Macquarie Bank Limited

(ABN 46 008 583 542)

Disclosure Report (U.S. Version)
for the half year ended September 30, 2011

Dated: November 11, 2011

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CERTAIN DEFINITIONS

In this Disclosure Report (U.S. Version) for the half year ended September 30, 2011 ("2012 Interim U.S. Disclosure Report" or this "Report"), unless otherwise specified or the context otherwise requires:

- *"2011 Annual U.S. Disclosure Report"* means our Disclosure Report (U.S. Version) for the fiscal year ended March 31, 2011;
- *"2011 Interim Directors' Report and Financial Report"* means our 2011 Interim Directors' Report and Financial Report;
- *"2011 interim financial statements"* means our unaudited financial statements for the half year ended September 30, 2010 contained in our 2011 Interim Directors' Report and Financial Report;
- *"2012 Interim Directors' Report and Financial Report"* means our 2012 Interim Directors' Report and Financial Report; and
- *"2012 interim financial statements"* means our unaudited financial statements for the half year ended September 30, 2011 contained in our 2012 Interim Directors' Report and Financial Report.

In addition, you should refer to "Certain definitions" beginning on page ii of our 2011 Annual U.S. Disclosure Report, which is posted on MBL's U.S. investors' website at www.macquarie.com/mgl/us/usinvestors/mbl ("*MBL's U.S. Investors' Website*").

Our fiscal year ends on March 31, so references to years such as "2012" or "fiscal year" and like references in the discussion of our financial statements, results of operation and financial condition are to the 12 months ending on March 31 of the applicable year; and, in connection with our interim financial statements, results of operation and financial condition, references such as "half year" and like references are to the six months ending on September 30 of the preceding year.

In this Report, prior financial period amounts that have been reported in financial statements for or contained in the discussion of a subsequent financial period may differ from the amounts reported in the financial statements for or contained in the discussion of the financial statements for that prior financial period as the prior financial period amounts may have been adjusted to conform with changes in presentation in the subsequent financial period.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Report contains statements that constitute "forward-looking statements" within the meaning of Section 21E of the United States Securities Exchange Act of 1934, as amended (the "Exchange Act"). Examples of these forward-looking statements include, but are not limited to (i) statements regarding our future results of operations and financial condition; (ii) statements of plans, objectives or goals, including those related to our products or services; and (iii) statements of assumptions underlying those statements. Words such as "may", "will", "expect", "intend", "plan", "estimate", "anticipate", "believe", "continue", "probability", "risk", and other similar words are intended to identify forward-looking statements but are not the exclusive means of identifying those statements.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution readers that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include:

- macroeconomic conditions in the global debt and equity markets;
- the effect of, and changes in, laws, regulations, taxation or accounting standards or practices, and government policy, including as a result of the regulatory proposals for reform of the banking, life insurance and funds management industries in Australia and the other countries in which we conduct our operations or which we may enter in the future;
- changes in market liquidity and investor confidence;
- inflation, interest rate, exchange rate, market and monetary fluctuations;
- our ability to deal effectively with an economic slowdown or other economic or market difficulty;
- our ability to complete, integrate or process acquisitions, dispositions, mergers and other significant corporate transactions;
- our ability to effectively manage our growth;
- the performance of funds and other assets we manage;
- the performance and financial condition of MGL, our indirect parent company;
- demographic changes and changes in political, social and economic conditions in any of the major markets in which we conduct our operations or which we may enter in the future;
- changes in consumer spending and saving and borrowing habits in Australia and the other countries in which we conduct our operations or which we may enter in the future;
- the effects of competition in the geographic and business areas in which we conduct our operations or which we may enter in the future;
- our ability to adequately fund the operations of MBL and the Banking Group;
- our ability to return capital or borrow from our subsidiaries;
- the impact of asset sales on our long-term business prospects;
- our ability to maintain or to increase market share and control expenses;

- the timely development of and acceptance of new products and services, the perceived overall value of these products and services by users, and the extent to which products and services previously sold by us require us to incur liabilities or absorb losses not contemplated at their initiation or origin;
- technological changes instituted by MBL, its counterparties or competitors;
- the ability of MBL to attract and retain employees;
- changes to the credit ratings assigned to each of MGL and MBL;
- adverse impact on our reputation; and
- various other factors beyond our control.

The foregoing list of important factors is not exhaustive. Statements that include forward-looking statements reflect our current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Should one or more of the risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this Report as anticipated, believed, estimated, expected or intended.

When relying on forward-looking statements to make decisions with respect to MBL Group, investors and others should carefully consider the foregoing factors and other uncertainties and events and are cautioned not to place undue reliance on forward-looking statements.

We are under no obligation, and disclaim any obligation, to update or alter our forward-looking statements, whether as a result of new information, future events or otherwise, after the date of this Report.

Significant risk factors applicable to MBL Group are described under "Risk factors" beginning on page 8 of our 2011 Annual U.S. Disclosure Report. Other factors are discussed under "Management's discussion and analysis of interim results of operation and financial condition" in this Report and in the "Management's discussion and analysis of results of operation and financial condition" in the 2011 Annual U.S. Disclosure Report.

EXCHANGE RATES

MBL Group publishes its consolidated financial statements in Australian dollars and its fiscal year ends on March 31 of each year. For your convenience, the following table sets forth, for MBL Group's fiscal years and months indicated, the period-end, average (fiscal year only), high and low noon buying rates in New York City for cable transfers of Australian dollars as certified for customs purposes for the Federal Reserve Bank of New York, expressed in U.S. dollars per A$1.00.

In providing these translations, we are not representing that the Australian dollar amounts actually represent these U.S. dollar amounts or that we could have converted those Australian dollars into U.S. dollars. Since September 30, 2010, when the noon buying rate for Australian dollars into U.S. dollars was US$0.9640 per A$1.00, the Australian dollar has remained volatile. From October 1, 2010 to September 30, 2011, the noon buying rate of the Australian dollar into the U.S. dollar fluctuated from a low of US$0.9594 per A$1.00 to a high of US$1.1026 per A$1.00. Unless otherwise indicated, conversions of Australian dollars to U.S. dollars in this Report have been made at the noon buying rate at the close of business on September 30, 2011, which was US$0.9744 per A$1.00. The noon buying rate at the close of business on November 4, 2011, was US$1.0358 per A$1.00.

Fiscal year	Period End	Average Rate[1]	High	Low
2007	0.8104	0.7652	0.8104	0.7177
2008	0.9132	0.8683	0.9463	0.7860
2009	0.6925	0.7948	0.9797	0.6073
2010	0.9169	0.8507	0.9369	0.6941
2011	1.0358	0.9450	1.0358	0.8172
Month	**Period End**		**High**	**Low**
June 2011	1.0732		1.0737	1.0439
July 2011	1.1001		1.1026	1.0565
August 2011	1.0702		1.0930	1.0192
September 2011	0.9744		1.0750	0.9744
October 2011	1.0610		1.0707	0.9453
November 2011 (through November 4)	1.0358		1.0366	1.0302

1 The average of the noon buying rates on the last day of each month during the period.

AUSTRALIAN EXCHANGE CONTROL RESTRICTIONS

The Australian dollar is convertible into U.S. dollars at freely floating rates, subject to the sanctions described below. The Banking (Foreign Exchange) Regulations promulgated under the Australian Banking Act, the AML-CTF Act, the Charter of the United Nations Act 1945 of Australia and other laws and regulations in Australia restrict or prohibit payments, transactions and dealings with assets having a prescribed connection with certain countries or named individuals or entities subject to international sanctions or associated with terrorism or money laundering.

The Australian Department of Foreign Affairs and Trade maintains a list of all persons and entities having a prescribed connection with terrorism which is available to the public at the Department's website at http://www.dfat.gov.au/icat/UNSC_financial_sanctions.html and the RBA maintains a list of persons and organizations subject to economic sanctions at http://www.rba.gov.au/mkt-operations/fin-sanctions.

FINANCIAL INFORMATION PRESENTATION

Investors should read the following discussion regarding the presentation of our financial information together with the discussion under "Financial information presentation" beginning on page x of our 2011 Annual U.S. Disclosure Report.

Recent changes to operating groups and reporting segments

During the half year ended September 30, 2011, MBL Group implemented a number of asset transfers between operating groups and the Corporate segment. These transfers were undertaken to better align the relevant assets with the expertise in each operating group. These transfers primarily comprised MBL Group's equity investment in certain assets. In addition, certain assets that no longer aligned with any operating group were transferred to the Corporate segment, including the investment in MAp Group. As a result of these changes, the businesses and assets that comprised certain operating segments of MBL Group for financial reporting purposes were also changed. In our interim financial statements and accordingly, this Report, the results of our operating groups for the half year ended September 30, 2011 are presented to give effect to these asset transfers effective April 1, 2011, with the comparative information for the half years ended March 31, 2011 and September 30, 2010 presented based on the same basis.

Investors should note that while the financial information for the half year ended September 30, 2011 included in this Report presents our current operating segments in accordance with AASB 8 "Operating Segments" following these internal asset transfers, and while in our 2012 interim financial statements we restated the comparative information for the half years ended March 31, 2011 and September 30, 2010 to reflect these internal asset transfers, we were not required to restate the operating segment presentation in the financial statements for earlier fiscal periods. As a result, the operating segments reported in our 2011 annual financial statements and our financial statements for prior fiscal years have not been restated to reflect our current reportable operating segments. Further, the audit reports on those historical financial statements report on historical financial statements that have not been re-presented on the same basis that our 2012 interim financial statements have been prepared.

Other than as described above, our operating groups and reporting segments remained the same. All acquisitions and reorganizations of operating groups within MBL Group during the 2011 fiscal year are described under "Financial information presentation" beginning on page x of our 2011 Annual U.S. Disclosure Report.

For further detail on our segment reporting, see Note 3 to our 2012 interim financial statements.

Non-GAAP financial measures

We report our financial results in accordance with AGAAP. However, we include certain financial measures and ratios that are not prepared in accordance with AGAAP that we believe provide useful information to users in measuring the financial performance and condition of our business for the reasons set out below. In addition, some of these non-GAAP financial measures are used by MBL Group in respect of our financial results. These non-GAAP financial measures do not have a standardized meaning prescribed by AGAAP and, therefore, may not be comparable to similarly titled measures presented by other entities, nor should they be construed as an alternative to other financial measures determined in accordance with AGAAP. You are cautioned, therefore, not to place undue reliance on any non-GAAP financial measures and ratios included or incorporated by reference into this Report. For further information on our non-GAAP financial measures, see "Financial information presentation — Non-GAAP financial measures" beginning on page xii of our 2011 Annual U.S. Disclosure Report.

RISK FACTORS

We are subject to a variety of risks that arise out of our financial services and other businesses. We manage our ongoing business risks in accordance with our risk management policies and procedures, some of which are described in Note 41 to our 2011 annual financial statements.

The significant risk factors applicable to MBL Group are described under “Risk factors” beginning on page 8 of our 2011 Annual U.S. Disclosure Report.

CAPITALIZATION, INDEBTEDNESS AND CAPITAL ADEQUACY

The following table sets forth our capitalization as at September 30, 2011.

The information relating to MBL Group in the following table is based on our 2012 interim financial statements, which were prepared in accordance with AGAAP, and should be read in conjunction therewith.

	As at	
	Sep 11	Sep 11
	US$m[1]	A$m
CAPITALIZATION		
Borrowings[2]		
Debt issued — due greater than 12 months	18,611	19,100
Subordinated debt — due greater than 12 months	2,530	2,596
Total borrowings[2]	**21,141**	**21,696**
Equity		
Ordinary share capital	7,384	7,578
Equity contribution from ultimate parent entity	108	111
Macquarie Income Securities	381	391
Reserves	(318)	(326)
Retained earnings	1,572	1,613
Macquarie Income Preferred Securities	64	66
Other non-controlling interests	7	7
Total equity	**9,198**	**9,440**
TOTAL CAPITALIZATION	**30,339**	**31,136**

1 Conversions of Australian dollars to U.S. dollars have been made at the noon buying rate at the close of business on September 30, 2011, which was US$0.9744 per A$1.00. See "Exchange rates" for further information on the historical rates of exchange between the Australian dollar and the U.S. dollar.

2 At September 30, 2011, we had A$9.6 billion of secured indebtedness due in greater than 12 months compared to A$8.3 billion at March 31, 2011.

3 Total borrowings do not include our short-term debt securities, including the current portion of long-term debt, or securitizations. Short-term debt totaled A$12.7 billion as at September 30, 2011 and securitizations totaled A$13.0 billion as at September 30, 2011 compared to A$10.8 billion and A$12.8 billion, respectively, as at March 31, 2011.

For details on our short-term debt position as at September 30, 2011, see "Management's discussion and analysis of interim results of operation and financial condition — Liquidity — Funding profile for the Banking Group" in this Report.

Capital adequacy

The following table sets forth our capital adequacy and risk-weighted assets as at September 30, 2011.

	As at			Movement
	Sep 11 US$m[1]	Sep 11 A$m	Sep 10 A$m	%
Tier 1 capital				
Paid-up ordinary share capital	7,492	7,689	7,235	6
Reserves	(180)	(185)	(257)	(28)
Retained earnings	1,228	1,260	1,011	25
Innovative Tier 1 capital	445	457	457	—
Gross Tier 1 capital	**8,985**	**9,221**	**8,446**	9
Deductions from Tier 1 capital				
Goodwill	139	143	193	(26)
Deferred tax assets	120	123	381	(68)
Net unrealized fair value gains (losses) from changes in the ADI's own creditworthiness	80	82	66	24
Intangible component of investments in non-consolidated subsidiaries and other non-Level 2 entities	615	631	610	3
Loan and lease origination fees and commissions paid to mortgage originators and brokers	95	97	131	(26)
Other Tier 1 capital deductions	271	279	252	11
Deductions from Tier 1 capital only	**1,320**	**1,355**	**1,633**	(17)
Other 50/50 deductions from Tier 1 capital				
Non-subsidiary entities exceeding prescribed limited (50%)	288	295	312	(5)
Non-consolidated subsidiaries (50%)	211	217	275	(21)
All other deductions relating to securitization (50%)	253	260	165	58
Shortfall in provisions for credit losses (50%)	57	58	155	(63)
Other 50/50 deductions from Tier 1 capital (50%)	67	69	124	(44)
50/50 deductions from Tier 1 capital	**876**	**899**	**1,031**	(13)
Total Tier 1 capital only deductions	**2,196**	**2,254**	**2,664**	(15)
Net Tier 1 capital	**6,789**	**6,967**	**5,782**	20
Tier 2 capital				
Upper Tier 2 capital:				
Other upper Tier 2 capital	133	136	180	(24)
Lower Tier 2 capital:				
Term subordinated debt	2,491	2,557	1,959	31
Gross Tier 2 capital	**2,624**	**2,693**	**2,139**	26
Deductions from Tier 2 capital				
Total 50/50 deductions from Tier 2 capital	**876**	**899**	1,031	(13)
Total Tier 2 capital deductions	**876**	**899**	**1,031**	(13)
Net Tier 2 capital	**1,748**	**1,794**	**1,108**	62
Total capital base	**8,537**	**8,761**	**6,890**	27

[1] Conversions of Australian dollars to U.S. dollars have been made at the noon buying rate at the close of business on September 30, 2011, which is US$0.9744 per A$1.00. See "Exchange rates" for further information on the historical rates of exchange between the Australian dollar and the U.S. dollar.

	As at			Movement[1]
	Sep 11	Sep 11	Sep 10	
	US$m[2]	A$m	A$m	%
Credit risk – Risk-Weighted Assets (RWA)				
Subject to FIRB approach:				
Corporate[3]	19,711	20,229	19,639	3
Sovereign	876	899	865	4
Bank	3,195	3,279	2,730	20
Residential mortgage	1,500	1,539	1,540	nm
Other retail	2,280	2,340	1,285	82
Total RWA subject to FIRB approach	**27,562**	**28,286**	**26,059**	9
Specialized lending exposures subject to slotting criteria[4]	**3,618**	**3,713**	**2,805**	32
Subject to standardized approach:				
Corporate	2,921	2,998	3,522	(15)
Sovereign	—	—	—	—
Bank	—	—	80	(100)
Residential mortgage	592	608	551	10
Other retail	2,012	2,065	3,565	(42)
Total RWA subject to standardized approach	**5,525**	**5,671**	**7,718**	(27)
Credit risk RWA for securitization exposures	1,197	1,228	1,005	22
RWA for other assets	4,363	4,477	2,558	75
Total credit risk RWA	**42,265**	**43,375**	**40,145**	8
Equity risk exposures RWA	2,117	2,173	1,927	13
Market risk RWA	3,789	3,889	3,073	27
Operational risk RWA	6,301	6,467	6,984	(7)
Interest rate risk in banking book RWA	—	—	—	—
APRA scaling factor (6%) applied to IRB exposures	1,654	1,697	1,564	9
Total MBL Group RWA	**56,126**	**57,601**	**53,693**	7
Capital ratios				
MBL Group Tier 1 capital ratio (%)	12.1	12.1	10.8	
MBL Group Total capital ratio (%)	15.2	15.2	12.8	

1 "nm" indicates that the percentage change was less than 1% and therefore not meaningful.

2 Conversions of Australian dollars to U.S. dollars have been made at the noon buying rate at the close of business on September 30, 2011, which is US$0.9744 per A$1.00. See "Exchange rates" for further information on the historical rates of exchange between the Australian dollar and the U.S. dollar.

3 Includes A$nil million for exposures to the Non-Banking Group (A$178 million at March 31, 2011; A$330 million at September 30, 2010).

4 Specialized lending exposures subject to supervisory slotting criteria are measured using APRA determined risk-weightings.

SELECTED FINANCIAL INFORMATION

Half years ended September 30, 2011 and 2010

The summary consolidated statement of financial position data as at September 30, 2011 and 2010 and income statement data for the half years ended September 30, 2011 and 2010 presented in this Report have been derived from our 2012 interim financial statements which PricewaterhouseCoopers has reviewed but not audited and which, in the opinion of our management, have been prepared on the same basis as our audited consolidated historical financial statements and include all adjustments necessary for a fair statement of our operating results and financial position for those periods and as of those dates. See "Financial information presentation" in this Report for further information. In addition, investors should read the following selected financial information together with the discussion under "Selected financial information" beginning on page 20 of our 2011 Annual U.S. Disclosure Report, "Management's discussion and analysis of interim results of operation and financial condition" in this Report and "Management's discussion and analysis of results of operation and financial condition" beginning on page 53 of our 2011 Annual U.S. Disclosure Report. The summary unaudited financial data for the half year ended September 30, 2011 is not necessarily indicative of our results for the fiscal year ending March 31, 2012 and our historical results are not necessarily indicative of our results for any future period.

The historical interim financial information in the following tables has been extracted from our 2012 interim financial statements.

Income statements

	Half year ended		
	Sep 11	**Sep 11**	**Sep 10**
	US$m[1]	**A$m**	**A$m**
Net interest income	808	829	764
Fee and commission income	609	625	754
Net trading income	398	408	633
Share of net profits of associates and joint ventures accounted for using the equity method	15	15	19
Other operating income and charges	253	260	175
Net operating income	**2,083**	**2,137**	**2,345**
Employment expenses	(713)	(732)	(805)
Brokerage and commission expenses	(310)	(318)	(388)
Occupancy expenses	(70)	(72)	(67)
Non-salary technology expenses	(48)	(49)	(50)
Other operating expenses	(666)	(683)	(641)
Total operating expenses	**(1,807)**	**(1,854)**	**(1,951)**
Operating profit before income tax	276	283	394
Income tax (expense)/benefit	(56)	(58)	(83)
Profit after income tax	**220**	**225**	**311**
Profit/(loss) attributable to non-controlling interests	(3)	(3)	(4)
Profit attributable to equity holders of Macquarie Bank Limited	**217**	**222**	**307**
Distributions paid or provided on Macquarie Income Securities	(13)	(13)	(13)
Profit attributable to ordinary equity holders of Macquarie Bank Limited	**204**	**209**	**294**

[1] Conversions of Australian dollars to U.S. dollars have been made at the noon buying rate at the close of business on September 30, 2011, which is US$0.9744 per A$1.00. See "Exchange rates" for further information on the historical rates of exchange between the Australian dollar and the U.S. dollar.

Statement of financial position

	As at		
	Sep 11	Sep 11	Sep 10
	US$m[1]	A$m	A$m
ASSETS			
Due from financial institutions	8,793	9,024	7,595
Cash collateral on securities borrowed and reverse repurchase agreements	5,743	5,894	8,272
Trading portfolio assets	14,007	14,375	15,182
Loan assets held at amortized cost	43,784	44,934	44,703
Other financial assets at fair value through profit or loss	8,864	9,097	9,447
Derivative financial instruments — positive values	33,192	34,064	23,431
Other assets	8,939	9,173	6,100
Investment securities available-for-sale	18,912	19,409	16,118
Life investment contracts and other unit holder investment assets	4,638	4,760	5,052
Due from related body corporate entities	1,279	1,313	2,334
Interest in associates and joint ventures using the equity method	751	771	852
Property, plant and equipment	4,529	4,648	1,881
Intangible assets	910	934	951
Deferred income tax assets	105	108	379
Total assets	**154,446**	**158,504**	**142,297**
LIABILITIES			
Due to financial institutions	4,867	4,995	2,647
Cash collateral on securities lent and repurchase agreements	8,352	8,571	5,837
Trading portfolio liabilities	4,235	4,346	5,501
Derivative financial instruments — negative values	31,347	32,171	24,284
Deposits	36,864	37,833	34,829
Debt issued at amortized cost	36,408	37,365	36,275
Other financial liabilities at fair value through profit and loss	2,049	2,103	2,017
Other liabilities	8,828	9,059	7,030
Current tax liabilities	26	27	67
Life investment contracts and other unit holder liabilities	4,637	4,759	5,069
Due to related body corporate entities	4,732	4,856	7,639
Provisions	85	87	84
Deferred income tax liabilities	288	296	311
Total liabilities excluding loan capital	**142,718**	**146,468**	**131,590**
Loan capital			
Subordinated debt at amortized cost	2,385	2,447	1,472
Subordinated debt at fair value through profit or loss	145	149	487

[1] Conversions of Australian dollars to U.S. dollars have been made at the noon buying rate at the close of business on September 30, 2011, which is US$0.9744 per A$1.00. See “Exchange rates” for further information on the historical rates of exchange between the Australian dollar and the U.S. dollar.

Total liabilities	**145,248**	**149,064**	**133,549**
Net assets	**9,198**	**9,440**	**8,748**
EQUITY			
Contributed equity			
Ordinary share capital	7,384	7,578	7,128
Equity contribution from ultimate parent entity	108	111	108
Macquarie Income Securities	381	391	391
Reserves	(318)	(326)	(342)
Retained earnings	1,572	1,613	1,377
Total capital and reserves attributable to equity holders of Macquarie Bank Limited	9,127	**9,367**	**8,662**
Non-controlling interests	71	73	86
Total equity	**9,198**	**9,440**	**8,748**

Other financial data

	As at	
	Sep 11	**Sep 10**
Ratios		
Net loan losses as a percentage of loan assets (annualized %)[1]	0.3	0.5
Ratio of earnings to fixed charges[2]	1.2x	1.2x
Expense/income ratio (%)[3]	86.8	83.2
Tier 1 regulatory capital ratio (%)	12.1	10.8
Total regulatory capital ratio (%)	**15.2**	**12.8**

[1] Net loan losses as a percentage of loan assets excludes amounts relating to mortgage securitization special purpose entities. MBL's exposure in relation to these entities is largely mitigated by credit insurance. Loan losses in these vehicles are not material.

[2] For the purpose of computing the ratio of earnings to fixed charges, earnings consist of the aggregate of pre-tax income before adjustment for income or loss from equity investees, fixed charges and distributed income of equity investees. Fixed charges consist of interest costs plus rental payments under operating leases.

[3] Total operating expenses expressed as a percentage of net operating income.

RECENT DEVELOPMENTS

The following are significant recent developments for MBL Group that have occurred since the release of our 2011 Annual U.S. Disclosure Report on May 13, 2011. Investors should be aware that the information set forth in this Report is not complete and should be read in conjunction with the discussion under "Risk factors" beginning on page 8 and under "Macquarie Bank Limited" beginning on page 23 of our 2011 Annual U.S. Disclosure Report and other information posted on MBL's U.S. Investors' Website.

Recent Board and management changes

In addition to the board and management changes described under "Macquarie Bank Limited — Recent Board and management changes" on page 1 of our 2011 Annual U.S. Disclosure Report, on October 28, 2011, MGL Group announced a number of additional management changes in relation to MBL Group:

- The Chief Executive Officer of MBL, Richard Sheppard, will retire on December 20, 2011. Mr. Sheppard has been Chief Executive Officer of MBL since the restructure in 2007;

- MBL Group's current Chief Financial Officer, Greg Ward, will succeed Richard Sheppard as Chief Executive Officer of MBL;

- Group Treasurer and Head of Group Treasury, Patrick Upfold (who succeeded Craig Shapiro as Group Treasurer in June 2011), will succeed Greg Ward as Chief Financial Officer of MBL. Mr. Upfold joined MGL in 1997 and was appointed an Executive Director in 2002. He has 15 years of experience in finance and financial services. Mr. Upfold is a Fellow of the Institute of Chartered Accountants and holds a Bachelor of Economics; and

- U.S.-based Fixed Income, Currencies & Commodities Executive Director, Michael McLaughlin, will succeed Tim Bishop as U.S. Country Head and Head of U.S. Management Committee and will join the MBL Group Executive Committee from January 1, 2012.

Ratings review

On November 4, 2011, Moody's Investors Services announced that it had placed MBL's A1 senior unsecured debt rating and P-1 short term ratings on review for possible downgrade. The review is expected to focus on the outlook for MBL's earnings against a backdrop of protracted weakness in the financial markets, and the extent that this trend may be secular as opposed to cyclical. The review is expected to consider the challenges posed by MBL's expansion, including risk management of an increasingly global and diverse business, as well as greater competition in many global capital markets business lines, among other factors. See "Management's discussion and analysis of interim results of operation and financial condition — Liquidity — Credit ratings" for the credit ratings of MBL at September 30, 2011.

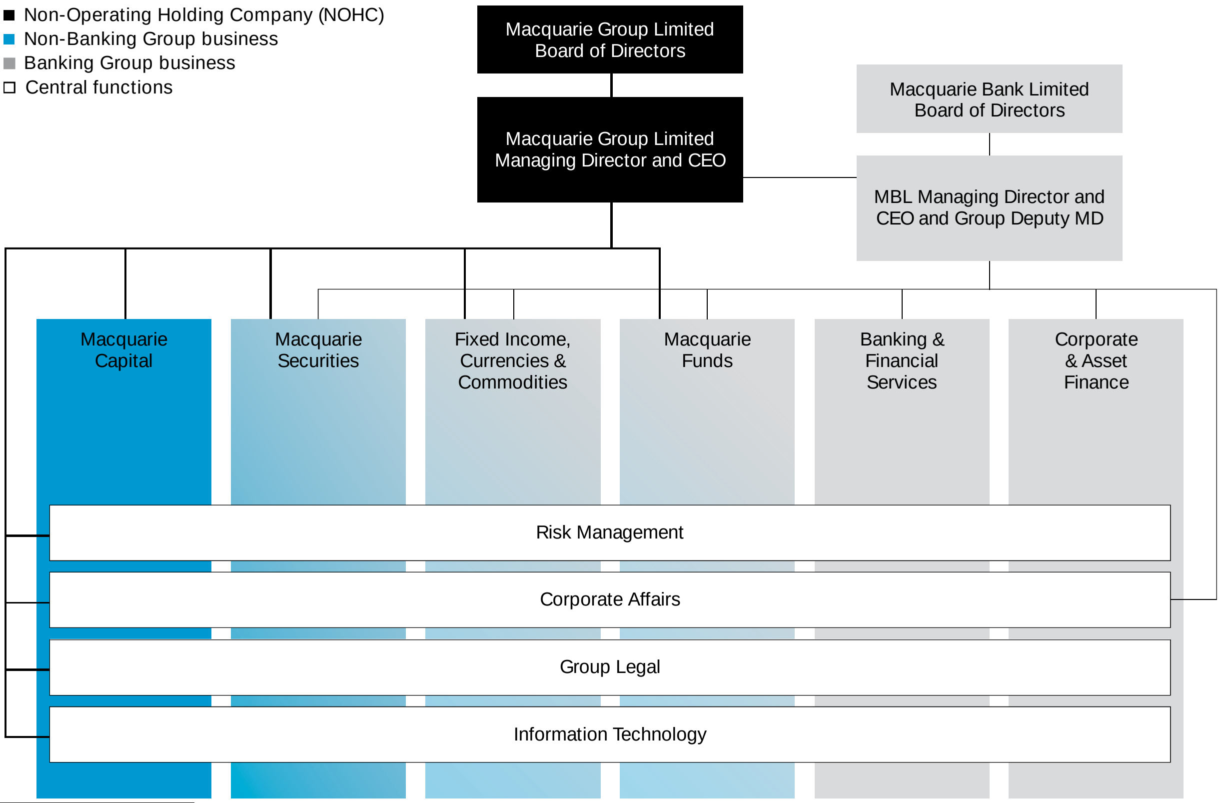
Organizational structure

MBL is an indirect wholly owned subsidiary of MGL and forms part of the Banking Group. MBL comprises five operating groups: Fixed Income, Currencies & Commodities; Macquarie Securities (excluding the Cash division); Banking & Financial Services; Corporate & Asset Finance and Macquarie Funds (excluding the Macquarie Infrastructure and Real Assets division). MBL Group also has one division: Real Estate Banking.

MGL Group provides shared services to both the Banking Group and the Non-Banking Group through the Corporate segment. The Corporate segment is not considered an operating group and comprises four central functions: Risk Management, Corporate Affairs, Group Legal and Information Technology. Shared services include: Risk Management, Finance, Information Technology, Group Treasury, Settlement Services, Equity Markets Operations, Human Resources Services, Business Services, Company Secretarial, Corporate Communications and Investor Relations Services, Taxation Services, Business Improvement and Strategy Services, Central Executive Services, Other Group-wide Services, Business Shared Services, and other services as may be agreed from time to time.

MBL and MGL have corporate governance and policy frameworks that meet APRA's requirements for ADIs and NOHCs, respectively. The Banking Group and the Non-Banking Group operate as separate sub-groups within MGL with clearly identifiable businesses, separate capital requirements and discrete funding programs. For further information on MGL and MBL's liquidity and funding, see the discussion under "Management's discussion and analysis of interim results of operation and financial condition — Liquidity". Although the Banking Group and the Non-Banking Group operate as separate sub-groups, both are integral to MGL Group's identity and strategy as they assist MGL Group in continuing to pursue value adding and diversified business opportunities while meeting its obligations under APRA rules.

The following diagram shows our current organizational structure of MGL Group, and reflects the composition of the Banking and Non-Banking Groups.



As of April 2011, the Real Estate Banking division is no longer included in MGL Group's organisational chart above, reflecting the reduced size of this business following the transfer of the real estate lending and development finance business to Corporate & Asset Finance in July 2010, as well as the transfer of certain unlisted funds management products to Macquarie Funds in November 2010.

MGL and MBL will continue to monitor and review the appropriateness of the MGL structure, including the provision of shared services. From time to time, the optimal allocation of our businesses between the Banking Group and the Non-Banking Group and within the Banking Group and the Non-Banking Group may be adjusted and, subject to any necessary regulatory approvals, we may make changes in light of relevant factors including business growth, regulatory considerations, market developments and counterparty considerations.

Our key strengths

For a description of our key strengths, see "Macquarie Bank Limited — Our key strengths" on page 25 of our 2011 Annual U.S. Disclosure Report.

At September 30, 2011, MBL's Tier 1 Capital ratio was 12.1% and its total regulatory capital ratio was 15.2%. For further information on our regulatory capital position as at September 30, 2011, see "Management's discussion and analysis of interim results of operation and financial condition — Capital analysis" in this Report.

Our strategy

Our strategy is set out under "Macquarie Bank Limited — Our strategy" on page 27 of our 2011 Annual U.S. Disclosure Report. We expect to continue to assess strategic acquisition opportunities and other corporate transactions as they arise, along with exploring opportunities for further organic growth in our existing and related businesses as an avenue of growth and diversification for MBL Group in the medium term.

Across our international operations, our strategy focuses on building a global platform, through both acquisitions and organic growth, which we believe will enable us to offer a comprehensive range of MBL products to clients around the world and identify MBL as a global specialist in our key areas of expertise. See "— Overview of MBL Group — Regional activity" below for further information on MBL's performance across its key geographical regions.

Overview of MBL Group

At September 30, 2011, MBL had total assets of A$158.5 billion and total equity of A$9.4 billion. For the half year ended September 30, 2011, our net operating income was A$2.1 billion and profit after tax attributable to ordinary equity holders was A$209 million, with 39% of MBL Group's revenues from external customers derived from regions outside Australia.

The tables below show the relative revenues from external customers and profit contribution of each of our operating groups in the half years ended September 30, 2011 and 2010.

Revenues from external customers of MBL Group by operating group for the half years ended September 30, 2011 and 2010[1]

	Half year ended		
	Sep 11	Sep 10	Movement[2]
	A$m	A$m	%
Macquarie Funds[3]	506	579	(13)
Corporate & Asset Finance	940	724	30
Banking & Financial Services	1,131	1,236	(8)
Macquarie Securities[4]	156	144	8
Fixed Income, Currencies & Commodities	745	744	nm
Real Estate Banking	21	23	(9)
Total revenues from external customers by operating group	**3,499**	**3,450**	1
Corporate[5]	572	864	(34)
Total revenues from external customers	**4,071**	**4,314**	(6)

1 For further information on our segment reporting, see "Management's discussion and analysis of interim results of operation and financial condition — Half year ended September 30, 2011 compared to half year ended September 30, 2010 — Segment overview" and Note 3 to our 2012 interim financial statements.

2 "nm" indicates that the percentage change was less than 1% and therefore not meaningful.

3 Macquarie Funds as reported for MBL Group excludes the Macquarie Infrastructure and Real Assets division that remains part of the Non-Banking Group.

4 Macquarie Securities as reported for MBL Group excludes the Cash division that remains part of the Non-Banking Group.

5 The Corporate segment includes earnings on capital, group treasury operations, certain corporate costs not recharged to operating businesses, employment related costs, options expense, income tax expense, profit attributable to non-controlling interests and internal management accounting adjustments and charges. Revenues from external customers reflected above for the Corporate segment represent net interest income on deposits held with external banks.

Reportable segment profit/(loss) of MBL Group by operating group for the half years ended September 30, 2011 and 2010[1]

	Half year ended		
	Sep 11	**Sep 10**	**Movement**
	A$m	**A$m**	**%**
Macquarie Funds[2]	189	138	37
Corporate & Asset Finance	359	233	54
Banking & Financial Services	139	136	2
Macquarie Securities[3]	(70)	(67)	4
Fixed Income, Currencies & Commodities	8	158	(95)
Real Estate Banking	(7)	(26)	(73)
Total contribution to profit by operating group	**618**	**572**	8
Corporate[4]	(409)	(278)	47
Net profit after tax	**209**	**294**	(29)

1 For further information on our segment reporting, see "Management's discussion and analysis of interim results of operation and financial condition — Half year ended September 30, 2011 compared to half year ended September 30, 2010 — Segment overview" and Note 3 to our 2012 interim financial statements.

2 Macquarie Funds as reported for MBL Group excludes the Macquarie Infrastructure & Real Assets division that remains part of the Non-Banking Group.

3 Macquarie Securities as reported for MBL Group excludes the Cash division that remains part of the Non-Banking Group.

4 The Corporate segment includes earnings on capital, group treasury operations, certain corporate costs not recharged to operating businesses, employment related costs, options expense, income tax expense, profit attributable to non-controlling interests and internal management accounting adjustments and charges. Profit contribution reflected above for the Corporate segment represent net interest income on deposits held with external banks.

Regional activity

At September 30, 2011, MBL Group employed 5,959 staff globally and conducted its operations in over 28 countries.

The chart below shows MBL Group's revenues from external customers by region in the half year ended September 30, 2011.

Revenues from external customers of MBL Group[1] by region for the half year ended September 30, 2011

1 For further information on our segment reporting, see "Management's discussion and analysis of interim results of operation and financial condition — Half year ended September 30, 2011 compared to the half year ended September 30, 2010 — Segment overview" and Note 3 to our 2012 interim financial statements.

2 Staff seconded to joint venture not included in official headcount (South Africa: Macquarie First South, Moscow: Macquarie Renaissance).

Australia. MBL Group, the predecessor of MGL Group, has its origins as the merchant bank Hill Samuel Australia Limited, created in 1969 as a wholly-owned subsidiary of Hill Samuel & Co. Limited, London, and began operations in Sydney in January 1970 with only 3 staff. As at September 30, 2011, MBL Group employed 3,385 staff across Australia. In the half year ended September 30, 2011, Australia contributed A$2.5 billion (61%) of our revenues from external customers as compared to A$3.0 billion (70%) in the half year ended September 30, 2010.

Americas. MBL Group has been active in the Americas for more than 15 years, when we established our first office in New York in 1994 and has grown rapidly over the last two years, principally through acquisitions of Delaware Investments and Blackmont in the 2010 fiscal year and Constellation Energy in the 2009 fiscal year, and the growth of our Energy Trading and Credit Trading businesses. As at September 30, 2011, MBL Group employed 1,861 staff across the United States, Canada, Mexico and Brazil. In the half year ended September 30, 2011, the Americas contributed A$1.0 billion (25%) of our revenues from external customers as compared to A$632 million (15%) in the half year ended September 30, 2010.

Asia. MBL Group has been active in Asia for more than 15 years, when we established our first office in Hong Kong. As at September 30, 2011, MBL Group employed 364 staff across China, Hong Kong, New Zealand, India, Indonesia, Japan, South Korea, Malaysia, the Philippines, Singapore, Taiwan and Thailand. During the half year ended September 30, 2011, MBL continued to expand the regional investment and product platforms of Macquarie Funds, Corporate & Asset Finance as well as Fixed Income Currencies & Commodities, which had established an Asian regional "hub" in Singapore. In the half year ended September 30, 2011, Asia contributed A$117 million (3%) of our revenues from external customers as compared to A$158 million (4%) in the half year ended September 30, 2010.

Europe, Middle East & Africa. MBL Group has been active in Europe since the late 1980s, in Africa since 2000 and the Middle East since 2005. As at September 30, 2011, MBL Group employed 349 staff across the United Kingdom, Germany, France, Luxembourg, the Netherlands, Sweden, Austria, Switzerland, South Africa, Abu Dhabi and Dubai. In the half year ended September 30, 2011, Europe, Middle East & Africa contributed A$443 million (11%) of our revenues from external customers as compared to A$484 million (11%) in the half year ended September 30, 2010.

For further information on our segment reporting, see "Management's discussion and analysis of interim results of operation and financial condition — Half year ended September 30, 2011 compared to half year ended September 30, 2010 — Segment overview" and Note 3 to our 2012 interim financial statements.

Recent developments within MBL Group

Fixed Income, Currencies & Commodities

Fixed Income, Currencies & Commodities is primarily in the Banking Group, however, it still has certain less financially significant assets and businesses in the Non-Banking Group.

Fixed Income, Currencies & Commodities contributed A$8 million to net profit for the half year ended September 30, 2011 and, as at September 30, 2011, had 801 staff operating across 12 countries, with locations in Australia, Asia, the Middle East, North and South America, Europe and the United Kingdom. For further information on Fixed Income, Currencies & Commodities' results of operation and financial condition for the half year ended September 30, 2011, see "Management's discussion and analysis of interim results of operation and financial condition — Half year ended September 30, 2011 compared to half year ended September 30, 2010 — Segment analysis — Fixed Income, Currencies & Commodities" in this Report.

During the half year ended September 30, 2011 the Asian Markets business, which formerly operated as part of the Central division, became a standalone division. In addition, the Fixed Income & Currencies division established a G10 currencies sales and trading presence in Singapore.

In May 2011, MBL was granted a Category 4 License from the Dubai Financial Services Authority, which allows MBL to operate in the Dubai International Financial Centre. The Fixed Income, Currencies & Commodities' team will utilize this license to market risk management solutions across a range of products in the Middle East through MBL Dubai Branch.

In September 2011, Fixed Income, Currencies & Commodities ceased providing fixed income products in Latin America due to challenging market conditions. Fixed Income, Currencies & Commodities continues to provide a diverse range of products in Latin America including repurchase agreements, foreign exchange, agricultural commodities, metals and energy financing and physical oil.

For further information and a description of the divisions within Fixed Income, Currencies & Commodities and their respective activities, see "Macquarie Bank Limited — Operating groups — Fixed Income, Currencies & Commodities" beginning on page 32 of our 2011 Annual U.S. Disclosure Report.

Macquarie Securities (excluding the Cash division, which forms part of the Non-Banking Group)

Macquarie Securities operates businesses across the Banking Group and Non-Banking Group.

Macquarie Securities' activities that form part of the Banking Group include sales of institutional and retail derivatives, arbitrage trading, equity finance and capital management.

Macquarie Securities contributed a net loss of A$70 million for the half year ended September 30, 2011 and as at September 30, 2011, had 84 staff operating across 5 countries. For further information on Macquarie Securities' results of operation and financial condition for the half year ended September 30, 2011, see "Management's discussion and analysis of interim results of operation and financial condition — Half year ended September 30, 2011 compared to half year ended September 30, 2010 — Segment analysis — Macquarie Securities (excluding the Cash division, which forms part of the Non-Banking Group)" in this Report.

For further information and a description of the divisions within Macquarie Securities and their respective activities, see "Macquarie Bank Limited — Operating groups — Macquarie Securities (excluding the Cash division)" beginning on page 34 of our 2011 Annual U.S. Disclosure Report.

Banking & Financial Services

Banking & Financial Services is the primary relationship manager for MBL Group's retail client base. Banking & Financial Services brings together MBL Group's retail banking and financial services businesses providing a diverse range of wealth management products and services to financial advisers, stockbrokers, mortgage brokers, professional service industries and the end consumer.

Banking & Financial Services contributed A$139 million to net profit for the half year ended September 30, 2011 and as at September 30, 2011, had 3,072 staff operating across 10 countries, including Australia, Canada, United Kingdom, New Zealand, India and Singapore. For further information on Banking & Financial Services' results of operation and financial condition for the half year ended September 30, 2011, see "Management's discussion and analysis of interim results of operation and financial condition — Half year ended September 30, 2011 compared to half year ended September 30, 2010 — Segment analysis — Banking & Financial Services" in this Report.

Cash deposits continued to be a major focus of Banking & Financial Services. Retail cash deposits increased from A$26.5 billion as at September 30, 2010 to A$28.6 billion at September 30, 2011. This was primarily due to the continued growth in CMA account balances and corporate banking deposits.

The division also offers the Macquarie Australian Wrap platform, which had A$20.6 billion in funds under administration at September 30, 2011. See "— Funds management business."

In June 2011, BFS North America announced it was outsourcing the servicing of its C$8 billion Canadian mortgage portfolio to Paradigm Quest Inc. ("Paradigm"), while Canadiana Financial Corp. ("Canadiana") will assume loan origination functions for Banking & Financial Services. As part of the transition to the new partnership agreements, approximately 50 employees from Banking & Financial Services transferred to Paradigm and Canadiana to continue in new roles.

On October 5, 2011, Macquarie Adviser Services and Perpetual Limited ("Perpetual") agreed that Macquarie Wrap will provide back office service and administration for Perpetual's A$8.7 billion of high net worth Wrap accounts, covering both Perpetual's private client and fiduciary businesses. The integration process is expected to be completed within 18 months.

On October 13, 2011, MBL announced that it had entered into a strategic collaboration agreement with Julius Baer Group Ltd, a Swiss private banking group. Under this agreement, Banking & Financial Services will transfer its Asian Private Wealth business to Julius Baer, and will refer clients who require private banking services to Julius Baer. Julius Baer will refer its clients' investment banking transactions to Macquarie Capital, which is part of the Non-Banking Group, and will make more of Macquarie Capital investment banking products available to Julius Baer's clients in Asia within the framework of Julius Baer's open product platform.

Banking & Financial Services continued to consolidate its client base, particularly in Australia and Canada through a range of growth initiatives, including launching Macquarie Emerging Markets Infrastructure Income Fund, an investment product tailored for the Canadian investor and designed to provide quarterly distributions and total income returns. Macquarie Private Wealth Canada increased its adviser numbers by 17% during the first half of the 2012 fiscal year, and Canadian client assets also grew 2% over the period, from C$9.8 billion as at March 31, 2011 to C$10.0 billion as at September 30, 2011.

For further information and a description of the divisions within Banking & Financial Services and their respective activities, see "Macquarie Bank Limited — Operating groups — Banking & Financial Services" beginning on page 35 of our 2011 Annual U.S. Disclosure Report.

Macquarie Funds (excluding the Macquarie Infrastructure & Real Assets division, which forms part of the Non-Banking Group)

Macquarie Funds operates businesses across the Banking Group and the Non-Banking Group. In the Banking Group, Macquarie Funds is a full service asset manager, offering a diverse range of capabilities and products including securities investment management and structured access to funds, equity-based products and alternative assets. With a strong client focus, disciplined investment processes and proven success in product innovation, Macquarie Funds has built a strong reputation as a leading provider of investment solutions on a global scale.

Macquarie Funds contributed A$189 million to net profit for the half year ended September 30, 2011 and, as at September 30, 2011, had 963 staff operating across 9 countries, including Australia, the United States, the United Kingdom and Hong Kong. As at September 30, 2011, Macquarie Funds had Assets under Management of A$228.2 billion. For further information on Macquarie Funds' results of operation and financial condition for the half year ended September 30, 2011, see "Management's discussion and analysis of interim results of operation and financial condition — Half year ended September 30, 2011 compared to half year ended September 30, 2010 — Segment analysis — Macquarie Funds (excluding the Macquarie Infrastructure & Real Assets division, which forms part of the Non-Banking Group)" in this Report. For further information on Macquarie Funds' Assets under Management, see "— Funds management business — Assets under Management" in this Report.

During the half year ended September 30, 2011, Macquarie Funds continued to focus on organic growth of its Assets under Management and leveraging off its existing operating platforms to drive cost synergies across the business. During the period, strong inflows were seen in long-only equity strategies, U.S. fixed income and the Asian Alpha hedge fund.

For further information and a description of the divisions within Macquarie Funds, see "Macquarie Bank Limited — Operating groups — Macquarie Funds (excluding the Macquarie Infrastructure & Real Assets division)" beginning on page 36 of our 2011 Annual U.S. Disclosure Report.

Corporate & Asset Finance

Corporate & Asset Finance provides innovative and traditional capital, finance and related services to clients operating in selected international markets. Corporate & Asset Finance specializes in leasing and asset finance, asset remarketing, sourcing and trading for long cycle assets (such as manufacturing, transportation and energy) and short cycle assets (including motor vehicles, information technology and medical) as well as offering tailored debt and finance solutions.

Corporate & Asset Finance contributed A$359 million to net profit for the half year ended September 30, 2011 and as at September 30, 2011, had 907 staff operating across 12 countries, including Australia, New Zealand, South Korea, United States and the United Kingdom. For further information on Corporate & Asset Finance's results of operation and financial condition for the half year ended September 30, 2011, see "Management's discussion and analysis of interim results of operation and financial condition — Half year ended September 30, 2011 compared to half year ended September 30, 2010 — Segment analysis — Corporate & Asset Finance" in this Report.

In July 2011, Corporate & Asset Finance entered the Australian motor vehicle dealer wholesale floorplan finance market. This follows the purchase of the Ford and GMAC Australian retail motor vehicle finance portfolios in 2009 and 2010, respectively.

Corporate & Asset Finance expanded its leasing offering to include a distribution finance capability in July 2011. In addition, on September 26, 2011, Corporate & Asset Finance entered into an agreement to sell 47 aircraft engines to Engine Lease Finance Corporation, subject to customary conditions precedent.

At September 30, 2011, Corporate & Asset Finance managed a funded lease and loan portfolio of A$20.5 billion, which represents growth of 5.1% from A$19.5 billion at March 31, 2011. This growth was due to the acquisition of new portfolios, corporate lending activities and continued organic growth across most businesses.

The corporate lending business specializes in bridging and the provision of term finance to corporates, while also investing in select debt assets trading in secondary debt markets. As a result, Corporate & Asset Finance has developed a diversified lending portfolio. The funded loan portfolio amounted to A$8.4 billion at September 30, 2011, with a further A$1.9 billion of committed funding facilities which, combined, is in line with the funded loan portfolio as at March 31, 2011.

For further information on Corporate & Asset Finance's businesses, see "Macquarie Bank Limited — Operating groups — Corporate & Asset Finance" beginning on page 37 of our 2011 Annual U.S. Disclosure Report.

Recent developments within the Real Estate Banking division and Corporate segment of MBL Group

Real Estate Banking

Real Estate Banking is an international business focused on managing balance sheet positions across a number of locations and products.

The Real Estate Banking division contributed a net loss of A$7 million for the half year ended September 30, 2011 and, as at September 30, 2011, had 33 staff operating across 4 countries, including Australia, China, South Africa and the United States. For further information on Real Estate Banking's results of operation and financial condition for the half year ended September 30, 2011, see "Management's discussion and analysis of interim results of operation and financial condition — Half year ended September 30, 2011 compared to half year ended September 30, 2010 — Segment analysis — Real Estate Banking" in this Report. For further information on Real Estate Banking's Assets under Management, see "— Funds management business — Assets under Management" in this Report.

For further information on Real Estate Banking's activities, see "Macquarie Bank Limited — Division within MBL Group — Real Estate Banking" beginning on page 39 of our 2011 Annual U.S. Disclosure Report.

Corporate

The Corporate segment includes earnings on capital, group treasury operations, certain corporate costs not recharged to operating businesses, employment related costs, share based payments expense, income tax expense, amounts attributable to non-controlling interests and internal management accounting adjustments and charges.

Corporate contributed a net loss of A$409 million for the half year ended September 30, 2011 and as at September 30, 2011, had 99 staff operating across all countries in which MBL operates. For further information on Corporate's results of operation and financial condition for the half year ended September 30, 2011, see "Management's discussion and analysis of interim results of operation and financial condition — Half year ended September 30, 2011 compared to half year ended September 30, 2010 — Segment analysis — Corporate" in this Report.

Funds management business

For a description of MBL Group's funds management businesses, see "Macquarie Bank Limited — Funds management business" beginning on page 39 of our 2011 Annual U.S. Disclosure Report.

Assets under Management

MBL Group had an aggregate of A$231.6 billion of Assets under Management as at September 30, 2011, from which it derived an aggregate of A$292 million of funds management base fees for the half year ended September 30, 2011.

The table below illustrates MBL Group's aggregate Assets under Management by operating group, region and industry sector as at September 30, 2011, March 31, 2011 and September 30, 2010.

Assets under Management by operating group, region and industry sector as at September 30, 2011, March 31, 2011 and September 30, 2010

	As at			Movement[1]	
	Sep 11	Mar 11	Sep 10	Mar 11	Sep 10
	A$m	A$m	A$m	%	%
Assets under Management by group					
Macquarie Investment Management	220,412	205,546	209,200	7	5
Macquarie Specialised Investment Solutions	1,950	2,262	2,154	(14)	(9)
Other Macquarie Funds[2]	5,843	5,200	5,032	12	16
Total Macquarie Funds[3]	228,205	213,008	216,386	7	5
Other operating groups	3,349	4,383	4,077	(24)	(18)
Total Assets under Management	**231,554**	**217,391**	**220,463**	7	5
Assets under Management by region					
Australia	48,075	49,124	50,412	(2)	(5)
Americas	164,430	149,541	154,447	10	6
Europe, Middle East and Africa	8,858	8,605	7,120	3	24
Asia	10,191	10,121	8,484	1	20
Total Assets under Management	**231,554**	**217,391**	**220,463**	7	5
Assets under Management by type					
Fixed income	140,100	126,410	135,128	11	4
Equities	54,661	54,677	50,233	nm	9
Cash	16,828	20,022	18,251	(16)	(8)
Direct real estate	3,806	6,396	5,049	(40)	(25)
Currency	4,585	5,330	5,564	(14)	(18)
Alternatives	3,792	2.262	1,818	68	109
Specialist investments	3,023	1,660	3,441	82	(12)
Multi-asset allocation solutions[4]	4,759	634	979	large	large
Total Assets under Management	**231,554**	**217,391**	**220,463**	7	5

1 "nm" indicates that the percentage change was less than 1% and therefore not meaningful, and "large" indicates that actual movement was greater than 300%.

2 Other Macquarie Funds includes certain Real Estate Banking unlisted funds management products were transferred to Macquarie Funds in November 2010, as described in "Financial information presentation" on page xi of our 2011 Annual U.S. Disclosure Report.

3 Macquarie Funds as reported for MBL Group excludes the Macquarie Infrastructure & Real Assets division that remains part of the Non-Banking Group.

4 The large increase in multi-asset allocation solutions' Assets under Management in the half year ended September 30, 2011 from the prior corresponding period was primarily due to our acquisition and integration of INNOVEST Kapitalanlage AG, an Austrian asset manager ("Innovest") in March 2011.

Assets under Management of A$231.6 billion at September 30, 2011 increased 5% from A$220.5 billion at September 30, 2010. The overall net increase in Assets under Management was primarily due to the weakening of the Australian dollar, in particular against the U.S. dollar, resulting in higher offshore asset values, and the acquisition of Innovest in March 2011. There were strong inflows into fixed income and equities in the half year ended September 30, 2011, which were partially offset by the decline in equity markets.

For further information on Macquarie Funds' results of operation and financial condition for the half year ended September 30, 2011, see "Management's discussion and analysis of interim results of operation and financial condition — Half year ended September 30, 2011 compared to half year ended September 30, 2010 — Segment analysis — Macquarie Funds (excluding the Macquarie Infrastructure & Real Assets division)" in this Report.

MBL Group's income from funds management is mainly derived from funds management fees. Funds management fee income includes base fees, which are ongoing fees generated from funds management activities, and performance fees, which are earned when the funds outperform their pre-determined benchmarks. This may be a market index (for example, the MSCI index), a customized index or a pre-determined rate of return.

For further detail on MBL Group's income from funds management, see "Management's discussion and analysis of interim results of operation and financial condition — Half year ended September 30, 2011 compared to half year ended September 30, 2010 — Results analysis — Fee and commission income — Base and performance fees" in this Report.

Legal matters

We have contingent liabilities in respect of actual and potential claims and proceedings that have not been determined. An assessment of likely losses is made on a case by case basis for the purposes of our financial statements and specific provisions that we consider appropriate are made, as described in Note 17 to our 2012 interim financial statements. We do not believe that the outcome of any such claims of which we are aware, either individually or in the aggregate, are likely to have a material effect on our operations or financial condition.

On December 22, 2010, ASIC commenced legal proceedings in the Federal Court of Australia against a number of banking institutions, including MBL. In one proceeding, ASIC is seeking compensation for two investors arising out of the collapse of Storm Financial Limited for alleged breach of contract, contravention of the statutory prohibitions against unconscionable conduct and liability as linked credit providers of Storm under section 73 of the Trade Practices Act 1974 of Australia. In another, ASIC alleges there was an unregistered managed investment scheme in which the banks were involved.

Representative legal action has also been brought through a private law firm in the same court claiming an unregistered managed investment scheme involving Storm on a similar basis as ASIC's second action and claiming compensation for those investors.

As at the date of this Report, the proceedings are progressing through a pre-trial process. MBL denies liability with respect to these claims.

Regulatory and supervision developments

A description of MBL Group's principal regulators and the regulatory regimes that MBL Group, its businesses and the funds it manages in, and outside of, Australia, are subject to is set out under "Regulation and supervision — Australia — APRA" beginning on page 44 of our 2011 Annual U.S. Disclosure Report. Our businesses are increasingly subject to greater regulatory scrutiny as we continue to grow our businesses both organically and through acquisitions. For a description of certain regulatory risks our businesses face, see "Risk factors — Many of our businesses are highly regulated and we could be adversely affected by temporary and permanent changes in regulations, regulatory policy and by compliance requirements, particularly for financial institutions, in the markets in which we operate", "Risk factors — We may incur losses as a result of ineffective risk management processes and strategies" and "Risk factors — We may incur financial loss, adverse regulatory consequences or reputational damage due to inadequate or failed internal or external operational systems, processes, people or systems or external events" on pages 9, 12 and 14, respectively, of our 2011 Annual U.S. Disclosure Report.

Significant regulatory changes that may affect our businesses are expected in the various markets in which we operate. The following is a summary of significant regulatory and supervision developments in Australia and the United States for MBL Group that have occurred since the release of our 2011 Annual U.S. Disclosure Report on May 13, 2011.

Australia

APRA

On September 6, 2011 APRA released its first discussion paper, *Implementing Basel III Capital Reforms in Australia* ("discussion paper"). This discussion paper is subject to industry consultation until December 2, 2011, with further discussion papers covering liquidity and counterparty credit risk expected in late calendar 2011 and draft standards are currently expected to be released in early calendar 2012. In the first discussion paper, APRA has indicated that, subject to industry consultation, it will adopt as a minimum for ADIs the capital framework proposed under the Basel III framework with some additional conservatism. The Basel III framework divides capital for banks into three tiers: Common Equity Tier 1, Additional Tier 1 and Tier 2. Under the Basel III framework, banks must hold a minimum of 8% total capital, made up of at least 4.5% Common Equity Tier 1 and at least 6% Total Tier 1. Prudential Capital Requirements ("PCRs") will be set by APRA for each ADI at or about the minima set out in the Basel III arrangements. The discussion paper proposes that these capital requirements will need to be met in full from January 1, 2013. In addition, from January 1, 2016, ADIs will be required to hold a capital conservation buffer of up to 2.5%, comprised of Common Equity Tier 1. These deadlines do not include the phase-in arrangements contemplated by the Basel III arrangements. APRA also proposes to introduce the countercyclical buffer proposed by Basel III where APRA judges that excess credit growth has led to a build-up of system-wide risk.

In its discussion paper, APRA proposes that the Basel III non-viability loss absorbency requirements be included in the terms of all Additional Tier 1 and Tier 2 instruments, and that the requirements be included in the contractual terms and conditions of each instrument eligible as regulatory capital from January 1, 2013. Where an issuing ADI is a subsidiary of a wider banking group regulated by APRA, and the ADI or its parent wishes the instrument to be included in the capital of the consolidated level 2 group, the terms and conditions for the instrument must specify a write-off or conversion event that can be triggered by APRA in the event that APRA decides to make a public sector injection of capital (or equivalent) support.

Financial Sector Legislation Amendment (Prudential Refinements and Other Measures) Act 2010

The Financial Sector Legislation Amendment (Prudential Refinements and Other Measures) Act 2010 of Australia, among other things, amended section 13A of the Australian Banking Act and section 86 of the Reserve Bank Act with effect from July 27, 2010. The amended section 13A of the Australian Banking Act sets out the priority under which the assets of an ADI (including MBL) are made available to meet certain specified liabilities. These specified liabilities include certain obligations of the ADI to APRA in respect of amounts payable by APRA to holders of protected accounts, other liabilities of the ADI in Australia in relation to protected accounts, debts to the Reserve Bank of Australia ("RBA") and certain other debts to APRA. A "protected account" is either (a) an account where the ADI is required to pay the account-holder, on demand or at an agreed time, the net credit balance of the account, or (b) another account or financial product prescribed by regulation. The liabilities which may be preferred by law to the claims of investors will be substantial.

United States

As a result of the global economic crisis, the United States government has enacted legislation, and the applicable regulatory authorities have adopted or proposed regulations that would make significant changes in the regulation of the financial services industry including reforming the financial supervisory and regulatory framework in the United States, which could have a material impact on financial institutions and their activities, including the activities of MBL and its subsidiaries in the United States. The reform process will be implemented over a number of years and the final effects are not yet certain. See "Risk factors — Many of our businesses are highly regulated and we could be adversely affected by temporary and permanent changes in regulations, regulatory policy and by compliance requirements, particularly for financial institutions, in markets in which we operate" in our 2011 Annual U.S. Disclosure Report for further information.

On July 21, 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"). Many of the provisions of the Dodd-Frank Act require rulemaking by the applicable U.S. regulatory agency, such as the Federal Reserve Board ("FRB"), the SEC and the Commodity Futures Trading Commission ("CFTC") before the related provisions of the Dodd-Frank Act become effective. The Dodd-Frank Act will result in significant changes in the regulation of the U.S. financial services industry, including reforming the financial supervisory and regulatory framework in the United States. MBL's businesses may be affected by a variety of new regulations under the Dodd-Frank Act including, but not limited to: (i) greater regulation of over-the-counter derivatives, including stricter capital and margin requirements, the centralized execution and clearing of standardized over-the-counter derivatives, and heightened supervision of all over-the-counter swap dealers and major swap participants, (ii) more stringent position limits on derivatives on physical commodities and (iii) increased regulation of investment advisers. In addition, if MGL's future growth results in MGL being determined by U.S. regulators to be a "systemically important" nonbank financial company which poses a threat to the financial stability of the United States, U.S. regulators may have increased regulatory authority over MGL and its subsidiaries, including MBL, and may impose stricter capital, leverage and risk management requirements. The Dodd-Frank Act will likely increase compliance and execution costs for derivative trading in the U.S. and have an impact on certain MBL Group businesses, such as on its U.S. derivatives business. We also believe certain of our affiliates will have to register as swap dealers, and possibly futures commission merchants and investment advisors. However, it is not possible at this point in time to determine the full extent of the impact of the

Dodd-Frank Act because many important details will be formulated during the process of proposing and implementing rules and regulations, which are expected over the next several months. The reaction of market participants to these regulatory developments over the next several years will also be an important determinant of the final content and impact of the rules and regulations implementing the Dodd-Frank Act.

The Foreign Account Tax Compliance Act ("FATCA") was signed into law in the United States on March 18, 2010. FATCA and its anticipated regulations, which have not been promulgated as of yet, will require foreign financial institutions ("FFIs"), such as MBL, to enter into an agreement with the U.S. Internal Revenue Service (the "IRS") by June 30, 2013 and agree to provide the IRS with certain information on accounts held by U.S. persons and U.S.-owned foreign entities, or otherwise face a 30% withholding tax on certain payments made to the FFI from U.S. sources. The term FFI is broadly defined and may include such entities as banks, brokers, hedge funds, private equity funds and foreign investment entities. FATCA is expected to require substantial investment in a compliance and reporting framework in order to meet FATCA standards.

Other regulators

During the half year ended September 30, 2011, MBL was granted a banking license by the Hong Kong Monetary Authority. The branch is yet to receive "Registered Institution" status under the Securities and Futures Ordinance and is expected to be operational in February or March 2012. The Hong Kong branch will be regulated by the Hong Kong Monetary Authority.

Competition

For a description of the competition MBL Group faces in the markets in which it operates, see "Macquarie Bank Limited — Competition" beginning on page 42 of our 2011 Annual U.S. Disclosure Report.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF INTERIM RESULTS OF OPERATION AND FINANCIAL CONDITION

Investors should be aware that the discussion set forth in this Report is not complete and should be read in conjunction with the discussion under "Management's discussion and analysis of results of operation and financial condition" beginning on page 53 of our 2011 Annual U.S. Disclosure Report.

During the half year ended September 30, 2011, MBL Group implemented a number of asset transfers between operating groups and the Corporate segment. These transfers were undertaken to better align the relevant assets with the expertise in each operating group. These transfers primarily comprised MBL Group's equity investment in certain assets. In addition, certain assets that no longer aligned with any operating group were transferred to the Corporate segment, including the investment in MAp Group. As a result of these changes, the businesses and assets that comprised certain operating segments of MBL Group for financial reporting purposes were also changed. In our interim financial statements and accordingly, this Report, the results of our operating groups for the half year ended September 30, 2011 are presented to give effect to these asset transfers effective April 1, 2011, with the comparative information for the half years ended March 31, 2011 and September 30, 2010 presented based on the same basis.

Investors should note that while the financial information for the half year ended September 30, 2011 included in this Report presents our current operating segments in accordance with AASB 8 "Operating Segments" following these internal asset transfers, and while in our 2012 interim financial statements we restated the comparative information for the half years ended March 31, 2011 and September 30, 2010 to reflect these internal asset transfers, we were not required to restate the operating segment presentation in the financial statements for earlier fiscal periods. As a result, the operating segments reported in our 2011 annual financial statements and our financial statements for prior fiscal years have not been restated to reflect our current reportable operating segments. Further, the audit reports on those historical financial statements report on historical financial statements that have not been re-presented on the same basis that our 2012 interim financial statements have been prepared.

For further information on the preparation of our 2012 interim financial statements, see "Financial information presentation" in this Report and the discussion in this Report under "— Half year ended September 30, 2011 compared to half year ended September 30, 2010 — Segment overview — Basis of preparation".

Critical accounting policies and significant judgments

Note 1 to our 2011 annual financial statements provides a list of our significant accounting policies. While we regard all of our significant accounting policies as important to consider in evaluating our financial statements, further information on policies involving critical accounting estimates and requiring management's exercise of judgment is set out in detail under "Management's discussion and analysis of results of operation and financial condition" beginning on page 53 of our 2011 Annual U.S. Disclosure Report.

Critical accounting policies and significant judgments for the half year ended September 30, 2011 are consistent with those referred to above. These critical accounting policies should be read in conjunction with the discussion set out in our 2011 Annual U.S. Disclosure Report and Note 1 to our 2011 annual financial statements.

Trading conditions and market update

Operating conditions

The half year ended September 30, 2011 was characterized by heightened levels of uncertainty in global financial markets, weak investor confidence and increased market volatility, primarily due to European sovereign debt concerns and expectations of weakening global economic growth. These factors resulted in low levels of client activity, significant volatility in capital and commodity markets and disruption to many capital markets functions. In addition, the global financial markets were negatively impacted by concerns that U.S. lawmakers would be unable to reach an agreement on the federal debt ceiling. While U.S. lawmakers reached an agreement to raise the debt ceiling on August 2, 2011, Standard & Poor's downgraded the long term sovereign credit rating of the U.S. from

AAA to AA+. This downgrade is partly based on Standard & Poor's view that the U.S. government has failed to take sufficient action to stabilize the country's medium term debt dynamics. This downgrade and any further downgrades of the U.S. or the inability of Europe to solve their sovereign debt concerns, or the lack of improvement in macro-economic conditions in the United States or Europe could prevent the improvement, and lead to a further deterioration, of global financial market conditions.

Equity markets remained subdued during the half year ended September 30, 2011 as poor investor sentiment adversely impacted institutional and retail activity levels for the derivatives businesses across all regions.

Fixed Income, Currencies & Commodities market conditions were dominated by uncertainty and macroeconomic concerns prompting dislocation in certain markets. Credit Markets were characterized by widening credit spreads resulting from clients' flight to safety as they reduced markets positions in light of extreme levels of volatility. Agricultural commodity markets were characterized by volatile trading conditions which limited trading opportunities and dampened client trading volumes. Volatility in energy prices increased client hedging activity compared to prior quarter, while volatility in the metals and resource equity sectors impacted the closure of financing transactions and reduced client activity levels.

Impact on MBL Group

During the half year ended September 30, 2011, challenging operating conditions affected activity across a number of our businesses, in particular, our capital markets facing businesses.

Macquarie Securities experienced a challenging environment, with weak investor confidence and difficult market conditions affecting the results of the derivatives business. Fixed Income, Currencies & Commodities experienced heightened volatility, which resulted in reduced volumes and activity in many businesses, with credit and interest rate markets most affected.

The impact of challenging market conditions during the half year ended September 30, 2011 was, in part, offset by stronger performance of MBL Group's annuity style businesses. Macquarie Funds received strong retail and institutional net inflows during the half year, particularly in Australia and the United States, while Corporate & Asset Finance continued to grow its lease and corporate lending portfolio through recent acquisitions, increased corporate lending activities, the consolidation of MBL Group's aircraft operating leasing within Corporate & Asset Finance and organic growth. Banking & Financial Services continued to grow its global client numbers, its market share as well as its retail deposit base.

During the half year ended September 30, 2011, MBL Group experienced improved cost performance through a range of initiatives including exiting unprofitable businesses, such as the Canadian mortgages and Latin American Fixed Income businesses, creating scalable platforms across its global operations, reducing complexity, redesigning business and operating models to provide for operational and staffing efficiencies in front and back office and increasing the effective use of offshore locations, in order to facilitate investment in growth areas.

For a discussion of the impact of trading and market conditions on our results of operation and financial condition for the half year ended September 30, 2011, see "— Half year ended September 30, 2011 compared to half year ended September 30, 2010 — Results overview" for further information.

Half year ended September 30, 2011 compared to half year ended September 30, 2010

Results overview

	Half year ended			Movement[1]	
	Sep 11	**Mar 11**	**Sep 10**	**Mar 11**	**Sep 10**
	A$m	**A$m**	**A$m**	**%**	**%**
Income statement					
Net interest income	829	887	764	(7)	9
Fee and commission income	625	553	754	13	(17)
Net trading income	408	646	633	(37)	(36)
Share of net profits/(losses) of associates and joint ventures accounted for using the equity method	15	26	19	(42)	(21)
Other operating income and charges[2]	260	338	175	(23)	49
Net operating income	**2,137**	**2,450**	**2,345**	(13)	(9)
Employment expenses	(732)	(748)	(805)	(2)	(9)
Brokerage and commission expenses	(318)	(281)	(388)	13	(18)
Occupancy expenses	(72)	(72)	(67)	—	7
Non-salary technology expenses	(49)	(48)	(50)	2	(2)
Other operating expenses	(683)	(590)	(641)	16	7
Total operating expenses	**(1,854)**	**(1,739)**	**(1,951)**	7	(5)
Operating profit before income tax	283	711	394	(60)	(28)
Income tax benefit/(expense)	(58)	(189)	(83)	(69)	(30)
Profit after income tax	**225**	**522**	**311**	(57)	(28)
Profit attributable to non-controlling interests	(3)	—	(4)	large	(25)
Profit attributable to equity holders of Macquarie Bank Limited	222	522	307	(57)	(28)
Distributions paid or provided on Macquarie Income Securities	(13)	(13)	(13)	—	—
Profit attributable to ordinary equity holders of Macquarie Bank Limited	**209**	**509**	**294**	(59)	(29)

1 "large" indicates that the movement was positive to negative.

2 "Other operating income and charges" includes A$100 million in total impairment charges and provisions (Half year ended March 31, 2011: A$47 million; Half year ended September 30, 2010: A$108 million).

Profit attributable to ordinary equity holders of A$209 million for the half year ended September 30, 2011 decreased 29% from A$294 million in the prior corresponding period. Challenging global market conditions during the period resulted in lower operating income compared with the prior corresponding period. The impact was partially offset by lower operating expenses resulting from a number of cost initiatives undertaken during the period and lower staff profit share expense combined with lower headcount.

Net operating income for the half year ended September 30, 2011 of A$2,137 million decreased 9% from A$2,345 million in the prior corresponding period. This was largely driven by:

- a 17% decrease in fee and commission income to A$625 million for the half year ended September 30, 2011 from A$754 million in the prior corresponding period due to a range of factors including lower base fees due to the full period impact of the conversion of the CMT accounts to CMA, and weak investor confidence which adversely impacted brokerage and commissions income; and

- a 36% decrease in net trading income to A$408 million for the half year ended September 30, 2011 from A$633 million in the prior corresponding period largely driven by the adverse impact of extreme volatility in credit and financial markets due to the uncertainty over sovereign debt and economic conditions in Europe and the United States, compounded by concerns over global growth.

This was partially offset by a 49% increase in other operating income and charges to A$260 million in the half year ended September 30, 2011 from A$175 million in the prior corresponding period, which was driven by a 298% increase in net operating lease income to A$183 million from A$46 million in the prior corresponding period primarily due to the completion of the acquisition of 44 aircraft assets and associated leases from International Lease Finance Corporation ("ILFC") and the acquisition of the remaining 62.5% of Macquarie AirFinance, an aircraft leasing business, in November 2010. This was offset by a 43% decrease in net gains on sale of investment securities available-for-sale to A$56 million in the half year ended September 30, 2011 from A$99 million in the prior corresponding period.

Total operating expenses of A$1,854 million for the half year ended September 30, 2011 decreased 5% from A$1,951 million in the prior corresponding period. The main drivers of this decrease were:

- a 9% decrease in employment expenses of A$732 million for the half year ended September 30, 2011 from A$805 million in the prior corresponding period, due to a 4% reduction in headcount from 6,104 at September 30, 2010 to 5,860 at September 30, 2011 and lower staff profit share expense; and

- an 18% decrease in brokerage and commission expenses of A$318 million from A$388 million in the prior corresponding period due to reduced activity in the corporate segment, including reduced commissions on the issuance of debt instruments by Group Treasury, reduced activity in Fixed Income, Currencies & Commodities, offset by increased activity in the Derivatives DeltaOne Trading division within Macquarie Securities.

Income tax expense of A$58 million in the half year ended September 30, 2011 decreased 30% from A$83 million in the prior corresponding period. See "— Results analysis — Income tax expense" in this Report for further information.

See "— Results analysis" below for further information on each of these drivers.

Our results for the half year ended September 30, 2011 continued to be affected by challenging trading and market conditions, which particularly affected Fixed Income, Currencies & Commodities and Macquarie Securities. See "— Trading conditions and market update" above for further information.

Results analysis

MBL Group presents the information below relating to our financial results on a consolidated MBL Group basis.

Net interest income

	Half year ended			Movement	
	Sep11	**Mar 11**	**Sep 10**	**Mar 11**	**Sep 10**
	A$m	**A$m**	**A$m**	**%**	**%**
Net interest income					
Interest revenue	2,701	2,617	2,524	3	7
Interest expense	(1,872)	(1,730)	(1,760)	8	6
Net interest income (as reported)	**829**	**887**	**764**	(7)	9
Adjustment for accounting for swaps[1]	(37)	(103)	(68)	(64)	(46)
Adjusted net interest income	**792**	**784**	**696**	1	14

[1] Australian Accounting Standards require derivatives hedging interest rate risk to be carried at fair value through trading income unless they form part of a qualifying hedge relationship. This distorts the analysis of net interest income and trading income in each operating group. To assist in the analysis of net interest margins, the impact of accounting for swaps used to economically hedge interest rate risk that is included in trading income for statutory purposes, has been adjusted against net interest income and shown separately above.

Adjusted net interest income of A$792 million for the half year ended September 30, 2011 increased 14% from A$696 million in the prior corresponding period. The main drivers of the increase were growth of the corporate loan and finance lease portfolios and a significant increase in the average margin for non-mortgage lending driven by accelerated recognition of discounts on certain early loan repayments in the corporate lending portfolio.

Mortgages

Net interest income from mortgage assets decreased from the prior corresponding period, primarily due to a reduction in average mortgage volumes resulting from the reduction in the value of the Australian residential mortgage portfolio and the impact of a stronger Australian dollar on the Canadian mortgage portfolio. Average margins for the period decreased slightly compared with the prior corresponding period.

See "— Segment analysis — Banking & Financial Services — Net interest income" below for further information.

Other lending areas

Net interest income from other lending increased from the prior corresponding period, primarily due to growth in the corporate and asset lending portfolios. Overall, average volumes at September 30, 2011 increased from the volumes at September 30, 2010. The margins in the corporate lending business increased largely as a result of the accelerated recognition of discounts on some early loan repayments.

Fee and commission income

	Half year ended			Movement[1]	
	Sep 11	Mar 11	Sep 10	Mar 11	Sep 10
	A$m	A$m	A$m	%	%
Fee and commission income					
Base fees	292	283	315	3	(7)
Performance fees	11	18	7	(39)	57
Mergers and acquisitions, advisory and underwriting fees	23	26	24	(12)	(4)
Brokerage and commissions	165	166	172	(1)	(4)
Other fee and commission income	103	25	193	large	(47)
Income from life investment contracts and other unit holder investment assets	31	35	43	(11)	(28)
Total fee and commission income	**625**	**553**	**754**	13	(17)

1 "large" indicates that actual movement was greater than 300%.

Fee and commission income of A$625 million for the half year ended September 30, 2011 decreased 17% from A$754 million in the prior corresponding period, primarily due to a 47% decrease in other fee and commission income, and a 7% decrease in base fees. This was partially offset by a significant increase in performance fees.

Base and performance fees

Base fees of A$292 million for the half year ended September 30, 2011 decreased 7% from A$315 million of base fees earned in the prior corresponding period. This decrease was primarily due to the full period impact of the conversion of CMT accounts to the CMA in July 2010, which reduced Assets under Management by A$9.6 billion. Excluding the impact of the CMT conversion, base fees were broadly in line with the prior corresponding period. Strong inflows into a range of funds including equities and fixed income resulted in an increase in base fees. This was offset by the impact of the stronger Australian dollar compared to the prior corresponding period on base fees earned outside of Australia and the decline in equity markets. For further details of Assets under Management, see "Recent developments — Funds management business — Assets under Management".

Performance fees of A$11 million for the half year ended September 30, 2011, increased 57% from A$7 million in the prior corresponding period. The increase was largely as a result of performance fees earned as a result of the Asian Alpha hedge fund outperforming its respective benchmarks.

Mergers and acquisitions, advisory and underwriting fees

Mergers and acquisitions, advisory and underwriting fees of A$23 million for the half year ended September 30, 2011 decreased 4% from A$24 million in the prior corresponding period. There was no significant change in the level of deal flow compared to the prior corresponding period.

Brokerage and commissions

Brokerage and commission income of A$165 million for the half year ended September 30, 2011 decreased 4% from A$172 million in the prior corresponding period, primarily driven by weaker market conditions. The partial sale of a majority shareholding in OzForex in November 2010 adversely impacted brokerage and commissions income in Banking & Financial Services.

Other fee and commission income

Other fee and commission income of A$103 million for the half year ended September 30, 2011, decreased 47% from A$193 million in the prior corresponding period. This decrease was largely due to the strengthening of the Australian dollar against major currencies, lower True Index revenues, a reduction in income from Infrastructure Bonds as a result of scheduled maturities, and lower Funds under Administration on the Australian Wrap platform due to negative equity market movements. The prior corresponding period also included the recognition of certain items in the Corporate segment that, for accounting purposes, offset with other fee and commission expense.

Income from life investment contracts and other unit holder investment assets

Income from life investment contracts and other unit holder investment assets includes income from the provision of life insurance by Macquarie Life and True Index income earned on funds managed by Macquarie Funds. Macquarie True Index delivers clients pre-tax returns (before buy/sell spreads on transactions). Any under-performance is compensated by MGL and, conversely, any out-performance is retained by MBL. Income from this category of A$31 million for the half year ended September 30, 2011 decreased 28% from A$43 million in the prior corresponding period. The inforce book is the aggregate annualized life insurance premium payable for policies issued by the life company, and still paying premiums, at the balance date.

Net trading income

A complete representation of our trading activities is not shown by the composition of trading income set out below as it excludes interest revenue and expense, brokerage and commission revenue and expense, and operating costs of trading activities. To obtain a complete view of the performance of our trading activities, see "— Segment analysis — Macquarie Securities (excluding the Cash division, which forms part of the Non-Banking Group)" and "— Segment analysis — Fixed Income, Currencies & Commodities".

	Half year ended			Movement[1]	
	Sep 11	Mar 11	Sep 10	Mar 11	Sep 10
	A$m	A$m	A$m	%	%
Net trading income (as reported)	408	646	633	(37)	(36)
Adjustment for accounting for swaps[1]	37	103	68	(64)	(46)
Adjusted net trading income	**445**	**749**	**701**	(41)	(37)

[1] Australian Accounting Standards require derivatives hedging interest rate risk to be carried at fair value through trading income unless they form part of a qualifying hedge relationship. This distorts the analysis of net interest income and trading income in each operating group. To assist in the analysis of net trading income, the impact of accounting for swaps used to economically hedge interest rate risk that is included in trading income for statutory purposes, has been adjusted against interest rate products in the analysis below.

	Half year ended			Movement[1]	
	Sep 11	Mar 11	Sep 10	Mar 11	Sep 10
	A$m	A$m	A$m	%	%
Equities	152	196	149	(22)	2
Commodities					
Trading income	226	381	189	(41)	20
Fair value adjustments relating to leasing contracts[2]	(19)	15	(32)	large	(41)
Foreign exchange products	107	109	82	(2)	30
Interest rate products	(21)	48	313	large	large
Adjusted net trading income	**445**	**749**	**701**	(41)	(37)

[1] "large" indicates that the movement was positive to negative.

[2] MBL enters into various tolling agreements, capacity contracts and transportation agreements as part of its commodity trading and hedging strategies. The contracts and agreements, which are managed on a fair value basis for financial and risk management purposes, are required to be accounted for on an accruals basis for statutory reporting purposes. This creates a measurement mismatch with related trading positions that are reported at fair value for statutory purposes. For the purposes of enabling comparison with prior periods, commodities trading income is presented on a basis consistent with management reporting, and the reversal of the fair value adjustments relating to leasing contracts are presented separately to reconcile the result to the statutory presentation.

Adjusted net trading income of A$445 million for the half year ended September 30, 2011 decreased 37% from A$701 million in the prior corresponding period primarily as a result of the adverse impact of volatile conditions in the credit and financial markets on interest rate products income.

Equities

Trading income from equities of A$152 million for the half year ended September 30, 2011 increased 2% from A$149 million in the prior corresponding period. The contribution from Macquarie Securities was broadly in line with the prior corresponding period and benefitted from increased volatility and dislocation in some markets. The current period includes losses relating to fair value adjustments that were incurred on assets held to hedge exposures to liabilities under the Directors' profit share plan. Changes in the value of the DPS liabilities are recognized in employment expenses. The prior corresponding period also included realized and unrealized profits in relation to an Australian listed investment of A$19 million.

Commodities

Commodities trading income of A$226 million for the half year ended September 30, 2011 increased 20% from A$189 million in the prior corresponding period, primarily due to volatility in energy prices which resulted in an increase in activity as clients managed their risk through hedging.

See "— Segment analysis — Fixed Income, Currencies & Commodities" below for further information.

Foreign exchange products

Trading income from foreign exchange products of A$107 million for the half year ended September 30, 2011 increased 30% from A$82 million in the prior corresponding period. The increase was primarily due to increased volatility in currencies during the current period and an increasingly diverse client base within Fixed Income, Currencies & Commodities. See "— Segment analysis — Fixed Income, Currencies & Commodities" below for further information.

Interest rate products

The trading loss from interest rate products of A$21 million for the half year ended September 30, 2011 increased significantly from income of A$313 million in the prior corresponding period. This was primarily due to the loss contribution of Fixed Income, Currencies & Commodities in the half year ended September 30, 2011, compared to a profit in the prior corresponding period. Credit and financial markets were heavily impacted by extreme volatility due to the uncertainty in Europe and the United States compounded by concerns over global economic growth. This resulted in counterparties and issuers exiting global credit markets leading to a widening in credit spreads which had a negative impact on both inventory positions and their associated U.S. treasury bond hedges. In addition, assets held within the Corporate segment for liquidity purposes were also impacted by movements in credit spreads resulting in fair value adjustment losses in the current period compared to gains in the prior corresponding period.

Share of net profits/(losses) of associates and joint ventures

	Half year ended			Movement	
	Sep 11	Mar 11	Sep 10	Mar 11	Sep 10
	A$m	A$m	A$m	%	%
Share of net profits/(losses) of associates and joint ventures accounted for using the equity method	**15**	**26**	**19**	(42)	(21)

Share of equity accounted profits of associates and joint ventures of A$15 million for the half year ended September 30, 2011 decreased from a net profit of A$19 million in the prior corresponding period. There were no individually significant items that drove this decrease.

Other operating income and charges

	Half year ended			Movement[1]	
	Sep 11	Mar 11	Sep 10	Mar 11	Sep 10
	A$m	A$m	A$m	%	%
Net gains on sale of investment securities available-for-sale	56	106	99	(47)	(43)
Impairment charge on investment securities available-for-sale	(27)	(26)	(3)	4	large
Net gains on sale of associates (including associates held-for-sale) and joint ventures	5	11	2	(55)	150
Impairment charge on investments in associates (including associates held-for-sale) and joint ventures	(12)	20	(38)	large	(68)
(Loss)/gain on acquiring, disposing and change in ownership interest in subsidiaries[2]	(2)	33	8	large	large
Gain on re-measurement of retained investments	—	18	—	(100)	—
Impairment (charge)/write-back on non–financial assets	(7)	(3)	(3)	133	133
Net operating lease income[3]	183	105	46	74	298
Dividends/distributions received/receivable from investment securities available-for-sale	10	22	8	(55)	25
Management fees, group service charges and cost recoveries	—	(8)	(10)	(100)	(100)
Collective allowance for credit losses written-back/(provided for) during the period	(6)	9	9	large	large
Specific provisions	(48)	(47)	(73)	2	(34)
Other income	108	98	130	10	(17)
Total other operating income and charges	**260**	**338**	**175**	(23)	49

1 "nm" indicates that the percentage change was less than 1% and therefore not meaningful, and "large" indicates that actual movement was greater than 300% or that the movement was positive to negative.

2 Includes gains on the re-measurement of retained ownership interests to fair value on the loss of control of investments in subsidiaries and the loss of significant influence of investments in associates.

3 Includes rental income of A$297 million (Half year ended September 30, 2010: A$137 million) less depreciation of A$114 million (Half year ended September 30, 2010: A$74 million) in relation to operating leases where MBL is the lessor.

Total other operating income and charges increased to A$260 million for the half year ended September 30, 2011, compared to A$175 million in the prior corresponding period largely due to increased impairment charges on investment securities available-for-sale.

Net gains on sale of investment securities available-for-sale decreased 43% to A$56 million for the half year ended September 30, 2011 from A$99 million in the prior corresponding period. Gains recognized during the period included gains from the sale of liquid assets by Group Treasury, and the sale of investments in the resources sector.

Impairment charges on investment securities available-for-sale of A$27 million in the half year ended September 30, 2011, increased significantly from A$3 million in the prior corresponding period, primarily as a result of equity holdings in the resources sector, which were impacted by the deterioration in general investor sentiment and confidence. The half year ended September 30, 2011 also included an impairment charge that related to an investment in the real estate sector.

Impairment charges on investments in associates and joint ventures of A$12 million for the half year ended September 30, 2011 decreased 68% from A$38 million in the prior corresponding period. The impairment charge in the prior corresponding period primarily related to an investment in the real estate sector.

Net operating lease income of A$183 million increased 298% from A$46 million in the prior corresponding period, primarily due to the completion of the acquisition of 44 aircraft assets and associated leases from ILFC and the acquisition of the remaining 62.5% of Macquarie AirFinance, an aircraft portfolio leasing business, in November 2010.

A summary of our critical accounting policies relating to impairment charges and provisions is set forth under "— Critical accounting policies and significant judgments" beginning on page 53 of our 2011 Annual U.S. Disclosure Report.

Operating expenses

	Half year ended			Movement[1]	
	Sep 11	Mar 11	Sep 10	Mar 11	Sep 10
	A$m	A$m	A$m	%	%
Employment expenses					
Salary, commissions, superannuation and performance-related profit share	(679)	(695)	(742)	(2)	(8)
Share based payments	(46)	(52)	(49)	(12)	(6)
Provision for annual leave	(5)	(1)	(11)	large	(55)
Provision for long service leave	(2)	—	(3)	large	(33)
Total employment expenses	**(732)**	**(748)**	**(805)**	(2)	(9)
Brokerage and commission expenses	(318)	(281)	(388)	13	(18)
Occupancy expenses	(72)	(72)	(67)	—	7
Non-salary technology expenses	(49)	(48)	(50)	2	(2)
Professional fees	(64)	(83)	(70)	(23)	(9)
Travel and entertainment expenses	(32)	(34)	(34)	(6)	(6)
Advertising and communication expenses	(24)	(25)	(25)	(4)	(4)
Other expenses[2]	(563)	(448)	(512)	26	10
Total operating expenses	**(1,854)**	**(1,739)**	**(1,951)**	7	(5)

1 "large" indicates that actual movement was greater than 300%, or that the movement was positive to negative.

2 Other expenses include recharges from Macquarie Group Services Australia Pty Limited, which provides administration and central support functions

Total operating expenses of A$1,854 million for the half year ended September 30, 2011 decreased 5% from A$1,951 million in the prior corresponding period and was impacted by cost initiatives undertaken during the period, lower headcount and reduced staff profit share expense. The half year ended September 30, 2011 also benefited from a stronger Australian dollar compared with the prior corresponding period, which had a favorable impact on costs incurred outside of Australia.

Employment expenses of A$732 million for the half year ended September 30, 2011 decreased 9% to from A$805 million in the prior corresponding period. The main driver was a 4% decrease in headcount from 6,104 at September 30, 2010 to 5,860 at September 30, 2011 and a reduction in staff profit share expense compared to the prior corresponding period.

Brokerage and commission expenses of A$318 million for the half year ended September 30, 2011 decreased 18% from A$388 million in the prior corresponding period, primarily due to a decrease in the Corporate segment where certain items were recognized that, for accounting purposes, offset with other fee and commission income in the prior corresponding period.

Occupancy expenses of A$72 million for the half year ended September 30, 2011 increased 7% from A$67 million in the prior corresponding period, mainly due to the overlapping rental periods in the prior corresponding period as new premises in London and Singapore were in the process of fit-out.

Professional fees of A$64 million for the half year ended September 30, 2011 decreased 9% from A$70 million in the prior corresponding period primarily due to cost management initiatives across MBL.

Other expenses of A$563 million for the half year ended September 30, 2011 increased 10% from A$512 million in the prior corresponding period. There was no single item that was the main contributor to the change.

Headcount

Total headcount at September 30, 2011 of 5,860 decreased 4% from 6,104 at September 30, 2010. Australian headcount of 3,385 at September 30, 2011 decreased 5% from 3,582 as at September 30, 2010.

Our headcount by operating group and region is provided in the table below:

	Half year ended			Movement	
	Sep 11	**Mar 11**	**Sep 10**	**Mar 11**	**Sep 10**
				%	**%**
Headcount by operating group					
Macquarie Funds	963	1,054	1,073	(9)	(10)
Corporate & Asset Finance	907	852	814	6	11
Banking & Financial Services	3,072	3,217	3,340	(5)	(8)
Macquarie Securities	84	88	70	(5)	20
Fixed Income, Currencies & Commodities	801	774	744	3	8
Real Estate Banking	33	57	63	(42)	(48)
Total headcount	**5,860**	**6,042**	**6,104**	(3)	(4)

Income tax expense

	Half year ended		
	Sep 11	Mar 11	Sep 10
	A$m	A$m	A$m
Reconciliation of income tax (expense)/credit to prima facie tax payable			
Prima facie income tax expense on operating profit[1]	(85)	(213)	(118)
Tax effect of amounts which are non-assessable/(non-deductible) in calculating taxable income:			
Rate differential on offshore income	64	20	37
Distribution provided on Macquarie Income Preferred Securities and related distributions	1	—	1
Share based payments expense	(10)	(3)	(5)
Other items	(28)	7	2
Total income tax (expense)/credit	**(58)**	**(189)**	**(83)**

[1] Prima facie income tax on operating profit is calculated at the rate of 30% (Half year ended March 31, 2010: 30%; Half year ended September 30, 2010: 30%). The consolidated entity has a tax year ending on September 30.

The effective tax rate differs from the Australian company income tax rate due to permanent differences arising from the income tax treatment of certain income and expenses, as well as tax rate differentials on some of the income earned offshore, and the non-deductibility of certain expenses.

The effective tax rate for the half year ended September 30, 2011 was 21%, in line with the effective tax rate of 21% in the prior corresponding period.

Segment overview

Basis of preparation

MBL Group segments

We apply AASB 8 "Operating Segments" which requires the "management approach" to disclosing information about our reportable segments. The financial information set out below is reported on the same basis as is used internally by senior management for evaluating operating segment performance and for deciding how to allocate resources to operating segments. Such information is produced using different measures to those used in preparing the income statement.

For internal reporting and risk management purposes, MBL Group is divided into five operating groups and one division. The operating groups are:

- Fixed Income, Currencies & Commodities (formerly Treasury & Commodities);
- Macquarie Securities (excluding the Cash division, which forms part of the Non-Banking Group);
- Banking & Financial Services;
- Macquarie Funds (excluding the Macquarie Infrastructure & Real Assets division, which forms part of the Non-Banking Group); and
- Corporate & Asset Finance.

The division is:

- Real Estate Banking

In addition, a separate Corporate segment includes Group Treasury, head office and central support functions. The Corporate segment also holds certain investments not aligned with any of the operating groups. Items of income and expense within the Corporate segment include the net impact of managing liquidity for MBL Group, earnings on capital, non-trading derivative volatility, earnings from investments, unallocated head office costs and employment related costs of central support functions, income tax expense and distributions to holders of MIS and MIPS.

MBL Group Asset Transfers

Since March 31, 2011, there have been a number of asset transfers between operating groups and the Corporate segment. These transfers were undertaken to better align the relevant assets (which primarily comprised MBL Group's equity investment in certain assets held-for-sale) with the expertise in each operating group. In addition, certain assets that no longer aligned with any operating group were transferred to the Corporate segment, including the investment in MAp Group. See "Financial information presentation" in this Report for further information and "Financial information presentation" beginning on page x of our 2011 Annual U.S. Disclosure Report on restructures that have occurred in prior periods.

In this Report, the results of our operating groups for the half year ended September 30, 2011, are presented to give effect to these asset transfers effective April 1, 2011, with the comparative information for the half years ended March 31, 2011 and September 30, 2010 presented to reflect the current operating structure.

Internal transactions

All transactions and transfers between segments have been determined on what MBL believes is an arm's-length basis and are included within the relevant categories of income. All internal transactions and transfers are eliminated on consolidation.

The following is a summary of the key policies applied to internal transactions:

Internal funding arrangements. Group Treasury has the responsibility for maintaining the funding for MBL Group, and operating groups obtain their funding from Group Treasury. The interest rates charged by Group Treasury are determined by the types of assets being funded and the term of the funding, and are fully costed. Operating groups may only source funding directly from external sources generally when there is recourse only to the assets being funded and not to MBL Group.

As deposits are a funding source for MBL Group, Banking & Financial Services receives a deposit premium from Group Treasury on deposits they generate. This deposit premium is included within net interest income for segment reporting purposes.

Transactions between operating groups. Operating groups that enter into arrangements with other operating groups must do so on commercial terms. There is a requirement for accounting symmetry in such transactions.

Internal transactions are recognized in each of the relevant categories of income and expense, as appropriate.

Service area recoveries. Service areas recover their costs to operating groups on either a time and effort allocation basis or a fee for service basis. Service areas include Corporate Affairs (Finance, Market Operations, Tax, Company Secretarial, Human Resources, Business Services, Corporate Communications and Investor Relations), Risk Management, Information Technology, Group Legal and Central Executive.

Internal management revenue/(charge). Internal management revenue/(charges) are primarily used to recognize an operating group's contribution to income tax expenses and benefits. Non-assessable income generated by an operating group results in a benefit added to that operating group's operating result. Conversely, a non-deductible expense results in a charge to the operating result. These management charges are offset by an equal and opposite amount recognized in the Corporate segment such that on aggregation the total nets to nil.

Presentation of segment income statements. The income statements in the following pages for each of the reported segments are in some cases summarized by grouping non-material balances together. Where appropriate, all material or key balances have been reported separately to provide users with the most relevant information.

Summary of segment results

	Macquarie Funds	Corporate & Asset Finance	Banking & Financial Services	Macquarie Securities	Fixed Income, Currencies & Commodities	Real Estate Banking	Corporate	Total
	A$m	A$m	A$m	A$m	A$m	A$m	A$m	A$m
Half year ended September 30, 2011								
Net interest income/(expense)	76	297	363	(2)	(28)	(3)	126	829
Fee and commission income	345	14	361	(59)	72	5	(113)	625
Trading income	22	(3)	5	149	302	(1)	(66)	408
Share of net profits (losses) of associates and joint ventures accounted for using the equity method	—	2	(1)	—	8	3	3	15
Other operating income and charges	6	211	(6)	—	31	(1)	19	260
Internal management revenue/(charge)	6	4	1	1	7	—	(19)	—
Total operating income	**455**	**525**	**723**	**89**	**392**	**3**	**(50)**	**2,137**
Total operating expenses	**(268)**	**(163)**	**(584)**	**(159)**	**(384)**	**(10)**	**(286)**	**(1,854)**
Profit before tax	187	362	139	(70)	8	(7)	(336)	283
Tax expense	—	—	—	—	—	—	(58)	(58)
Profit attributable to non-controlling interests	2	(3)	—	—	—	—	(15)	(16)
Reportable segment profit/(loss)	**189**	**359**	**139**	**(70)**	**8**	**(7)**	**(409)**	**209**
Half year ended March 31, 2011								
Net interest income/(expense)	22	297	368	(18)	33	(6)	191	887
Fee and commission income	354	(6)	359	(109)	(1)	9	(53)	553
Trading income	11	2	9	214	571	(9)	(152)	646
Share of net profits/(losses) of associates and joint ventures accounted for using the equity method	14	3	1	—	—	3	5	26
Other operating income and charges	(2)	113	20	(3)	157	12	41	338
Internal management revenue/(charge)	4	8	8	—	29	(2)	(47)	—
Total operating income	**403**	**417**	**765**	**84**	**789**	**7**	**(15)**	**2,450**
Total operating expenses	**(295)**	**(145)**	**(623)**	**(149)**	**(398)**	**(21)**	**(108)**	**(1,739)**
Profit before tax	108	272	142	(65)	391	(14)	(123)	711
Tax expense	—	—	—	—	—	—	(189)	(189)
Profit attributable to non-controlling interests	3	—	—	—	—	—	(16)	(13)
Reportable segment profit/(loss)	**111**	**272**	**142**	**(65)**	**391**	**(14)**	**(328)**	**509**

	Macquarie Funds	Corporate & Asset Finance	Banking & Financial Services	Macquarie Securities	Fixed Income, Currencies & Commodities	Real Estate Banking	Corporate	Total
	A$m	A$m	A$m	A$m	A$m	A$m	A$m	A$m
Half year ended September 30, 2010								
Net interest income/(expense)	10	283	344	(23)	(71)	(6)	227	764
Fee and commission income..................	357	7	393	(53)	29	3	18	754
Trading income......................................	—	(1)	—	149	396	(1)	90	633
Share of net profits/(losses) of associates and joint ventures accounted for using the equity method...	2	6	—	—	15	(8)	4	19
Other operating income and charges	61	57	(7)	(6)	91	(1)	(20)	175
Internal management revenue/(charge)...	2	11	2	(7)	27	—	(35)	—
Total operating income........................	**432**	**363**	**732**	**60**	**487**	**(13)**	**284**	**2,345**
Total operating expenses.....................	**(295)**	**(130)**	**(591)**	**(127)**	**(329)**	**(13)**	**(466)**	**(1,951)**
Profit before tax	137	233	141	(67)	158	(26)	(182)	394
Tax expense	—	—	—	—	—	—	(83)	(83)
Profit attributable to non-controlling interests	1	—	(5)	—	—	—	(13)	(17)
Reportable segment profit/(loss)..........	**138**	**233**	**136**	**(67)**	**158**	**(26)**	**(278)**	**294**

Segment analysis

Macquarie Funds (excluding the Macquarie Infrastructure & Real Assets division, which forms part of the Non-Banking Group)

	Half year ended			Movement[1]	
	Sep 11	Mar 11	Sep 10	Mar 11	Sep 10
	A$m	A$m	A$m	%	%
Net interest income	**76**	**22**	**10**	245	large
Fee and commission income					
Base fees	270	260	261	4	3
Performance fees	10	11	7	(9)	43
Other fee and commission income	65	83	89	(22)	(27)
Total fee and commission income	**345**	**354**	**357**	(3)	(3)
Net trading income	**22**	**11**	**—**	100	large
Share of net profits/(losses) of associates and joint ventures accounted for using the equity method	—	**14**	**2**	(100)	(100)
Other operating income and charges					
Impairment reversal/(charge) on equity investments	(1)	(1)	5	—	large
Specific provisions and collective allowance for credit losses	(1)	(2)	—	(50)	large
Other income	8	1	56	large	(86)
Total other operating income and charges	**6**	**(2)**	**61**	large	(90)
Internal management revenue/(charge)[2]	**6**	**4**	**2**	50	200
Total operating income	**455**	**403**	**432**	13	5
Operating expenses					
Employment expenses	(86)	(107)	(100)	(20)	(14)
Brokerage and commission expenses	(60)	(59)	(53)	2	13
Other operating expenses	(122)	(129)	(142)	(5)	(14)
Total operating expenses	**(268)**	**(295)**	**(295)**	(9)	(9)
Non-controlling interests[3]	2	3	1	(33)	100
Net profit/(loss) contribution	**189**	**111**	**138**	70	37
Other metrics					
Assets under Management (A$ billion)	228.2	213	216.4	7	5
Headcount	963	1,054	1,073	(9)	(10)

1 "large" indicates that actual movement was greater than 300%, that the movement was positive to negative, or that the movement was negative to positive.

2 See "— Basis of preparation — Internal transactions — Internal management revenue/(charge)".

3 The non-controlling interests category adjusts reported consolidated profit or loss for the share that is attributable to non-controlling interests, such that the net profit or loss contribution represents the net profit or loss attributable to ordinary equity holders.

Macquarie Funds' net profit contribution of A$189 million for the half year ended September 30, 2011 increased 37% from A$138 million in the prior corresponding period, primarily as a result of additional interest income from the provision of financing facilities to non-Macquarie managed funds and fund investors, and lower operating expenses.

Net interest income

Net interest income of A$76 million for the half year ended September 30, 2011 increased significantly from A$10 million in the prior corresponding period. The increase was primarily driven by income earned from the expansion of the provision of financing facilities to a number of non-Macquarie managed funds and fund investors.

Fee and commission income

Base fees

Base fee income of A$270 million for the half year ended September 30, 2011 increased 3% from A$261 million in the prior corresponding period. Total Assets under Management of A$228.2 billion at September 30, 2011 increased 5% from A$216.4 billion at September 30, 2010, primarily as a result of inflows into a range of funds including equities and fixed income. These factors were partially offset by the strengthening of the Australian dollar against major currencies since the prior corresponding period.

See "Recent developments — Funds management business" for further information on Assets under Management by operating group.

Other fee and commission income

Other fee and commission income includes distribution service fees, structuring fees, capital protection fees, wholesale threshold management fees, fees from True Index products and internal fees received for managing and administering investment products on behalf of Banking & Financial Services. Distribution service fees are offset with associated expenses that, for accounting purposes, are recognized in brokerage and commissions expense.

Other fee and commission income of A$65 million for the half year ended September 30, 2011 decreased 27% from A$89 million in the prior corresponding period, primarily as a result of the continued strengthening of the Australian dollar against major currencies, lower True Index revenues and a reduction in income from Infrastructure Bonds as a result of scheduled maturities.

Other operating income and charges

Other operating income and charges of A$6 million for the half year ended September 30, 2011 decreased 90% from A$61 million in the prior corresponding period. This was primarily due to a decrease in other income. Other income included gains on sale of equity investments and dividend income. Other income of A$8 million for the half year ended September 30, 2011 decreased 86% from A$56 million in the prior corresponding period. This was primarily due to the prior corresponding period including a gain on the derecognition of equity investments and the consolidation of portfolios of debt securities within MBL upon the transfer of a portfolio of equity investments and associated total return swaps from the Non-Banking Group in September 2010.

Operating expenses

Total operating expenses of A$268 million for the half year ended September 30, 2011 decreased 9% from A$295 million in the prior corresponding period, primarily due to a decrease in employment expenses and other operating expenses.

Employment expenses

Employment expenses of A$86 million for the half year ended September 30, 2011 decreased 14% from A$100 million in the prior corresponding period, primarily as a result of the 10% decrease in headcount from 1,073 at September 30, 2010 to 963 at September 30, 2011 and the impact of the stronger Australian dollar on expenses incurred outside Australia.

Other operating expenses

Other operating expenses of A$122 million for the half year ended September 30, 2011 decreased 14% from A$142 million in the prior corresponding period. The decrease in other operating expenses was primarily due to the decrease in headcount, combined with the completion of the Delaware systems integration and the impact of the strong Australian dollar on expenses incurred outside of Australia.

Corporate & Asset Finance

	Half year ended			Movement[1]	
	Sep 11	Mar 11	Sep 10	Mar 11	Sep 10
	A$m	A$m	A$m	%	%
Net interest income	**297**	**297**	**283**	—	5
Fee and commission income	**14**	**(6)**	**7**	large	100
Net trading income/(expense)	**(3)**	**2**	**(1)**	large	200
Share of net profits/(losses) of associates and joint ventures accounted for using the equity method	**2**	**3**	**6**	(33)	(67)
Other operating income and charges					
Impairment charge on non-financial assets	—	1	(1)	(100)	(100)
Impairment charge on equity investments	(1)	1	(5)	large	(80)
Net operating lease income	183	109	41	68	large
Specific provisions and collective allowance for credit losses	(18)	(21)	(19)	(14)	(5)
Other income	47	23	41	104	15
Total other operating income and charges	**211**	**113**	**57**	87	270
Internal management revenue/(charge)[2]	**4**	**8**	**11**	(50)	(64)
Total operating income	**525**	**417**	**363**	26	45
Operating expenses					
Employment expenses	(67)	(69)	(68)	(3)	(1)
Other operating expenses	(96)	(76)	(62)	26	55
Total operating expenses	**(163)**	**(145)**	**(130)**	12	25
Non-controlling interests[3]	(3)	—	—	large	large
Net profit/(loss) contribution	**359**	**272**	**233**	32	54
Other metrics					
Loan and finance lease portfolio (A$ billion)	16.1	15.2	14.3	6	13
Operating lease portfolio (A$ billion)	4.4	4.3	1.6	2	175
Headcount	907	852	814	6	11

1 "large" indicates that actual movement was greater than 300%, that the movement was positive to negative, or that the movement was negative to positive.

2 See "— Basis of preparation — Internal transactions — Internal management revenue/(charge)".

3 The non-controlling interests category adjusts reported consolidated profit or loss for the share that it is attributable to non-controlling interests, such that the net profit or loss contribution represents the net profit or loss attributable to ordinary equity holders.

Corporate & Asset Finance's net profit contribution of A$359 million for the half year ended September 30, 2011 increased 54% from A$233 million in the prior corresponding period, primarily due to growth of the loan portfolio, accelerated recognition of discounts on early repayments, and the acquisitions of a controlling interest in Macquarie AirFinance, an aircraft portfolio leasing business, and an aircraft operating lease portfolio from ILFC.

Net interest income

Net interest income of A$297 million for the half year ended September 30, 2011 increased 5% from A$283 million in the prior corresponding period. The increase in net interest income was primarily due to accelerated recognition of the discount on early loan repayments, which resulted in higher margins in corporate lending, and a 13% increase in the loan and finance lease portfolios to A$16.1 billion at September 30, 2011 from A$14.3 billion in the prior corresponding period. This was partly offset by an increase in external funding expense due to the acquisition of a controlling interest in Macquarie AirFinance.

Other operating income and charges

Net operating lease income

Net operating lease income (net of depreciation) of A$183 million for the half year ended September 30, 2011 increased significantly from A$41 million in the prior corresponding period, primarily due to the completion of the acquisition of 44 aircraft assets and associated leases from ILFC and the acquisition of the remaining 62.5% of Macquarie AirFinance, in November 2010.

Specific provisions and collective allowance for credit losses

Specific provisions and collective allowance for credit losses of A$18 million for the half year ended September 30, 2011 decreased 5% from A$19 million in the prior corresponding period, primarily due to reduced loss rates in the lending portfolio.

Other income

Other income of A$47 million for the half year ended September 30, 2011 increased 15% from A$41 million in the prior corresponding period, primarily as a result of the sale of one wide bodied aircraft in September 2011.

Operating expenses

Total operating expenses of A$163 million for the half year ended September 30, 2011 increased 25% from A$130 million in the prior corresponding period. This increase was driven by increased average headcount and a 55% increase in other operating expenses to A$96 million for the half year ended September 30, 2011 from A$62 million in the prior corresponding period from the acquisition of a controlling interest in Macquarie AirFinance in November 2010.

Banking & Financial Services

	Half year ended			Movement[1]	
	Sep 11	Mar 11	Sep 10	Mar 11	Sep 10
	A$m	A$m	A$m	%	%
Net interest income	**363**	**368**	**344**	(1)	6
Fee and commission income					
Base fees	22	22	54	—	(59)
Brokerage and commissions	120	130	130	(8)	(8)
Other fee and commission income	189	182	183	4	3
Income from life insurance business and other unitholder businesses	30	25	26	20	15
Total fee and commission income	**361**	**359**	**393**	1	(8)
Net trading income/(expense)	**5**	**9**	**—**	(44)	large
Share of net profits of associates and joint ventures accounted for using the equity method	**(1)**	**1**	—	large	large
Other operating income and charges					
Net gains on sale of equity investments	1	1	2	—	(50)
Impairment charge on equity investments	(1)	(4)	(5)	(75)	(80)
Impairment charge on non-financial assets	(2)	(2)	(2)	—	—
Gain on acquiring, disposing and change in ownership interest in subsidiaries and businesses held-for-sale	—	23	1	(100)	(100)
Gain on reclassification	—	17	1	(100)	(100)
Specific provisions and collective allowance for credit losses.	(17)	(22)	(15)	(23)	13
Other income	13	7	11	86	18
Total other operating income and charges	**(6)**	**20**	**(7)**	large	(14)
Internal management revenue/(charge)[2]	**1**	**8**	**2**	(88)	(50)
Total operating income	**723**	**765**	**732**	(5)	(1)
Operating expenses					
Employment expenses	(243)	(250)	(253)	(3)	(4)
Brokerage and commission expenses	(81)	(74)	(75)	9	8
Other operating expenses	(260)	(299)	(263)	(13)	(1)
Total operating expenses	**(584)**	**(623)**	**(591)**	(6)	(1)
Non-controlling interests[3]	—	—	(5)	—	(100)
Net profit/(loss) contribution	**139**	**142**	**136**	(2)	2
Other metrics					
Assets under Management (A$ billion)	3.3	3.9	4.1	(15)	(20)
Funds under management/advice/administration[4] (A$ billion).	114.4	121.7	119.2	(6)	(4)
Loan portfolio[5] (A$ billion)	24.9	25.5	26.0	(2)	(4)
Deposits (A$ billion)	28.6	26.6	26.5	8	8
Headcount	3,072	3,217	3,340	(5)	(8)

1 "large" indicates that the movement was positive to negative, or that the movement was negative to positive.

2 See "— Basis of preparation — Internal transactions — Internal management revenue/(charge)".

3 The non-controlling interests category adjusts reported consolidated profit or loss for the share that is attributable to non-controlling interests, such that the net profit or loss contribution represents the net profit or loss attributable to ordinary equity holders.

4 Funds under management/advice/administration includes Assets under Management plus items such as funds on Banking & Financial Services platforms (e.g. Wrap Funds under Administration), total Banking & Financial Services loan and deposit portfolios, CHESS holdings of Banking & Financial Services clients, and funds under advice (e.g. assets under advice of Macquarie Private Bank).

5 The loan portfolio primarily comprises residential mortgages in Australia, Canada and the United States, as well as loans to Australian and Canadian businesses, loans on capital protected products and credit cards.

Banking & Financial Services' net profit contribution of A$139 million for the half year ended September 30, 2011 increased 2% from A$136 million in the prior corresponding period.

Net interest income

Net interest income of A$363 million for the half year ended September 30, 2011 increased 6% from A$344 million in the prior corresponding period primarily due to increased net interest income from retail deposits which was partially offset by reduced net interest income from the loan portfolio. Retail deposits increased 8% to A$28.6 billion at September 30, 2011 from A$26.5 billion at September 30, 2010.

The loan portfolio primarily comprises residential mortgages in Australia, Canada and the United States, loans to Australian and Canadian businesses, loans on capital protected products, insurance premium funding, margin loans and credit cards. The loan portfolio of A$24.9 billion at September 30, 2011 decreased 4% from A$26 billion at September 30, 2010, primarily due to the reduction in the size of the Australian mortgage portfolio, which decreased 15% to A$11.0 billion at September 30, 2011 from A$12.9 billion at September 30, 2010.

The Canadian loan portfolio, which includes mortgages, insurance premium funding, margin loans and capital protected products, closed at A$8.8 billion as at September 30, 2011, an increase of 7% from A$8.2 billion as at September 30, 2010. In July 2011, Banking & Financial Services finalized an agreement to outsource the servicing of its Canadian mortgage portfolio to Paradigm Quest Inc. and to outsource the loan origination function to Canadian Financial Corp.

Fee and commission income

Base fees

Base fee income of A$22 million for the half year ended September 30, 2011 decreased 59% from A$54 million in the prior corresponding period, as a result of the conversion of A$9.6 billion of CMT accounts into CMA on July 31, 2010. The CMA does not form part of Assets under Management and income from these accounts is reported in net interest income.

Brokerage and commissions

Brokerage and commission income of A$120 million for the half year ended September 30, 2011 decreased 8% from A$130 million in the prior corresponding period. Although the number of advisors grew from 593 at September 30, 2010 to 612 at September 30, 2011, brokerage and commission income was down due to the partial sale of a majority shareholding in OzForex in November 2010.

Other fee and commission income

Other fee and commission income of A$189 million for the half year ended September 30, 2011 increased 3% from A$183 million in the prior corresponding period mainly due to a decrease in net income distributions paid to Macquarie Funds relating to the Macquarie Specialist Investment Joint Venture.

Funds under Administration on the Australian Wrap platform closed at A$20.6 billion at September 30, 2011, which decreased 6% from A$21.8 billion at September 30, 2010. Average volumes of Funds under Administration on the Australian Wrap platform decreased 6% to A$20.6 billion in the half year ended September 30, 2011 from A$21.6 billion in the prior corresponding period primarily due to negative market movements on products that are impacted by equity movements.

Income from life insurance business and other unitholder businesses

Income from life insurance business and other unitholder business of A$30 million increased 15% from A$26 million in the prior corresponding period, primarily due to growth in the insurance inforce book, which grew to A$108 million at September 30, 2011 from A$76 million at September 30, 2010. The inforce book is the aggregate annualized life insurance premium payable for policies issued by the life company, and still paying premiums, at the balance date.

Other operating income and charges

Specific provisions and collective allowance for credit losses

Specific provisions and collective allowance for credit losses of A$17 million for the half year ended September 30, 2011 increased 13% from A$15 million in the prior corresponding period. Provision levels in the half year ended September 30, 2011 were comparable to the prior corresponding period across most of the loan portfolio. Lower provision charges were recognized in the prior corresponding period for the capital protected products in Australia as a result of loans approaching maturity and product redemptions.

Other income

Other income of A$13 million for the half year ended September 30, 2011 increased 18% from $11 million in the prior corresponding period, primarily due to income generated from the outsourcing of mortgages servicing and origination relating to our Canadian mortgage portfolio.

Operating expenses

Total operating expenses of A$584 million for the half year ended September 30, 2011 decreased 1% from A$591 million in the prior corresponding period, primarily due to a decrease in employment expenses.

Employment expenses

Employment expenses of A$243 million at September 30, 2011 decreased 4% from A$253 million in the prior corresponding period, primarily due to an 8% decrease in headcount from 3,340 at September 30, 2010 to 3,072 at September 30, 2011 mainly as a result of internal restructures and the partial sale of a majority shareholding in OzForex in November 2010.

Other operating expenses

Other operating expenses for the half year ended September 30, 2011 of A$260 million decreased 1% from $263 million in the prior corresponding period, as a result of expense controls and cost savings implemented across Banking & Financial Services.

Macquarie Securities (excluding the Cash division, which forms part of the Non-Banking Group)

	Half year ended			Movement[1]	
	Sep 11	Mar 11	Sep 10	Mar 11	Sep 10
	A$m	A$m	A$m	%	%
Net trading income (including net interest income)[2]	**147**	**196**	**126**	(25)	17
Total fee and commission income	**(59)**	**(109)**	**(53)**	(46)	11
Other income	—	**(3)**	**(6)**	(100)	(100)
Internal management revenue/(charge)[3]	**1**	—	**(7)**	large	large
Total operating income	**89**	**84**	**60**	6	48
Operating expenses					
Employment expenses	(12)	(29)	(6)	(59)	100
Brokerage and commission expenses	(91)	(87)	(73)	5	25
Other operating expenses	(56)	(33)	(48)	70	17
Total operating expenses	**(159)**	**(149)**	**(127)**	7	25
Net profit/(loss) contribution	**(70)**	**(65)**	**(67)**	8	4
Other metrics					
Headcount	84	88	70	(5)	20

1 "large" indicates that the movement was negative to positive.

2 The relative contribution of net interest income and trading income to income from trading activities can vary from period to period depending on the underlying trading strategies undertaken by MBL Group and its clients. As such, to obtain a more complete view of Macquarie Securities' trading activities, net interest income has been combined with trading income above.

3 See "— Basis of preparation — Internal transactions — Internal management revenue/(charge)".

Macquarie Securities' net loss of A$70 million for the half year ended September 30, 2011 increased 4% from a net loss of A$67 million in the prior corresponding period.

Net trading income (including net interest income)

Net trading income from equity products (including net interest income) of A$147 million for the half year ended September 30, 2011 increased 17% from A$126 million in the prior corresponding period, primarily due to Macquarie Securities benefitting from increased volatility and dislocation in some markets, particularly in Asia.

Fee and commission income

Fee and commission expense for the half year ended September 30, 2011 of A$59 million, increased 11% from A$53 million in the prior corresponding period. This category mainly consists of internal transfer pricing charges paid as compensation for services provided to MBL by non-bank service entities.

Operating expenses

Total operating expenses of A$159 million for the half year ended September 30, 2011 increased 25% from A$127 million in the prior corresponding period.

Employment expenses

Employment expenses of A$12 million for the half year ended September 30, 2011 increased 100% from A$6 million in the prior corresponding period. The increase was mainly driven by a 20% increase in headcount from 70 at September 30, 2010 to 84 at September 30, 2011.

Brokerage and commission expenses

Brokerage and commission expenses of A$91 million for the half year ended September 30, 2011 increased 25% from A$73 million in the prior corresponding period. The increase in brokerage and commission expenses was driven by increased trading activity in the derivatives business as a result of increased volatility and dislocation in some markets.

Other operating expenses

Other operating expenses, which include recoveries from service areas, of A$56 million for the half year ended September 30, 2011 increased 17% from A$48 million in the prior corresponding period. The increase was predominantly driven by the transfer of the market operations staff from Macquarie Securities to the Corporate segment, which was offset by reductions in other costs generated through cost initiatives and the impact of the strong Australian dollar on expenses incurred outside of Australia.

Fixed Income, Currencies & Commodities

	Half year ended			Movement[1]	
	Sep 11	Mar 11	Sep 10	Mar 11	Sep 10
	A$m	A$m	A$m	%	%
Net trading income (including net interest income)[2]					
Commodities[3]	298	422	196	(29)	52
Foreign exchange products	29	27	14	7	107
Interest rate products	(34)	140	147	large	large
Fair value adjustments relating to leasing contracts[3]	(19)	15	(32)	large	(41)
Total net trading income (including net interest income)	**274**	**604**	**325**	(55)	(16)
Fee and commission income	**72**	**(1)**	**29**	large	148
Share of net profits of associates and joint ventures accounted for using the equity method	**8**	**—**	**15**	large	(47)
Other operating income and charges					
Net gains/(losses) on sale of equity investments	32	86	52	(63)	(38)
Impairment charge on equity investments	(23)	(7)	(2)	229	large
Specific provisions and collective allowance for credit losses	(15)	1	12	large	large
Other income	37	77	29	(52)	28
Total other operating income and charges	**31**	**157**	**91**	(80)	(66)
Internal management revenue/(charge)[4]	**7**	**29**	**27**	(76)	(74)
Total operating income	**392**	**789**	**487**	(50)	(20)
Operating expenses					
Employment expenses	(105)	(142)	(92)	(26)	14
Brokerage and commission expenses	(74)	(80)	(90)	(8)	(18)
Other operating expenses	(205)	(176)	(147)	16	39
Total operating expenses	**(384)**	**(398)**	**(329)**	(4)	17
Net profit/(loss) contribution	**8**	**391**	**158**	(98)	(95)
Other metrics					
Headcount	801	774	744	3	8

1 "large" indicates that actual movement was greater than 300%, that the movement was positive to negative, or that the movement was negative to positive.

2 The relative contribution of net interest income and trading income to income from trading activities can vary from period to period depending on the underlying trading strategies undertaken by MBL Group and its clients. As such, to obtain a more complete view of Fixed Income, Currencies & Commodities' trading activities, net interest income has been combined with trading income above. The categories of trading income above are based on business lines within Fixed Income, Currencies & Commodities.

3 MBLGroup enters into various tolling agreements, capacity contracts and transportation agreements as part of its commodity trading and hedging strategies. The contracts and agreements, which are managed on a fair value basis for financial and risk management purposes, are required to be accounted for on an accruals basis for statutory reporting purposes. This creates a measurement mismatch with related trading positions that are reported at fair value for statutory purposes. For the purposes of enabling comparison with prior periods, commodities trading income is presented on a basis consistent with management reporting, and the reversal of the fair value adjustments relating to leasing contracts are presented separately to reconcile the result to the statutory presentation.

4 See "— Basis of preparation — Internal transactions — Internal management revenue/(charge)".

Fixed Income, Currencies & Commodities' net profit contribution of A$8 million for the half year ended September 30, 2011 decreased 95% from A$158 million in the prior corresponding period primarily due to a challenging global operating environment. Market conditions were dominated by high levels of U.S. and European uncertainty and concerns over global growth leading to deterioration in investor sentiment and confidence especially in the credit and interest rate markets. The September 2011 quarter saw a general flight to safety with the markets experiencing some of the most volatile periods since the global financial crisis of 2009 which resulted in subdued client activity as clients wait for more stability before re-entering the market.

Net trading income

Commodities trading income

Commodities trading income of A$298 million for the half year ended September 30, 2011 increased 52% from A$196 million in the prior corresponding period. The Energy Markets division's contribution to the overall result increased significantly from the prior corresponding period. Volatility in energy prices increased activity as clients managed their risk through hedging.

The Metals and Energy Capital division's contribution decreased from the prior corresponding period. Macro economic concerns resulted in modest client activity, while volatility in metals and resource equity markets impacted timing on the closure of some transactions. This was partially offset by increased financing opportunities generated by depressed resource equity markets.

The Agricultural Commodities division's contribution decreased from the prior corresponding period. Volatile markets reduced client trading volumes and limited trading opportunities.

Foreign exchange products trading income

Trading income on foreign exchange products of A$29 million for the half year ended September 30, 2011 increased 107% from A$14 million in the prior corresponding period. The increase was primarily due to an increasingly diverse client base, which was partially offset by the continued impact of the higher Australian dollar on revenues.

Interest rate products trading income

Trading losses on interest rate products of A$34 million for the half year ended September 30, 2011 decreased significantly from income of A$147 million in the prior corresponding period. Credit and financial markets were heavily impacted by extreme volatility due to uncertainty in Europe and the United States compounded by concerns over global growth. The flight to safety led to a widening in credit spreads which had a negative fair value impact on both Fixed Income, Currencies & Commodities' inventory positions and the associated U.S. treasury bond hedges.

In addition, the contribution from the Asian Markets division suffered from slower than anticipated traction in gaining market share.

Fee and commission income

Fee and commission income of A$72 million for the half year ended September 30, 2011 increased significantly from A$29 million in the prior corresponding period, primarily due to improved volumes in futures execution and clearing markets.

Other operating income and charges

Net gains/(losses) on sale of equity investments

Net gains on sale of equity investments in the resources sector of A$32 million for the half year ended September 30, 2011 decreased 38% from A$52 million in the prior corresponding period due to subdued client activity as a result of concerns over the general macro-economic environment and volatility in resource equity markets, which has impacted the timing of asset realizations.

Impairment charge on equity investments

Impairment charges on equity investments in the resources sector of A$23 million for the half year ended September 30, 2011 increased significantly from A$2 million in the prior corresponding period. The deterioration in general investor sentiment and confidence was pronounced in the September quarter which impacted resource equity markets and resulted in write downs in some equity holdings.

Specific provisions and collective allowance for credit losses

Net provision charges of A$15 million for the half year ended September 30, 2011 increased from net provision releases of A$12 million in the prior corresponding period, primarily due to deteriorated market conditions.

Other income

Other income of A$37 million for the half year ended September 30, 2011 increased 28% from A$29 million in the prior corresponding period. This increase reflected net profit interests and royalties from participations in the metals and energy sector. As net profit interests are a share of production or proceeds from production derived from rights to various commodity assets, the timing of recognition fluctuates with their operations.

Operating expenses

Total operating expenses of A$384 million for the half year ended September 30, 2010 increased 17% from A$329 million in the prior corresponding period.

Employment expenses

Employment expenses of A$105 million for the half year ended September 30, 2010 increased 14% from A$92 million in the prior corresponding period primarily due to an 8% increase in headcount.

Brokerage and commission expenses

Brokerage and commission expenses of A$74 million decreased 18% from A$90 million in the prior corresponding period, largely as a result of a reduction in commission expenses in the credit trading business.

Other operating expenses

Other operating expenses of A$205 million for the half year ended September 30, 2011 increased 39% from A$147 million in the prior corresponding period, mainly as a result of the cost of additional support headcount in risk, operations and information technology alongside the expansion of the Fixed Income, Currencies & Commodities business platform and increased regulatory requirements.

Real Estate Banking

	Half year ended			Movement[1]	
	Sep 11	Mar 11	Sep 10	Mar 11	Sep 10
	A$m	A$m	A$m	%	%
Net interest income/(expense)	**(3)**	**(6)**	**(6)**	(50)	(50)
Fee and commission income	**5**	**9**	**3**	(44)	67
Net trading income/(expense)	**(1)**	**(9)**	**(1)**	(89)	—
Share of net profits/(losses) of associates and joint ventures accounted for using the equity method	**3**	**3**	**(8)**	—	large
Other operating income and charges					
Net gains/(losses) on sale of equity investments	5	21	3	(76)	67
Impairment charge on equity investments	(11)	(9)	(3)	22	267
Specific provisions and collective allowance for credit losses	—	(21)	(10)	(100)	(100)
Other income	5	21	9	(76)	(44)
Total other operating income and charges	**(1)**	**12**	**(1)**	large	—
Internal management revenue/(charge)[2]	**—**	**(2)**	—	(100)	—
Total operating income	**3**	**7**	**(13)**	(57)	large
Operating expenses					
Employment expenses	(4)	(6)	(5)	(33)	(20)
Other operating expenses	(6)	(15)	(8)	(60)	(25)
Total operating expenses	**(10)**	**(21)**	**(13)**	(52)	(23)
Net profit /(loss) contribution	**(7)**	**(14)**	**(26)**	(50)	(73)
Other metrics					
Headcount	33	57	63	(42)	(48)

1 "large" indicates that actual movement was positive to negative, or that the movement was negative to positive.

2 See "— Basis of preparation — Internal transactions — Internal management revenue/(charge)".

Real Estate Banking's net loss contribution of A$7 million for the half year ended September 30, 2011 decreased 73% from a net loss contribution of A$26 million in the prior corresponding period, driven mainly by reduced provisions as part of the declining investment portfolio and the increase in equity accounted profits.

Share of net profits of associates and joint ventures accounted for using the equity method

Equity accounted profits of A$3 million for the half year ended September 30, 2011 increased significantly from an equity accounted loss of A$8 million in the prior corresponding period. The half year ended September 30, 2011 predominantly related to Australian investments. The loss in the prior corresponding period included equity accounted losses relating to the investment in Medallist, which was partially offset by equity accounted profits from an investment in Macquarie Global Property Advisors ("MGPA").

Other operating income and charges

Impairment charge on equity investments

The impairment charge on equity investments of A$11 million for the half year ended September 30, 2011 related to Australian investments, a 267% increase from A$3 million in the prior corresponding period.

Operating expenses

Total operating expenses of A$10 million for the half year ended September 30, 2011 decreased 23% from A$13 million in the prior corresponding period. The decrease reflected a net reduction in resources managing the investment portfolio.

Corporate

	Half year ended			Movement[1]	
	Sep 11	Mar 11	Sep 10	Mar 11	Sep 10
	A$m	A$m	A$m	%	%
Net interest income	**126**	**191**	**227**	(34)	(44)
Fee and commission income/(expense)	**(113)**	**(53)**	**18**	113	large
Net trading income/(expense)	**(66)**	**(152)**	**90**	(57)	large
Share of net profits/(losses) of associates and joint ventures accounted for using the equity method	**3**	**5**	**4**	(40)	(25)
Other operating income and charges					
Net gains on sale of debt and equity securities	24	7	45	243	(47)
Impairment charge on equity investments	(2)	13	(30)	large	(93)
Specific provisions and collective allowance for credit losses	(1)	24	(29)	large	(97)
Other income	(2)	(3)	(6)	(33)	(67)
Total other operating income and charges	**19**	**41**	**(20)**	(54)	large
Internal management revenue/(charge)[2]	**(19)**	**(47)**	**(35)**	(60)	(46)
Total operating income/(expense)	**(50)**	**(15)**	**284**	233	large
Operating expenses					
Employment expenses	(214)	(144)	(283)	49	(24)
Brokerage and commission expenses	(1)	22	(84)	large	(99)
Other operating expenses	(71)	14	(99)	large	(28)
Total operating expenses	**(286)**	**(108)**	**(466)**	165	(39)
Tax expense	(58)	(189)	(83)	(69)	(30)
Macquarie Income Preferred Securities	(2)	(2)	(2)	—	—
Macquarie Income Securities	(13)	(13)	(13)	—	—
Other non-controlling interests[3]	—	(1)	2	(100)	(100)
Net profit/(loss) contribution	**(409)**	**(328)**	**(278)**	25	47
Other metrics					
Headcount					

1 "large" indicates that actual movement was positive to negative, or that the movement was negative to positive.

2 See "— Basis of preparation — Internal transactions — Internal management revenue/(charge)".

3 The non-controlling interests category adjusts reported consolidated profit or loss for the share that it is attributable to non-controlling interests, such that the net profit or loss contribution represents the net profit or loss attributable to ordinary equity holders.

The Corporate segment includes Group Treasury, head office and central support functions. Costs within Corporate include unallocated head office costs, employment related costs, earnings on capital, non-trading derivative volatility, income tax expense and expenses attributable to non-controlling interests. The Corporate segment also includes the impact of changes in credit spreads that are classified as fair value through the profit or loss statement.

Corporate's net loss contribution of A$409 million for the half year ended September 30, 2011 increased 47% from a net loss contribution of A$278 million in the prior corresponding period. This was primarily due to reduced earnings on capital and losses relating to fair value adjustments on assets held for liquidity purposes resulting from credit spread movements.

Net interest income

Interest income is mainly generated through the investment of Macquarie's capital. Net interest income for the half year ended September 30, 2011 was A$126 million, a decrease of 44% from A$227 million in the prior corresponding period, primarily due to the impact of reduced earnings on capital driven by a change in the currency mix of the earnings base as part of MBL's capital management activities.

Fee and commission income/(expense)

Fee and commissions income/(expense) primarily relate to internal transactions with operating groups that net to nil on aggregation across MBL Group. External fee and commissions income is minimal.

Fee and commission expense of A$113 million for the half year ended September 30, 2011 increased significantly from income of A$18 million in the prior corresponding period. The prior corresponding period included the recognition of certain items that, for accounting purposes, offset with other fee and commission expense.

Net trading income/(expense)

The primary drivers of net trading income in the Corporate segment were derivative volatility and the impact of changes in the fair value of liquid assets due to changes in credit spreads. Net trading expense of A$66 million for the half year ended September 30, 2011 decreased significantly from net trading income of A$90 million in the prior corresponding period. This was primarily due to losses relating to fair value adjustments on assets held for liquidity purposes resulting from credit spread movements. In addition, the half year ended September 30, 2011 includes losses relating to fair value adjustments that were incurred on assets held to hedge exposures to liabilities under the Directors' profit share ("DPS") plan.

Share of net profits of associates and joint ventures accounted for using the equity method

The Corporate segment holds investments in Macquarie-managed funds to hedge exposures to liabilities under the DPS plan. Some of these investments are accounted for using the equity method whereas the related DPS liabilities are accounted for on a fair value (mark-to-market) basis.

Other operating income and charges

Net gains on sale of debt and equity securities

Net gains on sale of debt and equity securities of A$24 million for the half year ended September 30, 2011 decreased 47% from A$45 million in the prior corresponding period. This primarily related to the sale of debt securities by Group Treasury.

Operating expenses

Total operating expenses of A$286 million for the half year ended September 30, 2011 decreased 39% from A$466 million in the prior corresponding period.

Employment expenses

Employment expenses in the Corporate segment relate to staff profit share, the impact of fair value adjustments of DPS liabilities and the employment costs associated with MBL Group's support functions, including Corporate Affairs, Risk Management and Information Technology.

For the half year ended September 30, 2011, employment expenses of A$214 million decreased 24% from A$283 million in the prior corresponding period due to factors including decreased profit share and the impact of fair value adjustments of DPS liabilities.

Brokerage and commission expenses

Brokerage and commission expenses in the Corporate segment primarily relate to fees and commissions paid on the issuance of debt instruments by Group Treasury.

Brokerage and commission expenses of A$1 million for the half year ended September 30, 2011 decreased 99% from A$84 million from the prior corresponding period. The expense in the prior period includes amounts that offset with fee and commission income as described above.

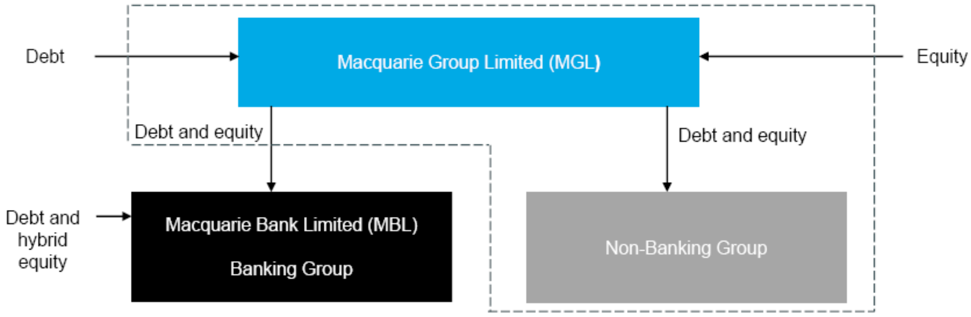
Other operating expenses

The other operating expenses category in the Corporate segment relates to the recovery of support function costs from the operating groups. The increase in recoveries from the operating groups is predominantly due to the realignment of corporate roles that have previously been embedded in the business, reflecting continued support in building a global operating platform across all support functions.

Liquidity

The two primary external funding vehicles for MGL Group are MGL and MBL. MGL provides funding principally to the Non-Banking Group and limited funding to some MBL Group subsidiaries. MBL provides funding to the Banking Group.

The high level funding relationships of MGL Group are shown below:



Liquidity management

MGL Group's liquidity risk management framework is designed to ensure that both MGL Group and MBL Group are able to meet their funding requirements as they fall due under a range of market conditions.

Liquidity management is performed centrally by Group Treasury, with oversight from MGL Group's Asset and Liability Committee and Risk Management. Each of MGL Group's and MBL Group's liquidity policies are approved by the MGL and MBL Boards, respectively, after endorsement by the Asset and Liability Committee. Liquidity reporting is provided to the MGL and MBL Boards on a monthly basis. The Asset and Liability Committee includes the Chief Executive Officer, Chief Financial Officer, Head of Risk Management, Treasurer and Business Group Heads.

Risk Management provides independent prudential oversight of liquidity risk management, including the independent validation of liquidity scenario assumptions, liquidity policies, and the required funding maturity profile.

Liquidity policies and principles

MGL provides funding predominantly to the Non-Banking Group. As such, the MGL liquidity policy outlines the liquidity requirements for the Non-Banking Group. The key requirement of the policy is that MGL Group is able to meet all of its liquidity obligations on a daily basis and during a period of liquidity stress: a 12 month period with no access to funding markets and with only a limited impact on franchise businesses.

Reflecting the longer-term nature of the Non-Banking Group asset profile, MGL is funded predominantly with a mixture of capital and long-term wholesale funding.

The MBL liquidity policy outlines the liquidity requirements for the Banking Group. The key requirement of the policy is that MBL is able to meet all of its liquidity obligations on a daily basis and during a period of liquidity stress: a 12 month period of constrained access to funding markets and with only a limited impact on franchise businesses. MBL is funded mainly by capital, long-term wholesale funding and deposits.MBL can provide debt funding to MGL (or the Non-Banking Group) up to a regulatory limit that is determined by APRA's non-ELE rules. MBL's ability to return capital to MGL for use by MGL (or the Non-Banking Group) is limited by MBL's existing capital requirements as an ADI. See "Recent developments — Regulatory and supervision developments — Australia — APRA" in this Report and "Regulation and supervision — Australia — APRA" beginning on page 44 of our 2011 Annual U.S. Disclosure Report. As a result, MGL's liquidity modeling and 12-month scenarios separately test MGL Group, MBL Group and the Non-Banking Group to ensure that sufficient liquidity is available in each part of its business.

The liquidity management principles apply to both MGL and MBL and include the following:

Liquidity and funding management

- All liquidity requirements are managed centrally by Group Treasury
- Liquidity risk is managed through setting limits on the maturity profile of assets and liabilities
- A liquidity contingency plan is approved by the Board and reviewed periodically
- A funding strategy is prepared annually and the funding position is monitored throughout the year
- Internal pricing incorporates liquidity costs, benefits and risks to align risk-taking activities with liquidity risk exposures
- Diversity and stability of funding sources is a key priority.

Liquidity limits

- Term assets must be funded by term liabilities
- Cash and liquid assets are sufficient to cover a 12-month stress scenario
- Cash and liquid assets held to meet stress scenarios must be unencumbered, high quality liquid assets and cash
- Short-term assets exceed short-term wholesale liabilities.

Scenario analysis

Scenario analysis is central to MGL Group's liquidity risk management framework. Group Treasury models a number of liquidity scenarios covering both market-wide crises and firm-specific crises. The objective of this modeling is to ensure MGL Group's and MBL Group's ability to meet all repayment obligations under each scenario and determine the capacity for asset growth.

Scenarios are run over a number of timeframes (including 12 months) and a range of conservative assumptions are used in the scenarios with regard to access to capital markets, deposit outflows, contingent funding requirements and asset sales.

Liquid asset holdings

Group Treasury maintains a portfolio of highly liquid unencumbered assets in both MGL and MBL designed to ensure that adequate liquidity is available in all funding environments, including worst case conditions. The minimum liquid asset requirement is calculated from scenario projections and complies with minimum regulatory requirements.

To determine the minimum level of liquid assets, reference is made to the expected minimum cash requirement during a combined market-wide and firm-specific crisis scenario over a 12-month timeframe. This scenario assumes no access to new funding sources, a significant loss of deposits and contingent funding outflows resulting from undrawn commitments, market moves on derivatives and other margined positions. The size of the liquid asset portfolio must always exceed the minimum cash requirement as calculated in this model.

The liquid asset portfolio contains only unencumbered assets that can be relied on to maintain their liquidity in a crisis scenario. At least 90% of the liquid asset portfolio held to meet the minimum liquid asset requirement must be eligible for repurchase with a central bank. The remaining 10% must be approved by Group Treasury and Risk Management before inclusion in the liquid asset portfolio. As at September 30, 2011, 99% of the liquid asset portfolio was eligible for repurchase with central banks.

The liquid asset portfolio typically includes unencumbered cash and central bank repo eligible government, semi-government, supranational, government guaranteed and unguaranteed bank securities, and AAA rated Australian residential mortgage backed securities. In addition, the portfolio includes other very short dated, high quality liquid assets such as A-1+ rated Australian residential mortgage backed commercial paper. The liquid asset portfolio is largely denominated and held in Australian dollars and to a lesser extent in U.S. dollars or other currencies where appropriate.

MBL Group had A$25.8 billion cash and liquid assets at September 30, 2011 (September 30, 2010: A$24.1 billion).

MGL and MBL Group continues to monitor regulatory and other market developments in response to the global financial crisis that may impact the composition of its cash and liquid asset portfolio. See “Regulation and supervision — Australia — APRA” beginning on page 44 of our 2011 Annual U.S. Disclosure Report for further information.

Liquidity contingency plan

Group Treasury maintains a liquidity contingency plan. The liquidity contingency plan applies to the entire MGL Group and defines roles, responsibilities and actions to be taken in a liquidity event. This includes identification of key information requirements and appropriate communication plans with both internal and external parties.

Specifically, the plan details factors that may constitute a crisis, the officer responsible for enacting the contingency management, a committee of senior executives who would be responsible for managing a crisis, the information required to effectively manage a crisis, a public relations strategy, a high-level check list of actions to be taken, and contact lists to facilitate prompt communication with all key internal and external stakeholders. The liquidity contingency plan is subject to regular review (at least annually) by both Group Treasury and Risk Management and is submitted to the Board for approval.

Certain jurisdictions in which MBL has regulated banking subsidiaries may require a more comprehensive contingency plan specific to that region. In that instance, a supplement to the liquidity contingency plan which is consistent with the liquidity management principles and policies of MBL Group is maintained.

Funding transfer pricing

An internal funding transfer pricing framework is in place which aims to align businesses (including MBL Group) with the overall funding strategy of MGL Group. Under this system the costs of long and short-term funding are charged, and credits are made, to business units that provide long-term stable funding.

Credit ratings

As at September 30, 2011, the credit ratings for MBL Group's funding vehicles were as follows:

	Macquarie Bank Limited		
Rating agency[1]	Short-term	Long-term	Long-term rating outlook
Fitch Ratings........................	F-1	A+	Stable
Moody's Investors Service....	P-1	A1	Rating under review
Standard & Poor's................	A-1	A	Stable

1 A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by an assigning rating agency and any rating should be evaluated independently of any other information.

On November 4, 2011, Moody's Investors Services announced that it had placed MBL's A1 senior unsecured debt rating and P-1 short term ratings on review for possible downgrade. The review is expected to focus on the outlook for MBL's earnings against a backdrop of protracted weakness in the financial markets, and the extent that this trend may be secular as opposed to cyclical. The review is expected to consider the challenges posed by MBL's expansion, including risk management of an increasingly global and diverse business, as well as greater competition in many global capital markets business lines, among other factors.

Funding transactions

The table below sets out MBL Group's term funding transactions since March 31, 2011:

Funding source	Banking Group
	A$bn
Securitized assets	
Term secured finance[1]	2.1
Issued paper	
Subordinated debt..	1.0
Senior debt	0.2
Total...	**3.3**

1 This includes the A$0.8 billion term securitzation completed in October 2011.

In the half year ended September 30, 2011, MBL Group raised A$3.3 billion of term funding, including A$2.1 billion of term secured finance from mortgage, motor vehicle and equipment securitizations, and A$1.2 billion of term wholesale funding.

Recent funding developments. In October 2011, MBL completed A$0.8 billion of term securitization.

Explanation of funded statement of financial position

MBL's statutory statement of financial position is prepared based on AGAAP and includes certain accounting gross-ups and non-recourse self funded assets that do not represent a funding requirement of MBL.

The table below has been prepared to reconcile the reported assets of the consolidated MBL Group to net funded assets at September 30, 2011.

MBL Group	**As at**
	Sep 11
	A$b
Total assets per MBL statutory statement of financial position	**158.5**
Accounting deductions:	
Self funded trading assets[1]	(14.6)
Derivative revaluation accounting gross-ups[2]	(32.0)
Life investment contracts and other segregated assets[3]	(7.8)
Broker settlement balances[4]	(4.0)
Short-term working capital assets[5]	(4.1)
Intercompany gross ups	(4.7)
Non-recourse funded assets:	
Securitized assets and non-recourse warehouses[6]	(13.0)
Net funded assets	**78.3**

1. *Self funded trading assets.* There are a number of entries on the statement of financial position that arise from the normal course of trading activity MBL Group conducts with its clients and counterparties. They typically represent both sides of a transaction. The entries offset each other as both the asset and liability positions are recorded separately. Where these entries are matched, they do not require funding.

2 *Derivative re-valuation accounting gross-ups.* MBL Group's derivative activities are mostly client driven with client positions hedged by offsetting positions. The derivatives are largely matched and this adjustment reflects that the matched positions do not require funding.

3 *Life investment contracts and other segregated assets.* These represent the assets and liabilities that are recognized where MBL Group provides products such as investment-linked policy contracts. The policy (contract) liability will be matched by assets held to the same amount and hence does not require funding.

4 *Broker settlement balances.* At any particular time, MBL Group's broking business will have outstanding trades to settle with other brokers. These amounts (payables) can be offset in terms of funding by amounts that MBL Group is owed at the same time by brokers on other trades (receivables).

5 *Short-term working capital assets.* As with the broker settlement balances above, MBL Group through its day-to-day operations generates working capital assets (*e.g.* receivables and prepayments) and working capital liabilities (*e.g.*, creditors and accruals) that produce a 'net balance' that either requires or provides funding.

6 *Securitized assets and non-recourse warehouses.* Some lending assets (mortgages and leasing) are commonly sold down into external securitization entities or transferred to external funding warehouses. As a consequence they are non-recourse to MBL Group and are funded by third parties rather than MBL Group.

Funding profile for the Banking Group

The funded statement of financial position of the Banking Group as at September 30, 2011:

	As at Sep 11 A$b
Banking Group	
Funding sources	
Wholesale issued paper:[1]	
Negotiable certificates of deposit	1.5
Commercial paper	4.2
Structured notes[2]	2.1
Secured funding[3]	11.3
Bonds[4]	12.2
Other loans	0.5
Deposits[5]	
Retail deposits	28.6
Corporate and wholesale deposits	5.9
Loan capital[6]	2.6
Equity and hybrid[7]	9.4
Total	**78.3**
Funded assets	
Cash and liquid assets[8]	25.8
Net trading assets[9]	13.3
Loan assets less than one year[10]	8.1
Loan assets greater than one year[10]	27.6
Debt investment securities[11]	3.5
MGL Group deposits with MBL	(3.4)
Co-investment in Macquarie-managed funds and other equity investments[12]	1.7
Property, plant and equipment and intangibles	1.1
Net trade debtors	0.6
Total	**78.3**

1 *Wholesale issued paper.* Unsecured short-term wholesale funding comprised of both Negotiable Certificates of Deposit and Commercial Paper.

2 *Structured notes.* These are debt instruments on which the return is linked to commodities, equities, currencies or other assets. They are generally issued as part of structured transactions with clients and are hedged with positions in underlying assets or derivative instruments.

3 *Secured funding.* Certain funding arrangements that have been secured against an asset (or pool of assets).

4 *Bonds.* Unsecured long-term wholesale funding.

5 *Deposits.* Unsecured funding from retail, corporate and wholesale depositors. The Australian Government guarantee is made available on eligible deposits in MBL.

6 *Loan capital.* Long-term subordinated debt and Convertible Preference Securities.

7 *Equity and hybrid.* Equity balances are comprised of issued capital, retained earnings and reserves. Hybrid instruments include the MIPS and the MIS.

8 *Cash and liquid assets.* Funded cash and liquid assets generally consist of amounts due from banks and short-term debt investment securities available-for-sale. Liquid assets are almost entirely repo eligible with central banks or are very short dated.

9 *Net trading assets.* The net trading asset balance consists of financial markets and equity trading assets including the net derivative position and any margin or collateral balances. It also includes trading assets which are hedging structured notes issued.

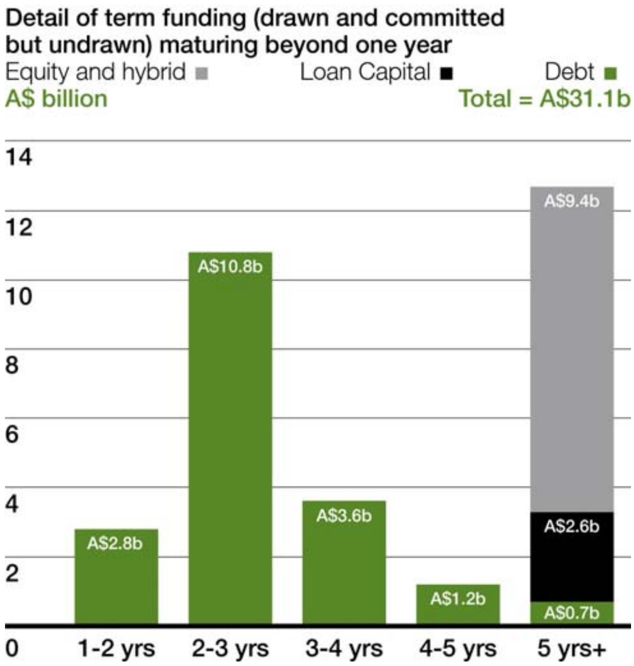
10 *Loan assets.* This represents all loans provided to retail and wholesale borrowers, in addition to operating lease assets. See "— Capital analysis — Loan assets" in this Report for further information.

11 *Debt investment securities.* These include various categories of debt securities including asset backed securities, bonds, commercial mortgage backed securities and residential mortgage backed securities.

12 *Co-investment in Macquarie-managed funds and other equity investments.* These equity securities are held with a long-term investment horizon, and include co-investments in Macquarie-managed funds.

As at September 30, 2011, deposits represented A$34.5 billion, or 44% of total funding, short-term wholesale funding represented A$5.7 billion, or 7% of total funding, and other debt funding maturing within 12 months represented A$7.0 billion, or 9% of total funding.

The following chart and table provides details of the Banking Group's term funding (drawn and committed but undrawn) maturing beyond one year, at September 30, 2011:



	As at					
	Sep 11					
	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	5 yrs+	Total
Banking Group	**A$b**	**A$b**	**A$b**	**A$b**	**A$b**	**A$b**
Structured notes	0.3	0.3	0.2	0.1	0.1	1.0
Secured funding	2.3	2.4	3.4	1.0	0.5	9.6
Bonds	0.1	8.1	—	0.1	0.1	8.4
Other loans	0.1	—	—	—	—	0.1
Total debt	**2.8**	**10.8**	**3.6**	**1.2**	**0.7**	**19.1**
Loan capital	—	—	—	—	2.6	2.6
Equity and hybrid	—	—	—	—	9.4	9.4
Total funding sources drawn	**2.8**	**10.8**	**3.6**	**1.2**	**12.7**	**31.1**
Undrawn	—	—	—	—	—	—
Total funding sources drawn and undrawn	**2.8**	**10.8**	**3.6**	**1.2**	**12.7**	**31.1**

The Banking Group has diversity of funding by both source and maturity. Term funding beyond one year (excluding equity) has a weighted average term to maturity of 3.7 years.

The key tools used for accessing wholesale debt funding markets for MBL, which primarily funds the Banking Group, are as follows:

- US$25 billion multi-instrument Regulation S Debt Instrument Program, including Euro Commercial Paper, Euro Commercial Deposits, Euro-Medium Term Notes, senior and subordinated fixed/floating rate notes, and Transferable Deposits. The Debt Instrument Program had US$6.1 billion of debt securities outstanding at September 30, 2011;

- US$10 billion Commercial Paper Program under which US$3.7 billion of debt securities were outstanding at September 30, 2011; and

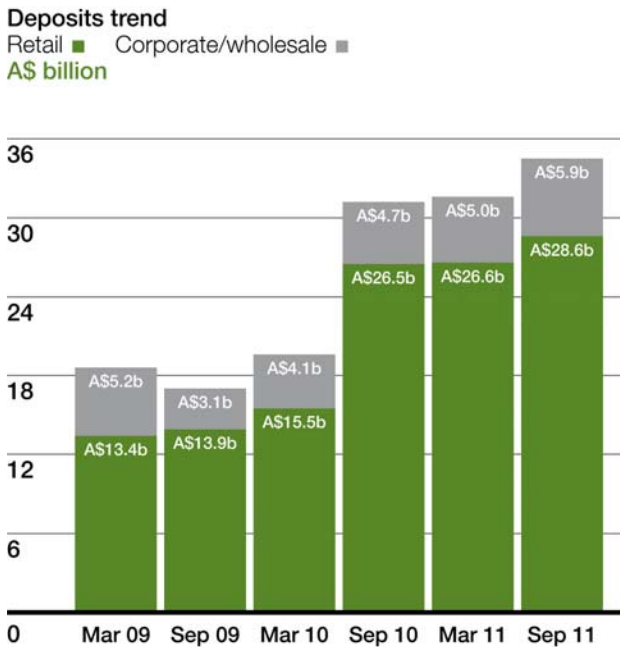
- US$20 billion Rule 144A/Regulation S Medium Term Note Program. At September 30, 2011, US$8.3 billion had been issued under the Rule 144A/Regulation S Medium Term Note Program.

In addition to the foregoing, MBL Group accesses the Australian capital markets through the issuance of Negotiable Certificates of Deposit and Transferable Negotiable Certificates of Deposit. At September 30, 2011, MBL Group had A$1.5 billion of these securities outstanding.

Furthermore, MBL Group, as an ADI, has access to liquidity from the RBA's daily market operations. At September 30, 2011, MBL Group had internally securitized A$2.1 billion of its own mortgages, which is a form of collateral on the RBA's list of eligible securities for repurchase agreements.

Deposit strategy

The chart below illustrates MBL Group's strong retail deposit growth since March 2009.



[1] On July 31, 2010, unitholders in the CMT converted their units into at-call deposits in the CMA. This resulted in an increase of A$9.6 billion of MBL retail deposits.

MBL continues to pursue a deposit strategy that is consistent with the core liquidity management principle of achieving diversity and stability of funding sources. The strategy is focused on growing the retail deposit base, which generally represents a more stable and reliable source of funding.

As an ADI, MBL is subject to the provisions of the financial claims scheme. See "Recent developments — Regulatory and supervision developments — Australia — APRA" in this Report and "Regulation and supervision" on page 47 of our 2011 Annual U.S. Disclosure Report for further information.

Lease, capital and other expenditure commitments, contingent liabilities and assets

We do not expect our capital and other expenditure commitments and our lease commitments to have a significant effect on our liquidity needs. See Note 38 "Capital and other expenditure commitments" and Note 39 "Lease commitments" to our 2011 annual financial statements for further information. Lease, capital and other expenditure commitments are disclosed in our annual financial statements each year and are not required to be disclosed under Australian Accounting Standards in interim financial statements.

As at September 30, 2011, MBL Group had A$4.3 billion of contingent liabilities and commitments, including A$739 million of contingent liabilities and A$3.4 billion of commitments under undrawn credit facilities. See Note 17 "Contingent liabilities and commitments" to our 2012 interim financial statements which shows MBL Group's contingent liabilities and commitments at September 30, 2011.

Quantitative and qualitative disclosures about market risk

Each year we prepare a detailed analysis of market risk as it applies to MBL Group and a quantitative analysis of MBL Group's value at risk for equities, interest rates, foreign exchange, bullion, and commodities and in the aggregate thereof. See Note 41 "Financial risk management" to MBL Group's 2011 annual financial statements for a quantitative and qualitative discussion of these risks.

Capital analysis

MBL is accredited by APRA under the Basel II Foundation Internal Ratings Based approach (FIRB) for credit risk, the Advanced Measurement Approach (AMA) for operational risk, the internal model approach for market risk, and the internal model approach for interest rate risk in the banking book.

These advanced approaches place a higher reliance on a bank's internal capital measures and therefore require a more sophisticated level of risk management and risk measurement practices.

APRA requires ADIs to have a minimum ratio of capital to risk-weighted assets of 8% at both Level 1 (ELE Group) and Level 2 (Consolidated Banking Group), with at least half of this capital in the form of Tier 1 capital. In addition, APRA imposes ADI specific minimum capital ratios that may be higher than these levels. MBL Group's internal capital policy set by the Board requires capital floors above the minimum regulatory required levels.

Tier 1 capital

MBL Group's Tier 1 capital consists of ordinary share capital, retained earnings, certain reserves, plus eligible hybrid capital instruments. Reserves included in Tier 1 capital are the share based payment reserve and foreign currency translation reserve. The hybrid Tier 1 capital includes MIS and MIPS. MBL periodically pays dividends to MGL and is recapitalized by MGL as required to support projected business growth.

MIS are perpetual instruments with no conversion rights. MIS were listed for trading on the ASX on October 19, 1999 and became redeemable (in whole or in part) at MBL's discretion on November 19, 2004. MIS distributions are paid quarterly at a floating rate of BBSW plus 1.7% per annum and payment is subject to certain conditions including profitability of MBL.

MIPS were issued when the London branch of MBL issued 7,000 reset subordinated convertible debentures, each with a face value of £50,000, to Macquarie Capital Funding LP, a controlled entity of MBL. The convertible debentures currently pay a fixed return of 6.177% per annum until April 2020. As at September 30, 2011, MBL had £42.5 million of MIPS on issue which are held by parties not associated with MGL Group.

Tier 2 capital

MBL Group's Upper Tier 2 capital consists of a portion of certain equity reserves. MBL Group's Lower Tier 2 capital consists of subordinated debt issued to financial institutions, which is subjected to limits imposed by APRA based on Tier 1 capital. Repayment of this debt is subordinated to the claims of depositors and other creditors but ranks ahead of equity instruments.

During the half year ended September 30, 2011, MBL Group issued A$955 million, repurchased A$39 million and redeemed A$302 million of subordinated debt instruments. Remaining movements related to changes in value as a result of foreign currency fluctuations.

Pillar 3

The APRA Prudential Standard APS 330 Capital Adequacy: Public Disclosure of Prudential Information (Pillar 3) details the market disclosure requirements for Australian domiciled banks. APS 330 requires qualitative and quantitative disclosure of risk management practices and capital adequacy.

These disclosures are required to be published by MBL Group within 40 business days of the reporting date and are posted on MBL's U.S. Investors' Website.

Capital adequacy

MBL Group's regulatory capital supply and capital ratios are detailed in the following tables.

	As at			Movement[1]	
	Sep 11	Mar 11	Sep 10	Mar 11	Sep 10
	A$m	A$m	A$m	%	%
Tier 1 capital					
Paid-up ordinary share capital	7,689	7,379	7,235	4	6
Reserves	(185)	(457)	(257)	(60)	(28)
Retained earnings	1,260	1,142	1,011	10	25
Innovative Tier 1 capital	457	455	457	nm	—
Gross Tier 1 capital	**9,221**	**8,519**	**8,446**	8	9
Deductions from Tier 1 capital					
Goodwill	143	181	193	(21)	(26)
Deferred tax assets	123	291	381	(58)	(68)
Changes in the ADI's own creditworthiness on banking book liabilities	82	51	66	61	24
Intangible component of investments in non-consolidated subsidiaries and other non-Level 2 entities	631	583	610	8	3
Loan and lease origination fees and commissions paid to mortgage originators and brokers	97	97	131	—	(26)
Other Tier 1 capital deductions	279	231	252	21	11
Deductions from Tier 1 capital only	**1,355**	**1,434**	**1,633**	(6)	(17)
50/50 deductions from Tier 1 capital:					
Non-subsidiary entities exceeding prescribed limits (50%)	295	347	312	(15)	(5)
Non-consolidated subsidiaries (50%)	217	276	275	(21)	(21)
All other deductions relating to securitization (50%)	260	277	165	(6)	58
Shortfall in provisions for credit losses (50%)	58	141	155	(59)	(63)
Other 50/50 deductions from Tier 1 capital (50%)	69	112	124	(38)	(44)
Total 50/50 deductions from Tier 1 capital	**899**	**1,153**	**1,031**	(22)	(13)
Total Tier 1 capital deductions	**2,254**	**2,587**	**2,664**	(13)	(15)
Net Tier 1 capital	**6,967**	**5,932**	**5,782**	17	20
Tier 2 capital					
Upper Tier 2 capital:					
Other Upper Tier 2 capital instruments	136	212	180	(36)	(24)
Lower Tier 2 capital:					
Term subordinated debt	**2,557**	**1,871**	**1,959**	37	31
Gross Tier 2 capital	**2,693**	**2,083**	**2,139**	29	26
Deductions from Tier 2 capital:					
50/50 deductions from Tier 2 capital	899	1,153	1,031	(22)	(13)
Total Tier 2 capital deductions	**899**	**1,153**	**1,031**	(22)	(13)
Net Tier 2 capital	**1,794**	**930**	**1,108**	93	62
Total capital base	**8,761**	**6,862**	**6,890**	28	27

1 "nm" indicates that the percentage change was less than 1% and therefore not meaningful.

Risk-Weighted Assets

	As at			Movement[1]	
	Sep 11	Mar 11	Sep 10	Mar 11	Sep 10
	A$m	A$m	A$m	%	%
Credit risk – Risk-Weighted Assets (RWA)					
Subject to FIRB approach:					
Corporate[1]	20,229	20,468	19,639	(1)	3
Sovereign	899	826	865	9	4
Bank	3,279	2,713	2,730	21	20
Residential mortgage	1,539	1,691	1,540	(9)	nm
Other retail	2,340	1,544	1,285	52	82
Total RWA subject to FIRB approach	**28,286**	**27,242**	**26,059**	4	9
Specialized lending exposures subject to slotting criteria[2]	**3,713**	**3,020**	**2,805**	23	32
Subject to standardized approach:					
Corporate	2,998	3,067	3,522	(2)	(15)
Sovereign	—	—	—	—	—
Bank	—	3	80	(100)	(100)
Residential mortgage	608	524	551	16	10
Other retail	2,065	3,326	3,565	(38)	(42)
Total RWA subject to standardized approach	**5,671**	**6,920**	**7,718**	(18)	(27)
Credit risk RWA for securitization exposures	1,228	1,117	1,005	10	22
RWA for other assets	4,477	2,684	2,558	67	75
Total credit risk RWA	**43,375**	**40,983**	**40,145**	6	8
Equity risk exposures RWA	2,173	1,912	1,927	14	13
Market risk RWA	3,889	3,834	3,073	1	27
Operational risk RWA	6,467	7,037	6,984	(8)	(7)
Interest rate risk in banking book RWA	—	—	—	—	—
APRA scaling factor (6%) applied to IRB exposures	1,697	1,634	1,564	4	9
Total MBL Group RWA	**57,601**	**55,400**	**53,693**	4	7
Capital ratios					
MBL Group Tier 1 capital ratio (%)	12.1	10.7	10.8		
MBL Group Total capital ratio (%)	15.2	12.4	12.8		

1 "nm" indicates that the percentage change was less than 1% and therefore not meaningful.

2 Includes A$nil million for exposures to the Non-Banking Group (A$178 million at March 31, 2011; A$330 million at September 30, 2010).

3 Specialized lending exposures subject to supervisory slotting criteria are measured using APRA determined risk-weightings.

Statutory consolidated statement of financial position

	As at			Movement[1]	
	Sep 11	Mar 11	Sep 10	Mar 11	Sep 10
	A$m	A$m	A$m	%	%
Assets					
Due from financial institutions	9,024	7,579	7,595	19	19
Cash collateral on securities borrowed and reverse repurchase agreements	5,894	7,418	8,272	(21)	(29)
Trading portfolio assets	14,375	14,423	15,182	nm	(5)
Loan assets held at amortized cost	44,934	45,382	44,703	(1)	1
Other financial assets at fair value through profit or loss	9,097	10,607	9,447	(14)	(4)
Derivative financial instruments – positive values	34,064	21,145	23,431	61	45
Other assets	9,173	6,839	6,100	34	50
Investment securities available-for-sale	19,409	15,003	16,118	29	20
Life investment contracts and other unitholder assets	4,760	5,062	5,052	(6)	(6)
Due from related body corporate entities	1,313	2,443	2,334	(46)	(44)
Interests in associates and joint ventures accounted for using the equity method	771	856	852	(10)	(10)
Property, plant and equipment	4,648	2,363	1,881	97	147
Intangible assets	934	866	951	8	(2)
Deferred income tax assets	108	376	379	(71)	(72)
Total assets	**158,504**	**140,362**	**142,297**	13	11
Liabilities					
Due to financial institutions	4,995	1,580	2,647	216	89
Cash collateral on securities lent and repurchase agreements	8,571	6,103	5,837	40	47
Trading portfolio liabilities	4,346	5,732	5,501	(24)	(21)
Derivative financial instruments – negative values	32,171	21,455	24,284	50	32
Deposits	37,833	35,106	34,829	8	9
Debt issued at amortized cost	37,365	36,943	36,275	1	3
Other financial liabilities at fair value through profit or loss	2,103	2,909	2,017	(28)	4
Other liabilities	9,059	7,463	7,030	21	29
Current tax liabilities	27	67	67	(60)	(60)
Life investment contracts and other unitholder liabilities	4,759	5,055	5,069	(6)	(6)
Due to related body corporate entities	4,856	6,471	7,639	(25)	(36)
Provisions	87	80	84	9	4
Deferred income tax liabilities	296	393	311	(25)	(5)
Total liabilities excluding loan capital	**146,468**	**129,357**	**131,590**	13	11
Loan capital					
Subordinated debt at amortized cost	2,447	1,430	1,472	71	66
Subordinated debt at fair value through profit or loss	149	467	487	(68)	(69)
Total loan capital	**2,596**	**1,897**	**1,959**	37	33
Total liabilities	**149,064**	**131,254**	**133,549**	14	12
Net assets	**9,440**	**9,108**	**8,748**	4	8
Equity					
Contributed equity					
Ordinary share capital	7,578	7,278	7,128	4	6
Equity contribution from ultimate parent entity	111	102	108	9	3
Macquarie Income Securities	391	391	391	0	0
Reserves	(326)	(436)	(342)	(25)	(5)
Retained earnings	1,613	1,701	1,377	(5)	17
Total capital and reserves attributable to ordinary equity holders of MBL Group	**9,367**	**9,036**	**8,662**	4	8
Non-controlling interests	73	72	86	1	(15)
Total equity	**9,440**	**9,108**	**8,748**	4	8

1 "nm" indicates that the percentage change was less than 1% and therefore not meaningful.

Total assets of A$158.5 billion at September 30, 2011 increased 11% from A$142.3 billion at September 30, 2010, an increase of A$16.2 billion as a result of the items listed below.

Cash collateral on securities borrowed and reverse repurchase agreements of A$5.9 billion at September 30, 2011 decreased 29% from A$8.3 billion at September 30, 2010, primarily as a result of decreased trading activities in Macquarie Securities and Fixed Income, Currencies & Commodities.

Derivative financial instruments (positive values) of $34.1 billion at September 30, 2011 increased 45% from A$23.4 billion in the prior corresponding period, primarily due to the effect of increases in base metal prices on derivative instruments.

Other assets of $9.2 billion at September 30, 2011 increased 50% from A$6.1 billion in the prior corresponding period, primarily due to unsettled trade receivables at the end of the period arising from increased trading activity.

Investment securities available-for-sale of A$19.4 billion at September 30, 2010 increased 20% from A$16.1 billion at September 30, 2010, primarily due to liquidity management activities conducted by Group Treasury.

Property, plant and equipment of A$4.6 billion at September 30, 2011 increased 147% from A$1.9 billion at September 30, 2010, largely due to the completion of the acquisition of 44 aircraft assets and associated leases from ILFC and the acquisition of the remaining 62.5% of Macquarie AirFinance.

Total liabilities (excluding loan capital) of A$146.5 billion at September 30, 2011 increased 11% from A$131.6 billion at September 30, 2010 as a result of the items listed below.

Deposits of A$37.8 billion at September 30, 2011 increased 9% from A$34.8 billion at September 30, 2010, primarily due to the continued growth in CMA account balances and corporate banking deposits.

Derivative financial instruments (negative values) of A$32.2 billion at September 30, 2011 increased 32% from A$24.3 billion in the prior corresponding period, primarily due to the effect of increases in base metal prices on derivative instruments.

Other liabilities of A$9.1 billion at September 30, 2011 increased 29% from A$7.0 billion in the prior corresponding period, primarily due to increased unsettled trade payables at the end of the period arising from increased trading activity.

Total equity of A$9.4 billion at September 30, 2011 increased 8% from A$8.7 billion at September 30, 2010. The main drivers of this change was due to a net increase retained earnings of A$236 million and an increase in ordinary share capital of A$450 million.

Loan assets

This description of our funded loan assets is based on the funded statement of financial position of MBL Group and not the statutory statement of financial position classification.

For the half years ended September 30, 2011, March 31, 2011 and September 30, 2010, funded loan assets of MBL Group consisted of:

	Half year ended			Movement	
	Sep 11	Mar 11	Sep 10	Mar 11	Sep 10
	A$b	A$b	A$b	%	%
Mortgages					
Australia	2.3	2.1	1.9	10	21
United States	0.8	0.8	0.9	—	(11)
Canada	8.5	8.5	8.0	—	6
Structured investments	2.7	3.2	3.2	(16)	(16)
Banking	3.9	3.7	3.6	5	8
Real estate	0.1	0.4	0.5	(75)	(80)
Resources and commodities	1.9	1.5	1.5	27	27
Leasing	8.0	6.0	5.9	33	36
Corporate & Asset Finance lending	7.0	6.5	5.2	8	35
Other lending	0.5	0.7	0.3	(29)	67
Total	**35.7**	**33.4**	**31.0**	7	15

Our funded loan asset portfolio comprises diverse, secured assets:

Loan category	**Asset security**
Mortgages	Secured by residential mortgages and supported by mortgage insurance. • Australia: most loans are fully mortgage insured. • United States: majority of loans where loan to value ratio is greater than 80% are mortgage insured. • Canada: most loans are fully insured with underlying government support.
Structured investments ...	Retail loans to invest in various investment funds. Secured by investments with value protected by capital guarantees at maturity. Underlying assets primarily include direct and indirect equities and cash.
Banking	Secured relationship managed loan portfolio to professional and financial services firms, real estate industry clients, insurance premium funding and other small business clients. Secured largely by real estate, working capital, business cash flows and credit insurance. The portfolio also includes other consumer lending including credit cards.
Real estate	Loans secured against real estate assets, generally subject to regular independent valuations.
Resources and commodities	Diversified loan portfolio primarily to the resources sector that are secured by the underlying assets. Secured by gold, base metals and oil resources and supported by price hedging.
Leasing (finance and operating)........................	Secured by underlying leased assets (motor vehicles and specialized equipment), diversified portfolio by geography and security asset class.
Corporate & Asset Finance lending	Diversified secured corporate lending, subject to regular recoverability review. Secured by a diverse range of corporate assets and other securities.
Other lending	Deposits with financial institutions as collateral for trading positions.

Equity investments

Equity investments are reported in the following categories in the statutory statement of financial position:

- Other financial assets at fair value through profit or loss
- Investment securities available-for-sale
- Interest in associates and joint ventures
- Assets and disposal groups held-for-sale

The classification is driven by a combination of the level of influence MBL Group has over the investment and management's intention with respect to the holding of the asset in the short-term. For the purpose of analysis, equity investments have been re-grouped into the following categories:

- Investments in Macquarie-managed funds
- Other investments not held-for-sale or not investments in Macquarie-managed funds

- Held-for-sale investments

The tables below set out the composition of these categories of equity investments for the half years ended September 30, 2011, March 30, 2011 and September 30, 2010.

Equity investments reconciliation

	As at		
	Sep 11	**Mar 11**	**Sep 10**
	A$m	**A$m**	**A$m**
Equity investments (excluding held-for-sale)			
Statutory statement of financial position			
Equity investments within other financial assets at fair value through profit or loss	2,731	2,384	2,034
Equity investments within investment securities available-for-sale	850	905	762
Interests in associates and joint ventures accounted for using the equity method	771	856	852
Total equity investments per statutory statement of financial position	**4,352**	**4,145**	**3,648**
Adjustment for funded statement of financial position			
Equity hedge positions[1]	(2,622)	(2,342)	(1830)
Total funded equity investments	**1,730**	**1,803**	**1,818**
Adjustments for equity investments analysis			
Available-for-sale reserves[2]	(203)	(305)	(226)
Associate reserves[3]	(3)	(1)	(1)
Total adjusted equity investments[4]	**1,524**	**1,497**	**1,591**
Held-for-sale investments			
Net assets of disposal groups classified as held-for-sale	—	—	—
Total equity investments including held-for-sale investments	**1,524**	**1,497**	**1,591**

1 These relate to assets held for the purposes of economically hedging MBL Group's fair valued liabilities to external parties arising from various equity linked instruments, and have been excluded from the analysis of investment exposure.

2 Available-for-sale reserves that will be released to income upon realization of the investment.

3 Associates reserves that will be released to income upon realization of the investment.

4 The adjusted book value represents the total net exposure to MBL Group.

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