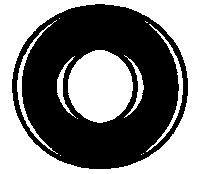


MACQUARIE BANK LIMITED

A.B.N. 46 008 583 542

Extracts from interim report

Half-year ended 30 September 2002



MACQUARIE
BANK

MACQUARIE BANK LIMITED
and its controlled entities

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MACQUARIE BANK LIMITED
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DIRECTORS' REPORT
FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2002

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

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 Directors:

J.G. Allpass

L.G. Cox, AO

B.R. Martin

H.K. McCann

H.M. Nugent

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

RESULT

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

DIVIDENDS AND DISTRIBUTIONS

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

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

REVIEW OF OPERATIONS

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

ROUNDING OF AMOUNTS

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

D.S. Clarke, Director

A.E. Moss, Director

Sydney
13 November 2002

MACQUARIE BANK LIMITED
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**CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE
FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2002**

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

* There were no valuation adjustments recognised directly in equity

The accompanying notes form part of the financial statements.

MACQUARIE BANK LIMITED
and its controlled entities

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2002

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

The accompanying notes form part of the financial statements.

MACQUARIE BANK LIMITED
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CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2002

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

The accompanying notes form part of these financial statements.

MACQUARIE BANK LIMITED
and its controlled entities

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 30 SEPTEMBER 2002

1. BASIS OF PREPARATION

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

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

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

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

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

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

MACQUARIE BANK LIMITED
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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 30 SEPTEMBER 2002

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

* includes remuneration for audit and other services.

MACQUARIE BANK LIMITED
and its controlled entities

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 30 SEPTEMBER 2002

3. SEGMENT INFORMATION

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

4. INCOME TAX EXPENSE

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

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

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

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

The economic entity is currently subject to an audit by the Australian Taxation Office ("ATO"). Some amended assessments have been issued by the ATO for the 1988 to 1993 years. Other issues of potential taxation liability have been raised but have not yet been subject to the issue of amended assessments. Objections have been lodged in respect of the amended assessments and the other issues of alleged liability are also disputed.

The ATO is also reviewing the interests held by the economic entity in research and development syndicates. Amended assessments have been issued in relation to one of these syndicates, against which objections were lodged and subsequently upheld in the Administrative Appeals Tribunal ("AAT"). On 2 October 2002, the ATO lodged an appeal against the AAT decision with the Federal Court.

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

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

MACQUARIE BANK LIMITED
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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 30 SEPTEMBER 2002

	Half-year to 30 Sept. 2002 \$M	Half-year to 31 Mar. 2002 \$M	Half-year to 30 Sept. 2001 \$M
5. DIVIDENDS AND DISTRIBUTIONS PAID OR PROVIDED			
Ordinary share capital			
Interim (41 cents per share)	83	-	81
Final (52 cents per share)	-	103	-
Total dividends provided	83	103	81

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

On 8 May 2002, the Directors resolved that they would activate the Dividend Reinvestment Plan ("the DRP") effective for the dividend to be paid on 2 July 2002. The DRP was approved by ordinary shareholders at the 2001 Annual General Meeting. The DRP is optional and offers ordinary shareholders in Australia and New Zealand the opportunity to acquire fully paid ordinary shares, without transaction costs, at a 2.5% discount to prevailing market value. A shareholder can elect to participate in or terminate their involvement in the DRP at any time.

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

Convertible Preference Shares

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

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

Macquarie Income Securities

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

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

MACQUARIE BANK LIMITED
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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 30 SEPTEMBER 2002

	Half-year to 30 Sept. 2002 \$M	Half-year to 31 Mar. 2002 \$M	Half-year to 30 Sept. 2001 \$M
6. EARNINGS PER SHARE			
	Cents per share		
Basic earnings per share	91.18	60.70	72.70
Diluted earnings per share	90.18	62.88	71.41
Reconciliation of earnings used in the calculation of basic earnings per share			
Profit from ordinary activities after income tax	198	135	144
Loss from ordinary activities after income tax attributable to outside equity interests	(1)	(1)	1
Distributions paid or provided on Macquarie Income Securities	(14)	(14)	(15)
Total earnings used in the calculation of basic earnings per share	183	120	130
Reconciliation of earnings used in the calculation of diluted earnings per share			
Earnings used in calculating basic earnings per share	183	120	130
Additional interest from paying up potential ordinary shares	4	11	10
Interest saving from conversion of Converting Preference Shares	5	5	5
Other non-discretionary changes in earnings arising from dilutive potential ordinary shares	3	11	9
Income tax attributable to adjusted earnings	(2)	(6)	(6)
Total earnings used in the calculation of diluted earnings per share	193	141	148
	Number of shares		
Weighted average number of shares used in the calculation of basic earnings per share			
Weighted average fully paid ordinary shares	200,400,414	197,929,118	179,132,994
Total weighted average number of ordinary shares used in the calculation of basic earnings per share	200,400,414	197,929,118	179,132,994
Weighted average number of shares used in the calculation of diluted earnings per share			
Fully paid ordinary shares	200,400,414	197,929,118	179,132,994
Options	9,046,571	21,617,183	22,340,188
Converting Preference Shares	4,796,316	4,392,065	6,101,033
Total weighted average number of ordinary shares used in the calculation of diluted earnings per share	214,243,301	223,938,366	207,574,205

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

MACQUARIE BANK LIMITED
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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 30 SEPTEMBER 2002

	As at 30 Sept. 2002 \$M	As at 31 Mar. 2002 \$M	As at 30 Sept. 2001 \$M
7. TRADING ASSETS			
Trading securities			
Listed equity securities	1,760	1,480	1,361
Debt securities	1,266	1,289	1,125
Certificates of deposit	678	620	957
Bank bills	316	350	486
Commonwealth government bonds	667	220	257
Other government securities	579	573	310
Other OECD government securities	24	49	32
Treasury notes	150	225	139
Total trading securities	5,440	4,806	4,667
Other trading assets			
Bullion	73	58	112
Total other trading assets	73	58	112
Total trading assets	5,513	4,864	4,779
8. OTHER SECURITIES			
Units and stapled securities held	426	230	155
Less provision for diminution	(70)	(9)	(10)
	356	221	145
Debt investment securities	1,897	1,701	1,695
Unlisted equity investment securities	35	15	16
Total other securities	2,288	1,937	1,856

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

MACQUARIE BANK LIMITED
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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 30 SEPTEMBER 2002

	As at 30 Sept. 2002 \$M	As at 31 Mar. 2002 \$M	As at 30 Sept. 2001 \$M
9. LOAN ASSETS			
Due from other financial institutions			
Lease receivables	12	12	13
Loans and advances	2,074	699	1,760
Total due from other financial institutions	2,086	711	1,773
Due from governments			
Lease receivables	574	522	452
Loans and advances	95	84	174
Total due from governments	669	606	626
Due from other entities			
Other loans and advances	7,749	7,395	5,887
Less specific provisions	(23)	(22)	(25)
	7,726	7,373	5,862
Lease receivables	614	519	463
Total due from other entities	8,340	7,892	6,325
Total loan assets	11,095	9,209	8,724
Governments include Federal, State and Local governments and related enterprises in Australia.			
Specific provisions – loan assets			
Balance at the beginning of the period	22	25	12
Provided during the period	6	1	15
Bad debts written off	(2)	(3)	(1)
Written back during the period	(3)	(1)	(1)
Total specific provisions – loan assets	23	22	25
Specific provisions as a percentage of loan assets	0.21%	0.24%	0.29%

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

MACQUARIE BANK LIMITED
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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 30 SEPTEMBER 2002

	As at 30 Sept. 2002 \$M	As at 31 Mar. 2002 \$M	As at 30 Sept. 2001 \$M
10. IMPAIRED ASSETS			
Impaired assets includes loan assets and derivative financial instruments, which are classified as:			
Non-accrual loans without specific provisions for impairment	8	1	3
Impaired derivative financial instruments without specific provisions for impairment	15	15	25
Non-accrual loans with specific provisions for impairment	60	55	67
Less specific provisions	(23)	(22)	(25)
Total non-accrual loans with specific provisions for impairment	37	33	42
Impaired derivative financial instruments with specific provisions for impairment	1	1	-
Less specific provisions	(1)	(1)	-
Total impaired derivative financial instruments with specific provisions for impairment	-	-	-
Total net impaired assets	60	49	70
Revenue foregone on impaired assets			
Interest	2	1	2
Total revenue foregone on impaired assets	2	1	2
Revenue recognised in respect of impaired assets was less than \$1 million for the half-years ended 30 September 2002 and 2001.			
11. NOTES PAYABLE			
Euro floating rate notes	3,516	3,600	3,570
Euro commercial paper	3,846	2,340	1,880
Negotiable certificates of deposit	2,840	2,149	2,621
US commercial paper	422	609	649
Domestic issued paper	489	495	509
Other notes	299	241	156
Total notes payable	11,412	9,434	9,385
Reconciliation of notes payable by major currency:			
United States dollars	4,058	4,586	4,871
Australian dollars	3,325	2,656	3,141
Euros	1,231	738	197
Hong Kong dollars	812	654	356
British pounds	1,472	517	465
Japanese yen	502	283	354
Other currencies	12	-	1
Total notes payable by currency	11,412	9,434	9,385

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

MACQUARIE BANK LIMITED
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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 30 SEPTEMBER 2002

	As at 30 Sept. 2002 \$M	As at 31.Mar. 2002 \$M	As at 30 Sept. 2001 \$M
12. OTHER PROVISIONS			
Provision for uncertainties	64	59	57
Provision for annual leave	41	36	31
Provision for long service leave	27	25	25
Total other provisions	132	120	113
Provision for uncertainties			
Balance at the beginning of the period	59	57	54
Provided during the period	5	2	3
Total provision for uncertainties	64	59	57
Provision for uncertainties as a percentage of risk weighted exposures	0.55%	0.55%	0.55%
The provision for uncertainties is a general provision and is intended to cover the inherent risk of loss that may arise from the non-recovery of amounts receivable or contingent exposures.			
13. CONTRIBUTED EQUITY			
Ordinary share capital			
Opening balance of 198,499,828 (2001: 175,868,560) fully paid ordinary shares	1,012	980	392
Placement of 14,285,715 ordinary shares on 20 September 2001 at \$35 per share	-	-	500
Transaction costs for placement of shares	-	-	(3)
Placement of 509,666 ordinary shares on 6 November 2001 at \$35 per share	-	18	-
Issue of 38,880 shares (2001: 45,080) on 18 January 2002 pursuant to the Employee Share Plan at \$37.03 per share*	-	1	-
Issue of 1,679,485 shares on 2 July 2002 pursuant to the Dividend Reinvestment Plan at \$29.60 per share (refer Note 5)	50	-	-
Issue of 2,353,790 (2001: 6,882,286) shares on exercise of options	34	13	91
Closing balance of 202,533,103 (2001: 197,036,561) fully paid ordinary shares	1,096	1,012	980
Macquarie Income Securities	391	391	391

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

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 30 SEPTEMBER 2002

	As at 30 Sept. 2002 \$M	As at 31 Mar. 2002 \$M	As at 30 Sept. 2001 \$M
14. RETAINED EARNINGS AND OUTSIDE EQUITY INTERESTS			
Retained earnings			
Balance at the beginning of the period	617	600	551
Profit from ordinary activities after income tax attributable to ordinary equity holders of Macquarie Bank Limited	183	120	130
Dividends provided on ordinary share capital	(83)	(103)	(81)
Total retained earnings	717	617	600
Outside equity interests in controlled entities			
Ordinary share capital	6	6	6
Partnership capital	393	393	393
Accumulated losses	(1)	(2)	(3)
Total outside equity interests in controlled entities	398	397	396
15. CONTINGENT LIABILITIES			
Guarantees (a)	165	142	101
Letters of credit (a)	71	117	73
Underwriting facilities	263	496	47
Undrawn credit facilities	2,082	2,079	1,928
Indemnities (b)	233	213	224
Total contingent liabilities	2,814	3,047	2,373

- (a) All external guarantees, other than noted for Macquarie Investment Management Limited (“MIML”) in (c) below, and letters of credit are provided by the Bank. Included in external guarantees are guarantees backed by cash of \$16.7 million (2001: \$16.8 million).
- (b) Balance includes indemnities granted to counterparties in respect of termination and default events in cross-border leasing transactions.
- (c) MIML covenants that while it acts as Single Responsible Entity of the Macquarie Cash Management Trust, unitholders in that trust will be paid upon redemption or repurchase of a unit issued prior to 28 April 1985, where the unit holder has continuously held units from 28 April 1985, not less than the sum of \$1.00: \$51.4 million (2001: \$53.2 million). At 31 March 2002 the audited financial report of the Macquarie Cash Management Trust discloses the value of units on issue and the income entitlement thereon aggregating \$8.4 billion (2001: \$7.3 billion) and assets aggregating to \$8.4 billion (2001: \$7.4 billion).
- (d) Contingent liabilities exist in respect of claims and potential claims against entities in the economic entity. Where necessary appropriate provisions have been made in the financial report. The economic entity does not consider that the outcome of any such claims known to exist at the date of this report, either individually or in aggregate, are likely to have a material effect on its operations or financial position. Information regarding the ATO audit of the Bank is included in Note 4 – Income tax expense.

MACQUARIE BANK LIMITED

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

AS AT 30 SEPTEMBER 2002

	Half-year to 30 Sept. 2002			Half-year to 31 Mar. 2002			Half-year to 30 Sept. 2001		
	Av. balance	Inc./exp.)	Av. rate	Av. balance	Inc./exp.	Av. rate	Av. balance	Inc./exp.	Av. rate
	\$M	\$M	%	\$M	\$M	%	\$M	\$M	%
16. AVERAGE STATEMENT OF FINANCIAL POSITION									
ASSETS									
Interest bearing assets									
Cash and liquid assets	61	1	3.2	63	1	4.1	53	1	4.2
Securities purchased under resale agreement	3,020	66	4.4	3,645	74	4.1	3,541	84	4.7
Trading assets	3,661	95	5.2	3,756	92	4.9	2,752	74	5.3
Other securities	1,658	26	3.1	1,743	31	3.5	1,369	28	4.1
Loan assets	9,780	312	6.4	8,628	268	6.4	8,568	302	7.0
Other financial assets	15	-	4.3	3	-	4.3	75	2	4.9
Total interest bearing assets	18,195	500		17,838	466		16,358	491	
Total non-interest bearing assets	13,766	-		12,230	-		12,702	-	
Total assets	31,961	500		30,068	466		29,060	491	
LIABILITIES									
Interest bearing liabilities									
Due to other financial institutions	1,250	(19)	3.1	1,124	(13)	2.4	820	(14)	3.8
Securities sold under repurchase agreements	1,543	(34)	4.4	2,009	(41)	4.1	1,385	(33)	4.8
Securities borrowed	1,168	(33)	5.6	1,203	(28)	4.7	855	(23)	5.4
Deposits	4,705	(91)	3.9	4,374	(78)	3.6	3,878	(92)	4.7
Notes payable	9,884	(192)	3.9	8,372	(152)	3.7	9,884	(234)	4.7
Other liabilities	503	(10)	3.9	724	(12)	3.3	254	(6)	4.4
Loan capital									
Subordinated debt	240	(7)	5.5	250	(7)	5.3	250	(7)	5.6
Converting Preference Shares	150	(5)	7.4	150	(6)	7.4	150	(5)	7.4
Total interest bearing liabilities	19,443	(391)		18,206	(337)		17,476	(414)	
Total non-interest bearing liabilities	10,007	-		9,424	-		9,840	-	
Total liabilities	29,450	(391)		27,630	(337)		27,316	(414)	
Net assets	2,511	109		2,438	129		1,744	77	
EQUITY									
Contributed equity									
Ordinary share capital	1,055			1,057			449		
Macquarie Income Securities	391			391			391		
Retained earnings	667			593			573		
Total equity attributable to equity holders of the Bank	2,113			2,041			1,413		
Outside equity interests in controlled entities	398			397			331		
Total Equity	2,511			2,438			1,744		

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

MACQUARIE BANK LIMITED
and its controlled entities

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AS AT 30 SEPTEMBER 2002**

17. ACQUISITION AND DECONSOLIDATION OF BROADCAST AUSTRALIA HOLDINGS PTY LIMITED

Acquisition

On 2 April 2002, a controlled entity of the Bank, Macquarie Communications Infrastructure Limited ("MCIL"), acquired 100% of the issued capital of ntl Belgium sprl, the chief entity of ntl Australia Holdings Pty Limited, which was subsequently renamed Broadcast Australia Holdings Pty Limited ("BA"). The operating results of BA have been included in the Statement of Financial Performance from the date of acquisition until its deconsolidation on 12 August 2002.

The fair value of assets and liabilities acquired differs from those disclosed in the 31 March 2002 financial statements as a result of valuations being finalised subsequent to acquisition and revisions in the final allocation of the purchase consideration.

Details of the acquisition are as follows:

	\$M
Fair value of net assets acquired	
Cash and other financial assets	63
Fixed assets	527
Intangible assets	405
Payables and provisions	(145)
Borrowings	(517)
Total fair value of net assets acquired	333
Purchase consideration	
Cash consideration	313
Deferred consideration	20
Total purchase consideration	333
Reconciliation of cash movement	
Cash consideration	(313)
Less: cash acquired	17
Total cash outflow	(296)

Deconsolidation

The shares in MCIL and units in the Macquarie Communications Infrastructure Trust were stapled together to form the Macquarie Communications Infrastructure Group ("MCIG"). On 12 August 2002, MCIG ceased to be a controlled entity of the Bank following the public offering of 115 million stapled securities in MCIG. The Bank has retained a holding of 50 million securities, which represents 32.25% of the securities on issue. These securities must be held in escrow for a 12 month period and the Bank has agreed to waive its voting rights during this period.

Details of the deconsolidation are as follows:

Carrying value of assets and liabilities deconsolidated	
Cash and other financial assets	61
Fixed assets	492
Intangible assets*	418
Payables and provisions	(104)
Borrowings**	(921)
Total carrying value of assets and liabilities deconsolidated	(54)
Reconciliation of cash movement	
Cash received	-
Less: cash deconsolidated	(17)
Total cash outflow	(17)
Gain on deconsolidation	
MCIG loss from ordinary activities after income tax from 2 April to 12 August 2002	(54)
Recoupment of MCIG loss from ordinary activities after income tax upon deconsolidation	54
Advisory fees recognised as income upon deconsolidation	30
Gain from holding investment in MCIG	20
Total gain on deconsolidation	50

* Includes advisory fees recognised as income by the Bank upon deconsolidation.

** Includes borrowings from the economic entity which were repaid subsequent to 12 August 2002.

In addition, the Bank also earned an underwriting fee of \$5 million relating to the initial public offering of securities in MCIG.

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DIRECTORS' DECLARATION

The Directors declare that the financial statements and notes set out on pages 4 to 18:

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

In the Directors' opinion:

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

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

D.S. Clarke, Director

A.E. Moss, Director

Sydney
13 November 2002

INDEPENDENT REVIEW REPORT TO THE MEMBERS OF MACQUARIE BANK LIMITED
AS AT 30 SEPTEMBER 2002

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report, set out on pages 4 to 19 is not presented in accordance with :

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

This statement must be read in conjunction with the following explanation of the scope and summary of our role as auditor.

Scope and summary of our role

The financial report – responsibility and content

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

The auditor's role and work

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

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

The review procedures performed were limited primarily to:

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

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

Independence

As auditor, we are required to be independent of the economic entity and free of interests which could be incompatible with integrity and objectivity. In respect of this engagement, we followed the independence requirements set out by The Institute of Chartered Accountants in Australia, the Corporations Act 2001 and the Auditing and Assurance Standards Board. In addition to our statutory audit and review work, we were engaged to undertake other services for the Group. In our opinion the provision of these services has not impaired our independence.

PricewaterhouseCoopers

DH Armstrong
Partner

Sydney
13 November 2002

MACQUARIE BANK LIMITED
and its controlled entities

FIVE YEAR SUMMARY

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

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

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