

MACQUARIE BANK LIMITED

A.B.N. 46 008 583 542

2004 financial report of the economic entity



MACQUARIE
BANK

MACQUARIE BANK LIMITED
and its controlled entities

2004 FINANCIAL REPORT
TABLE OF CONTENTS

	PAGE
Statements of financial performance	3
Statements of financial position	4
Statements of cash flows	5
Notes to and forming part of the financial statements	
1. Significant accounting policies	6
2. Profit from ordinary activities	12
3. Revenue from operating activities	14
4. Segment reporting	15
5. Income tax (expense)/benefit	18
6. Dividends and distributions paid or provided	19
7. Earnings per share	21
8. Securities purchased under resale agreements	22
9. Trading assets	22
10. Other securities	23
11. Loan assets	24
12. Impaired assets	25
13. Other financial assets	25
14. Life insurance business	26
15. Equity investments	26
16. Joint ventures and associated entities	27
17. Fixed assets	30
18. Tax assets/(deferred tax liabilities)	31
19. Investments in controlled entities	32
20. Due to other financial institutions	33
21. Securities sold under repurchase agreements	33
22. Securities borrowed	33
23. Notes payable	34
24. Other financial liabilities	34
25. Other provisions	34
26. Loan capital	35
27. Contributed equity	36
28. Reserves, retained earnings and outside equity interests	37
29. Notes to the statements of cash flows	38
30. Related party information	40
31. Retirement benefits	43
32. Executive officers' remuneration	44
33. Employee equity participation	45
34. Contingent liabilities and assets	55
35. Capital and other expenditure commitments	56
36. Lease commitments	56
37. Derivative financial instruments	56
38. Average interest-bearing assets and liabilities and related interest	58
39. Geographical concentration of deposits and borrowings	59
40. Maturity analysis of monetary assets and liabilities and liquidity management	60
41. Interest rate risk	63
42. Net fair value	65
43. Credit risk	66
44. Audit and other services provided by PricewaterhouseCoopers	68
45. Acquisition and disposal of controlled entities	69
46. Events occurring after reporting date	71
Directors' declaration	72

Independent audit report	73
Financial Summary since listing	74

MACQUARIE BANK LIMITED

and its controlled entities

**STATEMENTS OF FINANCIAL PERFORMANCE
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2004**

	Notes	Consolidated 2004 \$M	Consolidated 2003 \$M	Bank 2004 \$M	Bank 2003 \$M
Interest income		1,235	1,074	1,096	902
Interest expense		(965)	(827)	(1,082)	(860)
Net interest income	2	270	247	14	42
Fee and commission income		1,649	1,370	402	475
Fee and commission expense		(331)	(254)	(160)	(131)
Net fee and commission income	2	1,318	1,116	242	344
Trading income	2	562	402	545	335
Other income	2	393	194	807	598
Other expenses	2	(78)	(69)	(48)	(61)
Total income from ordinary activities		2,465	1,890	1,560	1,258
Employment expenses	2	(1,257)	(970)	(945)	(710)
Occupancy expenses	2	(102)	(92)	(64)	(64)
Non-salary technology expenses	2	(106)	(84)	(89)	(66)
Professional fees, travel and communication expenses	2	(162)	(129)	(86)	(83)
Other operating expenses	2	(153)	(155)	(73)	(59)
Total expenses from ordinary activities		(1,780)	(1,430)	(1,257)	(982)
Profit from ordinary activities before income tax		685	460	303	276
Income tax (expense)/benefit	5	(161)	(96)	58	(20)
Profit from ordinary activities after income tax		524	364	361	256
(Profit) from ordinary activities after income tax attributable to outside equity interests		(3)	(3)	-	-
Profit from ordinary activities after income tax attributable to equity holders of Macquarie Bank Limited*		521	361	361	256
Distributions paid or provided on Macquarie Income Securities	6	(27)	(28)	-	-
Profit from ordinary activities after income tax attributable to ordinary equity holders of Macquarie Bank Limited		494	333	361	256
Cents per share					
Basic earnings per share	7	233.0	164.8		
Diluted earnings per share	7	229.3	163.1		

* There were no valuation adjustments recognised directly in equity.

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

MACQUARIE BANK LIMITED
and its controlled entities

STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2004

	Notes	Consolidated 2004 \$M	Consolidated 2003 \$M	Bank 2004 \$M	Bank 2003 \$M
ASSETS					
Cash and liquid assets		647	311	208	147
Securities purchased under resale agreements	8	8,598	5,155	8,263	4,982
Trading assets	9	6,891	4,780	6,316	4,327
Other securities	10	1,847	2,181	326	228
Loan assets	11	10,777	9,839	7,077	7,444
Other financial market assets	1(xxii)	6,694	5,309	6,732	5,125
Other financial assets	13	3,531	1,828	1,465	1,184
Life insurance investment assets	14	2,350	2,516	-	-
Due from controlled entities		-	-	5,954	3,620
Equity investments	15	138	130	27	26
Investments in associates and incorporated joint ventures	16	169	142	101	69
Fixed assets	17	1,945	125	75	106
Tax assets	18	184	146	93	174
Investments in controlled entities	19	-	-	6,264	2,278
Total assets		43,771	32,462	42,901	29,710
LIABILITIES					
Due to other financial institutions	20	1,935	517	937	230
Securities sold under repurchase agreements	21	2,597	2,221	2,597	2,221
Securities borrowed	22	5,750	2,381	5,177	2,796
Deposits		4,215	3,966	4,050	3,930
Notes payable	23	12,608	10,069	12,320	10,069
Other financial market liabilities	1(xxii)	5,821	4,718	5,897	4,705
Tax liabilities		53	18	11	12
Other financial liabilities	24	4,215	2,665	2,116	2,181
Life insurance policy liabilities		2,291	2,456	-	-
Due to controlled entities		-	-	6,286	748
Provisions for dividends and distributions	6	6	213	-	208
Deferred tax liabilities	18	413	30	-	-
Other provisions	25	74	67	66	63
Total liabilities excluding loan capital		39,978	29,321	39,457	27,163
Loan capital					
Subordinated debt	26	960	406	960	406
Converting Preference Shares	26	-	150	-	150
Total liabilities		40,938	29,877	40,417	27,719
Net assets		2,833	2,585	2,484	1,991
EQUITY					
Contributed equity					
Ordinary share capital	27	1,382	1,137	1,382	1,137
Macquarie Income Securities	27	391	391	391	391
Investment revaluation reserve	28	-	-	61	85
Retained earnings	28	1,040	659	650	378
Total equity attributable to equity holders of Macquarie Bank Limited		2,813	2,187	2,484	1,991
Outside equity interests in controlled entities	28	20	398	-	-

Total equity	2,833	2,585	2,484	1,991
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The statements of financial position above should be read in conjunction with the accompanying notes .

MACQUARIE BANK LIMITED
and its controlled entities

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2004

	Notes	Consolidated 2004 \$M	Consolidated 2003 \$M	Bank 2004 \$M	Bank 2003 \$M
CASH FLOWS FROM OPERATING ACTIVITIES					
Interest received		1,231	1,083	1,121	918
Interest and other costs of finance (paid)		(927)	(856)	(1,098)	(876)
Dividends and distributions received		120	90	606	401
Fees and other non-interest income received		1,612	1,294	650	842
Fees and commissions (paid)		(320)	(257)	(140)	(126)
Net (payments)/receipts from trading securities and other financial instruments		(2,063)	1,113	(2,476)	921
(Payments) to suppliers		(639)	(441)	(416)	(133)
Employment expenses (paid)		(919)	(866)	(675)	(603)
Income taxes (paid)		(138)	(197)	(57)	(52)
Life insurance investment income		101	105	-	-
Life insurance premiums received		1,279	1,710	-	-
Life insurance (policy payments)		(1,618)	(1,750)	-	-
Infrastructure assets and businesses purchased for resale – net receipts from operations		47	17	-	-
Net cash flows from operating activities	29	(2,234)	1,045	(2,485)	1,292
CASH FLOWS FROM INVESTING ACTIVITIES					
Loan assets (granted)		(5,828)	(4,674)	(569)	(5,123)
Proceeds from securitisation of loan assets		4,928	4,407	4,926	4,407
Recovery of loans previously written-off		2	1	1	1
(Payments) for other securities		(1,349)	(737)	(130)	(335)
Proceeds from the realisation of other securities		1,381	298	2	120
(Payments) for life insurance investments		(5,561)	(5,881)	-	-
Proceeds from the sale of life insurance investments		5,881	5,847	-	-
(Payments) for equity investments		(166)	(109)	(92)	(40)
Proceeds from the sale of equity investments		85	13	47	13
(Payments) for fixed assets		(108)	(40)	(40)	(29)
Proceeds from the sale of fixed assets		23	2	13	1
(Payments) for infrastructure assets and businesses purchased for resale, net of cash acquired	45	(950)	-	-	-
Payment for acquisition of controlled entities, net of cash acquired	45	250	(296)	(3,875)	(202)
Proceeds from the sale of controlled entities	45	41	-	22	-
Cash deconsolidated	45	(4)	(17)	-	-
Net cash flows from investing activities		(1,375)	(1,186)	305	(1,187)
CASH FLOWS FROM FINANCING ACTIVITIES					
Net (decrease)/increase in money market and other deposit accounts		2,826	(32)	1,775	(247)
(Repayment) of subordinated debt		(70)	(50)	(70)	(50)
Issue of subordinated debt		672	225	672	225
Dividends and distributions (paid)		(208)	(141)	(181)	(109)
Proceeds from the issue of ordinary share capital		121	47	121	47
Payment for buy back of ordinary shares		(167)	-	(167)	-
(Payments to)/proceeds from outside equity interest		(382)	1	-	-
Proceeds from borrowing for purchase of infrastructure assets and businesses purchased for resale		1,062	137	-	-
Net cash flows from financing activities		3,854	187	2,150	(134)

Net increase/(decrease) in cash	245	46	(30)	(29)
Cash at the beginning of the financial year	289	243	125	154
Cash at the end of the financial year	29	534	289	95

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS AS AT 31 MARCH 2004

1. SIGNIFICANT ACCOUNTING POLICIES

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

i) PREPARATION OF FINANCIAL REPORT

This financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views, the Corporations Act 2001 and the Banking Act 1959.

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

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

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

ii) CHANGE IN ACCOUNTING POLICY – PROVISION FOR DIVIDENDS

From 1 April 2003, Accounting Standard AASB 1044 “Provisions, Contingent Liabilities and Contingent Assets” (“AASB 1044”) became operative for the economic entity.

AASB 1044 requires that a provision for dividends is not recognised until the dividend has been declared or publicly recommended by the Directors. In previous financial years a provision was recorded as at balance date for dividends that were not declared until the completion of the financial report.

An adjustment of \$208 million has been made against the economic entity’s retained profits as at 1 April 2003 to reverse the amount provided as at 31 March 2003 for the Bank’s 2003 final and special dividends. These provisions were reinstated in May 2003 when the dividends were declared by the Directors.

No provision has been recognised as at 31 March 2004 for the Bank’s 2004 final dividend. This provision will be recorded at the time that the dividend is declared.

The restatements of the provision for dividends and retained earnings below show the information that would have been disclosed had the new accounting policy always been applied:

	Consolidated 2003 \$M	Bank 2003 \$M
Provision for ordinary dividends		
Previously reported balance at the end of the financial year	208	208
Adjustment for change in accounting policy	(208)	(208)
Restated balance at the end of the financial year	-	-
Retained earnings		
Previously reported balance at the end of the financial year	659	378
Adjustment for change in accounting policy	208	208
Restated balance at the end of the financial year	867	586

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS AS AT 31 MARCH 2004

1. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

iii) CONSOLIDATION

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

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

iv) FOREIGN CURRENCY TRANSLATIONS

Foreign controlled entities, with the exception of infrastructure businesses acquired for resale, are integrated with the activities of the Bank. The assets, liabilities and equity of these foreign controlled entities are consolidated into the Bank using the temporal method of translation whereby non-monetary assets and liabilities and equity items, including revenue and expenses, are translated using historic rates of exchange, and monetary assets and liabilities are translated using rates of exchange prevailing at balance date. Any resultant exchange differences are recorded in the Statement of Financial Performance. Infrastructure businesses acquired for sale are translated using the current rate method.

Transactions in foreign currencies have been recorded at the rates of exchange prevailing at transaction dates. At balance date, amounts payable and receivable in foreign currencies are translated to Australian currency at rates of exchange current at that date. Gains or losses arising on transactions and from dealing in foreign exchange have been recognised in the Statement of Financial Performance.

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

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

v) INTEREST INCOME AND EXPENSE

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

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

vi) FEE INCOME

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

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

vii) DIVIDENDS AND DISTRIBUTIONS

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

MACQUARIE BANK LIMITED
and its controlled entities

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2004**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS AS AT 31 MARCH 2004

1. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

viii) INCOME TAX

On 21 August 2003, the Bank resolved that a consolidated tax group would be formed between the Bank and its wholly-owned Australian controlled entities effective from 1 October 2002.

Under the terms and conditions of a tax contribution agreement, the Bank, as the head entity of the tax consolidated group, will charge or reimburse its wholly-owned subsidiaries for tax liabilities or assets it incurs in connection with their activities. As a consequence, the

Bank will recognise the deferred tax balances of its wholly-owned subsidiaries as if those were its own in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances. Amounts receivable or payable under a tax contribution agreement with the tax consolidated entities are recognised separately as tax-related amounts receivable or payable. The principles of the liability method of tax effect accounting have been adopted whereby the income tax expense for the financial year is calculated by reference to the accounting profit after allowing for permanent differences between accounting profit and taxable income. The tax assets relating to tax losses are not recognised as an asset unless the benefit is virtually certain of realisation in future years.

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

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

ix) REPURCHASE AND REVERSE REPURCHASE AGREEMENTS

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

Securities sold under repurchase agreements continue to be recognised as assets of the economic entity. The obligation to repurchase such securities is recognised as a liability in the Statement of Financial Position. The difference between the sale price and the repurchase price is brought to account as interest expense over the term of the agreement.

x) TRADING ASSETS AND SECURITIES BORROWED

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

xi) OTHER SECURITIES

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS AS AT 31 MARCH 2004

1. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

xii) CREDIT REVIEW

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

Impaired loans are classified as follows:

- (a) Non-accrual with:
 - (i) no performance (representing loans on which no income is being received);
 - (ii) partial performance (representing loans on which income which is less than the legal entitlement is received); and
 - (iii) full performance with provisions (representing loans on which full income is being received but where a provision against loss has been made);
- (b) Restructured loans (where the original loan agreement has been modified); and
- (c) Other real estate owned (representing loans acquired through enforcement of security).

xiii) SECURITISATION OF LOAN ASSETS

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

xiv) PROPERTY PURCHASED FOR SALE AND DEVELOPMENT

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

xv) EQUITY INVESTMENTS

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

xvi) INVESTMENTS IN ASSOCIATES AND INCORPORATED JOINT VENTURES

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

xvii) INVESTMENTS IN CONTROLLED ENTITIES

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS AS AT 31 MARCH 2004

1. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

xviii) FIXED ASSETS

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

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

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

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

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

The costs of repairs and maintenance are expensed as incurred.

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

xix) PROVISION FOR EMPLOYEE BENEFITS

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

xx) PROVISION FOR CREDIT LOSSES

The economic entity maintains a general provision to cover expected losses inherent in the existing overall credit portfolio which are not yet identifiable. An assessment as to the adequacy of the provision is made at the end of each reporting period. Should the provision be considered inadequate, either due to losses applied against the provision or to changes in the size or risk characteristics of the economic entity's portfolio, a charge would be made in the Statement of Financial Performance in the current financial year to adjust the provision.

xxi) STATEMENT OF CASH FLOWS

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS AS AT 31 MARCH 2004

1. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

xxii) FINANCIAL INSTRUMENTS

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

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

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

xxiii) FUNDS UNDER MANAGEMENT

Within the economic entity certain controlled entities act as a custodian and/or single responsible entity for a number of investment funds and trusts. As at 31 March 2004, the investment funds and trusts, both individually and collectively, have an excess of assets over liabilities. The value of funds managed by the economic entity (measured based on the gross assets of the individual funds) exceeds \$62.6 billion (2003: \$52.3 billion). This includes \$2.4 billion (2003: \$2.5 billion) in respect of life insurance statutory funds which have been consolidated in the financial report, refer below. The investment funds and trusts have not been consolidated in the financial report because individual entities within the economic entity do not have control of the funds and trusts.

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

xxiv) LIFE INSURANCE BUSINESS

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

Fees and charges

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

Investment assets

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

Restriction on assets

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

Policy liabilities

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

MACQUARIE BANK LIMITED
and its controlled entities

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2004**

	Consolidated 2004 \$M	Consolidated 2003 \$M	Bank 2004 \$M	Bank 2003 \$M
2. PROFIT FROM ORDINARY ACTIVITIES				
Interest income				
Interest income received/receivable:				
- other entities	1,235	1,074	897	732
- controlled entities	-	-	199	170
Interest expense paid/payable:				
- other entities	(965)	(827)	(927)	(804)
- controlled entities	-	-	(155)	(56)
Total net interest income	270	247	14	42
Fee and commission income				
- revenue	1,620	1,342	402	475
- expense	(331)	(254)	(160)	(131)
Income from life insurance business (refer Note 14)	29	28	-	-
Net fee and commission income	1,318	1,116	242	344
Trading income				
Equities	314	150	307	117
Commodities	82	116	48	83
Foreign exchange products	135	98	135	98
Interest rate products	31	38	55	37
Total trading income	562	402	545	335
Other income				
Proceeds from the sale of other securities and equity investments	302	311	142	133
Less carrying value of other securities and equity investments	(174)	(280)	(83)	(130)
Profit on the sale of other securities and equity investments	128	31	59	3
Sales revenue from infrastructure assets and businesses purchased for resale	125	49	-	-
Gain on deconsolidation of controlled entities	15	54	-	-
Share of net profits of associates and incorporated joint ventures accounted for using the equity method (refer Note 16)	35	-	-	-
Life insurance income earned on shareholders' funds	5	8	-	-
Dividends/distributions received/receivable				
- other securities and equity investments	49	30	27	12
- controlled entities	-	-	457	208
Management fees, group service charges and cost recoveries – controlled entities	-	-	255	347
Other income	36	22	9	28
Total other income	393	194	807	598
Provision for diminution of equity investments, other securities and associates	2	(62)	11	(39)
General provision for credit losses (refer Note 11)	(17)	4	(17)	5
Specific provisions				
- provided for during the financial year (refer Note 11)	(43)	(9)	(26)	(7)
- recovery of loans previously provided for (refer Note 11)	6	10	4	8
- loan losses written-off	(1)	(2)	-	-
- recovery of loans previously written-off	2	1	1	1
Total net charge for provisions	(51)	(58)	(27)	(32)

MACQUARIE BANK LIMITED
and its controlled entities

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2004

Writedown of investments in controlled entities to recoverable amount	-	-	(2)	(21)
Other expenses	(27)	(11)	(19)	(8)
Total other expenses	(78)	(69)	(48)	(61)
Total net other income	315	125	759	537
Total income from ordinary activities	2,465	1,890	1,560	1,258

MACQUARIE BANK LIMITED
and its controlled entities

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2004**

	Consolidated 2004 \$M	Consolidated 2003 \$M	Bank 2004 \$M	Bank 2003 \$M
2. PROFIT FROM ORDINARY ACTIVITIES (CONT.)				
Employment expenses				
Salary, salary related costs, superannuation, performance-related profit share and staff training	(1,226)	(961)	(940)	(706)
Provision for annual leave	(5)	(3)	(2)	(1)
Provision for long service leave	(4)	(3)	(3)	(3)
Infrastructure assets and businesses purchased for resale – employment expenses	(22)	(3)	-	-
Total employment expenses	(1,257)	(970)	(945)	(710)
Occupancy expenses				
Operating lease rental	(68)	(66)	(50)	(46)
Depreciation: furniture, fittings and leasehold improvements (refer Note 17)	(13)	(15)	(9)	(11)
Infrastructure assets and businesses purchased for resale – occupancy expenses	(11)	-	-	-
Other occupancy expenses	(10)	(11)	(5)	(7)
Total occupancy expenses	(102)	(92)	(64)	(64)
Non-salary technology expenses				
Information services	(32)	(32)	(20)	(17)
Depreciation: computer equipment and software (refer Note 17)	(46)	(31)	(45)	(30)
Infrastructure assets and businesses purchased for resale – non-salary technology expenses	(1)	-	-	-
Other non-salary technology expenses	(27)	(21)	(24)	(19)
Total non-salary technology expenses	(106)	(84)	(89)	(66)
Professional fees, travel and communication expenses				
Professional fees	(77)	(67)	(43)	(49)
Auditors' remuneration (refer Note 44)	(7)	(6)	(3)	(2)
Travel expenses	(40)	(36)	(25)	(20)
Communication expenses	(18)	(16)	(10)	(8)
Depreciation: communication equipment (refer Note 17)	(5)	(4)	(5)	(4)
Infrastructure assets and businesses purchased for resale – professional fees, travel and communication expenses	(15)	-	-	-
Total professional fees, travel and communication expenses	(162)	(129)	(86)	(83)
Other operating expenses				
Other operating expenses	(117)	(102)	(73)	(59)
Infrastructure assets and businesses purchased for resale – other operating expenses*	(36)	(53)	-	-
Total other operating expenses	(153)	(155)	(73)	(59)
Total expenses from ordinary activities	(1,780)	(1,430)	(1,257)	(982)

* Other operating expenses relating to infrastructure assets and businesses purchased for resale include depreciation of \$25 million (2003: \$30 million).

MACQUARIE BANK LIMITED
and its controlled entities

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2004**

	Consolidated	Consolidated	Bank	Bank
	2004	2003	2004	2003
	\$M	\$M	\$M	\$M
3. REVENUE FROM OPERATING ACTIVITIES				
Interest income	1,235	1,074	1,096	902
Fee and commission income	1,620	1,342	402	475
Investment revenue and management fees from life insurance business (refer Note 14)	260	26	-	-
Trading income	562	402	545	335
Proceeds from the sale of other securities and equity investments	302	311	142	133
Other income (excluding profit on the sale of other securities and equity investments)	265	163	748	595
Total revenue from operating activities	4,244	3,318	2,933	2,440

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS AS AT 31 MARCH 2004

4. SEGMENT REPORTING

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

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

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

Primary segment - business

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

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

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

	Asset and Wealth Management \$M	Financial Markets \$M	Investment Banking \$M	Lending \$M	Total \$M
Consolidated 31 March 2004					
Financial performance					
Revenue from external customers	1,129	1,195	1,041	844	4,209
Intersegmental revenue/(expense)	8	(71)	(53)	116	-
Share of profits or losses of associates and incorporated joint ventures	29	(1)	7	-	35
Total revenue from ordinary activities	1,166	1,123	995	960	4,244
Profit from ordinary activities before income tax	200	194	217	74	685
Income tax (expense)	(54)	(33)	(54)	(20)	(161)
Profit from ordinary activities after income tax	146	161	163	54	524
Non-cash expenses: depreciation	(32)	(12)	(37)	(8)	(89)
Financial position					
Total assets	3,092	24,215	6,475	9,989	43,771
Total liabilities	(2,620)	(31,262)	(3,825)	(3,231)	(40,938)
Fixed assets acquired during the financial year	9	17	7	33	66
- Infrastructure assets and businesses	-	-	1,864	-	1,864

MACQUARIE BANK LIMITED
and its controlled entities

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2004**

acquired during the year for resale Investment in associates and incorporated joint ventures	106	-	59	4	169
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4. SEGMENT REPORTING (CONT.)

Primary segment – business

	Asset and Wealth Management \$M	Financial Markets \$M	Investment Banking \$M	Lending \$M	Total \$M
Consolidated 31 March 2003					
Financial performance					
Revenue from external customers	669	1,039	1,035	575	3,318
Intersegmental revenue/(expense)	3	(157)	(37)	191	-
Share of profits or losses of associates and incorporated joint ventures	1	1	(3)	1	-
Total revenue from ordinary activities	673	883	995	767	3,318
Profit from ordinary activities before income tax	108	120	158	74	460
Income tax (expense)	(26)	(23)	(40)	(7)	(96)
Profit from ordinary activities after income tax	82	97	118	67	364
Non-cash expenses: depreciation	(19)	(11)	(13)	(7)	(50)
Financial position					
Total assets	3,052	16,969	3,679	8,762	32,462
Total liabilities	2,729	23,454	556	3,138	29,877
Fixed assets acquired during the financial year	12	9	520	9	550
Investment in associates and incorporated joint ventures	12	7	107	16	142

MACQUARIE BANK LIMITED
and its controlled entities

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2004**

4. SEGMENT REPORTING (CONT.)

Secondary segment - geographical

Geographical segments have been determined based on where the transactions have been booked. The operations of the economic entity are headquartered in Australia. All locations below the reportable segment threshold have been collectively classified as "other".

	Australia \$M	Asia Pacific* \$M	Europe \$M	North America \$M	Other \$M	Total \$M
	Consolidated 31 March 2004					
Revenue from external customers	3,270	329	350	176	84	4,209
Total assets	24,662	4,863	9,193	4,389	664	43,771
Fixed assets acquired during the financial year	39	15	-	12	-	66
- Infrastructure assets and businesses acquired during the year for resale	-	-	1,864	-	-	1,864
	Consolidated 31 March 2003					
Revenue from external customers	2,732	266	160	136	24	3,318
Total assets	21,701	3,317	5,308	1,888	248	32,462
Fixed assets acquired during the financial year	547	-	-	3	-	550

* Excludes Australia as it is disclosed as a separate segment.

MACQUARIE BANK LIMITED
and its controlled entities

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2004**

	Consolidated	Consolidated	Bank	Bank
	2004	2003	2004	2003
	\$M	\$M	\$M	\$M
5. INCOME TAX (EXPENSE)/BENEFIT				
Prima facie income tax (expense) on profit from ordinary activities*	(205)	(138)	(91)	(83)
Add back/(deduct) tax effect of permanent differences:				
Recoupment of tax consolidated group tax losses	-	18	-	-
Rate differential on offshore income	28	13	30	8
Distribution paid/provided on Macquarie Income Securities	8	8	-	-
Net effect of different tax rates for life insurance business	4	3	-	-
Rebateable dividend income	5	2	140	62
Dividend paid/provided on Converting Preference Shares	(2)	(4)	(2)	(4)
Other items	1	2	(19)	(3)
Tax expense attributable to relevant controlled entities	-	-	(165)	-
Tax benefit arising under a tax funding agreement	-	-	165	-
Total income tax (expense)/benefit	(161)	(96)	58	(20)

* Prima facie income tax on profit from ordinary activities is calculated at the rate of 30% (2003: 30%). The economic entity has a tax year ending on 30 September.

From 1 October 2002, pursuant to a resolution of the Bank, the economic entity's Australian tax liabilities are determined pursuant to tax consolidation legislation. All eligible Australian resident wholly-owned controlled entities of the Bank formed a Tax Consolidated Group ("the TC Group") from that date. The Bank is the Head Entity of the TC Group. As a consequence and from that date, the relevant controlled entities are no longer liable to make income tax payments and will not recognise any tax balances. Payments made by the relevant TC Group entities in respect of the period are shown as payments of the Bank. Under the terms and conditions of a tax funding agreement, the Bank charges each controlled entity for all tax liabilities incurred in respect of their activities and reimburses each controlled entity for tax assets received.

Should the Bank be in default of its obligations, or a default is probable, under the tax consolidation legislation, any tax balances that must be recognised by the controlled entities will be determined in accordance with the terms and conditions of a tax sharing agreement between the Bank and entities in the Group.

The Australian Tax Office ("ATO") audit of the economic entity was settled during the financial year. The settlement was met from existing tax provisions and did not impact the 2004 financial results.

The ATO is currently 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 have been lodged. Details of the amounts in dispute (including amended assessments) have not been disclosed because the Directors believe this would prejudice the economic entity's position.

In relation to Macquarie Income Securities, the ATO has issued a public ruling suggesting that deductions for payments on this type of security may not be available. The Bank has received independent legal advice confirming that deductions are available thereon. An objection has been lodged and has been disallowed. The Federal Court is expected to hear the appeal in mid 2004.

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

MACQUARIE BANK LIMITED
and its controlled entities

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2004**

	Consolidated 2004 \$M	Consolidated 2003 \$M	Bank 2004 \$M	Bank 2003 \$M
6. DIVIDENDS AND DISTRIBUTIONS PAID OR PROVIDED				
Ordinary share capital				
Dividends paid – interim (52 (2003: 41) cents per share)	113	83	113	83
Dividends provided				
- final (Nil (2003: 52) cents per share)	-	106	-	106
- special (Nil (2003: 50) cents per share)	-	102	-	102
Total dividends paid or provided	113	291	113	291

There is no provision for final dividend in respect of the financial year ended 31 March 2004 as a result of a change in accounting policy. The economic entity has adopted the new Australian Accounting Standard AASB 1044 “Provisions, Contingent Liabilities and Contingent Assets” for the first time from 1 April 2003. A provision for dividends is now recognised at the time the dividends are declared, determined or publicly recommended. Previously the Bank recognised a provision for dividend in the reporting period to which the dividend related even though the dividend was declared or announced after the end of the reporting period.

The interim ordinary dividend paid during the financial year ended 31 March 2004 was 90% franked at 30% (2003: 85% franked at 30%).

In addition to the above dividend, since year end the Directors have recommended the payment of a final dividend of 70 cents per fully paid ordinary share, 90% franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 2 July 2004 out of retained profits at 31 March 2004, but not recognised as a liability at year end as a result of the change in accounting policy for providing for dividends (refer to note 1(ii)), is \$151 million. This amount has been estimated based on the number of shares eligible to participate as at 31 March 2004.

The Dividend Reinvestment Plan (“DRP”) was approved by ordinary shareholders at the 2001 Annual General Meeting. The DRP is optional and offers ordinary shareholders in Australia and New Zealand the opportunity to acquire fully paid ordinary shares, without transaction costs, at the prevailing market value. On 30 October 2003, the 2.5% discount which had been provided on the DRP was reduced to nil. A shareholder can elect to participate in or terminate their involvement in the DRP at any time. Details of fully paid ordinary shares issued pursuant to the DRP are included in Note 27 – Contributed equity.

	Cents per share			
Cash dividends per share (including final dividend not provided for)	122	143	122	143

Converting Preference Shares

Dividends on these shares of \$5 million (2003: \$11 million) have been charged to the Statement of Financial Performance as interest expense in accordance with AASB 1033 “Presentation and Disclosure of Financial Instruments”.

The dividend paid on 25 September 2003 was fully franked at 30%. The dividend paid on 16 June 2003 was fully franked at 30% and the dividend paid on 16 December 2002 was 85% franked at 30%.

There will be no further preference dividends paid in respect of these shares following their conversion to fully paid ordinary shares on 25 September 2003.

MACQUARIE BANK LIMITED
and its controlled entities

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2004**

	Consolidated	Consolidated	Bank	Bank
	2004	2003	2004	2003
	\$M	\$M	\$M	\$M

6. DIVIDENDS AND DISTRIBUTIONS PAID OR PROVIDED (CONT.)

Franking credits available for the subsequent financial year at a corporate tax rate of 30% (2003: 30%)	43	40	43	-
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Upon entering the tax consolidated group, the economic entity's franking credits available were transferred to Macquarie Bank Limited.

The franked portion of dividends proposed as at 31 March 2004 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax payable at the end of the financial year.

The above amounts represent the balances of the franking accounts as at the end of the financial year, adjusted for:

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

Macquarie Income Securities

Distributions paid (net of distributions previously provided)	21	23	-	-
Distributions provided	6	5	-	-
Total distributions paid or provided	27	28	-	-

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

MACQUARIE BANK LIMITED
and its controlled entities

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2004**

	Consolidated	Consolidated
	2004	2003
	\$M	\$M
<hr/>		
7. EARNINGS PER SHARE		
		Cents per share
Basic earnings per share	233.0	164.8
Diluted earnings per share	229.3	163.1
<hr/>		
Reconciliation of earnings used in the calculation of basic earnings per share		
Profit from ordinary activities after income tax	524	364
Profit from ordinary activities after income tax attributable to outside equity interests	(3)	(3)
Distributions paid or provided on Macquarie Income Securities	(27)	(28)
Total earnings used in the calculation of basic earnings per share	494	333
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Reconciliation of earnings used in the calculation of diluted earnings per share		
Earnings used in calculating basic earnings per share	494	333
Interest savings from conversion of Converting Preference Shares	5	11
Other non-discretionary changes in earnings arising from dilutive potential ordinary shares	-	1
Total earnings used in the calculation of diluted earnings per share	499	345
<hr/>		
		Number of shares
Total weighted average number of ordinary shares used in the calculation of basic earnings per share	212,000,285	202,014,367
Weighted average number of shares used in the calculation of diluted earnings per share		
Weighted average fully paid ordinary shares	212,000,285	202,014,367
<u>Potential ordinary shares</u>		
Weighted average Converting Preference Shares	2,349,029	6,500,512
Weighted average options	3,263,375	3,063,783
Total weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share	217,612,689	211,578,662

Information concerning the classification of securities

Converting Preference Shares

These converted to fully paid ordinary shares on 25 September 2003 and were considered to be potential ordinary shares up to the date of conversion and have therefore been included in the calculation of diluted earnings per share.

Options

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

Included in the balance of weighted average options are 1,139,469 (2003: 486,175) options that were converted, lapsed or cancelled during the financial year. There are a further 6,408,950 (2003: 14,240,580) options that have not been included in the balance of weighted average options on the basis that their strike price was greater than the average market price of the Bank's fully paid ordinary shares for the financial year ended 31 March 2004 and consequently, they are not considered to be dilutive.

MACQUARIE BANK LIMITED
and its controlled entities

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2004**

	Consolidated	Consolidated	Bank	Bank
	2004	2003	2004	2003
	\$M	\$M	\$M	\$M
8. SECURITIES PURCHASED UNDER RESALE AGREEMENTS				
Listed equity securities	2,635	2,694	2,301	2,523
Commonwealth government securities	4,612	1,838	4,612	1,838
Foreign OECD government securities	606	415	606	415
Other government securities	629	154	629	154
Corporate securities	116	54	115	52
Total securities purchased under resale agreements	8,598	5,155	8,263	4,982
9. TRADING ASSETS				
Trading securities				
Listed equity securities	3,987	1,489	3,564	1,682
Certificates of deposit	944	1,071	944	898
Debt securities	867	1,061	838	773
Other government securities	626	485	576	485
Commonwealth government bonds	84	355	84	355
Bank bills	251	213	251	74
Foreign OECD government securities	22	8	22	8
Other non-OECD government securities	38	-	-	-
Total trading securities	6,819	4,682	6,279	4,275
Other trading assets				
Bullion - allocated	37	52	37	52
Other commodities	35	46	-	-
Total other trading assets	72	98	37	52
Total trading assets	6,891	4,780	6,316	4,327

Trading assets pledged as security

Included in the balance of certificates of deposit and bank bills are assets provided as security over payables to other financial institutions. The terms preclude these assets from being sold or being used as security for further liabilities without the permission of the financial institution. The value of assets provided is \$317 million (2003: \$313 million).

MACQUARIE BANK LIMITED
and its controlled entities

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2004**

	Consolidated	Consolidated	Bank	Bank
	2004	2003	2004	2003
	\$M	\$M	\$M	\$M
10. OTHER SECURITIES				
Listed				
Shares and units in unit trusts at cost	182	75	50	49
Less provision for diminution	(17)	(42)	(13)	(29)
Shares and units in unit trusts at recoverable amount	165	33	37	20
Shares and units in unit trusts at cost requiring no provision for diminution	123	131	110	106
Total listed other securities	288	164	147	126
Unlisted				
Shares and units in unit trusts at cost	5	4	5	4
Less provision for diminution	(1)	(1)	(1)	(1)
Shares and units in unit trusts at recoverable amount	4	3	4	3
Shares and units in unit trusts at cost requiring no provision for diminution	225	172	125	98
Debt investment securities	1,330	1,842	50	1
Total unlisted other securities	1,559	2,017	179	102
Total other securities	1,847	2,181	326	228

The market value of listed units held as at 31 March 2004 was \$389 million (2003: \$215 million), as compared to a book value of \$288 million (2003: \$164 million).

MACQUARIE BANK LIMITED
and its controlled entities

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2004**

	Consolidated 2004 \$M	Consolidated 2003 \$M	Bank 2004 \$M	Bank 2003 \$M
11. LOAN ASSETS				
Due from other financial institutions				
Loans and advances	1,810	1,769	1,504	1,665
Lease receivables	5	10	5	10
Total due from other financial institutions	1,815	1,779	1,509	1,675
Due from governments*				
Lease receivables	529	602	411	488
Loans and advances	44	76	26	70
Total due from governments	573	678	437	558
Due from other entities				
Other loans and advances	7,546	6,759	5,197	5,231
Less specific provisions	(36)	(14)	(35)	(13)
	7,510	6,745	5,162	5,218
Lease receivables	954	692	40	47
Total due from other entities	8,464	7,437	5,202	5,265
Total gross loan assets	10,852	9,894	7,148	7,498
Less general provision for credit losses	(75)	(55)	(71)	(54)
Total loan assets	10,777	9,839	7,077	7,444

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

Specific provisions

Balance at the beginning of the financial year	14	22	13	21
Provided for during the financial year	43	9	26	7
Loan assets written off, previously provided for	(19)	(7)	(4)	(7)
Recovery of loans previously provided for	(6)	(10)	(4)	(8)
Transfer from other provisions and other items	4	-	4	-
Total specific provisions	36	14	35	13
Specific provisions as a percentage of gross loan assets	0.33%	0.14%	0.49%	0.17%

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

General provision

Balance at the beginning of the financial year	55	59	54	59
Provided for/(written back) during the financial year	17	(4)	17	(5)
Businesses acquired	3	-	-	-
Total general provision	75	55	71	54
General provision as a percentage of risk weighted assets	0.55%	0.55%		

The general provision for credit losses is intended to cover expected losses inherent in the existing overall credit portfolio which are not yet identifiable.

MACQUARIE BANK LIMITED
and its controlled entities

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2004**

	Consolidated	Consolidated	Bank	Bank
	2004	2003	2004	2003
	\$M	\$M	\$M	\$M
12. IMPAIRED ASSETS				
Impaired assets includes loan assets and impaired items in respect of derivative financial instruments and unrecognised contingent commitments, which are classified as:				
Non-accrual loans without specific provisions for impairment	5	-	4	-
Non-accrual loans with specific provisions for impairment	92	30	87	28
Less specific provisions	(36)	(14)	(35)	(13)
Total non-accrual loans with specific provisions for impairment	56	16	52	15
Impaired derivative financial instruments with specific provisions for impairment	1	1	1	1
Less specific provisions	(1)	(1)	(1)	(1)
Total impaired derivative financial instruments with specific provisions for impairment	-	-	-	-
Total net impaired assets	61	16	56	15
Revenue forgone on impaired assets				
Interest	2	1	1	1
Total revenue forgone on impaired assets	2	1	1	1

13. OTHER FINANCIAL ASSETS

Debtors and prepayments	1,251	971	935	808
Amounts due from brokers and clients*	1,884	562	367	257
Property purchased for sale and development	11	72	-	-
Other	385	223	163	119
Total other financial assets	3,531	1,828	1,465	1,184

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

MACQUARIE BANK LIMITED
and its controlled entities

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2004**

	Consolidated 2004 \$M	Consolidated 2003 \$M	Bank 2004 \$M	Bank 2003 \$M
14. LIFE INSURANCE BUSINESS				
Life insurance investment assets				
Cash assets	253	83	-	-
Debt securities	992	1,269	-	-
Units in unit trusts	925	981	-	-
Equity securities	180	183	-	-
Total life insurance investment assets	2,350	2,516	-	-

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

Income from life insurance business

Investment revenue and management fees	260	26	-	-
Life insurance claims and changes in policy liabilities	(225)	8	-	-
Direct fees	(6)	(6)	-	-
Total income from life insurance business	29	28	-	-

Solvency

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

As at 31 March 2004, the life insurance business had investment assets in excess of policy holder liabilities of \$59 million (2003: \$60 million).

15. EQUITY INVESTMENTS

Listed

Shares and units in unit trusts at cost	11	-	11	-
Shares and units in unit trusts at cost	41	8	13	8
Less provision for diminution	(10)	(2)	(2)	(2)
Shares and units in unit trusts at recoverable amount	31	6	11	6
Total listed investments	42	6	22	6

Unlisted

Shares and units in unit trusts at cost	67	109	2	18
Shares and units in unit trusts at cost	59	33	10	8
Less provision for diminution	(30)	(18)	(7)	(6)
Shares and units in unit trusts at recoverable amount	29	15	3	2
Total unlisted investments	96	124	5	20
Total equity investments	138	130	27	26

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

MACQUARIE BANK LIMITED
and its controlled entities

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2004**

	Consolidated	Consolidated	Bank	Bank
	2004	2003	2004	2003
	\$M	\$M	\$M	\$M
16. JOINT VENTURES AND ASSOCIATED ENTITIES				
Associated entities and incorporated joint ventures				
Investments at cost	161	139	99	69
Investments at cost	20	7	9	-
Less provision for diminution	(12)	(4)	(7)	-
Investments at recoverable amount	8	3	2	-
Total investments in associated entities and incorporated joint ventures	169	142	101	69
Reconciliation of movement in the economic entity's investment in associated entities and incorporated joint ventures:				
Balance at the beginning of the financial year	142	90		
Associates acquired during the financial year	86	69		
Share of net profits of associates and incorporated joint ventures	35	-		
Dividends received/receivable from associates during the financial year	(14)	(4)		
Unrealised foreign exchange (losses) on revaluation of investments in associates and incorporated joint ventures	(11)	(6)		
Associates disposed of during the financial year	(28)	(5)		
Investments in associates provided for/written-off during the financial year	(8)	(1)		
Share of associates' equity buybacks	(9)	(1)		
Associates which became controlled entities during the financial year	(24)	-		
Balance at the end of the financial year	169	142		

MACQUARIE BANK LIMITED
and its controlled entities

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2004

16. JOINT VENTURES AND ASSOCIATED ENTITIES (CONT.)

Following is a list of investments in associated entities and incorporated joint ventures held by the economic entity as at the end of the financial year:

Name of entity	Participating	Consolidated	
	interest	2004	2003
	%	\$M	\$M
303 Collins Street Trust (a) *** §	56	-	11
AmInvestment Management Sdn Bhd (Malaysia) (c)	30	1	1
AmInvestment Services Bhd (Malaysia) (c)	30	1	1
August Trading Limited (c) ***	49	-	6
Austian (Tianjin) Real Estate Development Co. Limited (China) (a) **	50	2	3
Bondi Beach Railway Limited (a) ** §	50	*	*
The Cannery Unit Trust (a) §	20	*	*
Concept Blue Finance Pty Limited (a)	50	*	*
Coriolis Holdings Pty Limited (h) **	50	*	*
Develop Co. Pty Limited (a) *** §	50	-	*
Dun & Bradstreet Consumer Credit Pty Limited (c)	29	3	-
East Coast Portfolio Trust (a)	27	2	-
Edenbrooke Village Pty Limited (a) ** §	50	*	-
First China Property Group Limited (Hong Kong) (a) ** §§	50	12	2
First Southern Crown Limited (d)	30	*	*
Four Corners Capital Management LLC (United States) (c) (controlled entity from August 2003)	67	-	24
Gen Y Limited (f)	20	*	1
Green Square Joint Venture (a) *** §	30	-	3
Hakone Turnpike Limited (h) **	50	1	-
Helmsman Funds Management Limited (c) ** §	50	*	*
Helmsman Funds Management Pty Limited (c) ** §	50	*	*
ICA Property Group Pty Limited (c) §	45	4	4
Innofin Pty Limited (South Africa) (c) *** §§	33	-	4
Japan Infrastructure Group Co. Limited (h) **	50	3	-
Kuraby Developments Pty Ltd (a) **	50	*	-
Leisure Equity Partners Pty Limited (a) **	50	2	-
Macquarie Capital Partners LLC (United States) (a)	58	10	7
Macquarie CCY Feeder Fund (Bermuda) (c)	39	*	*
Macquarie Central Office CR-REIT (Korea) (a)	22	20	-
Macquarie FX Feeder Fund (Bermuda) (c)	39	*	*
Macquarie FX Feeder Fund No. 2 (Bermuda) (c)	39	*	*
Macquarie Goodman Management Limited (a)	40	44	25
Macquarie-IMM Asset Management Co. Limited (c) (controlled entity from June 2003)	65	-	*
Macquarie Offshore Feeder Fund (Bermuda) (c)	39	*	*
Macquarie Offshore Feeder Fund No. 2 (Bermuda) (c)	39	*	*
Macquarie Offshore Feeder Fund No. 3 (Bermuda) (c)	39	*	*
Macquarie Pro-Logis Management LLC (United States) (a) **	50	12	10
Macquarie Real Estate Equity Fund No. 1 Pty Limited (a) §	23	3	3
Macquarie Real Estate Equity Fund No. 2 Pty Limited (a) §	20	3	-
Macquarie Securitisation Shanghai Co. Limited (China) (c) **	50	*	*
Macquarie Shinhan Infrastructure Management Co. Limited (Korea) (a) **	80	*	*
Macquarie Syndication (No.17) Pty Limited (g) **	50	*	-
Medallist Developments Pty Limited (a) **	70	*	*
Medallist Development Trust (a) **	70	8	3
Medallist Holdings Inc. (United States) (a) **	80	3	5
Medallist Schofields Trust (a) **	50	7	6
Medallist Springfield Unit Trust (a) **	50	1	7
Medallist Vintage Trust (a) **	50	4	5

MACQUARIE BANK LIMITED
and its controlled entities

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2004**

Mining Equipment Company Pty Limited (d) §	45	*	*
Moodmessaging Pty Limited (b)	30	*	-
MP Management LLC (United States) (c) **	50	*	*
MPI Private Trustee Limited (Bermuda) (c) ** §§	50	*	*
OMNI Leisure Operations Limited (e) (controlled entity from July 2003)	30	-	1
Oxton Custodian Pty Limited (c)	49	*	-
Proximity Development Pty Limited (a)	33	*	*

16. JOINT VENTURES AND ASSOCIATED ENTITIES (CONT.)

Name of entity	Participating	Consolidated	
	interest	2004	2003
	%	\$M	\$M
Ringwood Superabrasives Pty Limited (f) §	22	1	-
River Links Development Pty Limited (a) §	41	8	4
RMAC Australia Pty Limited (a) §	50	*	-
Securiclear Pty Limited (c) **	50	*	*
SHI Holdings Pty Limited (f)	20	3	3
Shinhan Macquarie Financial Advisory Co. Limited (Korea) (c)	49	3	1
Smartsalary Pty Limited (c) §	20	*	-
Southern African Infrastructure Funds Managers (Proprietary) Limited (South Africa) (c) **	50	*	*
SPT Telecommunications Pty Limited (b) ***	50	-	*
Tasman Economics Pty Limited (c) §	25	*	*
The Financial Arena Pty Limited (b) **	20	*	*
Tianjin Macquarie Property Development Management Co. Limited (China) (a) **	50	1	2
United Securities Investment Trust Enterprise (Taiwan) (c) §§	40	7	-
Vytel Spectrum Pty Limited (b) **	50	*	*

All entities have a the same reporting date as that of the investor, unless otherwise stated.

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

** Voting rights for this investment are not proportional to the ownership interest. The economic entity has joint control because neither the economic entity nor its fellow investors have control in their own right.

*** The economic entity sold its interest in these associated entities and incorporated joint ventures during the financial year.

§ 30 June reporting date

§§ 31 December reporting date

(a) Property development/management entity

(b) Media, television and internet investments

(c) Funds management and investment banking services

(d) Mining equipment leasing

(e) Theme park and consulting services

(f) Consumer products

(g) Motor vehicle leasing

(h) Infrastructure

Unincorporated joint ventures

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

Joint venture name	Participating	Interest in	
	interest	assets employed	2003
	%	2004	\$M
		\$M	\$M
Arncliffe Development Partnership	33	21	4

MACQUARIE BANK LIMITED
and its controlled entities

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2004

Concept Blue Joint Venture	50	6	14
Kingscliff South Joint Venture	33	-	7
Springthorpe Syndicate	28	10	7
<hr/>			
Total interest in assets employed of unincorporated joint ventures		37	32

All unincorporated joint ventures listed above were in the business of property development.

MACQUARIE BANK LIMITED
and its controlled entities

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2004**

	Consolidated 2004 \$M	Consolidated 2003 \$M	Bank 2004 \$M	Bank 2003 \$M
17. FIXED ASSETS				
Furniture, fittings and leasehold improvements				
Cost	92	78	70	71
Less accumulated depreciation	(51)	(46)	(46)	(43)
Total furniture, fittings and leasehold improvements	41	32	24	28
Computer equipment and software				
Cost	195	208	170	191
Less accumulated depreciation	(134)	(128)	(122)	(117)
Total computer equipment and software	61	80	48	74
Communication equipment				
Cost	22	75	19	22
Less accumulated depreciation	(18)	(62)	(16)	(18)
Total communication equipment	4	13	3	4
Infrastructure assets and businesses held for resale*				
Cost	1,864	-	-	-
Less accumulated depreciation	(25)	-	-	-
Total infrastructure assets and businesses held for resale	1,839	-	-	-
Total fixed assets	1,945	125	75	106

* During the financial year, the Bank, through its controlled entities, acquired controlling interests in a number of infrastructure assets and businesses for the purpose of resale. Details of these acquisitions are included in Note 45 – Acquisition and disposal of controlled entities.

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

	Furniture, fittings and leasehold improvements \$M	Computer Equipment and software \$M	Communication equipment \$M	Infrastructure assets and businesses held for resale \$M	Total \$M
Balance at the beginning of the financial year	32	80	13	-	125
Fixed assets acquired during the financial year	25	40	1	1,864	1,930
Fixed assets disposed of during the financial year	(3)	(13)	(5)	-	(21)
Depreciation expense for the financial year	(13)	(46)	(5)	(25)	(89)
Balance at the end of the financial year	41	61	4	1,839	1,945

Fixed assets pledged as security

Included in the balance of fixed assets relating to infrastructure assets and businesses held for resale are assets pledged as security over payables to other financial institutions. The terms preclude these assets from being sold or being used as security for further liabilities without the permission of the financial institution. The value of assets pledged is \$201 million (2003: \$Nil).

MACQUARIE BANK LIMITED
and its controlled entities

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2004**

	Consolidated	Consolidated	Bank	Bank
	2004	2003	2004	2003
	\$M	\$M	\$M	\$M
18. TAX ASSETS/(DEFERRED TAX LIABILITIES)				
Attributable to timing differences	130	84	93	174
Attributable to tax losses	54	62	-	-
Total tax assets	184	146	93	174
Deferred tax liabilities	(413)	(30)	-	-

The deferred tax liability at 31 March 2004 includes \$340 million (2003: \$Nil) in relation to infrastructure assets and businesses purchased for resale.

On 21 August 2003, the Bank resolved that a consolidated group would be formed between the Bank and its eligible Australian controlled entities effective from 1 October 2002. Under the terms and conditions of a tax contribution agreement, the Bank, as the head entity of the tax consolidated group, will charge or reimburse its wholly-owned subsidiaries for tax liabilities or assets it incurs in connection with their activities. As a consequence, the Bank has recognised the deferred tax balances of its wholly-owned subsidiaries as if those were its own in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances. Amounts receivable or payable under a tax contribution agreement with the tax consolidated entities are recognised separately as tax-related amounts receivable or payable. The principles of the liability method of tax effect accounting have been adopted whereby the income tax expense for the financial year is calculated by reference to the accounting profit after allowing for permanent differences between accounting profit and taxable income. The tax assets relating to tax losses are not carried forward as an asset unless the benefit is virtually certain of realisation.

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

MACQUARIE BANK LIMITED
and its controlled entities

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2004**

	Consolidated	Consolidated	Bank	Bank
	2004	2003	2004	2003
	\$M	\$M	\$M	\$M
19. INVESTMENTS IN CONTROLLED ENTITIES				
Investments at deemed cost	-	-	6,234	2,240
Investments at deemed cost	-	-	74	78
Less provision for diminution	-	-	(44)	(40)
Investments at recoverable amount	-	-	30	38
Total investments in controlled entities	-	-	6,264	2,278

The net asset value of the Bank's investment in controlled entities as at 31 March 2004 is \$6.6 billion (2003: \$2.5 billion) resulting in an unrecognised revaluation increment of \$329 million (2003: \$196 million).

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

A-Train AB (acquired 15 January 2004, Sweden)
A-Train Invest AB (acquired 15 January 2004, Sweden)
The Falcon General Partnership (Hong Kong)
Generator Bonds Limited (New Zealand)
Hills Motorway Management Limited
Horizon Energy Investment Management Limited
ING International Holdings Limited (acquired 8 March 2004, United Kingdom)
Macquarie (HK) Financial Services Limited (Hong Kong)
Macquarie Airports Management Limited
Macquarie Americas Corp (United States)
Macquarie Communications Infrastructure Management Limited
Macquarie CountryWide Management Limited
Macquarie Diversified Portfolio Investments Pty Limited*
Macquarie Equity Capital Markets Limited
Macquarie European Infrastructure Fund Limited Partnership (incorporated on 13 November 2003, United Kingdom)
Macquarie Funds Management Holdings Pty Limited*
Macquarie Global Debt Investments No.1 Pty Limited*
Macquarie Infrastructure Investment Management Limited
Macquarie International Asset Management Co. Limited (gained control on 1 June 2003, Korea)
Macquarie Investment Management (UK) Limited (United Kingdom)
Macquarie Investment Trust
Macquarie Leisure Management Limited
Macquarie Marinas Management Limited
Macquarie Office Management Limited
Macquarie Specialised Asset Management Limited
Mongoose Pty Limited
South East Water Plc (acquired on 1 October 2003, United Kingdom)
SPAL Limited

Note : All entities were incorporated in Australia unless otherwise stated.
Overseas controlled entities carry on business predominantly in their place of incorporation.
Beneficial interest in all entities is 100%, unless otherwise stated.
All entities have a 31 March reporting date, unless otherwise stated.

MACQUARIE BANK LIMITED
and its controlled entities

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2004

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

MACQUARIE BANK LIMITED
and its controlled entities

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2004**

	Consolidated	Consolidated	Bank	Bank
	2004	2003	2004	2003
	\$M	\$M	\$M	\$M
20. DUE TO OTHER FINANCIAL INSTITUTIONS				
OECD central banks	286	366	286	98
Clearing bank	109	19	109	19
Clearing houses	4	3	4	3
OECD banks	1,478	97	480	78
Other	58	32	58	32
Total due to other financial institutions	1,935	517	937	230

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

21. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

Government securities	1,469	1,584	1,469	1,584
Foreign OECD government securities	602	404	602	404
Listed equity securities	518	172	518	172
Corporate securities	8	61	8	61
Total securities sold under repurchase agreements	2,597	2,221	2,597	2,221

22. SECURITIES BORROWED

Listed equity securities	2,166	1,478	1,593	1,893
Commonwealth government securities	3,180	547	3,180	547
Other government securities	282	356	282	356
Corporate securities	122	-	122	-
Total securities borrowed	5,750	2,381	5,177	2,796

MACQUARIE BANK LIMITED
and its controlled entities

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2004**

	Consolidated 2004 \$M	Consolidated 2003 \$M	Bank 2004 \$M	Bank 2003 \$M
23. NOTES PAYABLE				
Euro floating rate notes	3,475	2,719	3,475	2,719
Euro commercial paper	3,421	2,760	3,421	2,760
Negotiable certificates of deposit	2,299	2,191	2,299	2,191
US commercial paper	854	373	854	373
Domestic issued paper	290	257	290	257
Equity notes *	1,542	745	1,303	745
Other notes	727	1,024	678	1,024
Total notes payable	12,608	10,069	12,320	10,069

Reconciliation of notes payable by major currency:

United States dollars	4,733	3,914	4,733	3,914
Australian dollars	2,874	2,671	2,653	2,671
Hong Kong dollars	1,490	1,310	1,472	1,310
Great British pounds	1,366	1,181	1,317	1,181
Japanese yen	398	788	398	788
Euro	1,649	204	1,649	204
Other currencies	98	1	98	1
Total notes payable by currency	12,608	10,069	12,320	10,069

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

* Includes issued notes of \$221 million which are secured over a fixed and floating charge over assets of a controlled entity. These assets are principally trading equity securities.

24. OTHER FINANCIAL LIABILITIES

Creditors	1,074	952	481	937
Amounts due to brokers and clients*	1,991	893	614	480
Accrued charges and sundry provisions	1,090	769	957	721
Other	60	51	64	43
Total other financial liabilities	4,215	2,665	2,116	2,181

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

25. OTHER PROVISIONS

Provision for annual leave	41	37	34	33
Provision for long service leave	33	30	32	30
Total other provisions	74	67	66	63

MACQUARIE BANK LIMITED
and its controlled entities

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2004**

	Consolidated	Consolidated	Bank	Bank
	2004	2003	2004	2003
	\$M	\$M	\$M	\$M
26. LOAN CAPITAL				
Subordinated debt				
Agreements between the Bank and the lenders provide that, in the event of liquidation, entitlement of such lenders to repayment of the principal sum and interest thereon is and shall at all times be and remain subordinated to the rights of all other present and future creditors of the Bank.				
The dates upon which the Bank has committed to repay the principal sum to the lenders are as follows:				
1 April 2003	-	10	-	10
1 April 2004	65	83	65	83
1 April 2005	25	28	25	28
23 April 2008	-	60	-	60
20 June 2008	320		320	
18 February 2013	225	225	225	225
2 May 2013	25	-	25	-
15 September 2014	300	-	300	-
Total subordinated debt	960	406	960	406

Reconciliation of subordinated debt by major currency:

Australian dollars	550	295	550	295
Euro	320	-	320	-
United States dollars	65	83	65	83
Japanese yen	25	28	25	28
Total subordinated debt by currency	960	406	960	406

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

1,500,000 Converting Preference Shares of \$100 each	-	150	-	150
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The Converting Preference Shares were classified as debt in accordance with AASB 1033 "Presentation and Disclosure of Financial Instruments". Non-cumulative dividends were paid six monthly at a fixed rate of 7.38% p.a. On 25 September 2003, the Bank exercised its option and converted these preference shares to ordinary shares.

MACQUARIE BANK LIMITED
and its controlled entities

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2004**

27. CONTRIBUTED EQUITY

	Consolidated and Bank		Consolidated and Bank	
	2004	2003	2004	2003
	Number of shares		\$M	\$M
Ordinary share capital				
Opening balance of fully paid ordinary shares	204,498,144	198,499,828	1,137	1,012
Issue of shares on exercise of options	6,453,206	3,036,064	120	46
Issue of shares pursuant to the Employee Share Plan at \$33.87 (2003: \$26.22) per share*	36,192	49,666	1	1
Issue of shares on 2 July 2002 pursuant to the Dividend Reinvestment Plan at \$29.60 per share	-	1,679,485	-	50
Issue of shares on 20 December 2002 pursuant to the Dividend Reinvestment Plan at \$22.86 per share	-	1,233,101	-	28
Issue of shares on 2 July 2003 pursuant to the Dividend Reinvestment Plan at \$27.02 per share	3,908,671	-	106	-
Issue of shares on 19 December 2003 pursuant to the Dividend Reinvestment Plan at \$34.04 per share	1,020,072	-	35	-
Issue of shares pursuant to conversion of preferences shares	4,857,315	-	150	-
On-market buyback of 4,857,315 shares **	(4,857,315)	-	(167)	-
Closing balance of fully paid ordinary shares	215,916,285	204,498,144	1,382	1,137

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

** From September to December 2003, the Bank purchased on-market and subsequently cancelled 4,857,315 fully paid ordinary shares, which represents less than 2.2% of the total number of ordinary shares on issue. The buyback and cancellation was approved by the Australian Prudential Regulation Authority. The shares were acquired at an average price of \$34.42 per share. The total cost of the buy back was \$167 million. No external transaction costs were incurred.

As at 31 March 2004, 25,793,394 (2003: 24,873,005) options granted to employees over unissued ordinary shares had not been exercised. For further information regarding the terms and conditions of the issue of options and shares to employees refer to Note 33 - Employee equity participation.

	Consolidated	Consolidated	Bank	Bank
	2004	2003	2004	2003
	\$M	\$M	\$M	\$M
Macquarie Income Securities				
4,000,000 Macquarie Income Securities of \$100 each	400	400	400	400
Less: transaction costs for original placement	(9)	(9)	(9)	(9)
Total Macquarie Income Securities	391	391	391	391

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

MACQUARIE BANK LIMITED
and its controlled entities

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2004**

	Consolidated 2004 \$M	Consolidated 2003 \$M	Bank 2004 \$M	Bank 2003 \$M
28. RESERVES, RETAINED EARNINGS AND OUTSIDE EQUITY INTERESTS				
Investment revaluation reserve				
Balance at the beginning of the financial year	-	-	85	144
Amounts transferred (to) retained earnings*	-	-	(24)	(59)
Total investment revaluation reserve**	-	-	61	85
* During the current financial year, certain controlled entities paid dividends out of retained earnings to the Bank of \$24 million (2003: \$59 million). These retained earnings had been taken into account in determining the value of the Bank's investment in controlled entities when the Bank adopted the deemed cost method at 1 April 2001.				
** The unrecognised revaluation increment on investments in controlled entities at 31 March 2004 is \$329 million (2003: \$196 million).				
Retained earnings				
Balance at the beginning of the financial year	659	617	378	354
Profit from ordinary activities after income tax attributable to equity holders	521	361	361	256
Distributions paid or provided on Macquarie Income Securities	(27)	(28)	-	-
Amounts transferred from investment revaluation reserve	-	-	24	59
Dividends paid or provided on ordinary share capital (refer Note 6)	(113)	(291)	(113)	(291)
Total retained earnings	1,040	659	650	378
Outside equity interests in controlled entities				
Ordinary share capital	22	7	-	-
Partnership capital	-	393	-	-
Accumulated losses	(2)	(2)	-	-
Total outside equity interests in controlled entities	20	398	-	-

MACQUARIE BANK LIMITED
and its controlled entities

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2004**

	Consolidated 2004 \$M	Consolidated 2003 \$M	Bank 2004 \$M	Bank 2003 \$M
29. NOTES TO THE STATEMENTS OF CASH FLOWS				
Reconciliation of cash				
Cash at the end of the financial year as shown in the Statements of Cash Flows is reconciled to related items in the Statements of Financial Position as follows:				
Cash and liquid assets	647	311	208	147
Due to other financial institutions				
- clearing houses	(4)	(3)	(4)	(3)
- clearing bank	(109)	(19)	(109)	(19)
Cash at the end of the financial year	534	289	95	125
Reconciliation of profit from ordinary activities after income tax to net cash flows from operating activities				
Profit from ordinary activities after income tax	521	361	361	256
Adjustments to profit from ordinary activities				
Broadcast Australia acquisition and disposal	-	(59)	-	-
Amounts provided during the year	53	58	28	32
Depreciation	89	50	59	45
Dividends received from controlled entities	-	-	24	64
Share of net profits of associates and joint ventures	(35)	-	-	-
Dividends received from associates	14	4	-	-
Loss on sale of fixed assets	1	-	1	-
Write-down of investment in controlled entities to recoverable amount	-	-	2	21
Changes in assets and liabilities				
Decrease/(increase) in dividends receivable	6	(6)	48	77
(Increase)/decrease in fees and commissions receivable	(8)	(18)	(7)	20
Increase/(decrease) in fees and commissions payable	11	(11)	10	(1)
Increase/(decrease) in tax liabilities	18	1	(109)	4
(Increase)/decrease in tax assets	(38)	10	81	(27)
Increase/(decrease) in deferred tax liabilities	43	(70)	-	-
(Increase)/decrease in interest receivable	(1)	9	1	16
Increase/(decrease) in interest payable	41	(9)	(3)	(16)
Increase in employment provisions	8	6	3	5
(Decrease)/increase in debtors, prepayments, accrued charges and creditors	17	(34)	46	194
(Increase)/decrease in trading securities and other financial instruments	(2,702)	724	(3,030)	602
(Increase)/decrease in life insurance receivables	(272)	29	-	-
Net cash flows from operating activities	(2,234)	1,045	(2,485)	1,292

MACQUARIE BANK LIMITED
and its controlled entities

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2004**

	Consolidated	Consolidated	Bank	Bank
	2004	2003	2004	2003
	\$M	\$M	\$M	\$M
<hr/>				
29. NOTES TO THE STATEMENTS OF CASH FLOWS (CONT.)				
Financing arrangements				
Total unused	142	130	-	-
<hr/>				
Total overdraft facilities	142	130	-	-
<hr/>				

Macquarie Equities (Asia) Limited, a controlled entity of the Bank incorporated in Hong Kong, has a HKD 200 million overdraft facility (2003: HKD 200 million). The facility may be drawn down at any time and is subject to annual review on 31 December of each year. As at 31 March 2004, the facility is undrawn (2003: undrawn).

Macquarie Water (UK) Limited, a controlled entity of the Bank incorporated in England, has a £45 million of credit facility (2003: Nil). As at 31 March 2004, the facility is undrawn.

The economic entity has not obtained any additional standby facilities.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS AS AT 31 MARCH 2004

30. RELATED PARTY INFORMATION

Controlled entities

Transactions between the Bank and its controlled entities principally arise from the provision of banking and other financial services, the granting of loans, acceptance of funds on deposit and provision of management and administration services. All transactions with controlled entities are in accordance with regulatory requirements, the majority of which are on commercial terms. All transactions undertaken during the financial year with controlled entities are eliminated in the consolidated financial report. Amounts due from and due to controlled entities, at balance date, are shown in the Statements of Financial Position of the Bank.

Balances arising from lending and borrowing activities between the Bank and controlled entities are typically repayable on demand, but may be extended on a term basis and where appropriate may be either subordinated or collateralised. Interest received or receivable from and paid or payable to controlled entities and dividends received and receivable by the Bank from controlled entities are disclosed in Note 2 – Profit from ordinary activities.

The Bank has entered into a tax contribution agreement with its eligible Australian controlled subsidiaries. The terms and conditions of this agreement are set out in Note 1 – Summary of significant accounting policies. The amount receivable to the Bank under the tax contribution agreement with the tax consolidated entities is \$146 million. This balance is included in “Due from controlled entities” in the Statement of Financial Position.

Directors

The Directors who held office during the financial year were:

Executive Directors:

D.S. Clarke, AO *Executive Chairman*

A.E. Moss, *Managing Director and Chief Executive Officer*

M.R.G. Johnson, *Deputy Chairman*

L.G. Cox, AO *

*Independent Non-Executive Directors**:*

J.G. Allpass

P.M. Kirby

C.B. Livingstone

H.K. McCann

B.R. Martin

J.R. Niland, AC

H.M. Nugent

* Mr. LG. Cox was appointed an Executive Director on 25 March 2004. Prior to this date, Mr. Cox was a non-executive director.

** In accordance with the Bank’s definition of independence (as set out in the Corporate Governance Statement contained in the 2004 Annual Review).

The above Directors each held office as a Director of the Bank throughout the financial year ended 31 March 2004, with the exception of Mr P.M. Kirby and Ms C.B. Livingstone. Mr Kirby was appointed as an Independent Director of the Bank effective 28 June 2003 and Ms Livingstone was appointed as an Independent Director of the Bank effective 19 November 2003.

Those Directors listed as Independent Directors have been independent throughout the financial year ended 31 March 2004, or if appointed during the year, since the date of their appointment as a Director.

MACQUARIE BANK LIMITED
and its controlled entities

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2004**

30. RELATED PARTY INFORMATION (CONT.)

Directors' remuneration

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

	Consolidated	Consolidated	Bank	Bank
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Remuneration received or receivable by Directors of the Bank from the Bank and all its controlled entities:				
Base remuneration	2,519	2,118	2,519	2,118
Other benefits	329	1,022	329	1,022
Performance-related remuneration	13,590	8,607	13,590	8,607
Remuneration recognised in the Statements of Financial Performance	16,438	11,747	16,448	11,747
Value of options granted *	619	677	619	677
Total Directors' remuneration	17,057	12,424	17,057	12,424

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

	Number	Number
	2004	2003
\$0 - \$9,999	-	1
\$60,000 - \$69,999	1	-
\$130,000 - \$139,999	1	-
\$150,000 - \$159,999	1	-
\$180,000 - \$189,999	1	-
\$200,000 - \$209,999	1	-
\$210,000 - \$219,999	1	1
\$220,000 - \$229,999	-	1
\$240,000 - \$249,999	-	1
\$260,000 - \$269,999	1	-
\$290,000 - \$299,999	-	1
\$800,000 - \$809,999	1	-
\$970,000 - \$979,999	-	1
\$1,400,000 - \$1,409,999	1	-
\$1,630,000 - \$1,639,999	-	1
\$2,960,000 - \$2,969,999	-	1
\$4,540,000 - \$4,549,999	1	-
\$5,890,000 - \$5,899,999	-	1
\$9,080,000 - \$9,089,999	1	-

* The Bank has adopted the fair value measurement provisions of ASIC Guideline 03-202 "Valuing Options for Directors and Executives", for all options granted to directors and relevant executives, which have not vested as at 1 April 2003. The fair value of such grants is being amortised and disclosed as part of director and executive emoluments on a straight-line basis over the vesting period. Prior to 1 April 2003, the Bank included the fair value of option grants in remuneration in the year of grant.

Prior year comparatives have been restated from \$933,000 to \$677,000 to reflect this change in measurement.

MACQUARIE BANK LIMITED
and its controlled entities

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2004**

30. RELATED PARTY INFORMATION (CONT.)

Directors' loans

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

	Consolidated 2004 \$'000	Consolidated 2003 \$'000
Loans outstanding at the beginning of the financial year	22,434	22,871
Advances*	17,815	289
Repayments*	(2,942)	(726)
Total Directors' loans	37,307	22,434

* Advances and repayments made during the year relate to Mr D.S. Clarke and Mr. M.R.G. Johnson.

During the financial year the Bank brought to account interest income from loans made to Directors and their director related entities of \$1,685,000 (2003: \$2,225,000). The aggregate amount of any undrawn facilities as at 31 March 2004 was \$2,721,000 (2003: \$2,225,000).

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

Directors' equity participation

As at 31 March 2004 the Directors and their director related entities held, in aggregate, the following interests in shares and share options of the Bank and details of the movements in those interests are:

	Share options		Fully paid ordinary shares	
	2004	2003	2004	2003
Aggregate holdings of directors appointed during the financial year	-	-	5,185	-
Aggregate acquired during the financial year	-	323,400	129,301	184,657
Aggregate exercised/disposed of during the financial year	196,250	61,371	148,429	34,600
Aggregate held at the end of the financial year	632,983	829,233	2,252,277	2,266,220

During the financial year the Directors and their director related entities received dividends relating to the abovementioned shareholdings at the same rate as other shareholders.

MACQUARIE BANK LIMITED
and its controlled entities

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2004**

30. RELATED PARTY INFORMATION (CONT.)

Other transactions with Directors

Mr D.S. Clarke, Mr L.C. Cox, Mr M.R.G. Johnson, Mr P.M. Kirby and Mr H.K. McCann have acquired Infrastructure Bonds from controlled entities within the Bank which have been financed with limited recourse loans and are subject to forward sale agreements. The loan repayments and proceeds arising from the forward sale agreement are subject to a legal right of set-off and as such are not recognised for financial reporting purposes. The only amounts recognised by the Bank in respect of these transactions are the annual contributions from the relevant Directors which are brought to account as fee revenue. These transactions have been undertaken on the same terms and conditions as others with the Bank's customers and employees.

	Consolidated 2004 \$'000	Consolidated 2003 \$'000
Total annual contributions from Directors in respect of Infrastructure Bonds	3,375	1,176

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

All other transactions with Directors and director related entities are conducted on arm's length basis in the normal course of business and on commercial terms and conditions.

31. RETIREMENT BENEFITS

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

MACQUARIE BANK LIMITED
and its controlled entities

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2004

	Consolidated	Consolidated	Bank	Bank
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
32. EXECUTIVE OFFICERS' REMUNERATION				
The remuneration policy for the Bank's Executive Officers is set out in the Directors' report.				
Remuneration received or receivable by executives principally involved in the management of the Bank and its controlled entities:				
Base remuneration	4,634	4,456	4,634	4,456
Other benefits	251	-	251	-
Performance-related remuneration*	40,263	22,880	40,263	22,880
Remuneration recognised in the Statements of Financial Performance	45,148	27,336	45,148	27,336
Value of options granted**	2,252	2,348	2,252	2,348
Total executive officers' remuneration	47,400	29,684	47,400	29,684

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

	2004	2003	2004	2003
	Number	Number	Number	Number
\$800,000 - \$809,999	1	-	1	-
\$1,400,000 - \$1,409,999	1	-	1	-
\$1,590,000 - \$1,599,999	-	1	-	1
\$1,630,000 - \$1,639,999	-	1	-	1
\$1,660,000 - \$1,669,999	-	1	-	1
\$1,690,000 - \$1,699,999	-	1	-	1
\$2,130,000 - \$2,139,999	1	-	1	-
\$2,220,000 - \$2,229,999	1	-	1	-
\$2,620,000 - \$2,629,999	-	1	-	1
\$2,960,000 - \$2,969,999	-	1	-	1
\$3,110,000 - \$3,119,999	1	-	1	-
\$3,470,000 - \$3,479,999	-	1	-	1
\$3,760,000 - \$3,769,999	1	-	1	-
\$3,860,000 - \$3,869,999	-	1	-	1
\$4,270,000 - \$4,279,999	-	1	-	1
\$4,540,000 - \$4,549,999	1	-	1	-
\$5,040,000 - \$5,049,999	1	-	1	-
\$5,890,000 - \$5,899,999	-	1	-	1
\$7,210,000 - \$7,219,999	1	-	1	-
\$8,050,000 - \$8,059,999	1	-	1	-
\$9,080,000 - \$9,089,999	1	-	1	-

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

** The Bank has adopted the fair value measurement provisions of ASIC Guideline 03-202 "Valuing Options for Directors and Executives", for all options granted to directors and relevant executives, which have not vested as at 1 April 2003. The fair value of such grants is being amortised and disclosed as part of director and executive emoluments on a straight-line basis over the vesting period. Prior to 1 April 2003, the Bank included the fair value of option grants in remuneration in the year of grant.

Prior year comparatives have been restated from \$2,285,000 to \$2,348,000 to reflect this change in measurement.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS AS AT 31 MARCH 2004

33. EMPLOYEE EQUITY PARTICIPATION

OPTION PLAN

In December 1995, the Bank introduced an Employee Option Plan (the "Plan"), as a replacement for the Bank's now closed partly paid share scheme. Staff eligible to participate are those of Associate Director level and above and consultants to the economic entity. At 31 March 2004 there were 1,290 (2003: 1,152) participants in the Plan.

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

The options are issued for no consideration and are granted at prevailing market prices. Prior to 21 November 2003, the exercise price of new options granted was generally based on the weighted average market price during the month prior to acceptance of employment for new employees or during the calendar month of June in respect of options granted as a result of annual promotions and compensation reviews. From 21 November 2003, the exercise price of new options granted is generally based on the weighted average market price during the one week period prior to the date of grant of the options.

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

Latest date for exercise of options	Exercise price	Balance as at 31 March 2003	Options issued during the financial year	Options exercised during the financial year	Options lapsed during the financial year	Balance as at 31 March 2004
12 June 2003	\$14.89	50,000	-	(50,000)	-	-
21 August 2003	\$14.47	28,334	-	(28,334)	-	-
28 August 2003	\$14.29	1,019,102	-	(1,019,102)	-	-
18 September 2003	\$14.59	5,668	-	(5,668)	-	-
25 September 2003	\$14.62	11,336	-	(11,336)	-	-
06 November 2003	\$14.48	5,667	-	(5,667)	-	-
11 November 2003	\$13.50	11,334	-	(11,334)	-	-
24 November 2003	\$14.54	11,334	-	(11,334)	-	-
26 November 2003	\$13.40	36,834	-	(36,834)	-	-
02 December 2003	\$12.25	17,000	-	(17,000)	-	-
04 December 2003	\$14.65	17,000	-	(17,000)	-	-
06 December 2003	\$12.73	5,667	-	(5,667)	-	-
07 December 2003	\$15.23	14,167	-	(14,167)	-	-
12 February 2004	\$15.06	11,334	-	(11,334)	-	-
15 February 2004	\$13.32	28,334	-	(28,334)	-	-
23 February 2004	\$14.18	17,001	-	(17,001)	-	-
25 February 2004	\$15.60	17,000	-	(17,000)	-	-
31 March 2004	\$18.89	112,500	-	(112,500)	-	-
23 April 2004	\$14.46	5,668	-	(5,668)	-	-
27 April 2004	\$14.36	126,002	-	(126,002)	-	-
28 April 2004	\$17.07	11,500	-	(11,500)	-	-
30 April 2004	\$17.29	10,000	-	(10,000)	-	-
11 May 2004	\$16.82	11,334	-	(11,334)	-	-
04 June 2004	\$17.33	20,000	-	(20,000)	-	-
08 June 2004	\$14.52	5,668	-	-	-	5,668
25 June 2004	\$17.11	5,668	-	(5,668)	-	-
28 June 2004	\$14.48	14,168	-	(14,168)	-	-
13 August 2004	\$18.51	4,394,246	-	(2,811,567)	-	1,582,679
16 August 2004	\$19.07	5,000	-	(5,000)	-	-
17 August 2004	\$18.44	53,334	-	(53,334)	-	-
18 August 2004	\$14.36	17,000	-	(17,000)	-	-
19 August 2004	\$19.00	25,000	-	(22,000)	-	3,000
23 August 2004	\$18.08	10,000	-	(10,000)	-	-
25 August 2004	\$19.09	10,000	-	-	-	10,000

MACQUARIE BANK LIMITED
and its controlled entities

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2004**

33. EMPLOYEE EQUITY PARTICIPATION (CONT.)

OPTION PLAN (CONT.)

Latest date for exercise of options	Exercise price	Balance as at 31 March 2003	Options issued during the financial year	Options exercised during the financial year	Options lapsed during the financial year	Balance as at 31 March 2004
26 August 2004	\$17.92	10,000	-	(10,000)	-	-
30 August 2004	\$17.82	25,000	-	(25,000)	-	-
31 August 2004	\$18.51	424,366	-	(323,090)	(14,938)	86,338
06 September 2004	\$18.14	10,000	-	(5,000)	-	5,000
07 September 2004	\$18.08	50,000	-	(50,000)	-	-
24 September 2004	\$18.51	16,375	-	(6,375)	-	10,000
27 September 2004	\$18.51	37,500	-	(3,332)	-	34,168
11 October 2004	\$18.51	5,000	-	-	-	5,000
09 November 2004	\$18.86	5,000	-	-	-	5,000
25 November 2004	\$18.51	17,500	-	(3,332)	-	14,168
29 November 2004	\$20.29	62,500	-	(40,000)	-	22,500
01 December 2004	\$18.51	3,334	-	(3,334)	-	-
07 December 2004	\$20.01	1,668	-	-	-	1,668
09 December 2004	\$20.18	5,000	-	-	-	5,000
10 December 2004	\$19.52	10,000	-	(5,000)	-	5,000
20 January 2005	\$20.18	33,334	-	(33,334)	-	-
21 January 2005	\$18.51	19,500	-	(19,500)	-	-
24 January 2005	\$19.97	17,500	-	(5,000)	-	12,500
25 January 2005	\$20.05	5,000	-	(5,000)	-	-
28 January 2005	\$23.22	21,775	-	(21,775)	-	-
10 February 2005	\$20.05	100,000	-	(100,000)	-	-
06 March 2005	\$18.51	22,500	-	(22,500)	-	-
21 March 2005	\$21.16	5,000	-	(5,000)	-	-
22 March 2005	\$24.14	5,000	-	(3,332)	-	1,668
24 March 2005	\$24.56	5,000	-	-	-	5,000
27 March 2005	\$24.44	5,000	-	(2,500)	-	2,500
28 March 2005	\$23.76	32,500	-	-	-	32,500
21 July 2005	\$23.94	3,497,521	-	(966,053)	(43,576)	2,487,892
01 August 2005	\$20.14	3,334	-	(3,334)	-	-
02 August 2005	\$23.94	50,000	-	-	-	50,000
03 August 2005	\$18.51	13,334	-	(11,666)	-	1,668
05 August 2005	\$24.29	5,000	-	-	-	5,000
07 August 2005	\$24.69	30,000	-	(20,000)	-	10,000
08 August 2005	\$23.94	12,083	-	-	-	12,083
09 August 2005	\$24.12	5,000	-	(4,069)	(931)	-
10 August 2005	\$25.71	5,000	-	(3,332)	(1,668)	-
11 August 2005	\$23.94	103,100	-	(37,443)	-	65,657
13 August 2005	\$23.06	5,000	-	(3,332)	-	1,668
14 August 2005	\$24.16	12,500	-	(4,000)	-	8,500
15 August 2005	\$24.24	5,000	-	(3,300)	-	1,700
17 August 2005	\$23.63	5,000	-	-	-	5,000
18 August 2005	\$23.76	5,000	-	-	-	5,000
19 August 2005	\$24.43	12,500	-	-	-	12,500
20 August 2005	\$24.04	5,000	-	-	-	5,000
22 August 2005	\$23.02	12,500	-	(8,332)	(4,168)	-
24 August 2005	\$24.56	17,500	-	(11,664)	-	5,836
25 August 2005	\$25.37	5,000	-	(3,300)	-	1,700

MACQUARIE BANK LIMITED
and its controlled entities

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2004

26 August 2005	\$25.65	5,000	-	(3,332)	-	1,668
30 August 2005	\$23.94	119,098	-	(15,090)	(1,668)	102,340
28 September 2005	\$25.59	5,000	-	-	-	5,000

MACQUARIE BANK LIMITED
and its controlled entities

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2004

33. EMPLOYEE EQUITY PARTICIPATION (CONT.)

OPTION PLAN (CONT.)

Latest date for exercise of options	Exercise price	Balance as at 31 March 2003	Options issued during the financial year	Options exercised during the financial year	Options lapsed during the financial year	Balance as at 31 March 2004
29 September 2005	\$25.85	5,000	-	(3,332)	-	1,668
11 October 2005	\$20.18	3,334	-	(3,334)	-	-
13 October 2005	\$24.36	12,500	-	(8,332)	-	4,168
14 October 2005	\$25.59	10,000	-	-	-	10,000
15 October 2005	\$26.12	12,500	-	-	-	12,500
11 December 2005	\$27.56	5,000	-	(3,332)	-	1,668
12 December 2005	\$26.57	17,500	-	(11,666)	-	5,834
22 December 2005	\$24.24	5,000	-	(3,332)	-	1,668
27 December 2005	\$26.45	5,000	-	-	-	5,000
28 December 2005	\$27.63	5,000	-	-	-	5,000
29 December 2005	\$26.32	12,500	-	-	-	12,500
02 January 2006	\$27.28	32,500	-	(25,624)	(6,876)	-
03 January 2006	\$27.86	5,000	-	-	-	5,000
05 January 2006	\$27.71	5,000	-	-	-	5,000
08 January 2006	\$26.95	5,000	-	(1,666)	-	3,334
09 January 2006	\$27.97	20,000	-	(6,666)	(13,334)	-
11 January 2006	\$27.15	5,207	-	-	(5,207)	-
12 January 2006	\$27.93	5,000	-	-	-	5,000
16 January 2006	\$27.46	12,500	-	-	-	12,500
17 January 2006	\$27.71	5,000	-	(3,332)	-	1,668
18 January 2006	\$27.71	12,500	-	-	-	12,500
19 January 2006	\$28.29	12,500	-	-	-	12,500
23 January 2006	\$28.51	4,166	-	-	(4,166)	-
30 January 2006	\$27.83	5,000	-	-	-	5,000
31 January 2006	\$27.71	5,000	-	(3,332)	(1,668)	-
01 February 2006	\$27.98	100,000	-	-	-	100,000
02 February 2006	\$27.71	10,000	-	(3,332)	-	6,668
26 February 2006	\$18.51	12,500	-	-	-	12,500
27 February 2006	\$28.39	5,000	-	-	-	5,000
20 March 2006	\$28.19	5,000	-	-	-	5,000
02 April 2006	\$28.00	5,000	-	-	-	5,000
17 April 2006	\$27.04	12,500	-	-	-	12,500
19 April 2006	\$28.55	5,000	-	-	-	5,000
20 April 2006	\$28.05	12,500	-	-	-	12,500
23 April 2006	\$28.50	5,000	-	(1,666)	-	3,334
24 April 2006	\$26.85	5,000	-	-	-	5,000
28 May 2006	\$27.60	5,000	-	-	-	5,000
29 May 2006	\$27.77	5,000	-	-	-	5,000
06 June 2006	\$27.53	5,000	-	-	-	5,000
15 June 2006	\$27.58	5,000	-	(1,666)	-	3,334
24 July 2006	\$28.19	5,000	-	-	-	5,000
27 July 2006	\$29.72	5,000	-	-	-	5,000
31 July 2006	\$28.15	5,000	-	-	-	5,000
01 August 2006	\$28.46	5,000	-	(1,666)	-	3,334
02 August 2006	\$34.71	4,466,676	-	(3,332)	(237,618)	4,225,726
03 August 2006	\$30.25	5,000	-	-	-	5,000
07 August 2006	\$28.21	5,000	-	-	-	5,000
09 August 2006	\$29.50	10,000	-	-	-	10,000

MACQUARIE BANK LIMITED
and its controlled entities

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2004

13 August 2006	\$29.35	5,000	-	(1,666)	-	3,334
27 August 2006	\$35.99	5,000	-	-	(3,334)	1,666

MACQUARIE BANK LIMITED
and its controlled entities

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2004

33. EMPLOYEE EQUITY PARTICIPATION (CONT.)

OPTION PLAN (CONT.)

Latest date for exercise of options	Exercise price	Balance as at 31 March 2003	Options issued during the financial year	Options exercised during the financial year	Options lapsed during the financial year	Balance as at 31 March 2004
28 August 2006	\$34.71	5,000	-	-	-	5,000
29 August 2006	\$35.41	5,000	-	-	-	5,000
30 August 2006	\$27.57	12,500	-	(4,166)	(8,334)	-
31 August 2006	\$34.71	739,806	-	-	(45,242)	694,564
03 September 2006	\$34.82	5,000	-	-	-	5,000
04 September 2006	\$27.60	5,000	-	-	-	5,000
05 September 2006	\$31.48	25,000	-	-	(8,334)	16,666
06 September 2006	\$33.95	5,000	-	-	(5,000)	-
20 September 2006	\$28.19	20,000	-	-	-	20,000
21 September 2006	\$32.20	12,500	-	-	-	12,500
24 September 2006	\$36.66	12,500	-	-	-	12,500
25 September 2006	\$36.48	12,500	-	-	-	12,500
26 September 2006	\$35.95	12,500	-	-	-	12,500
27 September 2006	\$33.01	10,000	-	-	-	10,000
28 September 2006	\$34.71	251,200	-	-	(17,001)	234,199
01 October 2006	\$35.93	5,000	-	-	-	5,000
03 October 2006	\$36.47	3,768	-	-	(3,768)	-
08 October 2006	\$29.72	5,000	-	-	-	5,000
09 October 2006	\$37.52	5,000	-	-	-	5,000
12 October 2006	\$36.68	5,000	-	-	-	5,000
15 October 2006	\$28.39	5,000	-	-	-	5,000
29 October 2006	\$37.75	12,500	-	-	-	12,500
30 October 2006	\$37.05	12,500	-	-	-	12,500
31 October 2006	\$37.26	5,000	-	-	-	5,000
07 November 2006	\$37.94	5,000	-	-	-	5,000
13 November 2006	\$36.85	5,000	-	-	-	5,000
14 November 2006	\$36.86	5,000	-	-	-	5,000
16 November 2006	\$35.71	5,000	-	-	-	5,000
22 November 2006	\$37.58	32,500	-	-	-	32,500
26 November 2006	\$36.84	12,500	-	-	-	12,500
03 December 2006	\$36.05	5,000	-	-	-	5,000
05 December 2006	\$35.71	5,000	-	-	-	5,000
10 December 2006	\$36.36	12,500	-	-	-	12,500
20 December 2006	\$37.55	5,000	-	-	-	5,000
25 January 2007	\$37.67	12,500	-	-	-	12,500
04 February 2007	\$37.47	5,000	-	-	-	5,000
12 March 2007	\$36.08	5,000	-	-	-	5,000
13 March 2007	\$36.54	17,500	-	-	-	17,500
14 March 2007	\$36.34	10,000	-	-	-	10,000
15 March 2007	\$35.24	5,000	-	-	-	5,000
18 March 2007	\$37.52	5,000	-	-	(5,000)	-
19 March 2007	\$36.85	5,000	-	-	-	5,000
20 March 2007	\$35.15	5,000	-	-	-	5,000
21 March 2007	\$36.39	5,000	-	-	(5,000)	-
22 March 2007	\$36.85	5,000	-	-	-	5,000
25 March 2007	\$36.67	5,000	-	-	-	5,000
26 March 2007	\$36.68	5,000	-	-	-	5,000
27 March 2007	\$36.55	32,500	-	-	-	32,500

MACQUARIE BANK LIMITED
and its controlled entities

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2004

01 April 2007	\$36.34	12,500	-	-	-	12,500
02 April 2007	\$37.52	5,000	-	-	(5,000)	-

MACQUARIE BANK LIMITED
and its controlled entities

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2004

33. EMPLOYEE EQUITY PARTICIPATION (CONT.)

OPTION PLAN (CONT.)

Latest date for exercise of options	Exercise price	Balance as at 31 March 2003	Options issued during the financial year	Options exercised during the financial year	Options lapsed during the financial year	Balance as at 31 March 2004
03 April 2007	\$34.82	12,500	-	-	-	12,500
04 April 2007	\$35.99	12,500	-	-	-	12,500
05 April 2007	\$35.22	5,000	-	-	-	5,000
08 April 2007	\$35.59	5,000	-	-	-	5,000
09 April 2007	\$37.35	5,000	-	-	-	5,000
10 April 2007	\$36.67	5,000	-	-	-	5,000
18 April 2007	\$36.95	5,000	-	-	-	5,000
23 May 2007	\$33.16	5,000	-	-	-	5,000
24 May 2007	\$35.31	5,000	-	-	-	5,000
27 May 2007	\$32.93	12,500	-	(3,565)	(8,935)	-
28 May 2007	\$32.76	5,000	-	-	-	5,000
29 May 2007	\$33.12	5,000	-	-	-	5,000
04 July 2007	\$33.54	45,000	-	-	-	45,000
05 July 2007	\$33.45	5,000	-	-	-	5,000
08 July 2007	\$33.05	12,500	-	-	-	12,500
09 July 2007	\$33.37	12,500	-	-	(12,500)	-
10 July 2007	\$36.00	5,000	-	-	-	5,000
12 July 2007	\$33.20	12,500	-	-	-	12,500
15 July 2007	\$33.19	5,000	-	-	(5,000)	-
19 July 2007	\$33.19	5,000	-	-	-	5,000
22 July 2007	\$33.06	12,500	-	-	-	12,500
23 July 2007	\$32.47	5,000	-	-	-	5,000
01 August 2007	\$30.51	5,382,191	2,900	(22,307)	(215,009)	5,147,775
23 August 2007	\$33.45	5,000	-	-	-	5,000
26 August 2007	\$31.54	17,500	-	-	-	17,500
27 August 2007	\$32.77	5,000	-	-	-	5,000
28 August 2007	\$33.06	5,000	-	-	-	5,000
29 August 2007	\$33.10	12,500	-	-	-	12,500
30 August 2007	\$30.51	946,509	-	(2,211)	(28,148)	916,150
02 September 2007	\$31.49	5,000	-	-	-	5,000
03 September 2007	\$32.90	12,500	-	-	-	12,500
05 September 2007	\$31.28	5,000	-	-	-	5,000
06 September 2007	\$30.51	20,000	-	-	-	20,000
10 October 2007	\$30.51	5,000	-	-	(3,463)	1,537
11 October 2007	\$30.51	228,326	-	-	(8,426)	219,900
14 October 2007	\$33.20	5,000	-	-	-	5,000
15 October 2007	\$26.45	20,000	-	-	-	20,000
16 October 2007	\$37.43	5,000	-	-	-	5,000
21 October 2007	\$31.28	5,000	-	-	-	5,000
24 October 2007	\$25.04	5,000	-	-	-	5,000
25 October 2007	\$24.60	5,000	-	-	(5,000)	-
28 October 2007	\$24.48	5,000	-	-	-	5,000
05 November 2007	\$24.57	5,000	-	-	(3,719)	1,281
20 November 2007	\$30.51	17,300	-	-	-	17,300
29 November 2007	\$33.20	5,000	-	-	-	5,000
24 December 2007	\$30.51	311,000	-	-	(18,200)	292,800
27 December 2007	\$27.18	12,500	-	-	-	12,500
30 December 2007	\$31.54	25,000	-	-	-	25,000

MACQUARIE BANK LIMITED
and its controlled entities

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2004

02 January 2008	\$26.45	5,000	-	-	-	5,000
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MACQUARIE BANK LIMITED
and its controlled entities

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2004**

33. EMPLOYEE EQUITY PARTICIPATION (CONT.)

OPTION PLAN (CONT.)

Latest date for exercise of options	Exercise price	Balance as at 31 March 2003	Options issued during the financial year	Options exercised during the financial year	Options lapsed during the financial year	Balance as at 31 March 2004
03 January 2008	\$31.56	12,500	-	-	-	12,500
24 January 2008	\$23.48	5,000	-	-	-	5,000
28 January 2008	\$22.22	12,500	-	-	(12,500)	-
03 February 2008	\$21.66	12,500	-	-	-	12,500
04 February 2008	\$30.22	5,000	-	-	-	5,000
06 February 2008	\$22.42	5,000	-	-	-	5,000
10 February 2008	\$20.44	5,000	-	-	-	5,000
11 February 2008	\$21.08	5,000	-	-	(5,000)	-
12 February 2008	\$23.03	5,000	-	-	-	5,000
13 February 2008	\$20.50	5,000	-	-	-	5,000
14 February 2008	\$20.96	5,000	-	-	(5,000)	-
19 February 2008	\$22.76	5,000	-	-	-	5,000
03 March 2008	\$25.93	5,000	-	-	(5,000)	-
04 March 2008	\$21.54	5,000	-	-	-	5,000
05 March 2008	\$23.82	5,000	-	-	-	5,000
06 March 2008	\$22.22	3,000	-	-	-	3,000
07 March 2008	\$25.23	5,000	-	-	-	5,000
10 March 2008	\$23.55	12,500	-	-	(12,500)	-
12 March 2008	\$23.82	5,000	-	-	-	5,000
13 March 2008	\$21.23	5,000	-	-	-	5,000
14 March 2008	\$25.82	32,500	-	-	-	32,500
17 March 2008	\$20.57	12,500	-	-	-	12,500
24 March 2008	\$25.23	12,500	-	-	-	12,500
01 April 2008	\$25.15	-	32,500	-	-	32,500
02 April 2008	\$25.68	-	12,500	-	-	12,500
22 April 2008	\$24.20	-	32,500	-	-	32,500
23 April 2008	\$25.94	-	5,000	-	-	5,000
24 April 2008	\$24.20	-	12,500	-	-	12,500
28 April 2008	\$24.27	-	12,500	-	-	12,500
06 May 2008	\$24.67	-	12,500	-	-	12,500
07 May 2008	\$24.85	-	5,000	-	-	5,000
08 May 2008	\$24.40	-	5,000	-	-	5,000
08 May 2008	\$24.71	-	5,000	-	-	5,000
12 May 2008	\$27.74	-	5,000	-	(5,000)	-
13 May 2008	\$25.92	-	12,500	-	-	12,500
22 May 2008	\$24.58	-	32,500	-	-	32,500
23 May 2008	\$24.22	-	5,000	-	-	5,000
26 May 2008	\$24.25	-	5,000	-	-	5,000
28 May 2008	\$21.12	-	5,000	-	-	5,000
25 June 2008	\$33.43	-	5,000	-	-	5,000
14 July 2008	\$24.98	-	5,000	-	-	5,000
16 July 2008	\$24.98	-	5,000	-	-	5,000
17 July 2008	\$24.93	-	12,500	-	-	12,500
27 July 2008	\$24.49	-	5,000	-	-	5,000
28 July 2008	\$25.00	-	5,000	-	-	5,000
31 July 2008	\$26.05	-	5,000	-	-	5,000
01 August 2008	\$26.51	-	12,500	-	-	12,500

MACQUARIE BANK LIMITED
and its controlled entities

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2004

04 August 2008	\$26.21	-	5,000	-	-	5,000
19 August 2008	\$24.42	-	12,500	-	-	12,500
20 August 2008	\$28.99	-	5,000	-	-	5,000

33. EMPLOYEE EQUITY PARTICIPATION (CONT.)

OPTION PLAN (CONT.)

Latest date for exercise of options	Exercise price	Balance as at 31 March 2003	Options issued during the financial year	Options exercised during the financial year	Options lapsed during the financial year	Balance as at 31 March 2004
21 August 2008	\$29.06	-	12,500	-	-	12,500
22 August 2008	\$28.02	-	5,000	-	-	5,000
23 August 2008	\$28.93	-	5,000	-	-	5,000
26 August 2008	\$29.00	-	5,000	-	-	5,000
28 August 2008	\$28.74	-	6,609,009	(177)	(144,009)	6,464,823
01 September 2008	\$26.84	-	5,000	-	-	5,000
02 September 2008	\$28.41	-	12,500	-	-	12,500
15 September 2008	\$29.46	-	5,000	-	-	5,000
16 September 2008	\$29.46	-	5,000	-	-	5,000
17 September 2008	\$24.17	-	5,000	-	-	5,000
22 September 2008	\$24.54	-	12,500	-	-	12,500
24 September 2008	\$28.74	-	814,053	-	(23,302)	790,751
26 September 2008	\$28.74	-	12,500	-	-	12,500
29 September 2008	\$29.04	-	5,000	-	-	5,000
30 September 2008	\$29.96	-	5,000	-	-	5,000
01 October 2008	\$28.74	-	81,875	-	(9,000)	72,875
02 October 2008	\$29.46	-	5,000	-	-	5,000
08 October 2008	\$24.53	-	12,500	-	-	12,500
09 October 2008	\$29.11	-	5,000	-	-	5,000
12 October 2008	\$30.26	-	32,500	-	-	32,500
13 October 2008	\$28.64	-	12,500	-	-	12,500
20 October 2008	\$24.28	-	12,500	-	-	12,500
21 October 2008	\$32.82	-	5,000	-	-	5,000
22 October 2008	\$31.39	-	5,000	-	-	5,000
23 October 2008	\$29.91	-	5,000	-	-	5,000
24 October 2008	\$22.22	-	5,000	-	-	5,000
27 October 2008	\$24.31	-	5,000	-	(5,000)	-
30 October 2008	\$28.74	-	44,000	-	(4,000)	40,000
31 October 2008	\$31.18	-	5,000	-	-	5,000
03 November 2008	\$29.78	-	5,000	-	-	5,000
04 November 2008	\$29.72	-	12,500	-	-	12,500
05 November 2008	\$29.00	-	12,500	-	-	12,500
06 November 2008	\$34.49	-	5,000	-	-	5,000
07 November 2008	\$31.74	-	5,000	-	-	5,000
09 November 2008	\$34.49	-	12,500	-	-	12,500
10 November 2008	\$35.39	-	5,000	-	-	5,000
12 November 2008	\$32.48	-	5,000	-	-	5,000
14 November 2008	\$34.44	-	12,500	-	-	12,500
17 November 2008	\$34.72	-	12,500	-	-	12,500
18 November 2008	\$34.40	-	5,000	-	-	5,000
20 November 2008	\$31.31	-	12,500	-	-	12,500
21 November 2008	\$33.99	-	5,000	-	-	5,000
03 December 2008	\$24.53	-	5,000	-	-	5,000
05 December 2008	\$35.49	-	5,000	-	-	5,000

MACQUARIE BANK LIMITED
and its controlled entities

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2004

10 December 2008	\$34.91	-	12,500	-	-	12,500
11 December 2008	\$21.66	-	5,000	-	-	5,000
12 December 2008	\$34.60	-	5,000	-	-	5,000
16 December 2008	\$28.74	-	3,000	-	-	3,000
22 December 2008	\$24.85	-	5,000	-	-	5,000

33. EMPLOYEE EQUITY PARTICIPATION (CONT.)

OPTION PLAN (CONT.)

Latest date for exercise of options	Exercise price	Balance as at 31 March 2003	Options issued during the financial year	Options exercised during the financial year	Options lapsed during the financial year	Balance as at 31 March 2004
23 December 2008	\$28.74	-	4,300	-	-	4,300
08 January 2009	\$34.78	-	25,000	-	-	25,000
22 January 2009	\$33.95	-	17,500	-	-	17,500
02 February 2009	\$28.96	-	12,500	-	-	12,500
09 February 2009	\$33.45	-	42,500	-	-	42,500
09 February 2009	\$32.48	-	5,000	-	-	5,000
08 March 2009	\$33.76	-	35,000	-	-	35,000
08 March 2009	\$24.62	-	5,000	-	-	5,000
09 March 2009	\$24.58	-	5,000	-	-	5,000
22 March 2009	\$34.67	-	17,500	-	-	17,500
Total options on issue		24,873,005	8,354,137	(6,453,206)	(980,542)	25,793,394

Since 31 March 2004, an additional 115,000 options have been granted and 91,248 options have lapsed.

The market value of shares issued during the year as a result of the exercise of these options was \$201 million (2003: \$82 million).

The market value of shares which would be issued from the exercise of the outstanding options at 31 March 2004 was \$923 million (2003: \$614 million). No unissued shares, other than those referred to above, are under option as at the date of this report.

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

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

- one third of the vested options may only be exercised if the Bank's average annual Return on Equity for the three previous financial years is at or above the 55th percentile of the corresponding figures for all companies in the then ASX All Industrials Index;
- another third of the vested options may only be exercised if the Bank's average annual Return on Equity for the three previous financial years is at or above the 65th percentile of the corresponding figures for all companies in the then ASX All Industrials Index; and
- the final third of the vested options may only be exercised if the Bank's average annual Return on Equity for the three previous financial years is at or above the 75th percentile of the corresponding figures for all companies in the then ASX All Industrials Index,

MACQUARIE BANK LIMITED
and its controlled entities

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2004

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

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2004**

33. EMPLOYEE EQUITY PARTICIPATION (CONT.)

OPTION PLAN (CONT.)

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

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

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

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

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

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

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

- an employee's resignation from the Bank or a related company;
- upon request from the employee (after the expiration of the non-disposal period); and
- ten years from the date that the options were originally granted.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS AS AT 31 MARCH 2004

33. EMPLOYEE EQUITY PARTICIPATION (CONT.)

EMPLOYEE SHARE PLAN

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

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

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

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

The latest offer under the ESP was made during December 2003. A total of 1,248 (2003: 1,307) staff participated in this offer. On 16 January 2004, the participants were each issued with 29 (2003: 38) fully paid ordinary shares based on the offer amount of \$1,000 and the then calculated average market share price of \$33.87 (2003: \$26.22) that is, a total of 36,192 (2003: 49,666) shares were issued. The shares were issued for no cash consideration.

STAFF SHARE ACQUISITION PLAN

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

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

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

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

- an employee's resignation from the Bank or a related company;
- upon request by the employee (after the expiration of the non-disposal period); and
- ten years from the date that the Shares are registered in an employee's name.

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

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

MACQUARIE BANK LIMITED
and its controlled entities

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2004

Offers under the MBSSAP were made during May 2003. A total of 227 (2003: 272) staff participated in the MBSSAP. In August and November 2003, a total of 279,555 (2003: 382,276) shares were acquired on-market.

MACQUARIE BANK LIMITED
and its controlled entities

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2004

34. CONTINGENT LIABILITIES AND ASSETS

	Consolidated	Consolidated	Bank	Bank
	2004	2003	2004	2003
	\$M	\$M	\$M	\$M
Contingent liabilities exist in respect of:				
Guarantees (a) (b)	182	113	936	928
Credit derivatives – purchased (c)	60	1,163	32	36
Underwriting facilities	476	614	-	614
Indemnities (d)	53	244	259	327
Undrawn credit facilities	2,345	2,017	2,154	2,014
Undrawn credit facilities – revocable at any time	1,563	1,282	1,564	1,282
Other contingent liabilities (e)	327	24	114	124
Total contingent liabilities	5,006	5,457	5,059	5,325
Analysis of undrawn credit facilities by maturity:				
Current	2,753	2,601	2,754	2,701
Non-current	1,155	698	964	595
Total undrawn credit facilities	3,908	3,299	3,718	3,296

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.

- (a) All external guarantees, other than noted for Macquarie Investment Management Limited (“MIML”) in (f) below, and letters of credit are provided by the Bank. Included in external guarantees are guarantees backed by cash of \$17 million (2003: \$10 million).
- (b) The Bank has entered into an undertaking with twelve of its controlled entities, who act as responsible entities, for the purposes of meeting the Net Tangible Assets requirements of the controlled entities’ Australian Financial Services Licenses. The Bank has provided an undertaking of \$10 million for all of the twelve responsible entities concerned which is capped at \$5 million in respect of any one entity.
- (c) The Bank purchases credit derivatives to mitigate credit risks arising from client exposures.
- (d) Indemnities granted to counterparties in respect of termination and default events in cross-border leasing transactions.
- (e) Other contingent liabilities include letters of credit, commitments certain of draw down, written put options, performance related contingents and forward purchases.
- (f) MIML covenants that while it acts as Single Responsible Entity of the Macquarie Cash Management Trust, unitholders in that trust will be paid upon redemption or repurchase of a unit issued prior to 28 April 1985, where the unitholder has continuously held units from 28 April 1985, not less than the sum of \$1.00: \$44 million (2003: \$45 million). At 31 March 2004 the audited financial report of the Macquarie Cash Management Trust discloses the value of units on issue and the income entitlement thereon aggregating \$9.5 billion (2003: \$8.9 billion) and assets aggregating \$9.6 billion (2003: \$9.0 billion).

The total contingent liabilities of \$4.8 billion (2003: \$5.1 billion) detailed above also represent contingent assets of the Bank. Such commitments to provide credit may in the normal course convert to loans and other assets of the Bank.

MACQUARIE BANK LIMITED
and its controlled entities

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2004**

	Consolidated	Consolidated	Bank	Bank
	2004	2003	2004	2003
	\$M	\$M	\$M	\$M
35. CAPITAL AND OTHER EXPENDITURE COMMITMENTS				
Not later than one year	75	4	20	4
Later than one year and not later than five years	7	-	7	-
Later than five years	2	-	2	-
Total capital and other expenditure commitments	84	4	29	4
36. LEASE COMMITMENTS				
Non-cancellable operating leases expiring:				
Not later than one year	72	60	71	60
Later than one year and not later than five years	286	242	283	242
Later than five years	265	378	265	378
Total operating lease commitments	623	680	619	680

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

37. DERIVATIVE FINANCIAL INSTRUMENTS

Objectives of holding and issuing derivative financial instruments

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

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

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

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

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

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

MACQUARIE BANK LIMITED
and its controlled entities

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2004**

37. DERIVATIVE FINANCIAL INSTRUMENTS (CONT.)

The following table provides details of the Bank's outstanding derivatives used for trading and hedging purposes as at 31 March.

	Consolidated 2004		Consolidated 2003	
	Notional amount \$M	*Regulatory credit equivalent \$M	Notional amount \$M	*Regulatory credit equivalent \$M
Interest rate contracts				
Exchange traded	16,030	-	17,521	-
Forwards	13,396	1	10,856	1
Swaps	80,775	613	73,583	1,061
Options	1,594	6	1,297	5
Other	185	8	334	-
Total interest rate contracts	111,980	628	103,591	1,067
Foreign exchange contracts				
Exchange traded	178	-	168	-
Forwards	30,432	561	23,872	518
Swaps	3,532	147	5,568	245
Options	4,477	593	3,782	306
Total foreign exchange contracts	38,619	1,301	33,390	1,069
Equity contracts				
Exchange traded	18,925	-	1,557	-
Swaps	1,025	132	1,219	127
Options	7,061	453	5,463	246
Other	368	43	271	39
Total equity contracts	27,379	628	8,510	412
Commodity contracts				
Exchange traded	12,148	-	5,128	-
Forwards	19,799	1,606	14,983	666
Swaps	1,183	221	46	17
Options	2,425	199	3,624	465
Total commodity contracts	35,555	2,026	23,781	1,148
Total derivatives contracts outstanding	213,533	4,583	169,272	3,696

* Regulatory credit equivalents are determined in accordance with the Australian Prudential Regulatory Authority's guidelines.

MACQUARIE BANK LIMITED
and its controlled entities

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2004**

38. AVERAGE INTEREST-BEARING ASSETS AND LIABILITIES AND RELATED INTEREST

	Consolidated 2004			Consolidated 2003		
	Av. balance	Interest	Av. rate	Av. balance	Interest	Av. rate
	\$M	inc./(exp.) \$M	%	\$M	inc./(exp.) \$M	%
ASSETS						
Interest bearing assets						
Cash and liquid assets	85	3	3.6	72	3	3.7
Securities purchased under resale agreement	5,126	231	4.5	3,294	143	4.3
Trading assets	3,332	174	5.2	3,354	175	5.2
Other securities	1,630	63	3.5	1,776	56	3.2
Loan assets	10,362	707	6.8	10,037	637	6.3
Other financial assets	15	1	4.7	20	1	4.6
Total interest bearing assets	20,550	1,179		18,553	1,015	
Total non-interest bearing assets	17,007	-		14,034	-	
Total assets	37,557	1,179		32,587	1,015	
LIABILITIES						
Interest bearing liabilities						
Due to other financial institutions	814	(21)	2.6	1,112	(29)	2.6
Securities sold under repurchase agreements	2,817	(130)	4.6	1,704	(72)	4.2
Securities borrowed	1,851	(99)	5.3	892	(49)	5.5
Deposits	4,361	(185)	4.2	4,423	(170)	3.8
Notes payable	10,807	(421)	3.9	10,659	(407)	3.8
Other financial liabilities	647	(26)	4.0	495	(19)	3.8
Loan capital						
Subordinated debt	719	(31)	4.3	241	(13)	5.4
Converting Preference Shares	68	(5)	7.4	150	(11)	7.4
Total interest bearing liabilities	22,084	(918)		19,676	(770)	
Total non-interest bearing liabilities	12,609	-		10,338	-	
Total liabilities	34,693	(918)		30,014	(770)	
Net assets	2,864	261		2,573	245	
EQUITY						
Contributed equity						
Ordinary share capital	1,314			1,088		
Macquarie Income Securities	391			391		
Retained earnings	904			690		
Total equity attributable to equity holders of MBL	2,609			2,169		
Outside equity interests in controlled entities	255			404		
Total equity	2,864			2,573		

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

MACQUARIE BANK LIMITED
and its controlled entities

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2004**

39. GEOGRAPHICAL CONCENTRATION OF DEPOSITS AND BORROWINGS

The following table details the source of deposits and borrowings, based upon the location of the relevant counterparty. Refer to "Liquidity Management" within Note 40 - Maturity Analysis of Monetary Assets and Liabilities, and Liquidity Management, for discussion on the source of the Bank's funding.

	Australia \$M	Europe \$M	North America \$M	Asia Pacific* \$M	Other \$M	Total \$M
Consolidated 2004						
Due to other financial institutions	644	1,265	21	5	-	1,935
Securities sold under repurchase agreement	1,439	455	95	585	23	2,597
Securities borrowed	4,415	146	-	1,189	-	5,750
Deposits	3,702	154	119	226	14	4,215
Notes payable	3,046	5,920	854	2,788	-	12,608
Subordinated debt	550	320	-	90	-	960
Total deposits and borrowings by geographical location	13,796	8,260	1,089	4,883	37	28,065
Consolidated 2003						
Due to other financial institutions	316	151	18	32	-	517
Securities sold under repurchase agreement	1,540	245	-	436	-	2,221
Securities borrowed	1,245	689	-	443	4	2,381
Deposits	3,589	61	208	90	18	3,966
Notes payable	2,728	420	206	6,714	1	10,069
Subordinated debt	295	-	-	111	-	406
Converting Preference Shares	150	-	-	-	-	150
Total deposits and borrowings by geographical location	9,863	1,566	432	7,826	23	19,710

*Excludes Australia.

MACQUARIE BANK LIMITED
and its controlled entities

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2004**

40. MATURITY ANALYSIS OF MONETARY ASSETS AND LIABILITIES AND LIQUIDITY MANAGEMENT

Consolidated 2004								
	At call	Over-	3 months	3 months to	1 year to	Over	No	Total
	\$M	drafts	or less	12 months	5 years	5 years	maturity	\$M
		\$M	\$M	\$M	\$M	\$M	specified	\$M
							\$M	
Assets								
Cash and liquid assets	647	-	-	-	-	-	-	647
Securities purchased								
under resale agreements	2,985	-	5,613	-	-	-	-	8,598
Trading assets	6,891	-	-	-	-	-	-	6,891
Other securities	-	-	12	48	943	327	517	1,847
Loan assets	1,636	79	2,017	1,501	4,467	1,077	-	10,777
Life insurance								
investment assets*	253	-	758	41	190	2	1,106	2,350
Equity investments	-	-	-	-	-	-	138	138
Investments in associates and JVs	-	-	-	-	-	-	169	169
Total monetary assets	12,412	79	8,400	1,590	5,600	1,406	1,930	31,417
Liabilities								
Due to other financial institutions	144	-	1,146	226	419	-	-	1,935
Securities sold under repurchase agreements	521	-	2,076	-	-	-	-	2,597
Securities borrowed	5,750	-	-	-	-	-	-	5,750
Deposits	1,292	-	1,772	278	743	130	-	4,215
Notes payable	-	-	6,046	3,171	3,053	338	-	12,608
Life insurance policy liabilities	-	-	-	-	-	-	2,291	2,291
Subordinated debt	-	-	65	-	345	550	-	960
Total monetary liabilities	7,707	-	11,105	3,675	4,560	1,018	2,291	30,356

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

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

Maturities represent the remaining period as at 31 March 2004 to the repayment date. Certain deposits however are recorded at their expected maturity date rather than the contractual repayment date. These deposits, although withdrawable on demand, display the necessary characteristics of longer term deposits.

MACQUARIE BANK LIMITED
and its controlled entities

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2004**

40. MATURITY ANALYSIS OF MONETARY ASSETS AND LIABILITIES AND LIQUIDITY MANAGEMENT (CONT.)

Consolidated 2003

	At call \$M	Over- drafts \$M	3 months or less \$M	3 months to 12 months \$M	1 year to 5 years \$M	Over 5 years \$M	No maturity specified \$M	Total \$M
Assets								
Cash and liquid assets	311	-	-	-	-	-	-	311
Securities purchased under resale agreements	3,438	-	1,717	-	-	-	-	5,155
Trading assets	4,780	-	-	-	-	-	-	4,780
Other securities	2,181	-	-	-	-	-	-	2,181
Loan assets	1,829	77	1,917	1,376	4,437	203	-	9,839
Life insurance investment assets*	82	-	1,012	97	159	-	1,166	2,516
Equity investments	-	-	-	-	-	-	130	130
Investments in associates and JVs	-	-	-	-	-	-	142	142
Total monetary assets	12,621	77	4,646	1,473	4,596	203	1,438	25,054
Liabilities								
Due to other financial Institutions	72	-	181	172	89	3	-	517
Securities sold under repurchase agreements	841	-	1,179	201	-	-	-	2,221
Securities borrowed	2,381	-	-	-	-	-	-	2,381
Deposits	2,529	-	537	175	595	130	-	3,966
Notes payable	-	-	4,678	2,584	2,807	-	-	10,069
Life insurance policy liabilities	-	-	-	-	-	-	2,456	2,456
Subordinated debt	-	-	10	-	111	285	-	406
Converting Preference Shares	-	-	-	-	150	-	-	150
Total monetary liabilities	5,823	-	6,585	3,132	3,752	418	2,456	22,166

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

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2004**

40. MATURITY ANALYSIS OF MONETARY ASSETS AND LIABILITIES AND LIQUIDITY MANAGEMENT (CONT.)

Liquidity management

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

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

Within these parameters liquidity management is the responsibility of the funding desk within the Treasury and Commodities Group subject to risk management oversight by RMD.

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

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

MACQUARIE BANK LIMITED
and its controlled entities

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2004**

41. INTEREST RATE RISK

	Consolidated 2004									
	Weighted average effective interest rate	Floating interest rate maturities	Fixed interest rate repricing					Over 5 years	Non- interest bearing	Total
			1 month or less	1 month to 3 months	3 months to 12 months	1 year to 5 years	Non- interest bearing			
%	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	
On-balance sheet assets										
Cash and liquid assets	2.9	647	-	-	-	-	-	-	-	647
Securities purchased under resale agreements	4.5	2,985	5,613	-	-	-	-	-	-	8,598
Trading assets	2.3	140	637	754	201	501	599	4,059	-	6,891
Other securities	3.7	-	75	116	99	731	309	517	-	1,847
Loan assets	6.6	2,510	4,033	1,422	801	1,537	463	11	-	10,777
Other financial market assets	-	-	-	-	-	-	-	6,694	-	6,694
Other financial assets	-	3	-	-	-	-	-	3,528	-	3,531
Life insurance investment assets*	2.9	253	368	391	41	190	2	1,105	-	2,350
Equity investments	-	-	-	-	-	-	-	138	-	138
Investments in associates and JVs	-	-	-	-	-	-	-	169	-	169
Fixed assets	-	-	-	-	-	-	-	1,945	-	1,945
Tax assets	-	-	-	-	-	-	-	184	-	184
Total on-balance sheet assets		6,538	10,726	2,683	1,142	2,959	1,373	18,350	-	43,771
On-balance sheet liabilities										
Due to other financial institutions	2.5	1,144	54	93	226	418	-	-	-	1,935
Securities sold under repurchase agreements	5.0	521	1,966	110	-	-	-	-	-	2,597
Securities borrowed	4.6	-	-	-	103	2,146	1,334	2,167	-	5,750
Deposits	3.2	574	1,031	271	1,522	590	227	-	-	4,215
Notes payable	2.6	-	3,829	5,293	2,988	225	273	-	-	12,608
Other financial markets liabilities	-	-	-	-	-	-	-	5,821	-	5,821
Tax liabilities	-	-	-	-	-	-	-	53	-	53
Other financial liabilities	-	-	-	-	-	-	-	4,215	-	4,215
Life insurance policy liabilities	-	-	-	-	-	-	-	2,291	-	2,291
Provisions for dividends and distributions	-	-	-	-	-	-	-	6	-	6
Deferred tax liabilities	-	-	-	-	-	-	-	413	-	413
Other provisions	-	-	-	-	-	-	-	74	-	74
Subordinated debt	5.0	-	90	605	-	-	265	-	-	960
Total on-balance sheet liabilities		2,239	6,970	6,372	4,839	3,379	2,099	15,040	-	40,938
Off-balance sheet financial instruments		-	2,284	(29)	(2,303)	235	421	-	-	608
Analysis of interest sensitivity gap										
Net		4,299	6,040	(3,718)	(6,000)	(185)	(305)	-	-	-
Cumulative interest sensitivity gap		4,299	10,339	6,621	621	436	131	-	-	-

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

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

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

MACQUARIE BANK LIMITED
and its controlled entities

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2004

41. INTEREST RATE RISK (CONT.)

	Consolidated 2003									
	Weighted average effective interest rate %	Floating interest rate maturities \$M	Fixed interest rate repricing						Non- interest bearing \$M	Total \$M
			1 month or less \$M	1 month to 3 months \$M	3 months to 12 months \$M	1 year to 5 years \$M	Over 5 years \$M			
On-balance sheet assets										
Cash and liquid assets	2.7	311	-	-	-	-	-	-	-	311
Securities purchased under resale agreements	3.9	3,438	1,717	-	-	-	-	-	-	5,155
Trading assets	3.3	-	980	864	540	413	395	1,588		4,780
Other securities	3.6	-	144	579	553	340	178	387		2,181
Loan assets	6.1	1,832	4,251	1,073	1,110	1,559	6	8		9,839
Other financial market assets	-	-	-	-	-	-	-	5,309		5,309
Other financial assets	-	14	-	-	-	-	-	1,814		1,828
Life insurance investment assets*	2.6	82	-	1,012	97	160	-	1,165		2,516
Equity investments	-	-	-	-	-	-	-	130		130
Investments in associates and JVs	-	-	-	-	-	-	-	142		142
Fixed assets	-	-	-	-	-	-	-	125		125
Tax assets	-	-	-	-	-	-	-	146		146
Total on-balance sheet assets		5,677	7,092	3,528	2,300	2,472	579	10,814		32,462
On-balance sheet liabilities										
Due to other financial institutions	1.4	72	26	155	172	89	-	3		517
Securities sold under repurchase agreements	4.9	490	1,325	205	201	-	-	-		2,221
Securities borrowed	2.5	-	66	-	-	275	562	1,478		2,381
Deposits	2.3	2,529	430	107	175	595	130	-		3,966
Notes payable	2.7	-	2,608	2,070	2,584	2,807	-	-		10,069
Other financial markets liabilities	-	-	-	-	-	-	-	4,718		4,718
Tax liabilities	-	-	-	-	-	-	-	18		18
Other financial liabilities	0.9	499	-	-	-	-	-	2,166		2,665
Life insurance policy liabilities	-	-	-	-	-	-	-	2,456		2,456
Provisions for dividends and distributions	-	-	-	-	-	-	-	213		213
Deferred tax liabilities	-	-	-	-	-	-	-	30		30
Other provisions	-	-	-	-	-	-	-	67		67
Subordinated debt	5.6	-	10	-	-	111	285	-		406
Converting Preference Shares	7.4	-	-	-	-	150	-	-		150
Total on-balance sheet liabilities		3,590	4,465	2,537	3,132	4,027	977	11,149		29,877
Off-balance sheet financial instruments		-	(1,523)	725	1,972	(337)	92	-		929
Analysis of interest sensitivity gap										
Net		2,087	1,104	1,716	1,140	(1,892)	(306)			
Cumulative interest sensitivity gap		2,087	3,191	4,907	6,047	4,155	3,849			

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

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2004**

41. INTEREST RATE RISK (CONT.)

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

42. NET FAIR VALUE

Net fair value reflects the present value of future cash flows associated with a financial asset or liability, including the cost of exchange or settlement where appropriate. Net fair value is a combination of the quoted market price and valuation techniques based upon option pricing models. Except for certain equity investments (refer to Note 10 – Other securities), the carrying value of on-balance sheet financial assets is not materially different to the net fair value of these items.

MACQUARIE BANK LIMITED
and its controlled entities

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2004

43. CREDIT RISK

Credit risk is the potential loss arising through the default of counterparties to financial assets. The table details the concentration of credit exposure of the economic entity's assets to significant geographical locations and counterparty types. The amounts shown represent the maximum credit risk of the economic entity's assets. In all cases this is equal to the carrying value of the assets with the exception of credit commitments and contingent liabilities and derivatives which are recorded at the credit equivalent value calculated in accordance with the Australian Prudential Regulatory Authority's guidance.

Consolidated 2004
Credit risk concentration

	Securities purchased under resale agreements	Trading assets	Other securities	Loan assets	Credit commitments and contingent liabilities	Derivatives	Other financial assets	Life insurance assets	Total
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Australia									
Central Bank	101	8	-	-	-	42	-	-	151
Governments	673	760	10	603	128	87	-	-	2,261
Other financial Institutions	3,280	1,227	27	244	-	510	-	-	5,288
Other	1,830	1,248	532	7,550	566	842	1,544	2,350	16,462
Total Australia	5,884	3,243	569	8,397	694	1,481	1,544	2,350	24,162
New Zealand									
Governments	-	-	-	2	-	-	-	-	2
Other financial Institutions	-	-	-	-	-	4	-	-	4
Other	1	5	-	243	13	-	27	-	289
Total New Zealand	1	5	-	245	13	4	27	-	295
Europe									
Other financial Institutions	1,253	156	17	433	-	845	-	-	2,704
Other	983	468	543	92	47	310	329	-	2,772
Total Europe	2,236	624	560	525	47	1,155	329	-	5,476
North America									
Governments	-	22	-	-	-	-	-	-	22
Other financial Institutions	112	7	-	28	16	282	-	-	445
Other	9	64	540	1,100	310	475	248	-	2,746
Total North America	121	93	540	1,128	326	757	248	-	3,213
Asia									
Other financial Institutions	1	5	150	293	-	109	-	-	558
Other	334	2,877	27	57	1	712	1,379	-	5,387
Total Asia	335	2,882	177	350	1	821	1,379	-	5,945
Other									
Governments	-	38	-	-	-	-	-	-	38
Other financial Institutions	-	-	-	4	-	10	-	-	14
Other	21	6	1	128	7	355	4	-	522
Total other	21	44	1	132	7	365	4	-	574
Total	8,598	6,891	1,847	10,777	1,088	4,583	3,531	2,350	39,665
Other risk concentrations									
Amounts due from other financial institutions									647
Regulatory deposits									-
Total other risk concentrations									647
Total gross credit risk									40,312

MACQUARIE BANK LIMITED
and its controlled entities

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2004**

43. CREDIT RISK (CONT.)

Consolidated 2003
Credit risk concentration

	Securities purchased under resale agreements	Trading assets	Other securities	Loan assets	Credit commitments and contingent liabilities	Derivatives	Other financial assets	Life insurance assets	Total
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Australia									
Central Bank	100	-	-	-	-	12	-	-	112
Governments	384	872	56	671	121	400	-	-	2,504
Other financial Institutions	624	977	16	654	-	428	-	-	2,699
Other	1,420	1,369	268	6,942	346	1,012	1,418	2,516	15,291
Total Australia	2,528	3,218	340	8,267	467	1,852	1,418	2,516	20,606
New Zealand									
Other financial Institutions	7	-	-	133	-	19	-	-	159
Other	-	-	-	185	14	-	36	-	235
Total New Zealand	7	-	-	318	14	19	36	-	394
Europe									
Other financial Institutions	1,382	224	16	54	-	604	-	-	2,280
Other	602	342	1,189	57	25	134	170	-	2,519
Total Europe	1,984	566	1,205	111	25	738	170	-	4,799
North America									
Other financial Institutions	69	8	74	33	1	197	-	-	382
Other	64	105	365	257	98	331	78	-	1,298
Total North America	133	113	439	290	99	528	78	-	1,680
Asia									
Other financial Institutions	503	-	178	399	-	91	-	-	1,171
Other	-	876	19	369	3	268	119	-	1,654
Total Asia	503	876	197	768	3	359	119	-	2,825
Other									
Other	-	7	-	85	8	200	7	-	307
Total other	-	7	-	85	8	200	7	-	307
Total	5,155	4,780	2,181	9,839	616	3,696	1,828	2,516	30,611
Other risk concentrations									
Amounts due from other financial institutions									310
Regulatory deposits									1
Total other risk concentrations									311
Total gross credit risk									30,922

MACQUARIE BANK LIMITED
and its controlled entities

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2004

	Consolidated 2004 \$'000	Consolidated 2003 \$'000	Bank 2004 \$'000	Bank 2003 \$'000
44. AUDIT AND OTHER SERVICES PROVIDED BY PRICEWATERHOUSECOOPERS ("PwC")				
During the financial year, the auditor of the Bank, PwC, and its related practices earned the following remuneration:				
PwC – Australian firm				
Audit and review of financial reports of the Bank or any entity in the economic entity	1,699	1,130	1,465	864
Other audit-related work	309	510	235	447
Other assurance services	215	82	51	82
Total audit and other assurance services	2,223	1,722	1,751	1,393
Advisory services	748	482	592	482
Taxation	849	619	688	434
Total remuneration paid to PwC - Australian firm	3,820	2,823	3,031	2,309
Related practices of PwC – Australian firm (including PwC – overseas firms)				
Audit and review of financial reports of the Bank or any entity in the economic entity	1,206	966	-	-
Other audit-related work	154	142	-	-
Other assurance services	170	290	-	-
Total audit and other assurance services	1,530	1,398	-	-
Advisory services	537	-	-	-
Taxation	1,417	1,625	-	-
Total remuneration paid to related practices of PwC - Australian firm	3,484	3,023	-	-
Total remuneration paid to PwC	7,304	5,846	3,031	2,309

Use of PwC's services on other than audit and assurance engagements is restricted in accordance with the Bank's Auditor Independence policy. These assignments are principally tax compliance and agreed upon assurance procedures in relation to acquisitions.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS AS AT 31 MARCH 2004

45. ACQUISITION AND DISPOSAL OF CONTROLLED ENTITIES

Entities acquired or consolidated due to change in control:

a) South East Water plc

On 1 October 2003, a controlled entity of the Bank acquired 100% of the issued capital of Saur Water Services plc and Pipeway Limited, the chief entities of South East Water plc and its affiliated businesses (collectively "SEW") for a cost of \$948 million excluding transaction costs.

b) Arlanda Express

On 15 January 2004, a controlled entity of the Bank acquired 100% of the shares in A-Train AB and A-Train Invest AB (together "A-Train") which operates the Arlanda Express, for a total consideration of \$71 million.

The operating results of SEW and Arlanda have been included in the Statement of Financial Performance from their respective dates of acquisition.

c) Acquisition of ING Asian Equities Business

On 8 March 2004, the Bank signed a sale and purchase agreement ("SPA") with ING Bank N.V. to acquire 100% of the ING Asian cash equity sales, sales trading, facilitation trading, execution, research and equity capital markets businesses including some corporate vehicles ("ING Asian Equities Business"). Under the terms of the SPA, the Bank obtained an economic interest in the ING Asian Equities Business that required the consolidation of the business from the SPA signing date. Therefore, the operating results of the ING Asian Equities Business have been included in the Statement of Financial Performance from that date. The completion date of the transaction will not be earlier than 31 May 2004.

ING International Holdings Limited was purchased for an estimated cost of \$145 million excluding transaction costs. The purchase consideration has been recorded as a payable in the Statement of Financial Position at 31 March 2004.

Aggregate details of the acquisitions are as follows:

	2004	2003
	\$M	\$M
Fair value of net assets acquired		
Cash and other financial assets	1,484	63
Fixed assets	1,823	527
Intangible assets	4	405
Payables and provisions	(1,949)	(145)
Borrowings	(198)	(517)
Total fair value of net assets acquired	1,164	333
Purchase consideration		
Cash consideration	1,019	313
Deferred consideration	145	20
Total purchase consideration	1,164	333
Reconciliation of cash movement		
Cash consideration	(1,019)	(313)
Less: cash acquired	319	17
Total cash outflow	(700)	(296)

The prior year comparatives relate to the acquisition of Broadcast Australia Pty Ltd.

MACQUARIE BANK LIMITED
and its controlled entities

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2004**

MACQUARIE BANK LIMITED
and its controlled entities

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2004

45. ACQUISITION AND DISPOSAL OF CONTROLLED ENTITIES (CONT.)

Entities disposed of or deconsolidated due to change in control:

a) Macquarie Transmission Alberta Limited and Macquarie Essential Assets Partnership

On 16 May 2003, Macquarie Transmission Alberta Limited ("MTAL") and Macquarie Essential Assets Partnership ("MEAP") ceased to be controlled entities of the Bank following the issue of new units in MEAP to non-related entities. The Bank has retained a holding of 5 million units in MEAP, which represents 20.03% of the units on issue.

b) ntl Telecommunications Pty Limited

On 8 September 2003, a subsidiary of the Bank sold its 51 % interest in ntl Telecommunications Pty Limited for a cash consideration of \$16.5 million.

The operating results of these entities have been deconsolidated from the Statement of Financial Performance from their respective dates of lost control.

Aggregate details of the disposal are as follows:

	2004	2003
	\$M	\$M
Carrying value of assets and liabilities deconsolidated		
Cash and other financial assets	35	61
Fixed assets	12	492
Intangible assets	-	418
Payables and provisions	(21)	(104)
Borrowings	(24)	(921)
Total carrying value of assets and liabilities deconsolidated	2	(54)
Reconciliation of cash movement		
Cash received*	41	-
Less:		
Investment retained	(5)	-
Cash deconsolidated	(4)	(17)
Total cash inflow/(outflow)	32	(17)

* Cash received includes the repayment of intercompany debt.

The prior year comparatives relate to the deconsolidation of Broadcast Australia Pty Ltd.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS AS AT 31 MARCH 2004

45. ACQUISITION AND DISPOSAL OF CONTROLLED ENTITIES (CONT.)

Employee defined benefit pension schemes for entities acquired:

a) SAUR Water Services PLC Pension Scheme

All employees of South East Water are entitled to benefits on retirement, disability or death from the SAUR Water Services PLC Pension Scheme. This fund provides defined lump sum benefits based on years of service and final average salary.

Actuarial assessments of the Fund are made at no more than three yearly intervals, and the last such assessment was made as at 30 September 2003. Information relating to the Fund based on the latest actuarial assessment and the financial report of the Fund for the year ended 31 March 2004 is set out below:

	2004
	\$M
Present value of employees' accrued benefits	259
Net market value of assets held by the Fund to meet future benefit payments	194
Excess of the present value of employees' accrued benefits over assets held to meet future benefit payments	65
Vested benefits	259
Employer contributions to the Fund	2
Movement in pension liability	-
Defined benefit pension expense	2

The above amounts were measured as at 30 September 2003.

A liability for the pension scheme deficiency was recognised at the date of acquisition.

46. EVENTS OCCURRING AFTER REPORTING DATE

On 8 April 2004, the Bank announced that the Macquarie European Infrastructure Fund ("MEIF"), its first pan-European dedicated infrastructure fund, had achieved first closing with total initial commitments of \$670 million from leading institutional investors.

An interest in the UK water utility, South East Water ("SEW") and Arlanda Express, will comprise the seed assets of MEIF. MEIF has acquired the Bank's 100% interest in Arlanda Express. The Bank also sold 50.1% of its interest in SEW to MEIF.

As a result of these transactions, the Bank ceased to control SEW and Arlanda Express subsequent to reporting date.

There will be no significant impact on the financial performance of the Bank as a result of the loss of sales revenue generated by these entities.

MACQUARIE BANK LIMITED
and its controlled entities

DIRECTORS' DECLARATION

The Directors declare that the financial statements and notes set out on pages 3 to 71:

- (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 Bank's and consolidated entity's financial position as at 31 March 2004 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

In the Directors' opinion:

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

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

D.S. Clarke
Director

A.E. Moss
Director

Sydney
17 May 2004

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF MACQUARIE BANK LIMITED

Audit opinion

In our opinion, the financial report of Macquarie Bank Limited:

- gives a true and fair view, as required by the Corporations Act 2001 in Australia, of the financial position of Macquarie Bank Limited and the Macquarie Bank Limited Group as at 31 March 2004 and of their performance for the year ended on that date, and
- is presented in accordance with the Corporations Act 2001, Accounting Standards and other mandatory professional reporting requirements in Australia, and the Corporations Regulations 2001.

This opinion must be read in conjunction with the rest of our audit report.

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Macquarie Bank Limited (the company) and the Macquarie Bank Limited Group (the consolidated entity), for the year ended 31 March 2004. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

When this audit report is included in an Annual Report, our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

PricewaterhouseCoopers

Chartered Accountants

I.L. Hammond
Partner

Sydney
17 May 2004

MACQUARIE BANK LIMITED
and its controlled entities
FINANCIAL SUMMARY SINCE LISTING*

Financial year ended 31 March	1996	1997	1998	1999	2000	2001	2002	2003	2004
Financial performance (\$ million)									
Total income from ordinary activities	435	530	665	815	1,186	1,472	1,600	1,890	2,465
Total expenses from ordinary activities	336	392	498	597	885	1,147	1,245	1,430	1,780
Profit from ordinary activities before income tax	99	138	167	218	301	325	355	460	685
Income tax expense	6	21	26	53	79	53	76	96	161
Profit from ordinary activities	93	117	141	165	222	272	279	364	524
Outside equity interest	-	-	-	-	-	(1)	-	3	3
Macquarie Income Securities distributions	-	-	-	-	12	31	29	28	27
Profit from ordinary activities after income tax attributable to ordinary equity holders	93	117	141	165	210	242	250	333	494
Financial position (\$ million)									
Total assets	5,174	6,142	7,929	9,456	23,389	27,848	30,234	32,462	43,771
Total liabilities	4,746	5,642	7,348	8,805	22,154	26,510	27,817	29,877	40,938
Net assets	428	500	581	651	1,235	1,338	2,417	2,585	2,833
Risk weighted assets	4,030	4,686	4,967	4,987	8,511	9,860	10,651	10,030	13,361
Total loan assets	2,688	2,682	3,158	4,002	6,518	7,785	9,209	9,839	10,777
Impaired assets (net of provisions)	57	46	12	44	23	31	49	16	61
Share information									
Cash dividends per share (cents per share)									
Interim	-	18	21	30	34	41	41	41	52
Final (a)	34.7 (b)	25	30	38	52	52	52	52	70
Special	-	-	-	-	-	-	-	50	-
Total	34.7 (b)	43	51	68	86	93	93	143	122
Basic earnings per share (cents per share)	61.0 (b)	74.89	88.09	101.33	124.33	138.88	132.83	164.84	233.02
Share price at 31 March (\$)	5.78 (b)	8.50	14.35	19.10	26.40	27.63	33.26	24.70	35.80
Ordinary share capital (million shares) (c)	138.7	151.4	157.6	161.1	171.2	175.9	198.5	204.5	215.9
Market capitalisation at 31 March (fully paid ordinary shares) (\$ million)	832 (d)	1,287	2,262	3,077	4,520	4,860	6,602	5,051	7,729
Ratios									
Return on average ordinary shareholders' funds	23.1%	25.5%	26.1%	26.8%	28.1%	27.1%	18.7%	18.7%	22.3%
Payout ratio (excluding special dividend)	61.0%	60.5%	57.9%	67.2%	70.0%	67.5%	73.6%	56.8%	53.2%
Tier 1 ratio	11.8%	12.9%	11.7%	13.0%	14.5%	12.9%	17.8%	19.0%	16.2%
Capital adequacy ratio	15.4%	13.2%	16.4%	17.3%	18.4%	16.0%	19.4%	21.4%	19.9%
Impaired assets as % of loan assets	2.3%	1.7%	0.4%	1.1%	0.3%	0.4%	0.5%	0.2%	0.6%
Net loan losses as % of loan assets	0.0%	0.0%	0.0%	0.1%	0.1%	0.1%	0.2%	0.0%	0.3%
Assets under management (\$billion) (e)									
Listed	0.6	1.1	1.6	3.0	4.2	6.9	11.8	18.0	21.5
Unlisted									
Retail	5.6	7.2	9.0	9.8	9.6	10.6	11.7	12.4	13.4
Wholesale	7.6	8.6	10.8	10.0	12.5	13.4	17.8	21.9	27.7
Total	13.8	16.9	21.4	22.8	26.3	30.9	41.3	52.3	62.6
Staff numbers (f)	1,732	1,965	2,474	3,119	4,070	4,467	4,726	4,802	5,716

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

- (a) The 31 March 2004 final dividend is not included in the financial report in accordance with AASB 1044 “Provisions, Contingent Liabilities and Contingent Assets”. This accounting standard requires that provisions for dividends not be recognised until the dividend has been declared or publicly recommended by the Directors.*
- (b) Adjusted for June 1996 issue.*
- (c) Number of fully paid ordinary shares at 31 March, excluding options and partly paid shares.*
- (d) Based on unadjusted share price of \$6.00.*
- (e) This reflects the closing consolidated total assets of all Macquarie managed funds.*
- (f) Includes both permanent staff (full time, part time and fixed term) and contractors (including consultants and secondees).*