internet delivery business initiated 24 months ago is now opening new markets and has generated a sound contribution to the Division's profits and diversity.

Metals and Mining Division provides 24-hour price-making facilities for base and precious metals, as well as loan financing and structured hedging facilities for mining companies and projects. Metals and Mining recorded a strong result for the period, mainly attributable to the performance of the precious metals business.

Debt Markets Division is involved in debt origination and structuring, trading and sales and interest rate derivatives. The Division is independently recognised as a market leader in the arrangement, structuring and placement of rated mortgage, asset-backed and project-based structured deals. Debt Markets finished the period significantly ahead of the prior corresponding period. It was the sole lead in over \$1.2 billion of deals and placed \$1 billion of paper from those programs.

Treasury Division (formerly Money Market Division) is responsible for the Bank's balance sheet, liquidity and interest rate management. Treasury achieved first half results significantly ahead of the prior corresponding period.

Agricultural Commodities Division provides risk management solutions to the agricultural industry globally, with its core business being the provision of tailored, over-the-counter hedging transactions. Agricultural Commodities had a strong result in line with the previous corresponding period. Agricultural commodity markets are currently showing no signs of the disruptions of the second half of the prior year.

Futures Division maintained its leading position in clearing and number two position in execution on the Sydney Futures Exchange. The Division recorded a good result for the period marginally above the prior corresponding period.

Risk Advisory Services has specialised teams that focus on providing independent risk and financial management advice to clients in commodity markets and treasury. It also has a specialised team responsible for the outsourced management of over \$4 billion of debt and asset portfolios for clients. Risk Advisory Services had a strong period, contributing significantly more than in the prior corresponding period.

Outlook

The Group will continue to focus on growing its activities and increasing profitability from existing and new businesses, while maintaining a conservative risk profile. New energy trading and finance businesses focused on international markets are now established but they did not contribute any income to the Group in the first half of this year. The current transaction pipeline is good. However, the markets in which the Group operates, particularly commodities markets, are variable and conditions in these markets will be a major factor in the Group's future performance.

INTERIM REPORT

Macquarie Bank Limited

BANKING AND PROPERTY GROUP

The Banking and Property Group achieved a 65 per cent increase in contribution compared to the prior corresponding period with all the property businesses, Banking and the Golf and Leisure business realising record performances.

Banking achieved a record result with excellent loan growth and low default levels. The business has achieved an improved revenue mix due to the strategic initiatives undertaken to build fee generating businesses and products, fee reviews and the automation of fee collection. The result reflects an increase in gross revenue, cost containment and strong productivity gains from improvements to systems and back-office processes delivered over the past two years.

Margin Lending achieved a record number of transactions for the June peak period. It continued to expand its product offering with the launch of Fusion funds - protected lending on managed funds and the successful implementation of trading in New Zealand securities for New Zealand margin lending clients.

Mortgages and Securitisation funded the highest volume of new mortgages since the establishment of the business. Strategic partnerships with Mortgage House of Australia, Aussie Group and Australia's largest mortgage broker, Australian Finance Group, have resulted in increased market share and diversified originations. Securitisation launched G2 - the Division's second US bond issue for US\$1 billion and P8 - a domestic bond issue of \$750 million in October 2002.

Golf and Leisure supports our growing involvement in the leisure industry. It includes Medallist Developments, Macquarie's joint venture with Greg Norman's Great White Shark Enterprises, the Macquarie Leisure Trust, and other leisure interests. Medallist continued to expand both in the US and Australia and experienced strong sales across its projects, which have a total of 8,500 residential units in development or developed.

Macquarie Property achieved a record result for the period with all businesses contributing strongly. Total listed and unlisted fund assets under management grew to nearly \$5 billion.

Property Investment Banking was responsible for raising \$760 million dollars in debt and equity during the last six months. Major activities included a debt financing and arranging role for the \$284 million World Square project, one of Sydney's largest commercial developments, and a financial adviser and arranger mandate from the Royal Automobile Club of Victoria (RACV) for the \$165 million office, club and conference development in Melbourne.

Property Finance's loan portfolio grew by 20 per cent, as the business continues to fund in excess of \$1 billion of residential, commercial, retail and industrial projects across Australia and increasingly in the US.

Property Investment Management completed the largest commercial property syndicate in Australia - Macquarie Martin Place Trust (MMPT) - to own 50 per cent of the \$424 million premium grade, No. 1 Martin Place, Sydney building. The balance of the property was purchased by Macquarie Office Trust (MOF). Investors in Macquarie CountryWide (MCW) and MOF earned superior total investment returns relative to respective peer group benchmarks. As a result, significant performance fees were earned by the division for the year ended 30 June 2002. The successful initial public offering of the Macquarie ProLogis Trust, which invests in state-of-the-art North American distribution facilities was a major strategic milestone.

Outlook

The Banking and Property Group is well positioned to maintain its strong performance in the medium term although its contribution in the second half will be down on the first half and in line with the prior corresponding period. It will continue to take advantage of international opportunities in its specialist areas and to consolidate its Australian-based businesses. It will look to continue to replicate its Australian model in offshore markets by leveraging relationships such as with the ProLogis group and develop a foothold in Asian markets where real estate investment trusts legislation is creating opportunities.

EQUITY MARKETS GROUP

Despite extremely difficult market conditions in most stock markets in which the Equity Markets Group operates, the Group operated profitably with the result for the period only marginally down on the prior corresponding period. The composition of the result was similar to the prior corresponding period – the Australian and South African businesses performed strongly, maintaining leading market shares in these markets whilst the Group's Asian and European operations were affected by the poor trading conditions in those markets. The Brazilian business made a small but promising contribution in only its second year of operation.

The **Australian** operation made the most of resilient retail demand during the six months to 30 September 2002. Product issuance, in particular instalment warrants, reached record levels with Macquarie continuing to be the leading issuer. In addition, the business regained its leading market position in vanilla warrants, generating record income levels despite a contraction in overall market volumes. There was also a steady stream of deals in unlisted products throughout the period.

The **South African** equity derivatives venture with The Standard Bank of South Africa produced another good result. Deal flow remained relatively strong for the six months and the business continued to be the leading warrant issuer and market-maker in over-the-counter structured equity derivatives in South Africa. The arrangement terminated in November 2002 and the Bank is currently investigating its options in South Africa.

The **Hong Kong** business continued to suffer from poor retail demand especially in warrants where activity levels have reached six year lows. Notwithstanding this, the business was still profitable with the result being only slightly below the prior corresponding period. During the period, Macquarie maintained its top three position in the warrants market and also successfully introduced a number of innovative products, both listed and unlisted.

The **Japanese** equity derivatives business venture with Mizuho Securities continues to experience very difficult trading conditions, with the Japanese stock market reaching nineteen-year lows. As a result, customer deal flows have remained very subdued. The business is running at break-even, has expanded its staffing resources and is well positioned to take advantage of any improvement in market conditions.

The Group's **European** business, which is now in its third year of operation, incurred a small trading loss for the half-year. The European markets have fallen significantly during the year and this has impacted the business' activity levels. Product issuance has commenced with the initial focus being German warrants and unlisted structured products.

The Group's operations in the **Brazilian** equity derivatives market surpassed expectations and made a small profit in only its second year despite the uncertain political and economic environment. The focus is on providing equity structured products to the sizeable local pension fund industry and the business has already established itself as a significant player in this market segment.

Outlook

Equity Markets Group remains leveraged to market conditions. It is likely that any period of relative stability will lead to an improvement in investor interest and trade volumes. Should this occur, the Group is well positioned to take advantage of trading opportunities as they arise. The Group is investigating its options in South Africa as a matter of priority. It is also at an advanced stage of negotiations for a new joint venture in Korea.

INTERIM REPORT

Macquarie Bank Limited

FUNDS MANAGEMENT GROUP

The Funds Management Group is Macquarie Bank's primary manufacturer of funds management products and services and markets its capabilities in the institutional market both in Australia and overseas. The Financial Services Group markets the Group's capabilities in the Australian retail market.

The Group's interim profit contribution for the period was steady.

Despite falls in equity markets, the Group continued to expand with total funds under management increasing by five per cent to \$28.3 billion. The international performance was particularly pleasing, with our share of funds under management increasing by 24 per cent to \$1.9 billion. Wholesale domestic funds increased five per cent to \$15.2 billion and retail domestic funds were up two per cent to \$11.2 billion.

Macquarie Funds Management Division operates the Group's wholly-owned businesses in Australia and offshore. The diversity of the Division's business enabled it to continue to increase market share. In particular, strong inflows into the Group's fixed interest (up 35 per cent) and property funds (up 52 per cent) more than offset the impact of worsening equity market conditions. The True Index range of products, which deliver exact index returns for no management fees through an innovative pricing structure, continue to enjoy increasing popularity in the market, with funds under management reaching \$1.7 billion.

The Division's enhanced equities operations in Hong Kong and the UK produced encouraging performance relative to their benchmarks.

Exporting the Funds Management Group's expertise and technology, the **International Division** builds independently viable funds management businesses in developing financial markets with strong growth potential. It currently oversees joint ventures in Malaysia (30 per cent interest), with AmMerchant Bank Berhad (formerly Arab-Malaysian Merchant Bank Berhad) and in South Korea (65 per cent interest) with IMM & Co., Ltd.

Total funds under management for the Division's joint ventures increased 24 per cent over the period to \$4.1 billion (of which Macquarie's share is \$1.9 billion). The Division posted an increased profit contribution for the period, due mainly to the Korean business.

The Malaysian joint venture's funds under management increased by 27 per cent to \$2.1 billion over the period. The business is the largest institutional asset manager in Malaysia. Its overall share of the Malaysian private asset management and unit trust market has increased to around 12 per cent.

The Korean joint venture, launched in December 2000, also experienced strong growth in funds under management, increasing 22 per cent to \$2 billion. Its recurring operating revenues now exceed operating expenses. The business held a share of around 0.6 per cent of the Korean asset management industry at the close of the period.

Outlook

The Group expects continued strong growth in its international business, particularly in Korea where growth is expected to be supported by Macquarie Life Limited's involvement in the consortium to acquire Korea Life Insurance. Within Australia, increased growth is expected from market share gains in the wholesale business and continuing strong flows into the True Index products. The Division continues to seek opportunities to form ventures in other Asian markets.

FINANCIAL SERVICES GROUP

The Financial Services Group performed well during the half-year to achieve a breakeven result as forecast, despite a depressed sharemarket and reduced investor activity.

Following a period of solid expansion, the Group has concentrated on consolidating its business, communicating with its direct and intermediary clients during the recent market volatility and restructuring to provide a more streamlined management structure with clearer accountabilities.

The Macquarie Cash Management Trust (CMT), the largest CMT in Australia, performed steadily, growing by four per cent to \$8.5 billion. The Macquarie CMT has a AAAm rating from Standards & Poor's, the highest rating available to a cash management trust.

There has been continued strong growth in the distribution of products from other Macquarie Bank divisions throughout all of the Group's channels, positioning the Group as the Bank's major retail relationship manager for both direct and intermediary clients.

Macquarie Financial Services, which provides strategic financial planning, broking, investment planning and private banking services continues to be a leader in the full service stock broking market and is growing strongly in the financial planning advice sphere.

Macquarie Adviser Services, the Bank's major relationship manager with the intermediary channel, has strengthened its position as an innovative and long-term partner to the independent financial adviser market.

Within Macquarie Adviser Services, Macquarie Wrap Solutions continued to grow substantially during the first half of the year. Despite the significant impact caused by the market downturn, Macquarie Wrap's Funds Under Administration grew from \$3.9 billion to \$5.7 billion during the period, making it the fastest growing administration platform in the industry for the June quarter according to market researcher ASSIRT. Macquarie Wrap also led industry inflows for the March quarter.

Macquarie Wrap was named the second place finalist in the ASSIRT Best Master Fund / Wrap Account Award for 2002. Macquarie was also runner up in the overall Adviser Service Award category.

The Group's strategic information technology development program is now almost complete and is expected to be finished by the end of the calendar year but some of the costs will continue to amortise for some years. The overall program will be completed on time and within budget; a significant achievement given the scale of the undertaking and the speed of execution.

A major project aimed at improving the client and adviser experience, while reducing the Group's operating costs, is also near completion.

Outlook

With the imminent completion of the strategic technology and process improvement projects, the Group is well placed to achieve its target of full year profitability by the end of the financial year but the result will depend on market conditions. We expect continued growth in Macquarie Wrap with a focus on functionality and service. Increasing awareness of Macquarie in the retail market and continued commitment to client relationships remain core objectives of the Group.

INTERIM REPORT

Macquarie Bank Limited

DIRECT INVESTMENT

Direct Investment reported a small loss for the period reflecting that there were no realisations during the period. This was principally due to a subdued private equity market and unfavourable exit conditions. The Division's primary focus over the period was on building value within the existing portfolio of 19 investee companies.

Almost all of these companies are performing at or ahead of plan, and the expectation is that several of these will be realised during the second half of the year. During the period, strong operating performances were reported by JB Hi-Fi, SCIA and Automotive Parts Group (RepcO) all of which have contributed to a very encouraging start for Macquarie Investment Trust III (MIT III). In Bond Street Investments, CH4 Pty Ltd was awarded preferred bidder status to supply gas to the Townsville power station and this company entered into a 15 year gas supply contract for that purpose.

Outlook

During the half-year, discussions were initiated with trade buyers that have expressed interest in three investee companies and the expectation is that a number of these transactions could close prior to year end. Plans are also well advanced to list another investee company in the New Year. Assuming these transactions are completed, the Division should report good earnings for the full year.

With all existing trusts now effectively fully invested, fundraising commenced in July 2002 with the launch of Macquarie Investment Trust IV. Commitments of approximately \$90 million have been received to date. A first close is expected by January 2003.

TOTAL GROUP FUNDS UNDER MANAGEMENT

Funds under management were \$46.9 billion at 30 September 2002, an increase of \$5.6 billion from 31 March 2002, resulting from growth across all segments. The Macquarie Cash Management Trust grew to \$8.5 billion during the half and continues to be the largest cash management trust in the Australian market. Funds under management are those assets that the Group actively manages and the underlying business is wealth creation. These assets are detailed below:

FUNDS UNDER MANAGEMENT (\$ BILLION)

	30 Sept 2002	31 March 2002	30 Sept 2001
Specialist Funds	18.6	14.2	10.0
Funds Management and Financial Services			
- Retail	11.2	11.0	10.8
- Wholesale	17.1	16.1	13.7
Total	46.9	41.3	34.5

INTERIM DIVIDEND

In accordance with its current distribution policy, the Board has resolved to pay an interim ordinary dividend of 41 cents per fully paid ordinary share in respect of the half-year to 30 September 2002 franked to 85 per cent. 11 per cent of the ordinary dividend is sourced from the foreign dividend account – this has no impact on Australian resident shareholders but for offshore resident shareholders, dividend withholding tax will only apply to four per cent of the dividend.

The record date for the ordinary dividend will be 29 November 2002 and it will be paid on 20 December 2002. This represents a payout ratio of approximately

45 per cent of first half earnings. The Dividend Reinvestment Plan activated in May 2002 remains open to Australian and New Zealand resident shareholders to reinvest their dividends in ordinary shares at a 2.5 per cent discount to the prevailing market price.

The Bank will also pay a dividend on the Converting Preference Shares on 16 December 2002. The dividend will be in accordance with the terms of issue of those shares and will also be franked to 85 per cent. The record date for this dividend will be 2 December 2002.

CORPORATE GOVERNANCE

The Board of Voting Directors (the Board) is responsible for Macquarie Bank Limited. The Board recognises the need for its active commitment in ensuring superior financial performance of the Bank, while meeting stakeholders' expectations of sound corporate governance practices. In conjunction with management, the Board has reviewed its corporate governance practices. Some key actions have already been implemented and others are in progress and these are described below.

Board Composition

At the date of this report, the Board comprises eight Voting Directors. Five of these Voting Directors are Non-Executive Directors (NEDs). The Board recognises that independent directors are important in assuring shareholders that the Board is properly fulfilling its oversight role and is diligent in holding senior management accountable for its performance. Regarding this, in October 2002, the Board resolved that its composition should continue to include a majority of non-executive directors and, by 1 July 2003, a majority of independent directors, as defined below.

The maximum number of Voting Directors who may sit on the Board is currently ten. The Board is seeking to make two further appointments of independent Voting Directors to be made as soon as possible and no later than 30 June 2003.

After reviewing Australian and international formulations, the Macquarie Bank Board has determined that Voting Directors will be considered independent if not a member of management (a Non-Executive Director) and if they meet the following criteria (to the satisfaction of the Board Corporate Governance Committee):

- Is not a shareholder of a company holding more than ten per cent of the Bank's voting stock or an officer of or otherwise associated directly or indirectly with a shareholder holding more than ten per cent of the Bank's voting stock.
- Has not within the last three years been employed in an executive capacity by the company or another group member or been a director after ceasing to hold any such employment.
- Is not a principal or employee of a professional adviser to the Bank and its entities whose billings exceed five per cent of the adviser's total revenues. A Voting Director who is a principal or employee of a professional adviser will not participate in any consideration of the possible appointment of the professional adviser and will not participate in the provision of any service to the Bank by the professional adviser.
- Is not a significant supplier or customer of the Bank or its entities or an officer of or otherwise associated directly or indirectly with a significant supplier or customer. A significant supplier is defined as one whose revenues from the Bank exceed five per cent of the supplier's total revenue. A significant customer is one whose amounts payable to the Bank exceeds five per cent of the customer's total operating costs.
- Has no material contractual relationship with the Bank or any of its associates other than as a director of the Bank.
- Is not a director of any of Macquarie Bank's subsidiaries or responsible entities.

INTERIM REPORT

Macquarie Bank Limited

- Has no other interest or relationship that could interfere with the Voting Director's ability to act in the best interests of the Bank and independently of management.

Board Committees

In October 2002, the Board established a fourth Board committee, the Corporate Governance Committee, to advise the Board on corporate governance matters. The members of the Committee are Kevin McCann (Chairman), Mark Johnson and Barrie Martin. The Committee's responsibilities are documented in a charter and include:

- to undertake an annual review of the alignment of the Board's operations with best corporate governance practice;
- to undertake an annual review of the effectiveness with which Board Committees have discharged their function;
- to oversee the process for the annual review of the Chief Executive Officer and Executive Chairman;
- to approve the corporate governance statements of the Bank and to monitor the corporate governance statements of the Bank's subsidiaries and funds that the Group manages;
- to determine the independence of Voting Directors and monitor the ongoing status of those Directors; and
- to review existing behaviour and ethical guidelines for Voting Directors and consider questions of possible conflict of interest arising for Voting Directors.

In October 2002, the Board resolved that a majority of the members of each Board committee should be independent directors, that the Audit and Compliance Committee will continue to comprise only independent directors and that the Remuneration Committee and the Corporate Governance Committee be chaired by independent directors. As a consequence of this policy, Helen Nugent has replaced David Clarke as Chairman of the Remuneration Committee but he will remain a member of that committee.

Board and Director Performance

One-third of the Board (excluding the Managing Director) must retire at each annual general meeting. In November 2002, the Board approved a policy that

a NED be subject to a formal performance appraisal prior to the Board determining whether to recommend the re-election of that NED to shareholders. Furthermore, to ensure the Board has the benefit of regular new input and to avoid the potential for loss of objectivity over time, all new NEDs will retire after twelve years. Transitional arrangements will apply to existing NEDs.

In November 2002, the Board also agreed to a performance self-assessment every year.

Board Processes

The Board normally meets at least once each month. In November 2002, the Board approved a policy that all independent Voting Directors will meet at least once per year in the absence of management and at other times as they shall determine. The convenor of such meetings will be the Chairman of the Corporate Governance Committee.

Corporate Governance in Macquarie-managed Infrastructure Funds

An integral part of the success of Macquarie's Infrastructure Funds Management Business has been its ability to draw upon the resources of the broader Macquarie group, particularly the global advisory team in its Investment Banking Group which contributes strongly in establishing funds, asset sourcing and execution of acquisitions and financings.

To protect the interests of investors, Macquarie applies a governance framework to its specialist funds activities. In November 2002, the Board reviewed and enhanced this framework for the infrastructure funds management business. The key elements are as follows:

- The boards of both the corporate vehicles and the management company/Responsible Entity of the trusts of listed Macquarie managed funds will comprise a majority of independent directors. The definition of independence will be consistent with the Bank's new definition.

INTERIM REPORT

Macquarie Bank Limited

-
- Related party transactions with Macquarie entities will be clearly identified and governed by rules requiring they be undertaken on arm's length terms.
 - Only independent directors make decisions about transactions which involve Macquarie or its affiliates as counterparties. Macquarie directors do not participate in voting on related party matters.
 - All related party transactions will be tested by reference to whether they meet market standards. In particular, fee schedules and mandate terms and conditions will be subject to third party expert review.
 - There is a separate infrastructure and specialised funds division and staff in this area are dedicated to the funds management business. They serve the interests of unitholders and the boards of the funds.
 - All recommendations to fund boards are prepared by funds management staff and all information and analysis supporting the recommendations to the boards are reviewed or prepared by funds management staff.
 - Each listed fund has a Managing Director.
 - A 'Chinese Wall' operates between the infrastructure funds management business and other parts of the Bank.
- Similar principles will apply to property trusts managed by wholly-owned Macquarie entities.

WHAT WE STAND FOR

Macquarie Bank aspires to be a pre-eminent provider of financial services over the long haul.

We recognise that, however our achievements to date are judged, the quest for improvement is never ending. The Macquarie culture is represented by the way in which we act and work together. The values to which we aspire are summarised in six principles:

- Integrity
- Client commitment

- Strive for profitability
- Fulfilment for our people
- Teamwork
- Highest standards

Our commitment to these six principles is vital for continued growth and prosperity.

OUTLOOK

The Bank's diverse businesses enable it to continue to perform well despite challenging market conditions. The Bank has gained market share as its international competitors rationalise their businesses. The Bank has many growth initiatives underway and the current pipeline of transactions is satisfactory. We will also continue to benefit from an ongoing focus on costs.

We are confident about continued growth in our specialist funds although there will be a slowdown in listed infrastructure in Australia in the short-term.

While the Bank's businesses are in good shape both in Australia and internationally, the result for the full year will again be influenced by conditions in the markets in which it operates and the success rate in investment banking transactions.

We currently expect that the second half-year result will be up on the prior corresponding period but lower than the first-half result because of the timing of performance fees and uncertain global markets.

We remain positive about the initiatives which we have in progress and the medium-term outlook for our businesses.

DIRECTORS' REPORT for the half-year ended 30 September 2002

In accordance with a resolution of the Voting Directors ("the Directors") of Macquarie Bank Limited ("the Bank"), the Directors submit herewith the Statement of Financial Position as at 30 September 2002, the Statement of Financial Performance and Statement of Cash Flows of the Bank and its controlled entities (together "the economic entity") for the half-year ended on that date ("the period") and report as follows.

Non-Executive Directors:

J.G. Allpass
L.G. Cox, AO
B.R. Martin
H.K. McCann
H.M. Nugent

The above Directors each held office as a Director of the Bank throughout the period.

DIRECTORS

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

Executive Directors:

D.S. Clarke, *AO Executive Chairman*
A.E. Moss, *Managing Director*
M.R.G. Johnson, *Deputy Chairman*

RESULT

The consolidated profit from ordinary activities after income tax attributable to ordinary equity holders for the period was \$183 million (2001: \$130 million).

DIVIDENDS AND DISTRIBUTIONS

The Bank paid or provided dividends and distributions during the period as set out in the table below:

Security	Payment Date	Payment Type	\$	In respect of year ending/period	
Ordinary shares	2 July 2002	Final	103,219,911	31 March 2002	Paid
	20 December 2002	Interim	83,038,572	31 March 2003	Provided
Macquarie Income Securities	15 April 2002	Periodic	7,150,685	15 January to 14 April 2002	Paid
	15 July 2002	Periodic	7,230,137	15 April to 14 July 2002	Paid
	15 October 2002	Periodic	6,197,260	15 July to 30 September 2002	Provided
Converting Preference Shares	17 June 2002	Periodic	5,519,850	17 December 2001 to 16 June 2002	Paid
	16 December 2002	Periodic	3,214,849	17 June to 30 September 2002	Provided

REVIEW OF OPERATIONS

A review of the operations of the economic entity and the results of those operations for the period are contained in the Chairman's and Managing Director's Interim Report.

ROUNDING OF AMOUNTS

In accordance with Class Order 98/0100 issued by the Australian Securities & Investments Commission ("ASIC") amounts in the Directors' Report and the Financial Report have been rounded off to the nearest million dollars unless otherwise indicated.



D.S. Clarke
Director

Sydney
13 November 2002



A.E. Moss
Director

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE
for the half-year ended 30 September 2002

	Notes	Half-year to 30 Sept 2002 \$'M	Half-year to 31 Mar 2002 \$'M	Half-year to 30 Sept 2001 \$'M
Interest income		525	487	522
Interest expense		(420)	(357)	(433)
Net interest income	2	105	130	89
Fee and commission income		794	600	610
Fee and commission expense		(132)	(115)	(92)
Net fee and commission income	2	662	485	518
Trading income	2	220	163	198
Net other income/(expenses)	2	52	22	(5)
Total income from ordinary activities		1,039	800	800
Employment expenses	2	(521)	(429)	(430)
Occupancy expenses	2	(45)	(44)	(40)
Non-salary technology expenses	2	(43)	(44)	(35)
Other operating expenses	2	(165)	(109)	(114)
Total expenses from ordinary activities		(774)	(626)	(619)
Profit from ordinary activities before income tax		265	174	181
Income tax expense	4	(67)	(39)	(37)
Profit from ordinary activities after income tax		198	135	144
(Profit)/loss from ordinary activities after income tax attributable to outside equity interests	14	(1)	(1)	1
Profit from ordinary activities after income tax attributable to equity holders of Macquarie Bank Limited*		197	134	145
Distributions paid or provided on Macquarie Income Securities	5	(14)	(14)	(15)
Profit from ordinary activities after income tax attributable to ordinary equity holders of Macquarie Bank Limited		183	120	130
Basic earnings per share	6	91.18	Cents per share 60.70	72.70
Diluted earnings per share	6	90.18	62.88	71.41

* There were no valuation adjustments recognised directly in equity.
The accompanying notes form part of the financial statements.

MACQUARIE BANK LIMITED
and its controlled entities

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 September 2002

	Notes	As at 30 Sept 2002 \$'M	As at 31 Mar 2002 \$'M	As at 30 Sept 2001 \$'M
ASSETS				
Cash and liquid assets		360	283	298
Securities purchased under resale agreement		2,895	4,313	3,787
Trading assets	7	5,513	4,864	4,779
Other securities	8	2,288	1,937	1,856
Loan assets	9	11,095	9,209	8,724
Other financial market assets		5,550	4,630	6,844
Other financial assets		1,795	1,927	1,525
Life insurance investment assets		2,473	2,588	2,531
Equity investments		115	102	94
Investments in associates and incorporated joint ventures		109	90	59
Fixed assets		133	135	130
Tax assets		213	156	200
Total assets		32,539	30,234	30,827
LIABILITIES				
Due to other financial institutions		627	565	761
Securities sold under repurchase agreement		2,409	928	1,991
Securities borrowed		1,092	2,359	1,017
Deposits		4,466	4,520	4,206
Notes payable	11	11,412	9,434	9,385
Other financial market liabilities		4,711	3,811	6,167
Tax liabilities		42	17	27
Other financial liabilities		2,017	2,923	1,674
Life insurance policy liabilities		2,429	2,539	2,504
Provisions for dividends and distributions	5	89	109	87
Deferred tax liabilities		119	100	122
Other provisions	12	132	120	113
Total liabilities excluding loan capital		29,545	27,425	28,054
Loan capital				
Subordinated debt		242	242	256
Converting Preference Shares		150	150	150
Total liabilities		29,937	27,817	28,460
Net assets		2,602	2,417	2,367
EQUITY				
Contributed equity				
Ordinary share capital	13	1,096	1,012	980
Macquarie Income Securities	13	391	391	391
Retained earnings	14	717	617	600
Total equity attributable to equity holders of Macquarie Bank Limited		2,204	2,020	1,971
Outside equity interests in controlled entities	14	398	397	396
Total equity		2,602	2,417	2,367

The accompanying notes form part of the financial statements.

MACQUARIE BANK LIMITED

and its controlled entities

CONSOLIDATED STATEMENT OF CASH FLOWS for the half-year ended 30 September 2002

	Half-year to 30 Sept 2002 \$'M	Half-year to 31 Mar 2002 \$'M	Half-year to 30 Sept 2001 \$'M
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received	593	444	536
Interest and other costs of finance (paid)	(489)	(345)	(476)
Dividends and distributions received	40	32	29
Fees and other non-interest income received	675	621	528
Fees and commissions (paid)	(127)	(66)	(90)
Net receipts from dealing in financial instruments	379	617	93
(Payments) to suppliers (inclusive of GST)	(34)	(418)	(291)
Employment expenses (paid)	(570)	(298)	(518)
Income taxes (paid)	(63)	(128)	(37)
Life insurance investment income	49	37	47
Life insurance premiums received	957	890	964
Life insurance (policy payments)	(980)	(959)	(987)
Broadcast Australia – net receipts from operations	17	-	-
Net cash flows from operating activities	447	427	(202)
CASH FLOWS FROM INVESTING ACTIVITIES			
Loan assets (granted)	(4,120)	(535)	(3,164)
Proceeds from securitisation of loan assets	2,502	-	2,258
Recovery of loans previously written-off	1	-	1
(Payments) for investment securities	(417)	(237)	(1,551)
Proceeds from the realisation of investment securities	104	73	48
(Payments) for equity investments	(45)	(62)	(16)
Proceeds from the sale of equity investments	7	17	10
(Payments) for fixed assets	(32)	(29)	(48)
Proceeds on sale of fixed assets	11	-	4
(Payments) for life insurance investments	(3,302)	(3,305)	(4,498)
Proceeds on sale of life insurance investments	3,306	3,251	4,590
Broadcast Australia – payment for acquisition, net of cash acquired (refer Note 17)	(296)	-	-
Broadcast Australia – cash deconsolidated (refer Note 17)	(17)	-	-
Net cash flows from investing activities	(2,298)	(827)	(2,366)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase in money market and other deposit accounts	1,855	474	1,757
Proceeds from the issue of ordinary share capital	34	34	589
Transaction costs for the placement of ordinary share capital	-	(3)	-
Proceeds from outside equity interest	1	-	394
Dividends and distributions (paid)	(69)	(101)	(112)
Broadcast Australia – net proceeds from borrowings	137	-	-
Net cash flows from financing activities	1,958	404	2,628
Net (decrease)/increase in cash held	107	4	60
Cash at the beginning of the period	243	239	179
Cash at the end of the period	350	243	239

The accompanying notes form part of these financial statements.

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
as at 30 September 2002**

1. BASIS OF PREPARATION

This general purpose financial report for the half-year ended 30 September 2002 ("the period") has been prepared in accordance with Accounting Standard AASB 1029 "Interim Financial Reporting", other mandatory professional reporting requirements (Urgent Issues Group Consensus Views), other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

This financial report comprises the consolidated financial statements of Macquarie Bank Limited ("the Bank") and the entities it controlled at the end of or during the period (together, "the economic entity").

This financial report has been prepared on a historical cost basis. 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.

It is recommended that this financial report be read in conjunction with the 31 March 2002 annual review and financial report of the economic entity and any public announcements made by the Bank during the period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies are consistent with those of the previous financial year and corresponding periods, unless otherwise stated. Where necessary, comparative figures have been adjusted to conform with changes in presentation at 30 September 2002.

2. PROFIT FROM ORDINARY ACTIVITIES

	Half-year to 30 Sept 2002 \$'M	Half-year to 31 Mar 2002 \$'M	Half-year to 30 Sept 2001 \$'M
Interest income			
Interest income received/receivable	525	487	522
Interest expense paid/payable	(420)	(357)	(433)
Total net interest income	105	130	89
Fee and commission income			
Fee and commission revenue	780	583	598
Fee and commission expense	(132)	(115)	(92)
Income from life insurance business			
- investment revenue and management fees	(39)	131	43
- life insurance policy liabilities	56	(111)	(27)
- direct fees	(3)	(3)	(4)
Total net fee and commission income	662	485	518
Trading income			
Arising from trading instruments	138	109	111
Net gains on foreign currency trading	53	37	50
Dividends and distributions received/receivable			
- other trading assets	29	17	37
Total trading income	220	163	198

MACQUARIE BANK LIMITED

and its controlled entities

2. PROFIT FROM ORDINARY ACTIVITIES (continued)

	Half-year to 30 Sept 2002 \$'M	Half-year to 31 Mar 2002 \$'M	Half-year to 30 Sept 2001 \$'M
Other income/(expenses)			
Broadcast Australia – transmission income	49	-	-
Broadcast Australia – gain on deconsolidation (refer Note 17)	54	-	-
Share of net (losses)/profits of associates and incorporated joint ventures accounted for using the equity method	(5)	4	2
Income arising from other securities	3	15	4
Life insurance income earned on shareholders' funds	3	2	3
Dividends and distributions received/receivable			
- other securities and equity investments	16	4	2
Other income	8	9	7
Total other income	128	34	18
Provision for diminution of equity investments	(67)	-	-
Provision for uncertainties (refer Note 12)	(5)	(2)	(3)
Charge for specific provisions (refer Note 9):			
- provided for during the financial year	(6)	(1)	(15)
- written back during the financial year	3	1	1
- loan losses written off	(1)	(2)	-
- recovery of loans previously written off	1	-	1
Total net charge for provisions	(75)	(4)	(16)
Other expenses	(1)	(8)	(7)
Total other expenses	(76)	(12)	(23)
Net other income/(expenses)	52	22	(5)
Total income from ordinary activities	1,039	800	800
Employment expenses			
Salary, salary related costs, superannuation, performance-related profit share and staff training	(510)	(427)	(423)
Provision for annual leave	(6)	(1)	(5)
Provision for long service leave	(2)	(1)	(2)
Broadcast Australia – employment expenses	(3)	-	-
Total employment expenses	(521)	(429)	(430)
Occupancy expenses			
Operating lease rental	(34)	(31)	(31)
Depreciation: furniture, fittings and leasehold improvements	(7)	(7)	(6)
Other occupancy expenses	(4)	(6)	(3)
Total occupancy expenses	(45)	(44)	(40)
Non-salary technology expenses			
Information services	(16)	(16)	(15)
Depreciation: computer equipment and software	(16)	(16)	(13)
Other non-salary technology expenses	(11)	(12)	(7)
Total non-salary technology expenses	(43)	(44)	(35)
Other operating expenses			
Auditors' remuneration*	(3)	(5)	(2)
Legal and professional fees	(34)	(26)	(25)
Travel expenses	(18)	(21)	(21)
Communication expenses	(8)	(9)	(10)
Depreciation: communication equipment	(2)	(1)	(3)
Other operating expenses	(47)	(47)	(53)
Broadcast Australia – other operating expenses	(53)	-	-
Total other operating expenses	(165)	(109)	(114)
Total expenses from ordinary activities	(774)	(626)	(619)

* Includes remuneration for audit and other services.

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
as at 30 September 2002**

3. SEGMENT INFORMATION

The economic entity operates as a financial services provider principally in Australia. Some of the economic entity's services and products are offered in locations outside Australia, where they are predominately managed as part of the Australian businesses, not as separate geographic locations.

4. INCOME TAX EXPENSE

Prima facie income tax on profit from ordinary activities is reconciled to the income tax expense charged in the Statement of Financial Performance as follows:

	Half-year to 30 Sept 2002 \$'M	Half-year to 31 Mar 2002 \$'M	Half-year to 30 Sept 2001 \$'M
Income tax (expense) on profit from ordinary activities*	(80)	(52)	(62)
Add/(deduct) tax effect of permanent differences:			
Recoupment of group tax losses	4	5	7
Rate differential on offshore income	6	3	8
Distribution paid/provided on Macquarie Income Securities	4	4	5
Net effect of different tax rates for life insurance business	2	2	2
Rebatable dividend income	1	1	1
Dividend paid/provided on Converting Preference Shares	(2)	(2)	(2)
Effect of change in tax rates	-	-	(2)
Other items	(2)	-	6
	13	13	25
Total income tax (expense)	(67)	(39)	(37)

* Prima facie income tax on profit from ordinary activities is calculated at the rate of 30% (2001: 34%).

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. Amended assessments have been issued in relation to one of these syndicates, against which objections were lodged and subsequently upheld in the Administrative Appeals Tribunal ("AAT"). On 2 October 2002, the ATO lodged an appeal against the AAT decision with the Federal Court.

In relation to the Macquarie Income Securities, a public ruling has been issued by the ATO suggesting that deductions for distributions on this type of security may not be available. The Bank has received independent legal advice confirming that deductions are available for the distributions provided. An objection has been lodged and has been disallowed. An appeal has been made 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.

5. DIVIDENDS AND DISTRIBUTIONS PAID OR PROVIDED

	Half-year to 30 Sept 2002 \$'M	Half-year to 31 Mar 2002 \$'M	Half-year to 30 Sept 2001 \$'M
Ordinary share capital			
Interim (41 cents per share)	83	-	81
Final (52 cents per share)	-	103	-
Total dividends provided	83	103	81

The interim ordinary dividend provided for the financial year ending 31 March 2003 is 85% franked at the 30% corporate tax rate. The interim and final dividends paid for the financial year ended 31 March 2002 were 70% franked at the 30% corporate tax rate.

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.

On 2 July 2002, 1,679,485 fully paid ordinary shares were issued at \$29.60 per share pursuant to the DRP (refer Note 13).

Convertible Preference Shares

Dividends on these shares of \$5.5 million (2001: \$5.5 million) have been charged to the Statement of Financial Performance as interest expense in accordance with AASB 1033 "Presentation and Disclosure of Financial Instruments".

The dividends paid on 17 June 2002 and 17 December 2001 were 70% franked at the 30% corporate tax rate. The dividend to be paid on 16 December 2002 will be 85% franked at the 30% corporate tax rate.

Macquarie Income Securities

Distributions paid (net of distributions previously provided)	8	8	9
Distributions provided	6	6	6
Total distributions paid or provided	14	14	15

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

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
as at 30 September 2002**

6. EARNINGS PER SHARE

	Half-year to 30 Sept 2002 \$'M	Half-year to 31 Mar 2002 \$'M	Half-year to 30 Sept 2001 \$'M
		Cents per share	
Basic earnings per share	91.18	60.70	72.70
Diluted earnings per share	90.18	62.88	71.41
Reconciliation of earnings used in the calculation of basic earnings per share			
Profit from ordinary activities after income tax	198	135	144
Loss from ordinary activities after income tax attributable to outside equity interests	(1)	(1)	1
Distributions paid or provided on Macquarie Income Securities	(14)	(14)	(15)
Total earnings used in the calculation of basic earnings per share	183	120	130
Reconciliation of earnings used in the calculation of diluted earnings per share			
Earnings used in calculating basic earnings per share	183	120	130
Additional interest from paying up potential ordinary shares	4	11	10
Interest saving from conversion of Converting Preference Shares	5	5	5
Other non-discretionary changes in earnings arising from dilutive potential ordinary shares	3	11	9
Income tax attributable to adjusted earnings	(2)	(6)	(6)
Total earnings used in the calculation of diluted earnings per share	193	141	148
		Number of shares	
Weighted average number of shares used in the calculation of basic earnings per share			
Weighted average fully paid ordinary shares	200,400,414	197,929,118	179,132,994
Total weighted average number of ordinary shares used in the calculation of basic earnings per share	200,400,414	197,929,118	179,132,994
Weighted average number of shares used in the calculation of diluted earnings per share			
Fully paid ordinary shares	200,400,414	197,929,118	179,132,994
Options	9,046,571	21,617,183	22,340,188
Converting Preference Shares	4,796,316	4,392,065	6,101,033
Total weighted average number of ordinary shares used in the calculation of diluted earnings per share	214,243,301	223,938,366	207,574,215

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

MACQUARIE BANK LIMITED
and its controlled entities

7. TRADING ASSETS

	As at 30 Sept 2002 \$'M	As at 31 Mar 2002 \$'M	As at 30 Sept 2001 \$'M
Trading securities			
Listed equity securities	1,760	1,480	1,361
Debt securities	1,266	1,289	1,125
Certificates of deposit	678	620	957
Bank bills	316	350	486
Commonwealth government bonds	667	220	257
Other government securities	579	573	310
Other OECD government securities	24	49	32
Treasury notes	150	225	139
Total trading securities	5,440	4,806	4,667
Other trading assets			
Bullion	73	58	112
Total other trading assets	73	58	112
Total trading assets	5,513	4,864	4,779

8. OTHER SECURITIES

Units and stapled securities held	426	230	155
Less provision for diminution	(70)	(9)	(10)
	356	221	145
Debt investment securities	1,897	1,701	1,695
Unlisted equity investment securities	35	15	16
Total other securities	2,288	1,937	1,856

The market value of certain listed units and stapled securities held at 30 September 2002 was \$266 million (2001: \$79 million), as compared to a book value of \$222 million (2001: \$25 million).

MACQUARIE BANK LIMITED

and its controlled entities

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS as at 30 September 2002

9. LOAN ASSETS

	As at 30 Sept 2002 \$'M	As at 31 Mar 2002 \$'M	As at 30 Sept 2001 \$'M
Due from other financial institutions			
Lease receivables	12	12	13
Loans and advances	2,074	699	1,760
Total due from other financial institutions	2,086	711	1,773
Due from governments			
Lease receivables	574	522	452
Loans and advances	95	84	174
Total due from governments	669	606	626
Due from other entities			
Other loans and advances	7,749	7,395	5,887
Less specific provisions	(23)	(22)	(25)
	7,726	7,373	5,862
Lease receivables	614	519	463
Total due from other entities	8,340	7,892	6,325
Total loan assets	11,095	9,209	8,724

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

Specific provisions – loan assets

Balance at the beginning of the period	22	25	12
Provided during the period	6	1	15
Bad debts written off	(2)	(3)	(1)
Written back during the period	(3)	(1)	(1)
Total specific provisions – loan assets	23	22	25
Specific provisions as a percentage of loan assets	0.21%	0.24%	0.29%

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

10. IMPAIRED ASSETS

Impaired assets includes loan assets and derivative financial instruments, which are classified as:

Non-accrual loans without specific provisions for impairment	8	1	3
Impaired derivative financial instruments without specific provisions for impairment	15	15	25
Non-accrual loans with specific provisions for impairment	60	55	67
Less specific provisions	(23)	(22)	(25)
Total non-accrual loans with specific provisions for impairment	37	33	42
Impaired derivative financial instruments with specific provisions for impairment	1	1	-
Less specific provisions	(1)	(1)	-
Total impaired derivative financial instruments with specific provisions for impairment	-	-	-
Total net impaired assets	60	49	70
Revenue foregone on impaired assets			
Interest	2	1	2
Total revenue foregone on impaired assets	2	1	2

Revenue recognised in respect of impaired assets was less than \$1 million for the half-years ended 30 September 2002 and 2001.

MACQUARIE BANK LIMITED

and its controlled entities

11. NOTES PAYABLE

	As at 30 Sept 2002 \$'M	As at 31 Mar 2002 \$'M	As at 30 Sept 2001 \$'M
Euro floating rate notes	3,516	3,600	3,570
Euro commercial paper	3,846	2,340	1,880
Negotiable certificates of deposit	2,840	2,149	2,621
US commercial paper	422	609	649
Domestic issued paper	489	495	509
Other notes	299	241	156
Total notes payable	11,412	9,434	9,385

Reconciliation of notes payable by major currency:

United States dollars	4,058	4,586	4,871
Australian dollars	3,325	2,656	3,141
Euros	1,231	738	197
Hong Kong dollars	812	654	356
British pounds	1,472	517	465
Japanese yen	502	283	354
Other currencies	12	-	1
Total notes payable by currency	11,412	9,434	9,385

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

12. OTHER PROVISIONS

Provision for uncertainties	64	59	57
Provision for annual leave	41	36	31
Provision for long service leave	27	25	25
Total other provisions	132	120	113
Provision for uncertainties			
Balance at the beginning of the period	59	57	54
Provided during the period	5	2	3
Total provision for uncertainties	64	59	57
Provision for uncertainties as a percentage of risk weighted exposures	0.55%	0.55%	0.55%

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.

MACQUARIE BANK LIMITED
and its controlled entities

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
as at 30 September 2002**

13. CONTRIBUTED EQUITY

	As at 30 Sept 2002 \$'M	As at 31 Mar 2002 \$'M	As at 30 Sept 2001 \$'M
Ordinary share capital			
Opening balance of 198,499,828 (2001: 175,868,560) fully paid ordinary shares	1,012	980	392
Placement of 14,285,715 ordinary shares on 20 September 2001 at \$35 per share	-	-	500
Transaction costs for placement of shares	-	-	(3)
Placement of 509,666 ordinary shares on 6 November 2001 at \$35 per share	-	18	-
Issue of 38,880 shares (2001: 45,080) on 18 January 2002 pursuant to the Employee Share Plan at \$37.03 per share*	-	1	-
Issue of 1,679,485 shares on 2 July 2002 pursuant to the Dividend Reinvestment Plan at \$29.60 per share (refer Note 5)	50	-	-
Issue of 2,353,790 (2001: 6,882,286) shares on exercise of options	34	13	91
Closing balance of 202,533,103 (2001: 197,036,561) fully paid ordinary shares	1,096	1,012	980
Macquarie Income Securities	391	391	391

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

14. RETAINED EARNINGS AND OUTSIDE EQUITY INTERESTS

Retained earnings			
Balance at the beginning of the period	617	600	551
Profit from ordinary activities after income tax attributable to ordinary equity holders of Macquarie Bank Limited	183	120	130
Dividends provided on ordinary share capital	(83)	(103)	(81)
Total retained earnings	717	617	600
Outside equity interests in controlled entities			
Ordinary share capital	6	6	6
Partnership capital	393	393	393
Accumulated losses	(1)	(2)	(3)
Total outside equity interests in controlled entities	398	397	396

MACQUARIE BANK LIMITED
and its controlled entities

15. CONTINGENT LIABILITIES

	As at 30 Sept 2002 \$'M	As at 31 Mar 2002 \$'M	As at 30 Sept 2001 \$'M
Guarantees (a)	165	142	101
Letters of credit (a)	71	117	73
Underwriting facilities	263	496	47
Undrawn credit facilities	2,082	2,079	1,928
Indemnities (b)	233	213	224
Total contingent liabilities	2,814	3,047	2,373

- (a) All external guarantees, other than those noted for Macquarie Investment Management Limited ("MIML") in (c) below, and letters of credit are provided by the Bank. Included in external guarantees are guarantees backed by cash of \$16.7 million (2001: \$16.8 million).
- (b) Balance includes indemnities granted to counterparties in respect of termination and default events in cross-border leasing transactions.
- (c) 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 unit holder has continuously held units from 28 April 1985, not less than the sum of \$1.00: \$51.4 million (2001: \$53.2 million). At 31 March 2002 the audited financial report of the Macquarie Cash Management Trust discloses the value of units on issue and the income entitlement thereon aggregating \$8.4 billion (2001: \$7.3 billion) and assets aggregating to \$8.4 billion (2001: \$7.4 billion).
- (d) 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 4 – Income tax expense.

MACQUARIE BANK LIMITED
and its controlled entities

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
as at 30 September 2002**

16. AVERAGE STATEMENT OF FINANCIAL POSITION

	Half-year to 30 Sept 2002		
	Av balance \$'M	Inc/(exp) \$'M	Av rate %
ASSETS			
Interest bearing assets			
Cash and liquid assets	61	1	3.2
Securities purchased under resale agreement	3,020	66	4.4
Trading assets	3,661	95	5.2
Other securities	1,658	26	3.1
Loan assets	9,780	312	6.4
Other financial assets	15	-	4.3
Total interest bearing assets	18,195	500	
Total non-interest bearing assets	13,766	-	
Total assets	31,961	500	
LIABILITIES			
Interest bearing liabilities			
Due to other financial institutions	1,250	(19)	3.1
Securities sold under repurchase agreements	1,543	(34)	4.4
Securities borrowed	1,168	(33)	5.6
Deposits	4,705	(91)	3.9
Notes payable	9,884	(192)	3.9
Other liabilities	503	(10)	3.9
Loan capital			
Subordinated debt	240	(7)	5.5
Converting Preference Shares	150	(5)	7.4
Total interest bearing liabilities	19,443	(391)	
Total non-interest bearing liabilities	10,007	-	
Total liabilities	29,450	(391)	
Net assets	2,511	109	
EQUITY			
Contributed equity			
Ordinary share capital	1,055		
Macquarie Income Securities	391		
Retained earnings	667		
Total equity attributable to equity holders of the Bank	2,113		
Outside equity interests in controlled entities	398		
Total equity	2,511		

Average interest income and expense in relation to assets and liabilities set off in the Statement of Financial Position in accordance with Accounting Standards is 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 Accounting Standard AASB 1018 “Statement of Financial Performance”.

Half-year to 31 Mar. 2002			Half-year to 30 Sept. 2001		
Av. balance	Inc./exp.	Av. rate	Av. balance	Inc./exp.	Av. rate
\$'M	\$'M	%	\$'M	\$'M	%
63	1	4.1	53	1	4.2
3,645	74	4.1	3,541	84	4.7
3,756	92	4.9	2,752	74	5.3
1,743	31	3.5	1,369	28	4.1
8,628	268	6.4	8,568	302	7.0
3	-	4.3	75	2	4.9
17,838	466		16,358	491	
12,230	-		12,702	-	
30,068	466		29,060	491	
1,124	(13)	2.4	820	(14)	3.8
2,009	(41)	4.1	1,385	(33)	4.8
1,203	(28)	4.7	855	(23)	5.4
4,374	(78)	3.6	3,878	(92)	4.7
8,372	(152)	3.7	9,884	(234)	4.7
724	(12)	3.3	254	(6)	4.4
250	(7)	5.3	250	(7)	5.6
150	(6)	7.4	150	(5)	7.4
18,206	(337)		17,476	(414)	
9,424	-		9,840	-	
27,630	(337)		27,316	(414)	
2,438	129		1,744	77	
1,057			449		
391			391		
593			573		
2,041			1,413		
397			331		
2,438			1,744		

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
as at 30 September 2002**

17.ACQUISITION AND DECONSOLIDATION 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 Statement 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)

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 deconsolidation 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 statements and notes set out on pages 16 to 32:

- (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) give a true and fair view of the economic entity's financial position as at 30 September 2002 and of its performance, as represented by the results of its operations and its cash flows for the half-year ended on that date.

In the Directors' opinion:

- (a) the financial statements and notes are in accordance with the Corporations Act 2001; and
- (b) there are reasonable grounds to believe that Macquarie Bank Limited will be able to pay its debts as and when they become due and payable.

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



D.S. Clarke
Director



A.E. Moss
Director

Sydney

13 November 2002

**INDEPENDENT REVIEW REPORT TO THE MEMBERS OF
MACQUARIE BANK LIMITED
as at 30 September 2002**

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report, set out on pages 16 to 33 is not presented in accordance with :

- the Corporations Act 2001 in Australia, including giving a true and fair view of the financial position of the economic entity as at 30 September 2002 and of its performance for the half-year ended on that date
- Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory professional reporting requirements in Australia, and the Corporations Regulations 2001.

This statement 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 half-year ended 30 September 2002 is the responsibility of the directors of the Bank. It includes the financial statements for the economic entity, which incorporates the Bank and the entities it controlled during the half-year ended 30 September 2002.

The auditor's role and work

We conducted an independent review of the financial report in order for the Bank to lodge the financial report with the Australian Securities & Investments Commission. Our role was to conduct the review in accordance with Australian Auditing Standards applicable to review engagements. Our review did not involve an analysis of the prudence of business decisions made by the directors or management.

This review was performed in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report does not present fairly a view in accordance with the Corporations Act 2001, Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory professional reporting requirements in Australia, and the Corporations Regulations 2001, which is consistent with our understanding of the economic entity's financial position, and its performance as represented by the results of its operations and cash flows.

The review procedures performed were limited primarily to:

- inquiries of Bank personnel of certain internal controls, transactions and individual items
- analytical procedures applied to financial data.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit, and accordingly, we do not express an audit opinion.

Independence

As auditor, we are required to be independent of the economic entity 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.

In addition to our statutory audit and review work, we were engaged to undertake other services for the Group. In our opinion the provision of these services has not impaired our independence.

PricewaterhouseCoopers

D.H. Armstrong
Partner

Sydney

13 November 2002

FIVE YEAR SUMMARY

Macquarie Bank Limited

	Years ended 31 March				Half-year	
	1998	1999	2000	2001	2002	2003
Financial performance (\$million)						
Total income from ordinary activities	665	815	1,187	1,472	1,600	1,039
Total expenses from ordinary activities	498	597	885	1,147	1,245	774
Profit from ordinary activities before income tax	167	218	302	325	355	265
Income tax expense	26	53	79	53	76	67
Profit from ordinary activities	141	165	223	272	279	198
Outside equity interest	-	-	-	1	-	(1)
Macquarie Income Securities distribution	-	-	12	31	29	(14)
Profit from ordinary activities after income tax attributable to ordinary equity holders	141	165	211	242	250	183
Financial position (\$million)						
Total assets	7,929	9,456	23,389	27,848	30,234	32,539
Total liabilities	7,348	8,805	22,154	26,510	27,817	29,937
Net assets	581	651	1,235	1,338	2,417	2,602
Risk weighted assets	4,967	4,987	8,511	9,860	10,651	11,812
Total loan assets	3,158	4,002	6,518	7,785	9,209	11,095
Impaired assets (net of provisions)	12	44	23	31	49	60
Share information						
Cash dividends per share (cents per share)						
1st half	21.0	30.0	34.0	41.0	41.0	41.0
2nd half	30.0	38.0	52.0	52.0	52.0	
Total	51.0	68.0	86.0	93.0	93.0	
Basic earnings per share (cents per share)	88.1	101.3	124.3	138.9	132.8	91.2
Share price at 31 March/30 September (\$)	14.35	19.10	26.40	27.63	33.26	22.16
Ordinary share capital (million shares) (a)	157.6	161.1	171.2	175.9	198.5	202.5
Market capitalisation at 31 March/30 September (fully paid ordinary shares) (\$million)	2,262	3,077	4,520	4,860	6,602	4,488
Ratios						
Return on average ordinary shareholders' funds	26.1%	26.8%	28.1%	27.1%	18.7%	21.3%
Payout ratio	57.9%	67.2%	70.0%	67.5%	73.6%	45.4%
Tier 1 ratio	11.7%	13.0%	14.5%	12.9%	17.8%	15.8%
Capital adequacy ratio	16.4%	17.3%	18.4%	16.0%	19.4%	16.3%
Impaired assets as % of loan assets	0.4%	1.1%	0.3%	0.4%	0.5 %	0.5%
Net loan losses as % of loan assets	0.0%	0.1%	0.1%	0.1%	0.2%	0.0%
Funds under management (\$billion)						
Listed	2.3	3.0	4.2	6.9	11.8	15.5
Unlisted						
Retail	8.9	9.8	9.6	10.6	11.7	12.1
Wholesale	10.5	10.0	12.5	13.4	17.8	19.3
Total	21.7	22.8	26.3	30.9	41.3	46.9
Staff numbers	2,474	3,119(b)	4,070(b)	4,467(b)	4,726(b)	4,740(b)

(a) Number of fully paid shares at 31 March/30 Sept, excluding options and partly paid shares.

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

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