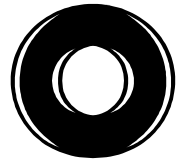


MACQUARIE BANK LIMITED

A.B.N. 46 008 583 542

2004 Interim Directors' report and financial report

Half-year ended 30 September 2003



MACQUARIE
BANK

MACQUARIE BANK LIMITED
and its controlled entities

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MACQUARIE BANK LIMITED*and its controlled entities***DIRECTORS' REPORT
FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2003**

In accordance with a resolution of the Voting Directors ("the Directors") of Macquarie Bank Limited ("the Bank"), the Directors submit herewith the Statement of Financial Position as at 30 September 2003, the Statement of Financial Performance and Statement of Cash Flows of the Bank and its controlled entities (together "the economic entity") for the half-year ended on that date ("the period") and report as follows.

DIRECTORS

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

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

L.G. Cox, AO

Independent Non-Executive Directors:*

J.G. Allpass

P.M. Kirby

B.R. Martin

H.K. McCann

J.R. Niland, AC

H.M. Nugent

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

The above Directors each held office as a Director of the Bank throughout the period and up until the date of this report with the exception of Mr P.M. Kirby, who was appointed as an Independent Non-Executive Director of the Bank on 28 June 2003.

RESULT

The consolidated profit from ordinary activities after income tax attributable to ordinary equity holders for the period was \$242 million (2002: \$183 million).

DIVIDENDS AND DISTRIBUTIONS

The Bank paid, provided or declared dividends and distributions during the period and up until the date of this report as set out in the table below:

Security	Payment date	Payment type	\$M	In respect of year ended/period	
Ordinary shares	2 July 2003	Final	106	31 March 2003	Paid
	2 July 2003	Special	102	31 March 2003	Paid
	19 December 2003	Interim	112	31 March 2004	Declared
Macquarie Income Securities	15 April 2003	Periodic	6	15 January to 14 April 2003	Paid
	15 July 2003	Periodic	7	15 April to 14 July 2003	Paid
	15 October 2003	Periodic	6	15 July to 14 October 2003	Paid
Converting Preference Shares	16 June 2003	Periodic	5	16 December 2002 to 15 June 2003	Paid
	25 September 2003	Final	3	16 June to 25 September 2003	Paid

MACQUARIE BANK LIMITED
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DIRECTORS' REPORT
FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2003

REVIEW OF OPERATIONS

For the half year ended 30 September 2003, Macquarie Bank Limited achieved a record half year result with a net profit after income tax attributable to ordinary equity holders of \$242 million. This was up 61% on the prior period and 32% on the prior corresponding period.

Total income from ordinary activities increased to \$1,176 million, an increase of 38% on the prior period and 13% on the prior corresponding period. Total expenses from ordinary activities increased to \$840 million. This was 28% up on the prior period and 9% up on the prior corresponding period. Basic earnings per share (EPS) has increased to 116.2 cents, 58% up on the prior period and 27% on the prior corresponding period.

ROUNDING OF AMOUNTS

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

D.S. Clarke, Director

A.E. Moss, Director

Sydney
12 November 2003

MACQUARIE BANK LIMITED
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CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE
FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2003

	Notes	Half-year to 30 Sept. 2003 \$M	Half-year to 31 Mar. 2003 \$M	Half-year to 30 Sept. 2002 \$M
Interest income	3	551	549	525
Interest expense	3	(408)	(407)	(420)
Net interest income		143	142	105
Fee and commission income	3	844	576	794
Fee and commission expense	3	(139)	(122)	(132)
Net fee and commission income		705	454	662
Trading income	3	225	182	220
Other income	3	126	66	128
Other expenses	3	(23)	7	(76)
Total income from ordinary activities		1,176	851	1,039
Employment expenses	3	(617)	(449)	(521)
Occupancy expenses	3	(45)	(47)	(45)
Non-salary technology expenses	3	(45)	(41)	(43)
Professional fees, travel and communication expenses	3	(66)	(64)	(65)
Other operating expenses	3	(67)	(55)	(100)
Total expenses from ordinary activities		(840)	(656)	(774)
Profit from ordinary activities before income tax		336	195	265
Income tax expense	5	(78)	(29)	(67)
Profit from ordinary activities after income tax		258	166	198
Profit from ordinary activities after income tax attributable to outside equity interests		(3)	(2)	(1)
Profit from ordinary activities after income tax attributable to equity holders of Macquarie Bank Limited*		255	164	197
Distributions paid or provided on Macquarie Income Securities	6	(13)	(14)	(14)
Profit from ordinary activities after income tax attributable to ordinary equity holders of Macquarie Bank Limited		242	150	183
			Cents per share	
Basic earnings per share	7	116.2	73.7	91.3
Diluted earnings per share	7	114.4	73.7	89.4

* There were no valuation adjustments recognised directly in equity

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

MACQUARIE BANK LIMITED
and its controlled entities

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2003

	Notes	As at 30 Sept. 2003 \$M	As at 31 Mar. 2003 \$M	As at 30 Sept. 2002 \$M
Assets				
Cash and liquid assets		691	311	360
Securities purchased under resale agreements		6,747	5,155	2,895
Trading assets	8	5,150	4,780	5,513
Other securities	9	2,583	2,181	2,288
Loan assets	10	10,914	9,839	11,031
Other financial market assets		5,434	5,309	5,550
Other financial assets		2,108	1,828	1,795
Life insurance investment assets		2,693	2,516	2,473
Equity investments		114	130	115
Investments in associates and incorporated joint ventures		134	142	109
Fixed assets		117	125	133
Tax assets		117	146	213
Total assets		36,802	32,462	32,475
Liabilities				
Due to other financial institutions		700	517	627
Securities sold under repurchase agreements		3,941	2,221	2,409
Securities borrowed		3,275	2,381	1,092
Deposits		3,876	3,966	4,466
Notes payable	12	11,120	10,069	11,412
Other financial market liabilities		4,830	4,718	4,711
Tax liabilities		38	18	42
Other liabilities		2,292	2,665	2,017
Life insurance policy liabilities		2,483	2,456	2,429
Provisions for dividends and distributions		5	213	89
Deferred tax liabilities		28	30	119
Other provisions		68	67	68
Total liabilities excluding loan capital		32,656	29,321	29,481
Loan capital				
Subordinated debt		805	406	242
Converting Preference Shares		-	150	150
Total liabilities		33,461	29,877	29,873
Net assets		3,341	2,585	2,602
Equity				
Contributed equity				
Ordinary share capital	13	1,465	1,137	1,096
Macquarie Income Securities	13	391	391	391
Retained earnings	14	901	659	717
Total equity attributable to equity holders of Macquarie Bank Limited		2,757	2,187	2,204
Outside equity interests in controlled entities	14	584	398	398
Total equity		3,341	2,585	2,602

The consolidated statement of financial position should be read in conjunction with the accompanying notes.

MACQUARIE BANK LIMITED
and its controlled entities

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2003**

	Notes	Half-year to 30 Sept. 2003 \$M	Half-year to 31 Mar. 2003 \$M	Half-year to 30 Sept. 2002 \$M
Cash flows from operating activities				
Interest received		559	490	593
Interest and other costs of finance paid		(444)	(367)	(489)
Fees and other non-interest income received		700	619	675
Fees and commissions paid		(132)	(130)	(127)
Life insurance investment income		32	56	49
Life insurance premiums received		718	753	957
Life insurance policy payments		(776)	(770)	(980)
Net receipts from dealing in financial instruments		372	734	379
Dividends and distributions received		95	50	40
Payments to suppliers		(392)	(407)	(34)
Employment expenses paid		(645)	(296)	(570)
Income taxes refunded/paid		11	(134)	(63)
Broadcast Australia – net receipts from operations		-	-	17
Net cash flows from operating activities		98	598	447
Cash flows from investing activities				
Loan assets granted		(3,310)	(554)	(4,120)
Proceeds from securitisation of loan assets		2,395	1,905	2,502
Recovery of loans previously written-off		4	-	1
Payments for other securities		(510)	(320)	(417)
Proceeds from the realisation of other securities		13	194	104
Payments for life insurance investments		(2,528)	(2,579)	(3,302)
Proceeds from the sale of life insurance investments		2,780	2,541	3,306
Payments for equity investments		(46)	(64)	(45)
Proceeds from the sale of equity investments		59	6	7
Proceeds on the sale of controlled entities	17	37	-	-
Payment for purchase of controlled entities		-	-	(296)
Broadcast Australia cash deconsolidated	17	-	-	(17)
Payments for fixed assets		(23)	(18)	(22)
Proceeds from the sale of fixed assets		2	1	1
Net cash flows from investing activities		(1,127)	1,112	(2,298)
Cash flows from financing activities				
Net increase/decrease in money market and other deposit accounts		970	(1,887)	1,855
Issue of subordinated debt		479	225	-
Repayment of subordinated debt		(70)	(50)	-
Broadcast Australia – net proceeds from borrowing		-	-	137
Proceeds from the issue of ordinary share capital		84	13	34
Dividends and distributions paid		(115)	(72)	(69)
Proceeds from outside equity interest		2	-	1
Net cash flows from financing activities		1,350	(1,771)	1,958
Net increase/decrease in cash held		321	(61)	107
Cash at the beginning of the period		289	350	243
Cash at the end of the period		610	289	350

The consolidated statement of cash flows should be read in conjunction with the accompanying notes.

MACQUARIE BANK LIMITED
and its controlled entities

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 30 SEPTEMBER 2003**

1. BASIS OF PREPARATION

This general purpose financial report for the half-year ended 30 September 2003 (“the period”) has been prepared in accordance with Accounting Standard AASB 1029 “Interim Financial Reporting”, other mandatory professional reporting requirements (Urgent Issues Group Consensus Views), other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

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

The interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, it is recommended that this financial report be read in conjunction with the 31 March 2003 annual review and financial report of the economic entity and any public announcements made by the Bank during the period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

The accounting policies are consistent with those of the previous financial year and corresponding periods, unless otherwise stated. Where necessary, comparative figures have been adjusted to conform with changes in presentation at 30 September 2003.

Change in accounting policy

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 periods 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 30 September 2003 for the Bank’s 2004 interim 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

	Half-year to 30 Sept. 2003 \$M	Half-year to 31 Mar. 2003 \$M	Half-year to 30 Sept. 2002 \$M
Provision for Ordinary Dividends			
Previously reported balance at the end of the financial period	-	208	83
Adjustment for change in accounting policy	-	(208)	(83)
Restated balance at the end of the financial period	-	-	-
Retained Earnings			
Previously reported balance at the end of the financial period	901	659	717
Adjustment for change in accounting policy	-	208	83
Restated balance at the end of the financial period	901	867	800

MACQUARIE BANK LIMITED

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 30 SEPTEMBER 2003

	Half-year to 30 Sept. 2003 \$M	Half-year to 31 Mar. 2003 \$M	Half-year to 30 Sept. 2002 \$M
2. OPERATING REVENUE			
Interest income	551	549	525
Fee and commission income	960	627	741
Trading income	225	182	220
Proceeds from the sale of other securities and equity investments	72	200	111
Other income (excluding profit from the sale of other securities and equity investments)	82	38	125
Total operating revenue	1,890	1,596	1,722
3. PROFIT FROM ORDINARY ACTIVITIES			
Interest income			
Interest income	551	549	525
Interest expense	(408)	(407)	(420)
Total net interest income	143	142	105
Fee and commission income			
Fee and commission income	830	562	780
Fee and commission expense	(139)	(122)	(132)
Income from life insurance business			
- investment revenue and management fees	130	65	(39)
- life insurance claims and changes in policy liabilities	(112)	(48)	56
- direct fees	(4)	(3)	(3)
Net fee and commission income	705	454	662
Trading income			
Equities	108	75	75
Commodities	37	46	70
Foreign exchange products	57	45	53
Interest rate products	23	16	22
Total trading income	225	182	220

MACQUARIE BANK LIMITED
and its controlled entities

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 30 SEPTEMBER 2003

	Half-year to 30 Sept. 2003 \$M	Half-year to 31 Mar. 2003 \$M	Half-year to 30 Sept. 2002 \$M
3. PROFIT FROM ORDINARY ACTIVITIES (CONT'D)			
Other income			
Proceeds from the sale of other securities and equity investments	72	200	111
Less carrying value of other securities and equity investments	(26)	(172)	(108)
Profit on the sale of other securities and equity investments	46	28	3
Gain on disposal of controlled entities	15	-	54
Share of net profits of associates and incorporated joint ventures accounted for using the equity method	15	5	(5)
Dividends and distributions received/receivable from other securities and equity investments	20	14	16
Life insurance income earned on shareholders' funds	4	5	3
Broadcast Australia – transmission income	-	-	49
Other income	26	14	8
Total other income	126	66	128
Provision for diminution of equity investments – written back/(provided)	17	5	(67)
General provision for credit losses (refer Note 10)	(11)	9	(5)
Specific provisions			
- provided for during the period (refer Note 10)	(16)	(3)	(6)
- recovery of loans previously provided for (refer Note 10)	3	7	3
- loan losses written-off	-	(1)	(1)
- recovery of loans previously written-off	1	-	1
Total net charge for provisions	(6)	17	(75)
Other expenses	(17)	(10)	(1)
Total other expenses	(23)	7	(76)
Net other income	103	73	52
Total income from ordinary activities	1,176	851	1,039

MACQUARIE BANK LIMITED
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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 30 SEPTEMBER 2003

	Half-year to 30 Sept. 2003 \$M	Half-year to 31 Mar. 2003 \$M	Half-year to 30 Sept. 2002 \$M
3. PROFIT FROM ORDINARY ACTIVITIES (CONT'D)			
Employment expenses			
Salary, salary-related costs, superannuation, performance-related profit share and staff training	(609)	(451)	(510)
Provision for annual leave	(5)	3	(6)
Provision for long service leave	(3)	(1)	(2)
Broadcast Australia – employment expenses	-	-	(3)
Total employment expenses	(617)	(449)	(521)
Occupancy expenses			
Operating lease rental	(34)	(32)	(34)
Depreciation: furniture, fittings and leasehold improvements	(6)	(8)	(7)
Other occupancy expenses	(5)	(7)	(4)
Total occupancy expenses	(45)	(47)	(45)
Non-salary technology expenses			
Information services	(15)	(16)	(16)
Depreciation: computer equipment and software	(17)	(15)	(16)
Other non-salary technology expenses	(13)	(10)	(11)
Total non-salary technology expenses	(45)	(41)	(43)
Professional fees, travel and communication expenses			
Professional fees	(35)	(33)	(34)
Auditors' remuneration	(3)	(3)	(3)
Travel expenses	(17)	(18)	(18)
Communication expenses	(9)	(8)	(8)
Depreciation: communication equipment	(2)	(2)	(2)
Total professional fees, travel and communication expenses	(66)	(64)	(65)
Other operating expenses			
Other operating expenses	(67)	(55)	(47)
Broadcast Australia – other operating expenses	-	-	(53)
Total other operating expenses	(67)	(55)	(100)
Total expenses from ordinary activities	(840)	(656)	(774)

MACQUARIE BANK LIMITED
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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 30 SEPTEMBER 2003

4. SEGMENT INFORMATION

Segment revenues and profits are those that are directly attributable to a segment or the relevant portion that can be allocated to a segment on a reasonable basis.

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

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 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
30 September 2003					
Total revenue from ordinary activities	582	486	381	441	1,890
Total income from ordinary activities	397	273	339	167	1,176
Profit from ordinary activities after income tax	90	71	69	28	258
31 March 2003					
Total revenue from ordinary activities	351	418	442	385	1,596
Total income from ordinary activities	206	196	301	148	851
Profit from ordinary activities after income tax	25	43	61	37	166
30 September 2002					
Total revenue from ordinary activities	323	465	552	382	1,722
Total income from ordinary activities	298	230	363	148	1,039
Profit from ordinary activities after income tax	57	54	57	30	198

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 30 SEPTEMBER 2003**

5. INCOME TAX EXPENSE

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

	Half-year to 30 Sept. 2003	Half-year to 31 Mar. 2003	Half-year to 30 Sept. 2002
	\$M	\$M	\$M
Income tax expense on profit from ordinary activities*	(101)	(58)	(80)
Add/(deduct) tax effect of permanent differences:			
Recoupment of group tax losses	-	14	4
Rate differential on offshore income	13	7	6
Distribution paid/provided on Macquarie Income Securities	4	4	4
Net effect of different tax rates for life insurance business	2	1	2
Dividend paid/provided on Converting Preference Shares	(2)	(2)	(2)
Other items	6	5	(1)
	23	29	13
Total income tax expense	(78)	(29)	(67)

* Prima facie income tax on profit from ordinary activities is calculated at the rate of 30% (2002: 30%).

The economic entity has a tax year ending on 30 September.

From 1 October 2002, pursuant to a resolution of the Bank, the Consolidated Entity's Australian tax liabilities are determined pursuant to tax consolidation legislation. All 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 subject to income tax and will not recognise any tax balances. Under the terms and conditions of a tax contribution 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 economic entity is currently subject to an audit by the Australian Taxation Office ("ATO"). Some amended assessments have been issued by the ATO for the 1988 to 1993 years. Other issues of potential taxation liability have been raised but have not yet been subject to the issue of amended assessments. Objections have been lodged in respect of the amended assessments and the other issues of alleged liability are also disputed. 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.

The ATO is also reviewing the interests held by the economic entity in research and development syndicates. Amended assessments have been issued in relation to one of these syndicates, against which objections were lodged and subsequently upheld in the Administrative Appeals Tribunal ("AAT"). The ATO lodged an appeal against the AAT decision with the Federal Court, which remitted certain aspects of the matter to the AAT for further consideration. 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 the Macquarie Income Securities, a public ruling has been issued by the ATO suggesting that deductions for distributions on this type of security may not be available. The Bank has received independent legal advice confirming that deductions are available for the distributions provided. An objection has been lodged and has been disallowed. An appeal has been made to the Federal Court.

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

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 30 SEPTEMBER 2003**

	Half-year to 30 Sept. 2003 \$M	Half-year to 31 Mar. 2003 \$M	Half-year to 30 Sept. 2002 \$M
6. DIVIDENDS AND DISTRIBUTIONS PAID OR PROVIDED			
Ordinary share capital			
Interim (Nil (2002: 41) cents per share)	-	-	83
Final (52 (2002: 52) cents per share)	-	106	-
Special (50 (2002: Nil) cents per share)	-	102	-
Total dividends provided	-	208	83

The interim ordinary dividend for the financial year ended 31 March 2003 was 85% franked at the 30% corporate tax rate. The final ordinary dividend for the financial year ended 31 March 2003 was fully franked at 30%. The special ordinary dividend provided as at 31 March 2003 was fully franked at 30%.

On 12 November 2003, the Directors declared an interim dividend for the financial year ending 31 March 2004 of 52 cents per share, 90% franked at 30%. The aggregate amount of the proposed dividend expected to be paid on 19 December 2003 out of retained earnings as at 30 September 2003 but not recognised as a liability as at that date is \$112 million. This amount has been calculated based on the number of shares eligible to participate as at the declaration date.

On 8 May 2002, the Directors resolved that they would activate the Dividend Reinvestment Plan ("the DRP") effective for dividends to be paid after that date. The DRP is optional and offers ordinary shareholders in Australia and New Zealand the opportunity to acquire fully paid ordinary shares, without transaction costs. A shareholder can elect to participate in or terminate their involvement in the DRP at any time. Details of the fully paid ordinary shares issued pursuant to the DRP are included in Note 13 – Contributed equity.

Converting Preference Shares

Dividends on these shares of \$5.4 million (2002: \$5.5 million) have been charged to the Statement of Financial Performance as interest expense in accordance with AASB 1033 "Presentation and Disclosure of Financial Instruments".

The 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 Income Securities

Distributions paid (net of distributions previously provided)	8	9	8
Distributions provided	5	5	6
Total distributions paid or provided	13	14	14

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

MACQUARIE BANK LIMITED
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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 30 SEPTEMBER 2003

	Half-year to 30 Sept. 2003 \$M	Half-year to 31 Mar. 2003 \$M	Half-year to 30 Sept. 2002 \$M
7. EARNINGS PER SHARE			
	Cents per share		
Basic earnings per share	116.2	73.7	91.3
Diluted earnings per share	114.4	73.7	89.4
Reconciliation of earnings used in the calculation of basic earnings per share			
Profit from ordinary activities after income tax	258	166	198
Profit from ordinary activities after income tax attributable to outside equity interests	(3)	(2)	(1)
Distributions paid or provided on Macquarie Income Securities	(13)	(14)	(14)
Total earnings used in the calculation of basic earnings per share	242	150	183
Reconciliation of earnings used in the calculation of diluted earnings per share			
Earnings used in calculating basic earnings per share	242	150	183
Interest saving from conversion of Converting Preference Shares	5	6	5
Other non-discretionary changes in earnings arising from dilutive potential ordinary shares	-	-	1
Total earnings used in the calculation of diluted earnings per share	247	156	189
	Number of shares		
Total weighted average number of ordinary shares used in the calculation of basic earnings per share	208,287,427	203,537,583	200,400,414
Weighted average number of shares used in the calculation of diluted earnings per share			
Fully paid ordinary shares	208,287,427	203,537,583	200,400,414
Options	2,872,425	1,626,356	4,081,665
Converting Preference Shares	4,698,059	6,500,662	6,895,210
Total weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share	215,857,911	211,664,601	211,377,289

Comparative figures have been adjusted to conform with revisions to AASB 1027 "Earnings per Share" which was first applicable for the financial report in respect of the financial year ended 31 March 2003.

MACQUARIE BANK LIMITED
and its controlled entities

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 30 SEPTEMBER 2003

	As at 30 Sept. 2003 \$M	As at 31 Mar. 2003 \$M	As at 30 Sept. 2002 \$M
8. TRADING ASSETS			
Trading securities			
Listed equity securities	2,549	1,535	1,760
Certificates of deposit	775	1,071	678
Debt securities	1,084	1,061	1,266
Other government securities	443	485	579
Commonwealth government bonds	34	355	667
Bank bills	191	213	316
Foreign OECD government securities	37	8	24
Other non-OECD government securities	12	-	-
Treasury notes	-	-	150
Total trading securities	5,125	4,728	5,440
Other trading assets			
Bullion – allocated	25	52	73
Total other trading assets	25	52	73
Total trading assets	5,150	4,780	5,513
9. OTHER SECURITIES			
Listed			
Shares and units in unit trusts at cost	261	75	9
Less provision for diminution	(27)	(42)	(9)
Shares and units in units trusts at recoverable amount	234	33	-
Shares and units in unit trusts at cost	122	131	150
Total listed other securities	356	164	150
Unlisted			
Shares and units in unit trusts at cost	59	4	4
Less provision for diminution	(3)	(1)	-
Shares and units in units trusts at recoverable amount	56	3	4
Shares and units in unit trusts at cost	142	172	237
Debt investment securities	2,029	1,842	1,897
Total unlisted other securities	2,227	2,017	2,138
Total other securities	2,583	2,181	2,288

The market value of certain listed units held at 30 September 2003 was \$598 million (2002: \$266 million), as compared to a book value of \$288 million (2002: \$222 million).

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 30 SEPTEMBER 2003

	As at 30 Sept. 2003 \$M	As at 31 Mar. 2003 \$M	As at 30 Sept. 2002 \$M
10. LOAN ASSETS			
Due from other financial institutions			
Loans and advances	2,581	1,769	2,074
Lease receivables	7	10	12
Total due from other financial institutions	2,588	1,779	2,086
Due from governments*			
Lease receivables	599	602	574
Loans and advances	66	76	95
Total due from governments	665	678	669
Due from other entities			
Other loans and advances	6,928	6,759	7,749
Less specific provisions	(29)	(14)	(23)
	6,899	6,745	7,726
Lease receivables	828	692	614
Total due from other entities	7,727	7,437	8,340
Total gross loan assets	10,980	9,894	11,095
Less general provision for credit losses	(66)	(55)	(64)
Total loan assets	10,914	9,839	11,031

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

Specific provisions

Balance at the beginning of the period	14	23	22
Provided during the period	16	3	6
Transfer from other provisions & other items	4	-	-
Loan assets written off, previously provided for	(2)	(5)	(2)
Recovery of loans previously provided for	(3)	(7)	(3)
Total specific provisions	29	14	23

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

General provision for credit losses

Balance at the beginning of the period	55	64	59
Provided/(written back) during the period	11	(9)	5
Total general provision for credit losses	66	55	64

The general provision for credit losses is 0.55% (2002: 0.55%) of total risk-weighted exposures.

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

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 30 SEPTEMBER 2003

	As at 30 Sept. 2003 \$M	As at 31 Mar. 2003 \$M	As at 30 Sept. 2002 \$M
11. 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	-	-	8
Impaired derivative financial instruments without specific provisions for impairment	-	-	15
Non-accrual loans with specific provisions for impairment	41	30	60
Less specific provisions	(29)	(14)	(23)
Total non-accrual loans with specific provisions for impairment	12	16	37
Impaired derivative financial instruments with specific provisions for impairment	1	1	1
Less specific provisions	(1)	(1)	(1)
Total impaired derivative financial instruments with specific provisions for impairment	-	-	-
Total net impaired assets	12	16	60
Revenue foregone on impaired assets			
Interest	1	1	2
Total revenue foregone on impaired assets	1	1	2
Revenue recognised in respect of impaired assets was less than \$1 million for the half-years ended 30 September 2003, 31 March 2003 and 30 September 2002.			
12. NOTES PAYABLE			
Euro floating rate notes	2,347	3,743	3,516
Euro commercial paper	3,755	2,760	3,846
Negotiable certificates of deposit	2,518	2,191	2,840
US commercial paper	1,212	373	422
Domestic issued paper	275	257	489
Other notes	1,013	745	299
Total notes payable	11,120	10,069	11,412
Reconciliation of notes payable by major currency			
United States dollars	4,285	3,914	4,058
Australian dollars	3,271	2,671	3,325
Great British pounds	1,346	1,181	1,472
Hong Kong dollars	1,010	1,310	812
Euros	690	205	1,231
Japanese yen	470	788	502
Other currencies	48	-	12
Total notes payable by currency	11,120	10,069	11,412

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

MACQUARIE BANK LIMITED
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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 30 SEPTEMBER 2003**

	As at 30 Sept. 2003 \$M	As at 31 Mar. 2003 \$M	As at 30 Sept. 2002 \$M
13. CONTRIBUTED EQUITY			
Ordinary share capital			
Opening balance of 204,498,144 (2002:198,499,828) fully paid ordinary shares	1,137	1,096	1,012
Issue of 49,666 shares on 17 January 2003 pursuant to the Employee Share Plan at \$26.22 per share*	-	1	-
Issue of 1,679,485 shares on 2 July 2002 pursuant to the Dividend Reinvestment Plan ("DRP") at \$29.60 per share	-	-	50
Issue of 1,233,101 shares on 20 December 2002 pursuant to the DRP at \$22.86 per share	-	28	-
Issue of 3,908,671 shares on 2 July 2003 pursuant to the DRP at \$27.02 per share	106	-	-
Issue of 4,659,498 (2002: 2,353,790) shares on exercise of options	84	12	34
Issue of 4,857,315 shares on 25 September 2003 at \$30.88 per share following conversion of the Converting Preference Shares**	150	-	-
Balance of 217,923,628 fully paid ordinary shares before the on- market buy-back and cancellation of shares	1,477	1,137	1,096
On-market buy-back and cancellation of 356,143 shares***	(12)	-	-
Closing balance of 217,567,485 (2002: 202,533,103) fully paid ordinary shares	1,465	1,137	1,096
Macquarie Income Securities	391	391	391

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

** On 25 September 2003, the Bank exercised its right, under the Terms of Issue of the Converting Preference Shares ("CPS"), to convert all 1.5 million CPS on issue at that time to fully paid ordinary shares. Under the Terms of Issue, the Bank was entitled to convert the CPS to ordinary shares at any time between 15 June 2003 and 15 June 2004. The CPS were converted to ordinary shares at the rate of 3.24 ordinary shares for 1 CPS.

*** On 7 August 2003, the Bank advised that it would undertake an on-market buy-back and subsequent cancellation of the ordinary shares arising from the conversion of the CPS. The buy-back and cancellation have been approved by the Australian Prudential Regulation Authority. No external transaction costs have been incurred to date in respect of the buy-back. As at 12 November 2003, 1,809,511 shares had been bought-back and subsequently cancelled. The shares have been acquired to date at an average price of \$35.19. The buy-back commenced on 26 September 2003 and may continue until 6 August 2004.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 30 SEPTEMBER 2003

	As at 30 Sept. 2003 \$M	As at 31 Mar. 2003 \$M	As at 30 Sept. 2002 \$M
14. RETAINED EARNINGS AND OUTSIDE EQUITY INTERESTS			
Retained earnings			
Balance at the beginning of the period	659	717	617
Change in accounting policy for provision for dividends at 1 April 2003	208	-	-
Profit from ordinary activities after income tax attributable to ordinary equity holders of the Bank	242	150	183
Dividends paid on ordinary share capital	(208)	-	-
Dividends provided on ordinary share capital	-	(208)	(83)
Total retained earnings	901	659	717
Outside equity interests in controlled entities			
Ordinary share capital	12	7	6
Partnership capital	393	393	393
Units in Unit Trusts	181	-	-
Accumulated losses	(2)	(2)	(1)
Total outside equity interests in controlled entities	584	398	398
15. CONTINGENT LIABILITIES			
Contingent liabilities exist in respect of:			
Guarantees (a) (b)	132	113	506
Credit derivatives – purchased (c)	1,070	1,163	1,187
Underwriting facilities	602	614	263
Indemnities	219	244	233
Undrawn credit facilities	2,326	2,017	2,082
Undrawn credit facilities – revocable at any time	1,588	1,282	1,181
Other contingent liabilities (d)	39	33	119
Total contingent liabilities	5,976	5,466	5,571

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 statements. 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, is likely to have a material effect on its operations or financial position. Information regarding the ATO audit of the Bank and other matters is included in Note 5 – Income tax expense.

- (a) All external guarantees, other than those noted for Macquarie Investment Management Limited (“MIML”) in (b) below, and letters of credit are provided by the Bank. Included in external guarantees are guarantees backed by cash of \$13 million (2002: \$17 million).
- (b) MIML covenants that while it acts as the Responsible Entity of the Macquarie Cash Management Trust, unit holders in that trust will be paid upon redemption or repurchase of a unit issued prior to 28 April 1985, where the unit holder has continuously held units from 28 April 1985, not less than the sum of \$1.00: \$44 million (2002: \$51 million). At 31 March 2003 the audited financial report of the Macquarie Cash Management Trust discloses the value of units on issue and the income entitlement thereon aggregating \$8.9 billion (2002: \$8.4 billion) and assets aggregating to \$9.0 billion (2002: \$8.4 billion).
- (c) The bank purchases credit derivatives to mitigate credit risks arising from client exposures.
- (d) Other contingent liabilities includes letters of credit, written put options, performance related contingents and forward purchases.

MACQUARIE BANK LIMITED

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 30 SEPTEMBER 2003

	Half-year to 30 Sept. 2003			Half-year to 31 Mar. 2003			Half-year to 30 Sept. 2002		
	Av. balance \$M	Inc./(exp.) \$M	Av. rate %	Av. balance \$M	Inc./(exp.) \$M	Av. rate %	Av. balance \$M	Inc./(exp.) \$M	Av. rate %
16. AVERAGE STATEMENT OF FINANCIAL POSITION									
ASSETS									
Interest bearing assets									
Cash and liquid assets	53	1	4.5	83	2	4.1	61	1	3.2
Securities purchased under resale agreement	4,057	92	4.5	3,568	77	4.3	3,020	66	4.4
Trading assets	2,950	75	5.1	3,048	80	5.3	3,661	95	5.2
Other securities	2,092	35	3.3	1,895	30	3.2	1,658	26	3.1
Loan assets	9,674	318	6.6	10,294	325	6.3	9,780	312	6.4
Other financial assets	24	1	4.8	24	1	4.8	15		4.3
Total interest bearing assets	18,850	522		18,912	515		18,195	500	
Total non-interest bearing assets	15,379			14,359			13,766		
Total assets	34,229			33,271			31,961		
LIABILITIES									
Interest bearing liabilities									
Due to other financial institutions	932	(12)	2.6	973	(10)	2.1	1,250	(19)	3.1
Securities sold under repurchase agreements	2,598	(62)	4.7	1,866	(38)	4.1	1,543	(34)	4.4
Securities borrowed	872	(23)	5.2	616	(16)	5.3	1,168	(33)	5.6
Deposits	3,818	(74)	3.9	4,141	(79)	3.8	4,705	(91)	3.9
Notes payable	9,960	(183)	3.7	11,434	(215)	3.8	9,884	(192)	3.9
Other liabilities	668	(12)	3.7	487	(9)	3.8	503	(10)	3.9
Loan capital									
Subordinated debt	594	(12)	4.1	242	(6)	5.2	240	(7)	5.5
Converting Preference Shares	145	(5)	7.4	150	(6)	7.4	150	(5)	7.4
Total interest bearing liabilities	19,587	(383)		19,909	(379)		19,443	(391)	
Total non-interest bearing liabilities	11,765			10,739			10,007		
Total liabilities	31,352			30,648			29,450		
Net assets	2,877			2,623			2,511		
EQUITY									
Contributed equity									
Ordinary share capital	1,251			1,122			1,055		
Macquarie Income Securities	391			391			391		
Retained earnings	833			713 *			667 *		
Total equity attributable to equity holders of the Bank	2,475			2,226			2,113		
Outside equity interests in controlled entities	402			397			398		
Total equity	2,877			2,623			2,511		

* Average retained earnings would have been \$785 million at 31 March 2003 and \$733 million at 30 September 2002 if the accounting policy change with regards to the provision for dividends (refer Note 1) had always been applied.

Average interest income and expense in relation to assets and liabilities set off in the Statement of Financial Position in accordance with Accounting Standards are not included in the above analysis. Such interest and expense is shown gross in Note 3 – Profit from ordinary activities in accordance with the requirements of Accounting Standard AASB 1018 “Statement of Financial Performance”.

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 30 SEPTEMBER 2003**

17. ACQUISITION AND DISPOSAL OF CONTROLLED ENTITIES

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 MBL sold its 51 % interest in ntl Telecommunications Pty Ltd for a cash consideration of \$16.5 million.

Details of the disposal and deconsolidation are as follows:

	As at 30 Sept. 2003 \$M	As at 31 Mar. 2003 \$M	As at 30 Sept. 2002 \$M
MBL's carrying value of assets and liabilities disposed			
Cash and other financial assets	35	-	61
Fixed assets and other non-current assets	12	-	492
Intangible assets	-	-	418
Borrowings	(24)	-	(921)
Payables and provisions	(21)	-	(104)
Net carrying value of assets and liabilities disposed	2	-	(54)
Reconciliation of cash movement			
Cash received*	41	-	-
Less:			
Investment retained	(5)	-	-
Cash disposed	(4)	-	(17)
Net cash inflow	32	-	(17)

* Cash received includes repayment of intercompany debt

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

18. EVENTS OCCURRING AFTER REPORTING DATE

Acquisition of 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).

SEW was purchased for a cost of \$948 million (£386 million) excluding transaction costs. The cost included a payment for the equity of SEW of \$725 million (£295 million), and a repayment of existing debt owing to the vendor of \$223 million (£91 million). The purchase price was funded by a combination of debt and equity, of which the Bank contributed \$272 million (£111 million).

The fair value of the net identifiable assets of SEW at the date of acquisition was estimated at \$948 million.

The financial effects of this transaction have not been brought to account as at 30 September 2003. The operating results, assets and liabilities of SEW will be consolidated from 1 October 2003.

MACQUARIE BANK LIMITED
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DIRECTORS' DECLARATION

The Directors declare that the financial statements and notes set out on pages 5 to 22:

- (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) give a true and fair view of the economic entity's financial position as at 30 September 2003 and of its performance, as represented by the results of its operations and its cash flows, for the half-year ended on that date.

In the Directors' opinion:

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

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

D.S. Clarke, Director

A.E. Moss, Director

Sydney
12 November 2003

MACQUARIE BANK LIMITED
and its controlled entities

**INDEPENDENT REVIEW REPORT TO THE MEMBERS OF MACQUARIE BANK LIMITED
AS AT 30 SEPTEMBER 2003**

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of Macquarie Bank Limited:

- does not give a true and fair view, as required by the Corporations Act 2001 in Australia, of the financial position of Macquarie Bank Limited and its controlled entities (“the economic entity”) as at 30 September 2003 and of its performance for the half-year ended on that date, and
- is not presented in accordance with the Corporations Act 2001, Accounting Standard AASB 1029 “Interim Financial Reporting” and other mandatory financial reporting requirements in Australia, and the Corporations Regulations 2001.

This statement must be read in conjunction with the rest of our review 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 the economic entity, for the half-year ended 30 September 2003. The economic entity comprises both Macquarie Bank Limited (the Bank) and the entities it controlled during that half-year.

The Directors of the Bank 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.

Review approach

We conducted an independent review in order for the Bank to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements.

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

We formed our statement on the basis of the review procedures performed, which included:

- inquiries of Bank personnel, and
- analytical procedures applied to financial data.

When this review report is included in a document containing information in addition to the financial report, our procedures include reading the other information to determine whether it contains any material inconsistencies with the financial report.

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

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

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

Independence

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

PricewaterhouseCoopers

I.L. Hammond
Partner

Sydney