MACQUARIE BANK LIMITED
SUPPLEMENTARY PROSPECTUS FOR
THE MACQUARIE BANK
EMPLOYEE SHARE OPTION PLAN

This is a Supplementary Prospectus intended to be read with the prospectus dated 27 June 2003, relating to Options over Shares of Macquarie Bank Limited.

IMPORTANT-PLEASE READ
Supplementary Prospectus dated 1 August 2003

This Supplementary Prospectus is dated 1 August 2003 and was lodged with the Australian Securities and Investments Commission ("ASIC") on that date. Neither ASIC nor ASX take any responsibility for the contents of this Supplementary Prospectus. Unless otherwise defined in this Supplementary Prospectus, terms defined in the Glossary to the prospectus have the same meaning in this Supplementary Prospectus.

MACQUARIE BANK LIMITED (ABN 46 008 583 542)

The prospectus dated 27th June 2003 is amended by deleting the existing section **4.6 NSW Payroll Taxation** and substituting in its place the following:

4.6 PAYROLL AND OTHER EMPLOYMENT TAXES AND ONCOSTS

Options acquired under the Macquarie Bank Employee Share Option Plan ("MBESOP") may be subject to employment taxes and oncosts such as payroll tax or workers compensation insurance premiums, or both, in the State where the Eligible Executive is employed.

As at 1 July 2003, New South Wales, Western Australia and the Northern Territory levy payroll tax on Options granted to employees. Payroll tax may be applicable where the Eligible Executive has an employment connection with that State including, in the case of NSW, where the Eligible Executive has an employment connection with NSW at any time during the period commencing 6 months before the date of Grant until the date of Grant. In these States payroll tax is levied on the amount by which the market value of Bank shares (determined as the weighted average of prices during the one week period immediately before the date of Grant) exceeds the Exercise Price. If the market value is less than the Exercise Price, there is no payroll tax liability.

Other Australian States may also adopt similar legislation to make Options granted to employees subject to payroll tax. However, the liability to payroll tax may vary between States, based on specific State legislation and payroll tax rates.

The Executive Committee have resolved that employees who are granted Options in the MBESOP:

- in respect of the mid year promotion and performance grants for 2003; or
- otherwise in relation to an offer under the Prospectus dated 27 June 2003 made on or before 1 August 2003;

will not incur any payroll tax liability and workers compensation insurance premiums levied on the grant of Options as a charge to their BCR.

However all other employees who are granted Options in the MBESOP on or after 1 August 2003 will incur any payroll tax liability and workers compensation insurance premiums levied on the grant of Options as a charge to their BCR. This will apply to Options granted under this Prospectus after that date.

If any other employment taxes or oncosts become payable on the grant of Options under this Prospectus under any future law or regulation, the Bank may at its discretion, charge these to the Eligible Executive's BCR.