MACQUARIE
BANK

Macquarie Bank Limited

(ABN 46 008 583 542)

Disclosure Report (U.S. Version)
for the half year ended September 30, 2013

Dated: November 15, 2013

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CERTAIN DEFINITIONS

In this Disclosure Report (U.S. Version) for the half year ended September 30, 2013 ("2014 Interim U.S. Disclosure Report" or this "Report"), unless otherwise specified or the context otherwise requires:

"2013 Annual U.S. Disclosure Report" means our Disclosure Report (U.S. Version) for the fiscal year ended March 31, 2013 and the documents incorporated by reference therein;

"2013 Interim Directors' Report and Financial Report" means our 2013 Interim Directors' Report and Financial Report;

"2014 interim financial statements" means our unaudited financial statements for the half year ended September 30, 2013 contained in our 2014 Interim Directors' Report and Financial Report; and

"2014 Interim Directors' Report and Financial Report" means our 2014 Interim Directors' Report and Financial Report.

In addition, you should refer to "Certain definitions" beginning on page ii of our 2013 Annual U.S. Disclosure Report, which is posted on MBL's U.S. investors' website at www.macquarie.com/mgl/com/us/usinvestors/mbl ("*MBL's U.S. Investors' Website*").

Our fiscal year ends on March 31, so references to years such as "2014" 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 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, and interest rate, exchange rate, market and monetary fluctuations;
- our ability to deal effectively with an economic slowdown or other economic or market difficulties;
- our ability to complete, integrate or process acquisitions, disposals, 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 to 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 9 of our 2013 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 2013 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. Unless otherwise indicated, conversions of Australian dollars to U.S. dollars in this Report have been made at the noon buying rate on September 30, 2013, which was US$0.9342 per A$1.00. The noon buying rate on November 8, 2013, was US$0.9381 per A$1.00.

Fiscal year	Period End	Average Rate[1]	High	Low
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
2012	1.0367	1.0456	1.1026	0.9453
2013	1.0409	1.0317	1.0591	0.9688
Month	**Period End**		**High**	**Low**
May 2013	0.9698		1.0313	0.9608
June 2013	0.9165		0.9770	0.9165
July 2013	0.8957		0.9259	0.8957
August 2013	0.8901		0.9193	0.8901
September 2013	0.9342		0.9444	0.9055
October 2013	0.9471		0.9705	0.9366
November 2013 (through November 8)	0.9381		0.9518	0.9381

[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 Autonomous Sanctions Regulations 2011 promulgated under the Autonomous Sanctions Act 2011 of Australia, 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 and a list of all persons and entities that are subject to autonomous sanctions (which include economic sanctions) which are available to the public at the Department's website at http://www.dfat.gov.au.

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 2013 Annual U.S. Disclosure Report.

Application of new accounting standards

During the half year ended September 30, 2013, certain new accounting standards and amendments to existing accounting standards became applicable, including AASB 10, which relates to principles of consolidation and was applied by MBL from April 1, 2013. Comparative information for the half year ended September 30, 2012 presented in this Report has been restated to reflect the application of AASB 10, which resulted in a decrease in life investment contracts and other unitholder investment assets (which are now included in other assets as at September 30, 2013) and total assets, with a corresponding decrease in life investment contracts and other unitholder liabilities (which are now included in other liabilities as at September 30, 2013) and total liabilities. The adjustment to each of these line items was A$6.0 billion as at March 31, 2013 and A$4.8 billion as at September 30, 2012. Net cash flows used in operating activities decreased by A$1.1 billion for the half year ended March 31, 2013 and A$89 million for the half year ended September 30, 2012, with a corresponding increase in net cash flows from investing activities of A$1.1 billion for the half year ended March 31, 2013 and A$89 million for the half year ended September 30, 2012.

Investors should note that while we restated the comparative information for the half year ended September 30, 2012 and March 31, 2013 in our 2014 interim financial statements to reflect the adoption of AASB 10, we were not required to restate the financial statements for earlier fiscal years. As a result, our financial statements for prior fiscal years have not been restated to reflect this change in accounting standards.

For further detail on new accounting standards and amendments to existing accounting standards that became effective in the half year ended September 30, 2013, see Note 1(iii) to our 2014 interim financial statements.

Change in internal funding arrangements

During the half year ended September 30, 2013, Group Treasury revised internal funding transfer pricing arrangements relating to Banking & Financial Services' deposit and lending activities. Comparative information for the half year ended September 30, 2012 presented in this Report has been restated to reflect the current methodology.

Investors should note that while we restated this comparative information to reflect this change in methodology, we were not required to restate the financial statements for earlier fiscal years. As a result, our financial statements for prior fiscal years have not been restated to reflect this change in methodology.

For further detail, see Note 3 to our 2014 interim financial statements.

Certain differences between AGAAP and US GAAP

For further information on certain differences between AGAAP and US GAAP, see "Financial information presentation — Certain differences between AGAAP and US GAAP" beginning on page xi of our 2013 Annual U.S. Disclosure Report.

Critical accounting policies and significant judgments

For further information on our critical accounting policies and significant judgments, see "Management's discussion and analysis of results of operation and financial condition — Critical accounting policies and significant judgments" beginning on page 58 of our 2013 Annual U.S. Disclosure Report.

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 investors 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 xi of our 2013 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 37 to our 2013 annual financial statements.

The significant risk factors applicable to MBL Group are described under "Risk factors" beginning on page 9 of our 2013 Annual U.S. Disclosure Report.

CAPITALIZATION, INDEBTEDNESS AND CAPITAL ADEQUACY

The following table sets forth our capitalization as at September 30, 2013.

The information relating to MBL Group in the following table is based on our 2014 interim financial statements, which were prepared in accordance with AGAAP, and should be read in conjunction therewith.

	As at	
	Sep 13	**Sep 13**
	US$m[1]	**A$m**
CAPITALIZATION		
Borrowings[2]		
Debt issued — due greater than 12 months	12,287	13,152
Subordinated debt — due greater than 12 months	2,233	2,390
Total borrowings[2]	**14,520**	**15,542**
Equity		
Contributed equity		
Ordinary share capital	7,080	7,578
Equity contribution from ultimate parent entity	110	118
Macquarie Income Securities	365	391
Reserves	(149)	(159)
Retained earnings	1,276	1,366
Macquarie Income Preferred Securities	67	71
Other non-controlling interests	-	-
Total equity	**8,749**	**9,365**
TOTAL CAPITALIZATION	**23,269**	**24,907**

1 Conversions of Australian dollars to U.S. dollars have been made at the noon buying rate on September 30, 2013, which was US$0.9342 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, 2013, we had A$5.1 billion of secured indebtedness due in greater than 12 months compared to A$7.2 billion at September 30, 2012.

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$16.4 billion as at September 30, 2013 and securitizations totaled A$12.7 billion as at September 30, 2013 compared to A$10.0 billion and A$12.0 billion, respectively, as at September 30, 2012.

For details on our short-term debt position as at September 30, 2013, 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, 2013 and March 31, 2013 and has been prepared on an APRA Basel III basis.

	As at			
	Sep 13	**Sep 13**	**Mar 13**	**Movement**
	US$m[1]	**A$m**	**A$m**	**%**
Common Equity Tier 1 capital				
Paid-up ordinary share capital	7,176	7,681	7,680	<1
Retained earnings	1,298	1,389	1,202	16
Reserves	(121)	(129)	(574)	(78)
Gross Common Equity Tier 1 capital	**8,353**	**8,941**	**8,308**	8
Regulatory adjustments to Common Equity Tier 1 capital:				
Goodwill	173	185	136	36
Deferred tax assets	233	249	200	25
Net other fair value adjustments	(19)	(20)	(21)	(5)
Intangible component of investments in subsidiaries and other entities	383	410	380	8
Loan and lease origination fees and commissions paid to mortgage originators and brokers	109	117	86	36
Other Common Equity Tier 1 capital deductions	208	223	260	(14)
Equity exposures	1,393	1,490	1,455	2
Shortfall in provisions for credit losses	142	152	140	9
Total Common Equity Tier 1 capital deductions	**2,622**	**2,806**	**2,636**	6
Net Common Equity Tier 1 capital	**5,731**	**6,135**	**5,672**	8
Additional Tier 1 Capital				
Additional Tier 1 capital instruments	643	688	647	6
Gross Additional Tier 1 capital	**643**	**688**	**647**	6
Deductions from Additional Tier 1 capital	**-**	**-**	**-**	-
Net Additional Tier 1 capital	**643**	**688**	**647**	6
Total Tier 1 capital	**6,374**	**6,823**	**6,319**	8

1 Conversions of Australian dollars to U.S. dollars have been made at the noon buying rate on September 30, 2013, which was US$0.9342 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			
	Sep 13	Sep 13	Mar 13	Movement
	US$m[1]	A$m	A$m	%
Credit risk – Risk-Weighted Assets ("RWA")				
Subject to IRB approach:				
Corporate	15,457	16,545	15,546	6
SME Corporate	1,507	1,613	1,597	1
Sovereign	607	650	734	(11)
Bank	1,633	1,748	1,636	7
Residential mortgage	2,180	2,334	2,179	7
Other Retail	4,196	4,491	4,613	(3)
Total RWA subject to IRB approach	**25,580**	**27,381**	**26,305**	4
Specialized lending exposures subject to slotting criteria	**4,850**	**5,192**	**4,683**	11
Subject to Standardized approach:				
Corporate	1,297	1,388	1,013	37
Residential mortgage	1,357	1,453	482	201
Other Retail	968	1,036	1,272	(19)
Total RWA subject to Standardized approach	**3,622**	**3,877**	**2,767**	40
Credit risk RWA for securitization exposures	**1,018**	**1,090**	**945**	15
Credit Valuation Adjustment RWA	**2,463**	**2,637**	**2,730**	(3)
Exposures to Central Counterparties RWA	**1,411**	**1,510**	**1,087**	39
RWA for Other Assets	**5,842**	**6,253**	**5,617**	11
Total Credit risk RWA	**44,786**	**47,940**	**44,134**	9
Market risk RWA	**4,501**	**4,818**	**4,536**	6
Operational risk RWA	**7,887**	**8,443**	**8,125**	4
Interest rate risk in banking book RWA	**-**	**-**	**-**	-
Scaling factor (6%) applied to IRB exposures	**1,535**	**1,643**	**1,578**	4
Total Banking Group RWA	**58,709**	**62,844**	**58,373**	8
Capital ratios				
MBL Group Common Equity Tier 1 capital ratio (%)	9.8	9.8	9.7	
MBL Group Tier 1 capital ratio (%)	10.9	10.9	10.8	

[1] Conversions of Australian dollars to U.S. dollars have been made at the noon buying rate on September 30, 2013, which was US$0.9342 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.

SELECTED FINANCIAL INFORMATION

Half years ended September 30, 2013 and 2012

The selected consolidated statement of financial position data as at September 30, 2013 and 2012 and income statement data for the half years ended September 30, 2013 and 2012 presented in this Report have been extracted from our 2014 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 22 of our 2013 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 58 of our 2013 Annual U.S. Disclosure Report. The selected unaudited financial data for the half year ended September 30, 2013 is not necessarily indicative of our results for the fiscal year ending March 31, 2014 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 2014 interim financial statements.

Income statements

	Half year ended		
	Sep 13	Sep 13	Sep 12
	US$m[1]	A$m	A$m
Interest and similar income	1,963	2,102	2,199
Interest expense and similar charges	(1,171)	(1,254)	(1,513)
Net interest income	**792**	**848**	**686**
Fee and commission income	774	828	736
Net trading income	629	673	583
Share of net profits of associates and joint ventures accounted for using the equity method	11	12	27
Other operating income and charges	182	195	202
Net operating income	**2,388**	**2,556**	**2,234**
Employment expenses	(741)	(792)	(686)
Brokerage, commission and trading-related expenses	(313)	(335)	(282)
Occupancy expenses	(64)	(69)	(71)
Non-salary technology expenses	(52)	(56)	(40)
Other operating expenses	(668)	(715)	(623)
Total operating expenses	**(1,838)**	**(1,967)**	**(1,702)**
Operating profit before income tax	**550**	**589**	**532**
Income tax expense	(199)	(213)	(156)
Profit after income tax	**351**	**376**	**376**
Profit attributable to non-controlling interests	(2)	(2)	(2)
Loss attributable to non-controlling interests	**(2)**	**(2)**	**(2)**
Profit attributable to equity holders of Macquarie Bank Limited	**349**	**374**	**374**
Distributions paid or provided for on Macquarie Income Securities	(8)	(9)	(11)
Profit attributable to ordinary equity holders of Macquarie Bank Limited	**341**	**365**	**363**

1 Conversions of Australian dollars to U.S. dollars have been made at the noon buying rate on September 30, 2013, which was US$0.9342 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 13	Sep 13	Sep 12
	US$m[1]	A$m	A$m
ASSETS			
Receivables from financial institutions	15,888	17,007	15,838
Trading portfolio assets	20,056	21,469	14,457
Derivative assets	13,521	14,473	21,579
Investment securities available for sale	12,716	13,612	18,267
Other assets	7,187	7,693	7,831
Loan assets held at amortized cost	49,845	53,355	46,537
Other financial assets at fair value through profit or loss	2,358	2,524	4,909
Due from related body corporate entities	804	861	766
Property, plant and equipment	5,589	5,983	4,776
Interests in associates and joint ventures accounted for using the equity method	549	588	592
Intangible assets	779	834	830
Deferred tax assets	219	234	117
Total assets	**129,511**	**138,633**	**136,499**
LIABILITIES			
Trading portfolio liabilities	1,678	1,796	3,384
Derivative liabilities	13,048	13,967	20,920
Deposits	39,772	42,573	39,801
Other liabilities	7,291	7,805	7,679
Payables to financial institutions	15,167	16,235	12,930
Other financial liabilities at fair value through profit or loss	619	663	993
Due to related body corporate entities	5,647	6,045	3,495
Debt issued at amortized cost	34,595	37,032	35,963
Provisions	103	110	94
Deferred tax liabilities	601	643	596
Total liabilities excluding loan capital	**118,521**	**126,869**	**125,855**
Loan capital			
Subordinated debt at amortized cost	2,241	2,399	1,976
Total loan capital	**2,241**	**2,399**	**1,976**
Total liabilities	**120,762**	**129,268**	**127,831**
Net assets	**8,749**	**9,365**	**8,668**
EQUITY			
Contributed equity	7,555	8,087	8,082
Reserves	(149)	(159)	(634)
Retained earnings	1,276	1,366	1,151
Total capital and reserves attributable to equity holders of Macquarie Bank Limited	**8,682**	**9,294**	**8,599**
Non-controlling interests	**67**	**71**	**69**
Total equity	**8,749**	**9,365**	**8,668**

[1] Conversions of Australian dollars to U.S. dollars have been made at the noon buying rate on September 30, 2013, which was US$0.9342 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.

__Other financial data__

	As at	
	Sep 13	**Sep 12**
Ratios		
Net loan losses as a percentage of loan assets (annualized %)[1]	0.4	0.5
Ratio of earnings to fixed charges[2]	1.5x	1.4x
Expense/income ratio (%)[3]	77.0	76.2
APRA Basel III Tier 1 capital ratio (%)[4]	10.9	N/A
APRA Basel II Tier 1 capital ratio (%)[4]	N/A	13.3

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. As a result, any loan losses in these vehicles do not have a material effect on our results.

2 For the purpose of computing ratios, earnings consist of net profit before interest costs, operating lease rental payments, income tax and non-controlling interests. Fixed charges consist of interest costs plus rental payments under operating leases.

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

4 MBL was supervised on a Basel II basis by APRA for the period ended September 30, 2012, and on a Basel III basis by APRA for the period ended September 30, 2013. APRA Basel II relates to APRA Prudential Standards applicable at the period ended September 30, 2012. APRA Basel III relates to Prudential Standards released by APRA and effective from January 1, 2013.

RECENT DEVELOPMENTS

The following are significant recent developments for MBL Group that have occurred since the release of our 2013 Annual U.S. Disclosure Report on May 17, 2013. 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 9 and under "Macquarie Bank Limited" beginning on page 25 of our 2013 Annual U.S. Disclosure Report and other information posted on MBL's U.S. Investors' Website.

Recent board changes

The following board changes occurred during the half year ended September 30, 2013:

Gary Banks was appointed to the Board of MBL as a Non-Executive Director, effective August 1, 2013. Professor Banks is Dean and Chief Executive Officer of the Australia and New Zealand School of Government (ANZSOG). He was Chairman of the Australian Productivity Commission from its inception in 1998 until 2012. He is a Professorial Fellow at the University of Melbourne and Adjunct Professor at the Australian National University. Professor Banks currently chairs the Regulatory Policy Committee of the Organisation for Economic Co-operation and Development (OECD) and is a Member of the Advisory Board of the Melbourne Institute. He was previously a Senior Economist with the GATT Secretariat in Geneva, Visiting Fellow at the Trade Policy Research Centre in London, Projects Director with the Centre for International Economics in Canberra and has been a consultant to the World Bank and World Trade Organisation. He chaired the Regulation Taskforce in 2006 and the Infrastructure Stream at the Prime Minister's 2020 Summit.

Patricia Cross was appointed to the Board of MBL as a Non-Executive Director, effective August 7, 2013. Ms. Cross is currently a director of the Australian Institute of Company Directors, and a founding director of the Grattan Institute. She is also an Australian Indigenous Education Foundation ambassador. Ms. Cross has extensive international financial and banking experience, through senior executive roles with Chase Manhattan Bank and Chase Investment Bank, Banque Nationale de Paris and National Australia Bank. At National Australia Bank, Ms. Cross was responsible for the Wholesale Banking and Finance Division and was a member of the Executive Committee. Previously she was a Director of Qantas Airways Limited, National Australia Bank Limited, JBWere Limited, Wesfarmers Limited, AMP Limited, and Suncorp-Metway Limited, and Chairman of Qantas Superannuation Limited. Ms. Cross has held a number of honorary government positions, including five years as a founding member of the Financial Sector Advisory Council, APEC Business Advisory Council, and as a member of the Panel of Experts to the Australia as a Financial Centre Forum. She has also served on a wide range of not for profit boards, including the Murdoch Children's Research Institute.

Catherine Livingstone retired as a Non-Executive Director from the Board of MBL, effective July 25, 2013.

John Niland notified the Board of MBL of his intention to retire as a Non-Executive Director of MBL, effective December 31, 2013.

Ratings update

On September 5, 2013, Moody's announced that it had downgraded its credit ratings for the subordinated debt of all Australian banking groups, including MGL and MBL. The rating for MBL's long-term subordinated debt changed to Baa2 from A3, and the rating outlook is stable.

See "Management's discussion and analysis of results of operation and financial condition — Liquidity — Credit ratings" for the credit ratings of MBL at September 30, 2013.

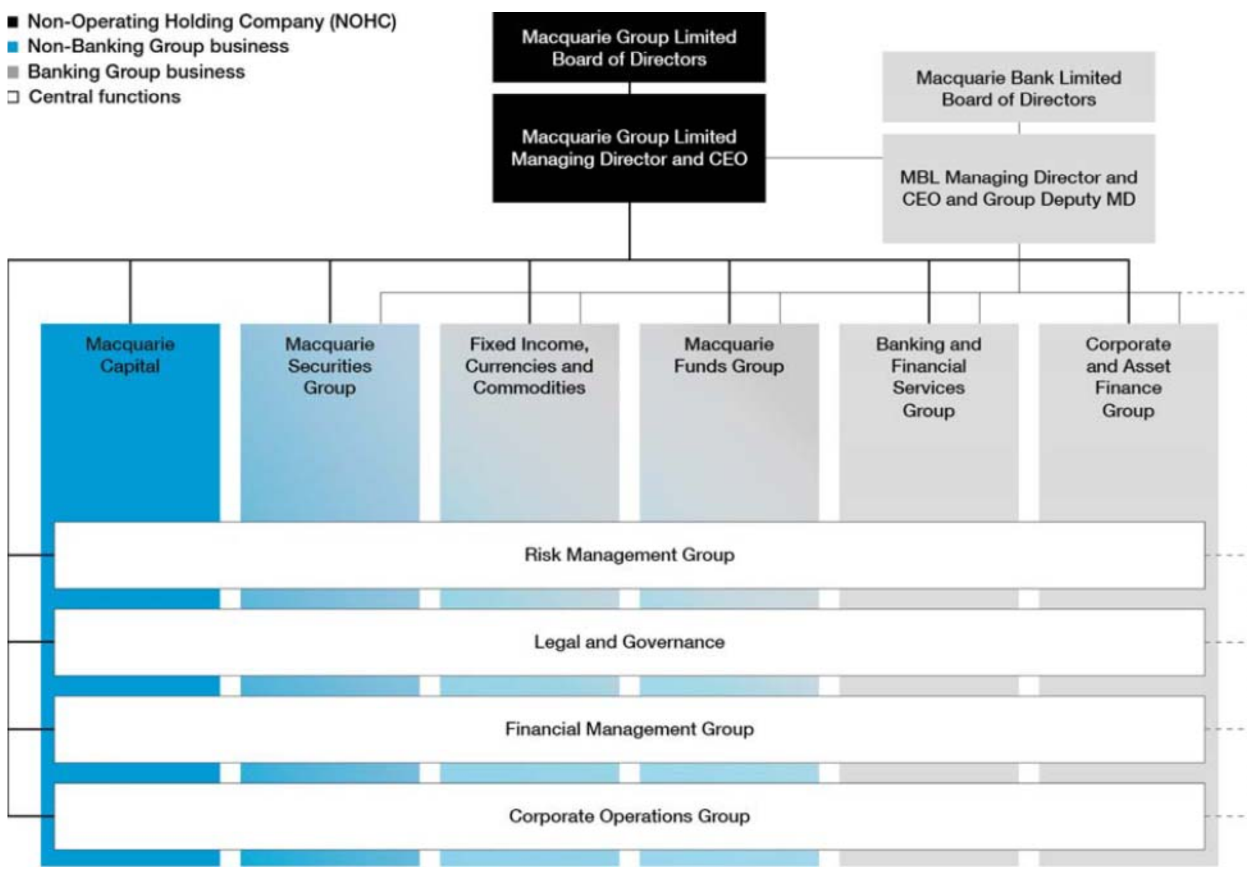
Organizational structure

MBL is an indirect wholly owned subsidiary of MGL and forms part of the Banking Group. MBL comprises five operating groups: Corporate & Asset Finance; Banking & Financial Services; Macquarie Funds (excluding the Macquarie Infrastructure and Real Assets division); Fixed Income, Currencies & Commodities (excluding certain assets of the Credit Trading business and some other less financially significant activities) and Macquarie Securities (excluding the Cash division and certain activities of the Derivatives division, in each case, in certain jurisdictions).

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, Legal and Governance, Financial Management and Corporate Operations. Shared services include: Risk Management, Finance, Information Technology, Group Treasury, Settlement Services, Equity Markets Operations, Human Resources Services, Business Services, Company Secretarial, Media Relations, 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 current 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.



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 MGL's businesses between the Banking Group and the Non-Banking Group and within the Banking Group and the Non-Banking Group may be adjusted and

MGL and 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 28 of our 2013 Annual U.S. Disclosure Report.

At September 30, 2013, MBL had a Common Equity Tier 1 capital ratio of 9.8%, a Tier 1 capital ratio of 10.9% and a total capital ratio of 13.4%. MBL Group continues to monitor regulatory and market developments in relation to liquidity and capital management. For further information on our regulatory capital position as at September 30, 2013, 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 30 of our 2013 Annual U.S. Disclosure Report. We expect to continue to assess strategic acquisition and merger 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, the strategy focuses on building a global platform in our key areas of expertise, 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. 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, 2013, MBL had total assets of A$138.6 billion and total equity of A$9.4 billion. For the half year ended September 30, 2013, our net operating income was A$2.6 billion and profit after tax attributable to ordinary equity holders was A$365 million, with 38% of MBL Group's revenues from external customers derived from regions outside Australia.

The tables below show the relative net operating income and profit contribution of each of our operating groups in the half years ended September 30, 2013 and 2012.

Net operating income of MBL Group by operating group for the half years ended September 30, 2013 and 2012[1]

	Half year ended		
	Sep 13	**Sep 12**	**Movement**
	A$m	**A$m**	**%**
Macquarie Funds[2]	521	424	23
Corporate & Asset Finance	570	500	14
Banking & Financial Services	667	655	2
Macquarie Securities[3]	158	48	229
Fixed Income, Currencies & Commodities[4]	617	510	21
Total net operating income by operating group	**2,533**	**2,137**	19
Corporate[5]	23	97	(76)
Total net operating income	**2,556**	**2,234**	14

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, 2013 compared to half year ended September 30, 2012 — Segment overview" and Note 3 to our 2014 interim financial statements.

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

3 Macquarie Securities as reported for MBL Group excludes the Cash division and certain activities of the Derivatives division, in each case, in certain jurisdictions.

4 Fixed Income, Currencies & Commodities as reported for MBL Group excludes certain assets of the Credit Trading business and some other less financially significant activities that remains part of the Non-Banking Group.

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

Profit contribution of MBL Group by operating group for the half years ended September 30, 2013 and 2012[1]

	Half year ended		
	Sep 13	**Sep 12**	**Movement[2]**
	A$m	**A$m**	**%**
Macquarie Funds[3]	222	144	54
Corporate & Asset Finance	390	330	18
Banking & Financial Services	111	124	(10)
Macquarie Securities[4]	15	(46)	*
Fixed Income, Currencies & Commodities[5]	189	170	11
Total contribution to profit by operating group	**927**	**722**	28
Corporate[6]	(562)	(359)	57
Net profit after tax	**365**	**363**	1

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, 2013 compared to half year ended September 30, 2012 — Segment overview" and Note 3 to our 2014 interim financial statements.

2 "*" indicates that the absolute percentage change in the balance was greater than 300% or indicates the result was a gain in one period but a loss in another, or vice versa.

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

4 Macquarie Securities as reported for MBL Group excludes the Cash division and certain activities of the Derivatives division, in each case, in certain jurisdictions.

5 Fixed Income, Currencies & Commodities as reported for MBL Group excludes certain assets of the Credit Trading business and some other less financially significant activities that remains part of the Non-Banking Group.

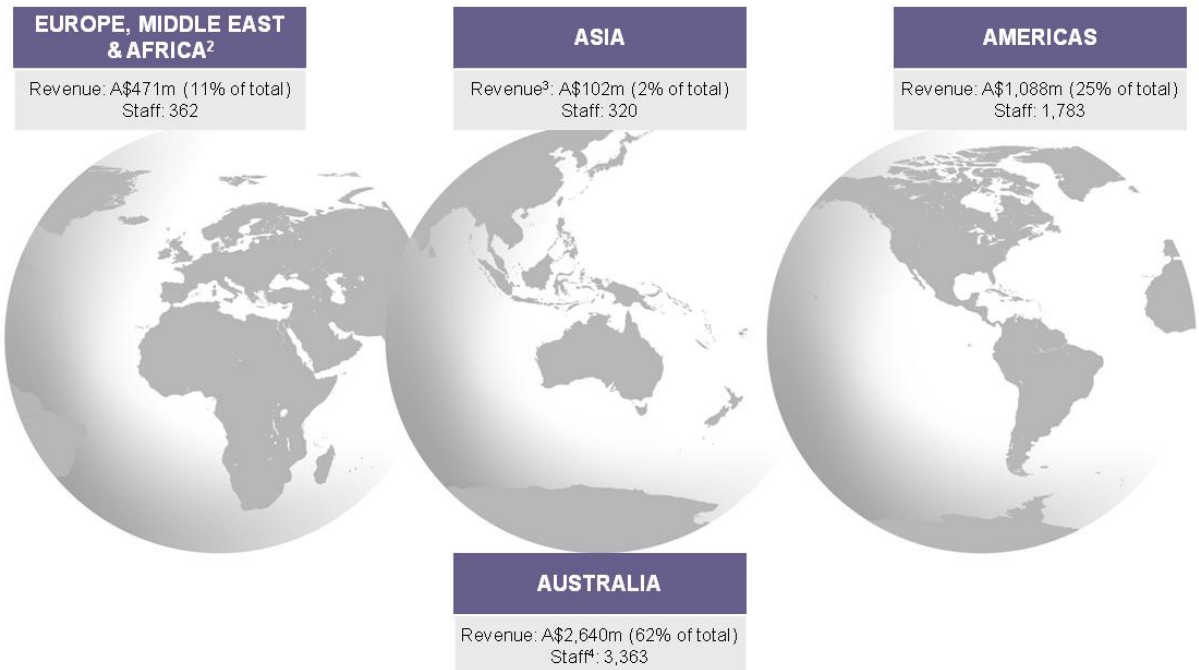
6 The Corporate segment includes earnings on capital, group treasury operations, earnings from certain legacy assets and businesses, certain corporate costs not recharged to operating businesses, employment related costs, income tax expense, profit attributable to non-controlling interests and internal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

Regional activity

At September 30, 2013, MBL Group employed 5,828 staff globally and conducted its operations in 21 countries.

The chart below shows MBL Group's revenues from external customers by region in the half year ended September 30, 2013.

Revenues from external customers of MBL Group[1] by region for the half year ended September 30, 2013



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, 2013 compared to the half year ended September 30, 2012 — Segment overview" and Note 3 to our 2014 interim financial statements.

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

3 Revenue relating to New Zealand included in Asia.

4 Headcount relating to New Zealand included in Australia.

Australia. MBL 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 three staff. As at September 30, 2013, MBL Group employed 3,363 staff across Australia and New Zealand. In the half year ended September 30, 2013, Australia contributed A$2.6 billion (62%) of our revenues from external customers as compared to A$2.4 billion (58%) in the half year ended September 30, 2012.

Americas. MBL Group has been active in the Americas for 19 years, when we established our first office in New York in 1994, and has grown rapidly over the last several years, principally through acquisitions of Delaware Investments, Blackmont and Constellation Energy, and the growth of our Energy Trading and Credit Trading businesses. As at September 30, 2013, MBL Group employed 1,783 staff across the United States, Canada and Brazil. In the half year ended September 30, 2013, the Americas contributed A$1.1 billion (25%) of our revenues from external customers as compared to A$1.1 billion (25%) in the half year ended September 30, 2012.

Asia. MBL Group has been active in Asia for more than 18 years, when we established our first office in Hong Kong in 1995. As at September 30, 2013, MBL Group employed 320 staff across China, Hong Kong, India, Indonesia, Japan, South Korea, Malaysia, the Philippines, Singapore and Taiwan. MBL has expanded the regional investment and product platforms of Macquarie Funds (excluding the Macquarie Infrastructure and Real Assets division), Corporate & Asset Finance as well as Fixed Income, Currencies & Commodities (excluding certain assets of the Credit Trading business and some other less financially significant activities), which had established an Asian regional "hub" in Singapore in the 2011 fiscal year. In the half year ended September 30, 2013, Asia contributed A$102 million (2%) of our revenues from external customers as compared to A$123 million (3%) in the half year ended September 30, 2012.

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, 2013, MBL Group employed 362 staff across the United Kingdom, Germany, Austria, Switzerland and Dubai. In the half year ended September 30, 2013, Europe, Middle East & Africa contributed A$471 million (11%) of our revenues from external customers as compared to A$560 million (14%) in the half year ended September 30, 2012.

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, 2013 compared to half year ended September 30, 2012 — Segment overview" and Note 3 to our 2014 interim financial statements.

Recent developments within MBL Group

Fixed Income, Currencies & Commodities (excluding certain assets of the Credit Trading business and some other less financially significant activities)

Fixed Income, Currencies & Commodities is primarily in the Banking Group, however, certain assets of the Credit Trading business and some other less financially significant activities are in the Non-Banking Group.

Fixed Income, Currencies & Commodities contributed A$189 million to MBL Group's net profit for the half year ended September 30, 2013 and, as at September 30, 2013, had 776 staff operating across 12 countries, with locations in Australia, Asia, the Middle East, North and South America, and the United Kingdom and Europe. For further information on Fixed Income, Currencies & Commodities' results of operation and financial condition for the half year ended September 30, 2013, see "Management's discussion and analysis of interim results of operation and financial condition — Half year ended September 30, 2013 compared to half year ended September 30, 2012 — Segment analysis — Fixed Income, Currencies & Commodities" in this Report.

There were no significant developments for Fixed Income, Currencies & Commodities during the half year ended September 30, 2013.

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 (excluding certain assets of the Credit Trading business and some other less financially significant activities)" beginning on page 35 of our 2013 Annual U.S. Disclosure Report.

Macquarie Securities (excluding the Cash division and certain activities of the Derivatives division, in each case, in certain jurisdictions)

Macquarie Securities operates businesses both in the Banking Group and Non-Banking Group. The Cash division's activities, which include cash equities broking and equity capital markets services, operate in both the Banking Group (in respect of the Cash division's activities in Hong Kong) and the Non-Banking Group (in respect of the Cash division's activities in jurisdictions other than Hong Kong). Generally, the Derivatives division's activities, which include sales of retail derivatives, arbitrage trading, equity finance and capital management, are in the Banking Group, however, certain of these activities form part of the Non-Banking Group in certain jurisdictions due to local regulation. Effective October 1, 2012, Macquarie Securities transferred its derivatives sales and cash equities sales activities in Hong Kong from the Non-Banking Group to the Banking Group.

Macquarie Securities contributed A$15 million to MBL Group's net profit for the half year ended September 30, 2013 and, as at September 30, 2013, had over 156 staff operating across 6 countries, including Australia, Hong Kong, Singapore, the United Kingdom and the United States. For further information on Macquarie Securities' results of operation and financial condition for the half year ended September 30, 2013, see "Management's discussion and analysis of interim results of operation and financial condition — Half year ended September 30, 2013 compared to half year ended September 30, 2012 — Segment analysis — Macquarie Securities (excluding the Cash division and certain activities of the Derivatives division, in each case, in certain jurisdictions)" in this Report.

There were no significant developments for Macquarie Securities during the half year ended September 30, 2013.

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 and certain activities of the Derivatives division, in each case, in certain jurisdictions)" beginning on page 37 of our 2013 Annual U.S. Disclosure Report.

Banking & Financial Services

Banking & Financial Services is in the Banking Group and comprises MBL Group's retail banking and financial services businesses, providing a diverse range of personal banking, wealth management and business banking products and services to retail customers, advisers, brokers and business clients.

Banking & Financial Services contributed A$111 million to MBL Group's net profit for the half year ended September 30, 2013 and, as at September 30, 2013, had 2,891 staff operating predominantly in Australia. For further information on Banking & Financial Services' results of operation and financial condition for the half year ended September 30, 2013, see "Management's discussion and analysis of interim results of operation and financial condition — Half year ended September 30, 2013 compared to half year ended September 30, 2012 — Segment analysis — Banking & Financial Services" in this Report.

During the half year ended September 30, 2013, Banking & Financial Services underwent a reorganization and now comprises the following three divisions:

Personal Banking. Personal Banking provides retail financial products such as mortgages, credit cards and deposits and serves customers through mortgage intermediary relationships and white-label arrangements, as well as direct Macquarie-branded offerings.

Wealth Management. Wealth Management provides superannuation and insurance products, as well as stockbroking, financial advice, private banking, cash management and Macquarie Wrap platform services through institutional relationships, a virtual adviser network and direct relationships with clients.

Business Banking. Business Banking provides a full range of deposit, lending and payment solutions to business clients.

Cash deposits continued to be a major focus of Banking & Financial Services, with retail cash deposits growing from A$30.8 billion at September 30, 2012 to A$33.1 billion at September 30, 2013. This was primarily due to an increase of A$1.5 billion in MBL's Cash Management Account and an increase of A$0.9 billion in Business Banking At-Call Deposits.

Banking & Financial Services' Australian mortgages business has grown from A$10.9 billion at September 30, 2012 to A$14.6 billion at September 30, 2013. The Macquarie Wrap administration platform funds under administration has grown from A$22.6 billion at September 30, 2012 to A$35.3 billion at September 30, 2013. In addition, Macquarie Life insurance inforce premiums have grown from A$142 million at September 30, 2012, to A$171 million at September 30, 2013.

Banking & Financial Services is in the process of exiting some of its non-core businesses. This includes the sale of MBL's interest in the Religare-Macquarie Private Wealth joint venture in India, which is subject to customary regulatory approvals, and the sale of Macquarie Private Wealth in Canada, which was completed in November 2013.

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 38 of our 2013 Annual U.S. Disclosure Report.

Macquarie Funds (excluding the Macquarie Infrastructure and Real Assets division)

Macquarie Funds operates businesses in both the Banking Group and the Non-Banking Group. In the Banking Group, Macquarie Funds offers a diverse range of capabilities and products including securities investment management and fund and equity-based solutions. In the Non-Banking Group, Macquarie Funds manages alternative assets, specializing in infrastructure, energy, real estate and agriculture via public and private funds, co-investments, partnerships and separately managed accounts. With a strong client focus, disciplined investment processes and success in product innovation, Macquarie Funds has built a reputation as a leading provider of investment solutions.

Macquarie Funds contributed A$222 million to MBL Group's net profit for the half year ended September 30, 2013 and, as at September 30, 2013, had 964 staff operating across 7 countries across Australia, the Americas, Europe and Asia. As at September 30, 2013, Macquarie Funds had Assets under Management of A$272.9 billion. For further information on Macquarie Funds' results of operation and financial condition for the half year ended September 30, 2013, see "Management's discussion and analysis of interim results of operation and financial condition — Half year ended September 30, 2013 compared to half year ended September 30, 2012 — Segment analysis — Macquarie Funds" in this Report. For further information on Macquarie Funds' Assets under Management, see "— Funds management business — Assets under Management" in this Report.

In the Banking Group, Macquarie Funds launched a number of new products, continued to strengthen the global distribution team and realized the first hedge fund seeded in the fund incubation business. In addition, Macquarie Funds entered into an agreement to acquire ING Investment Management Korea, a leading asset manager in South Korea, with assets under management of KRW25.2 trillion (approximately A$24.0 billion). The acquisition, which is subject to certain closing conditions, including regulatory approval, is expected to strengthen Macquarie Funds' presence in Asia and is expected to complement its existing operations in South Korea.

For further information and a description of the divisions within Macquarie Funds, see "Macquarie Bank Limited — Operating groups — Macquarie Funds (excluding the Macquarie Infrastructure and Real Assets division)" beginning on page 39 of our 2013 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 corporate debt and asset finance, including aircraft, motor vehicles, technology, healthcare, manufacturing, industrial, energy, rail and mining equipment.

Corporate & Asset Finance contributed A$390 million to MBL Group's net profit for the half year ended September 30, 2013 and, as at September 30, 2013, had 959 staff operating across 10 countries, including Australia, New Zealand, South Korea, the 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, 2013, see "Management's discussion and analysis of interim results of operation and financial condition — Half year ended September 30, 2013 compared to half year ended September 30, 2012 — Segment analysis — Corporate & Asset Finance" in this Report.

At September 30, 2013, Corporate & Asset Finance managed lease and loan assets of A$24.4 billion, which represents an increase of 15% from A$21.2 billion at September 30, 2012. The asset finance portfolio of A$15.6 billion increased 19% from A$13.1 billion at September 30, 2012, which was driven by ongoing growth of the motor vehicle leasing business and the impact of foreign exchange movements. The loan portfolio of A$8.8 billion at September 30, 2013 increased 9% from A$8.1 billion at September 30, 2012 primarily due to foreign exchange movements.

During the half year ended September 30, 2013, Corporate & Asset Finance established Macquarie Rotorcraft, a full service helicopter operating leasing business with global customers.

Macquarie Energy Leasing's meters portfolio and Macquarie Mining Equipment Finance continued to expand during the half year ended September 30, 2013. In addition, there was ongoing growth of motor vehicle and equipment finance programs. Securitization activity was maintained during the half year ended September 30, 2013, with US$750 million of motor vehicle and equipment leases and loans securitized during the period.

During the half year ended September 30, 2013, there were A$1.8 billion of portfolio additions in corporate and real estate lending across new primary financings and secondary market acquisitions.

For further information on Corporate & Asset Finance's businesses, see "Macquarie Bank Limited — Operating groups — Corporate & Asset Finance" beginning on page 40 of our 2013 Annual U.S. Disclosure Report.

Recent developments within the Corporate segment of MBL Group

Corporate

The Corporate segment includes earnings on capital, group treasury operations, earnings from certain legacy assets and businesses, 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. In addition, during the half year ended September 30, 2012, the legacy assets of the former Real Estate Banking division were transferred to the Corporate segment.

Corporate contributed a net loss of A$562 million to MBL Group's net profit for the half year ended September 30, 2013.

For further information on Corporate's results of operation and financial condition for the half year ended September 30, 2013, see "Management's discussion and analysis of interim results of operation and financial condition — Half year ended September 30, 2013 compared to half year ended September 30, 2012 — 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 42 of our 2013 Annual U.S. Disclosure Report.

Assets under Management

MBL Group had an aggregate of A$277.0 billion of Assets under Management as at September 30, 2013, from which it derived an aggregate of A$382 million of funds management base fees for the half year ended September 30, 2013.

The table below illustrates MBL Group's Assets under Management by operating group, region and type as at September 30, 2013, March 31, 2013 and September 30, 2012.

Assets under Management by operating group, region and type as at September 30, 2013, March 31, 2013 and September 30, 2012

	As at			Movement	
	Sep 13	Mar 13	Sep 12	Mar 13	Sep 12
	A$b	A$b	A$b	%	%
Assets under Management					
Macquarie Investment Management	264.6	239.3	229.1	11	15
Macquarie Specialised Investment Solutions	1.7	1.9	2.0	(11)	(15)
Other Macquarie Funds	6.6	5.8	5.6	14	18
Total Macquarie Funds[1]	**272.9**	**247.0**	**236.7**	10	15
Other operating groups	4.1	3.9	3.7	5	11
Total Assets under Management	**277.0**	**250.9**	**240.4**	10	15
Assets under Management by region					
Americas	197.9	179.7	173.2	10	14
Europe, Middle East and Africa	15.7	11.1	12.0	41	31
Australia	55.8	54.6	50.0	2	12
Asia	7.6	5.5	5.2	38	46
Total Assets under Management	**277.0**	**250.9**	**240.4**	10	15
Assets under Management by type					
Fixed income	146.9	138.7	138.9	6	6
Equities	89.4	75.2	65.7	19	36
Cash	16.7	17.5	17.6	(5)	(5)
Direct real estate	6.6	5.8	5.6	14	18
Currency	5.8	4.6	4.5	26	29
Alternatives	4.9	3.0	1.9	63	158
Multi-asset allocation solutions	4.5	3.9	4.2	15	7
Specialist investments	2.2	2.2	2.0	-	10
Direct infrastructure	-	-	-	-	-
Total Assets under Management	**277.0**	**250.9**	**240.4**	10	15

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

Assets under Management of A$277.0 billion at September 30, 2013 increased 10% from A$250.9 billion at March 31, 2013. The increase in Assets under Management was mainly due to favorable currency and market movements across Macquarie Funds.

Macquarie Funds. Macquarie Funds' Assets under Management increased 15% to A$272.9 billion at September 30, 2013 from A$236.7 billion at September 30, 2012. This was mainly due to favorable currency and market movements in Macquarie Investment Management, which saw its Assets under Management increase by 11% to A$264.6 billion at September 30, 2013 from A$239.3 billion at March 31, 2013. Other Macquarie Funds' Assets under Management increased by 14% to A$6.6 billion at September 30, 2013 from A$5.8 billion at March 31, 2013.

For further information on Macquarie Funds' results of operation and financial condition for the half year ended September 30, 2013, see "Management's discussion and analysis of interim results of operation and financial condition — Half year ended September 30, 2013 compared to half year ended September 30, 2012 — Segment analysis — Macquarie Funds (excluding the Macquarie Infrastructure and 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 pre-determined benchmarks. For listed funds, incentive income is earned for outperformance of a benchmark rate of return. In general, if the return of a listed fund is less than the benchmark in any period, the amount of the deficit is carried forward in the calculation of the performance fee for subsequent periods. For unlisted funds, incentive income is earned for outperformance of a pre-determined internal rate of return. Unlisted performance fees are generally payable upon the occurrence of a "liquidity event", such as the conclusion of an unlisted fund's investment term where capital is returned to investors following completion of an asset sale or with a fund listing. The timing and quantum of these fees are therefore unpredictable.

Base fees of A$382 million for the half year ended September 30, 2013 increased 22% from A$313 million in the prior corresponding period. In Macquarie Funds, base fees increased 24% from A$294 million to A$364 million due to an increase in Assets under Management, up 15% on the prior corresponding period to A$272.9 billion at September 30, 2013, driven by favorable currency and market movements. During the half year ended September 30, 2013 performance fees of A$10 million for MBL Group increased from A$2 million in the prior corresponding period. This was mainly due to fees earned on Quant Hedge funds and various fixed income funds outperforming their respective benchmarks within Macquarie Funds.

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, 2013 compared to half year ended September 30, 2012 — Results analysis — Fee and commission income — Base and performance fees" in this Report.

Legal proceedings and other provisions

On December 22, 2010, ASIC commenced a legal proceeding in the Federal Court of Australia (the "Court") against a number of banking institutions, including MBL, alleging that there was an unregistered managed investment scheme operated by Storm Financial Limited ("Storm") in which the relevant banks were involved (the "First Proceeding"). The hearing of the First Proceeding has concluded, and a judgment is not expected until early 2014. Representative legal action (the "Second Proceeding") has also been brought through a private law firm in the Court alleging the existence of an unregistered managed investment scheme involving Storm on a similar basis to ASIC's action, breach of contract, contravention of the statutory prohibitions against unconscionable conduct and liability as a linked credit provider of Storm under Section 73 of the Trade Practices Act 1974 of Australia and claiming compensation for those investors.

As at the date of this Report, the Second Proceeding has settled. The settlement was approved on May 3, 2013 by a single judge of the Court, on application by the members of the class action. MBL and the investors agreed that the Second Proceeding be dismissed with an acknowledgment by the class action that there was no wrongdoing by MBL and, when approving the settlement, the Court dismissed the Second Proceeding on that basis. The settlement amount to be paid will be A$82.5 million, inclusive of costs. ASIC intervened in the approval of the settlement. On May 24, 2013, ASIC lodged an appeal of the settlement with the Full Court of the Court. ASIC's notice of appeal did not challenge the quantum to be paid by MBL but how that amount is to be distributed to the members of the class action. On August 12, 2013, the Full Court determined it would allow ASIC's appeal and to remit the application for approval of the settlement by the members of the class action, in accordance with the Full Court's reasons for judgement, to the same single judge of the Court who originally approved the settlement. On current indications, that approval is listed for hearing on December 12, 2013 and the single judge is likely to give his decision shortly thereafter.

MBL has denied, and continues to deny, liability with respect to all the claims that are the subject of all the proceedings.

Revenue authorities undertake risk reviews and audits as part of their normal activities. We have assessed those matters which have been identified in such reviews and audits as well as other taxation claims and litigation, including seeking advice where appropriate, and consider that MBL Group currently holds appropriate provisions.

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 2014 interim financial statements. We do not believe that the outcome of any such liabilities, either individually or in the aggregate, are likely to have a material effect on our operations or financial condition.

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 44 of our 2013 Annual U.S. Disclosure Report.

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" beginning on page 46 of our 2013 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 10, 15 and 16, respectively, of our 2013 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 2013 Annual U.S. Disclosure Report on May 17, 2013.

Australia

APRA

APRA's approach to Basel III capital requirements for the supervision of conglomerates

On September 26, 2013, APRA released a consultation paper and draft reporting standards relating to its supervision of the capital adequacy of conglomerate groups ("September 2013 Consultation Package"). In the September 2013 Consultation Package, APRA indicated that Level 3 groups will be required to comply with the standards under the Level 3 framework by January 1, 2015 instead of January 1, 2014 as previously announced. APRA has announced that in the final quarter of 2013, it intends to publish the final Level 3 prudential standards and also release for consultation a set of prudential practice guides and consequential amendments to other prudential standards to give effect to the Level 3 framework. APRA intends to release final reporting standards, forms, and instructions during the first quarter of 2014.

APRA's approach to the Basel III liquidity framework - CLF

On August 8, 2013, APRA released details on its process for determining the appropriate size of the committed liquidity facility ("CLF") for each ADI (which includes MBL). The main steps in the process are: (i) ADIs will be required to apply for inclusion of a CLF for calculation of the ADI's liquidity coverage ratio ("LCR") on an annual basis; (ii) ADIs will be required to demonstrate that they have taken "all reasonable steps" towards meeting their LCR requirements through their own balance sheet management, before relying on the CLF; (iii) ADIs must meet relevant qualitative and quantitative liquidity requirements, including having in place a statement of the relevant institution's Board's tolerance for liquidity risk, an appropriately robust liquidity transfer pricing mechanism, and appropriate remuneration arrangements for those executives responsible for the ADI's funding plan and liquidity management. The CLF will only be made available to address an ADI's Australian dollar liquidity needs and the size of the CLF for any particular ADI will be limited to a specified percentage of that ADI's Australian dollar net cash outflow target as agreed to by APRA, plus an allowance of an appropriately sized buffer.

Central clearing and reporting of OTC derivatives

On July 7, 2013, ASIC, the RBA and APRA released a report on the Australian OTC derivatives market. The most important recommendation was that the Australian Government consider a central clearing mandate for interest rate derivatives denominated in U.S. dollars, Euros, Pounds Sterling or Yen, primarily on international consistency grounds as the largest Australian banks are already clearing these products because of requirements of other jurisdictions. As there is a relatively low level of activity in North American and European referenced credit derivatives, the regulators did not recommend mandating clearing for these products as at the time of this Report.

On July 11, 2013, ASIC finalized its Derivative Transaction Rules (Reporting) (the "Reporting Rules") and the Derivative Trade Repository Rules (the "Trade Repository Rules", and, together with the Reporting Rules, the "Rules"). The Reporting Rules establish which entities are required to report, and what information is required to be reported to trade repositories. They specify when the reporting obligation commences for each class of reporting entities and the types of instrument which are reportable. The Trade Repository Rules cover application requirements and conditions for electronic databases of records of derivative transactions. They also regulate the manner in which repositories provide their services, and ASIC's approach to regulation of overseas-based repositories. The Rules are largely consistent with international requirements. The Reporting Rules have staggered compliance dates, depending on the classification of the relevant entity and the type of derivative. Reporting for

Australian entities, which includes two MBL affiliates, that are provisionally registered (or registered) as swap dealers with the U.S. Commodity Futures Trading Commission began on October 1, 2013.

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 58 of our 2013 Annual U.S. Disclosure Report.

For further information on the preparation of our 2014 interim financial statements, see "Financial information presentation" in this Report and the discussion in this Report under "— Half year ended September 30, 2013 compared to half year ended September 30, 2012 — Segment overview — Basis of preparation".

Critical accounting policies and significant judgments

Note 1 to our 2013 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 we have identified as particularly 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 58 of our 2013 Annual U.S. Disclosure Report.

During the half year ended September 30, 2013, Group Treasury revised internal funding transfer pricing arrangements relating to Banking & Financial Services' deposit and lending activities. Comparative information presented in this Report has been restated to reflect the current methodology.

Critical accounting policies and significant judgments for the half year ended September 30, 2013 are otherwise consistent with those referred to above. These critical accounting policies should be read in conjunction with the discussion set out in our 2013 Annual U.S. Disclosure Report and Note 1 to our 2013 annual financial statements.

Trading conditions and market update

The half year ended September 30, 2013 was characterized by generally improved trading conditions for MBL Group's capital markets-facing businesses. Macquarie Securities benefited from improved macro-economic conditions. Fixed Income, Currencies & Commodities experienced mixed market conditions across its businesses. Commodities markets were impacted by volatility and falling precious metals prices which increased producer hedging and trading opportunities. However, ongoing weak investor sentiment and confidence in resource equity markets continued to impact the value of listed equities, resulting in impairments on certain equity holdings. In foreign exchange and interest rate markets, volatility and volumes improved, while futures experienced increased transactional volumes in all key regions. The credit environment was mixed, with lower confidence experienced in higher yield markets, while the level of debt origination and issuances continued to increase.

MBL Group's annuity-style businesses, which comprises Macquarie Funds, Corporate & Asset Finance and Banking & Financial Services, continued to perform well, highlighting the benefits of MBL's diversified global platform.

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, 2013, see "— Half year ended September 30, 2013 compared to half year ended September 30, 2012" below for further information.

Half year ended September 30, 2013 compared to half year ended September 30, 2012

Results overview

	Half year ended			Movement	
	Sep 13	Mar 13	Sep 12	Mar 13	Sep 12
	A$m	A$m	A$m	%	%
Financial performance summary					
Net interest income	848	742	686	14	24
Fee and commission income	828	777	736	7	13
Net trading income	673	695	583	(3)	15
Share of net profits of associates and joint ventures accounted for using the equity method	12	13	27	(8)	(56)
Other operating income and charges	195	140	202	39	(3)
Net operating income	**2,556**	**2,367**	**2,234**	8	14
Employment expenses	(792)	(825)	(686)	(4)	15
Brokerage, commission and trading-related expenses	(335)	(241)	(282)	39	19
Occupancy expenses	(69)	(74)	(71)	(7)	(3)
Non-salary technology expenses	(56)	(48)	(40)	17	40
Other operating expenses	(715)	(682)	(623)	5	15
Total operating expenses	**(1,967)**	**(1,870)**	**(1,702)**	5	16
Operating profit before income tax	589	497	532	19	11
Income tax expense	(213)	(199)	(156)	7	37
Profit after income tax	376	298	376	26	-
Profit attributable to non-controlling interests	(2)	(1)	(2)	100	-
Profit attributable to equity holders of Macquarie Bank Limited	**374**	**297**	**374**	26	-
Distributions paid or provided for on Macquarie Income Securities	(9)	(10)	(11)	(10)	(18)
Profit attributable to ordinary equity holders of Macquarie Bank Limited	**365**	**287**	**363**	27	1

Profit attributable to ordinary equity holders of A$365 million for the half year ended September 30, 2013 increased 1% from A$363 million in the prior corresponding period and increased 27% from A$287 million in the prior period.

MBL's annuity style businesses - Macquarie Funds, Corporate & Asset Finance and Banking & Financial Services - continued to perform well, generating a combined net profit contribution for the half year ended September 30, 2013 of A$723 million, an increase of 21% on the prior corresponding period and an increase of 9% on the prior period. The depreciation of the Australian dollar since March 31, 2013 was a major contributor to the improved performance of Macquarie Funds and Corporate & Asset Finance, driving increased assets under management and loan and lease volumes respectively. While Banking & Financial Services experienced growth in loan and deposit volumes, the profit contribution was down on the prior corresponding period which included non-recurring profits on the sale of certain businesses.

MBL's capital markets-facing businesses - Macquarie Securities and Fixed Income, Currencies & Commodities - delivered a combined net profit contribution for the half year ended September 30, 2013 of A$204 million, an increase of 65% on the prior corresponding period but a decrease of 18% on the prior period. For Macquarie Securities, the key drivers in the profit contribution turn-around from the prior corresponding period were improved global equity market conditions, especially in Asia and Australia, combined with the wind down of legacy activities. Fixed Income, Currencies and Commodities' profit contribution was up slightly on the prior corresponding period due to mixed market conditions experienced across its businesses but down 28% on the prior period due to the impact of reduced market volatility in agricultural markets and the impact of the Northern Hemisphere winter on the contribution from the Energy Markets business.

Net operating income of A$2,556 million for the half year ended September 30, 2013 increased 14% from A$2,234 million in the prior corresponding period.

Operating expenses were up 16% from A$1,702 million in the prior corresponding period to A$1,967 million for the half year ended September 30, 2013.

Key drivers of the changes from the prior corresponding period, and the prior period, as appropriate, were:

- a 24% increase in net interest income to A$848 million for the half year ended September 30, 2013 from A$686 million in the prior corresponding period, primarily due to growth in the loan and finance lease portfolios in Corporate & Asset Finance driven by the impact of the depreciation of the Australian dollar, and higher loan and deposit volumes in Banking & Financial Services;

- a 15% increase in net trading income to A$673 million for the half year ended September 30, 2013 from A$583 million in the prior corresponding period primarily in Macquarie Securities driven by improved macro-economic conditions with higher product flow particularly across the Asia platform and reduced losses in legacy businesses;

- a 13% increase in fee and commission income to A$828 million for the half year ended September 30, 2013 from A$736 million in the prior corresponding period. Base fees of A$382 million for the half year ended September 30, 2013 increased 22% from A$313 million in the prior corresponding period primarily due to an increase in Assets under Management driven by favorable currency and market movements across Macquarie Funds. Brokerage and commissions income of A$248 million for the half year ended September 30, 2013 increased 72% from A$144 million in the prior corresponding period primarily due to the transfer of Macquarie Securities' Asian cash equities business into the new MBL Hong Kong Branch in the prior period; and

- a 16% increase in total operating expenses from A$1,702 million in the prior corresponding period to A$1,967 million for the half year ended September 30, 2013, mainly reflecting the impact of the depreciation of the Australian dollar on offshore expenses and higher employment expenses. Brokerage, commissions and trading-related expenses increased mainly driven by growth of physical commodities financing activities that resulted in higher storage costs that, for accounting purposes, are reported within brokerage, commissions and trading-related expenses, while the associated income is included within interest and trading income.

Income tax expense for the half year ended September 30, 2013 was A$213 million, up 37% from A$156 million in the prior corresponding period with an effective tax rate of 36.3%. The effective tax rate, up from 29.4% in the prior corresponding period, was higher than the Australian corporate tax rate of 30% due to the geographic mix of income and tax uncertainties.

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

Results analysis

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

Net interest and trading income

	Half year ended			Movement	
	Sep 13	Mar 13	Sep 12	Mar 13	Sep 12
	A$m	A$m	A$m	%	%
Net interest income	848	742	686	14	24
Net trading income	673	695	583	(3)	15
Net interest and trading income	**1,521**	**1,437**	**1,269**	6	20

Net interest income and net trading income are recorded in accordance with Australian Accounting Standards with net interest income brought to account using the effective interest method and net trading income predominantly comprising gains and losses relating to trading assets and liabilities, realized and unrealized fair value changes and foreign exchange movements.

For businesses that predominantly earn income from trading activities (Macquarie Securities; Fixed Income, Currencies & Commodities), the relative contribution of net interest income and trading income from trading activities can vary from period to period depending on the underlying trading strategies undertaken by Macquarie and its clients.

For businesses that predominantly earn income from lending activities (Corporate & Asset Finance; Banking & Financial Services), derivatives that economically hedge interest rate risk are required to be carried at fair value through trading income unless they form part of a qualifying hedge relationship. Hedge relationships are generally only recognized at a total consolidated level, however for segment reporting derivatives are accrual accounted in the Operating Segments and changes in fair value are recognized on consolidation.

The presentation of net interest income and net trading income separately can distort the analysis of the underlying activities and drivers. For example, in Corporate & Asset Finance, interest rate swaps are entered into to hedge the interest rate risk associated with finance leases. The finance lease interest income and associated funding costs are recognized in net interest income but the related swap is recognized in trading. Accordingly, net interest income and net trading income are presented and discussed below in aggregate for each Operating Segment which management believes presents a more consistent overview of business performance and drivers.

See "– Segment analysis – Macquarie Securities (excluding the Cash division and certain activities of the Derivatives division, in each case, in certain jurisdictions)" and "– Segment analysis – Fixed Income, Currencies & Commodities" for further discussion of MBL's trading activities.

	Half year ended			Movement	
	Sep 13	Mar 13	Sep 12	Mar 13	Sep 12
	A$m	A$m	A$m	%	%
Macquarie Funds	45	24	35	88	29
Corporate & Asset Finance	270	323	246	(16)	10
Banking & Financial Services	366	332	310	10	18
Macquarie Securities	137	112	74	22	85
Fixed Income, Currencies & Commodities					
Commodities[1]	390	362	331	8	18
Credit, interest rates and foreign exchange	223	221	173	1	29
Corporate	90	63	100	43	(10)
Net interest and trading income	**1,521**	**1,437**	**1,269**	6	20

1 Includes fair value adjustments relating to 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.

Net interest and trading income of A$1,521 million increased 20% from A$1,269 million in the prior corresponding period. All operating groups contributed to the increase in net interest and trading income, with key drivers being the impact of the depreciation of the Australian dollar, improved trading conditions for certain businesses in Fixed Income, Currencies & Commodities and Macquarie Securities, growth in the loan and lease portfolios in Corporate & Asset Finance, and higher loan and deposit volumes in Banking & Financial Services.

Macquarie Funds

Net interest and trading income in Macquarie Funds includes income on specialized retail products, interest income from the provision of financing facilities to external funds and their investors and the funding cost of principal investments.

Net interest and trading income of A$45 million for the half year ended September 30, 2013 increased 29% from A$35 million in the prior corresponding period. The increase was primarily due to higher demand for financing facilities from external funds and their investors, partially offset by higher funding costs associated with investments.

Corporate & Asset Finance

Net interest and trading income in Corporate & Asset Finance predominantly relates to income from the corporate lending and asset financing portfolios, offset by the funding costs associated with assets subject to operating leases.

Net interest and trading income of A$270 million for the half year ended September 30, 2013 increased 10% from A$246 million in the prior corresponding period. The increase was mainly due to the favorable impact of the depreciation of the Australian dollar on income earned from non-Australian dollar denominated loan and finance lease portfolios, combined with growth of the motor vehicle finance lease portfolio. Partially offsetting this growth were the funding costs of the European Rail operating lease business acquired in January 2013. The 16% decrease in net interest and trading income compared to the prior period was predominantly due to a higher level of early loan realizations in the prior period.

Banking & Financial Services

Net interest and trading income in Banking & Financial Services relates to interest income earned from the loan portfolio that 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, insurance premium funding and credit cards. Banking & Financial Services also generates income from deposits by way of a deposit premium paid to Banking & Financial Services by Group Treasury, which use the deposits as a source of funding for MGL Group.

Net interest and trading income of A$366 million for the half year ended September 30, 2013 increased 18% from A$310 million in the prior corresponding period, primarily due to higher loan and deposit volumes.

Retail deposits increased 7% to A$33.1 billion at September 30, 2013 from A$30.8 billion at September 30, 2012.

The total loan portfolio of A$25.7 billion at September 30, 2013 increased 11% from A$23.2 billion at September 30, 2012, primarily due to a 34% increase in the Australian mortgage portfolio to A$14.6 billion at September 30, 2013 from A$10.9 billion at September 30, 2012 that resulted from increased lending activity and the acquisition of a loan portfolio, partially offset by a reduction in the Canadian and U.S. loan portfolios. The Canadian loan portfolio, which includes mortgages, margin loans and capital protected products, closed at A$6.2 billion at September 30, 2013, down 22% from A$7.9 billion at September 30, 2012. This was mainly due to a decrease in mortgages as the portfolio is in run-off.

Macquarie Securities

Net interest and trading income in Macquarie Securities relates to trading income from institutional and retail equity derivative products and stock borrow and lending activities.

Net interest and trading income of A$137 million for the half year ended September 30, 2013 increased 85% from A$74 million in the prior corresponding period mainly due to improved trading conditions and market sentiment, with higher product flow particularly across the Asia platform and reduced losses due to the wind down of legacy activities.

Fixed Income, Currencies & Commodities

Net interest and trading income in Fixed Income, Currencies & Commodities is earned from a broad range of financial markets activities including trading, financing and the provision of risk management solutions to clients.

Commodities trading income

Commodities trading income of A$390 million for the half year ended September 30, 2013 increased 18% from A$331 million in the prior corresponding period as precious metals markets saw increased volatility and falling prices during the current period, resulting in increased client hedging activity and associated trading income.

In base metals markets, low levels of volatility dampened both trading results and client hedging activity; however growth of physical commodities financing activities resulted in higher overall trading income. The increased trading income was offset by associated storage costs that, for accounting purposes, are recognized in brokerage, commissions and trading-related expenses.

Revenues across the global energy markets platform, particularly in the U.S. Gas and Global Oil energy businesses, remained a significant contributor to commodities trading income and continued to benefit from strong customer flow and trading opportunities.

Reduced market volatility in agricultural markets led to lower client activity and limited trading opportunities.

Credit, interest rates and foreign exchange trading income

Trading income from credit, interest rates and foreign exchange products of A$223 million for the half year ended September 30, 2013 increased 29% from A$173 million in the prior corresponding period. Volatility and volumes improved in foreign exchange and interest rate markets compared to the prior corresponding period.

Corporate

Net interest and trading income/(expense) in the Corporate segment includes the net result of managing liquidity for MBL, earnings on capital, non-trading derivative volatility and the funding costs associated with legacy investments held centrally in MBL. Net interest and trading income of A$90 million for the half year ended September 30, 2013 decreased 10% from A$100 million in the prior corresponding period. There was no individually significant driver of this decrease.

Fee and commission income

	Half year ended			Movement[1]	
	Sep 13	Mar 13	Sep 12	Mar 13	Sep 12
	A$m	A$m	A$m	%	%
Base fees	382	326	313	17	22
Performance fees	10	23	2	(57)	*
Mergers and acquisitions, advisory and underwriting fees	24	21	20	14	20
Brokerage and commissions	248	220	144	13	72
Other fee and commission income	164	187	257	(12)	(36)
Total fee and commission income	**828**	**777**	**736**	7	13

1 "*" indicates that the absolute percentage change in the balance was greater than 300% or indicates the result was a gain in one period but a loss in another, or vice versa.

Base and performance fees

Base fees of A$382 million for the half year ended September 30, 2013 increased 22% from A$313 million in the prior corresponding period. In Macquarie Funds, base fees increased 24% from A$294 million to A$364 million due to an increase in Assets under Management, up 15% on the prior corresponding period to A$272.9 billion at September 30, 2013, driven by favorable currency and market movements. See "Recent Developments – Funds management business – Assets under Management" for further discussion on the movements in Assets under Management during the period.

Performance fees of A$10 million for the half year ended September 30, 2013 increased significantly from A$2 million in the prior corresponding period due to fees earned by Quant Hedge funds and various fixed income funds outperforming their respective benchmarks. The performance fees earned in the prior period primarily related to funds which have performance fee calculations in the second half of the fiscal year.

Brokerage and commissions

Brokerage and commissions income of A$248 million for the half year ended September 30, 2013 increased 72% from A$144 million in the prior corresponding period mainly driven by Macquarie Securities' Asia cash equities business trading through the new MBL Hong Kong Branch from the second half of the 2013 fiscal year.

Other fee and commission income

Other fee and commission income of A$164 million for the half year ended September 30, 2013 decreased 36% from A$257 million in the prior corresponding period. The decrease was primarily due to an increase in transfer pricing charges within Macquarie Securities from the Asia cash equities business trading through the new MBL Hong Kong Branch from the second half of the 2013 fiscal year. The prior corresponding period also included income from the COIN institutional business which was sold in August 2012. This was partially offset by growth in Funds under Administration on the Australian Wrap platform, which closed at A$35.3 billion at September 30, 2013, an increase of 56% from A$22.6 billion at September 30, 2012. The increase was primarily due to the integration of Perpetual's Private Wealth Platform into Macquarie's Wrap platform in April 2013 combined with an increase in the market valuation of Funds under Administration.

Share of net profits of associates and joint ventures

	Half year ended			Movement	
	Sep 13	Mar 13	Sep 12	Mar 13	Sep 12
	A$m	A$m	A$m	%	%
Share of net profits of associates and joint ventures accounted for using the equity method	**12**	**13**	**27**	(8)	(56)

Share of net equity accounted profits of associates and joint ventures decreased 56% to A$12 million for the half year ended September 30, 2013 from A$27 million in the prior corresponding period. The decrease was reflective of reduced performance of certain investments including certain non-core investments held in the Corporate segment.

Other operating income and charges

	Half year ended			Movement[1]	
	Sep 13	Mar 13	Sep 12	Mar 13	Sep 12
	A$m	A$m	A$m	%	%
Net gains on sale of investment securities available for sale	59	80	18	(26)	228
Impairment charge on investment securities available for sale	(71)	(81)	(89)	(12)	(20)
Net gains on sale of associates and joint ventures	2	-	51	*	(96)
Impairment charge on interest in associates and joint ventures	(14)	(18)	(9)	(22)	56
Impairment charge on non-financial assets	(24)	(26)	(1)	(8)	*
Net operating lease income	256	214	203	20	26
Dividends/distributions received/receivable	22	12	7	83	214
Collective allowance for credit losses (provided for)/written back during the period	(18)	2	5	*	*
Specific provisions	(69)	(74)	(83)	(7)	(17)
Other income	52	31	100	68	(48)
Total other operating income and charges	**195**	**140**	**202**	39	(3)

1 "*" indicates that the absolute percentage change in the balance was greater than 300% or indicates the result was a gain in one period but a loss in another, or vice versa.

Total other operating income and charges of A$195 million for the half year ended September 30, 2013 decreased 3% from A$202 million in the prior corresponding period.

Net gains on sale of equity investments (including available-for-sale, associates and joint venture investments) totaled A$61 million for the half year ended September 30, 2013, a decrease of 12% from A$69 million in the prior corresponding period. The current period's result included the realization of equity exposures in Corporate & Asset Finance's Lending business, sales of investments in the resource sector within Fixed Income, Currencies & Commodities and an internal gain on sale of a business between divisions within Macquarie Funds. The prior corresponding period included a profit on the sale of an interest in a company in the energy industry that was not repeated in the half year ended September 30, 2013.

Impairment charges on investment securities available-for-sale, associates and non-financial assets totaled A$109 million for the half year ended September 30, 2013, an increase of 10% from A$99 million in the prior corresponding period. Impairment charges in the half year ended September 30, 2013 mainly resulted from sustained weak investor sentiment and confidence in resource equity markets that continued to adversely impact equity values of investments held by Fixed Income, Currencies & Commodities, as well as the underperformance of a small number of investments.

Net operating lease income, which is predominantly earned by Corporate & Asset Finance, of A$256 million for the half year ended September 30, 2013 increased 26% from A$203 million in the prior corresponding period and 20% from A$214 million in the prior period largely due to the contribution of the European Rail operating lease business acquired in January 2013 and the depreciation of the Australian dollar, which favorably impacted earnings from the aircraft, rail and UK energy operating lease portfolios.

Net charges for specific and collective provisions of A$87 million for the half year ended September 30, 2013 increased 12% from A$78 million in the prior corresponding period, primarily due to additional collective provisions in Corporate & Asset Finance in line with increased lending volumes and growth in the motor vehicle leasing portfolio.

Other income of A$52 million for the half year ended September 30, 2013 decreased 48% from A$100 million in the prior corresponding period, primarily due to losses on the partial repurchase of MBL's government guaranteed debt securities, while the prior corresponding period included the gain on the sale of the Canadian Premium Funding business. Other income for the half year ended September 30, 2013 increased 68% from A$31 million in the prior period, primarily due to the current period including the favorable settlement of a claim and additional lease termination income in relation to the UK Energy Leasing business and income earned from the sale of net profit interests in North American oil assets.

A summary of our critical accounting policies relating to impairment charges and provisions is set forth under "Management's discussion and analysis of results of operation and financial condition — Critical accounting policies and significant judgments" beginning on page 58 of our 2013 Annual U.S. Disclosure Report.

Operating expenses

	Half year ended			Movement[1]	
	Sep 13	Mar 13	Sep 12	Mar 13	Sep 12
	A$m	A$m	A$m	%	%
Employment expenses:					
Salary and salary related costs including commissions, superannuation and performance-related profit share	(727)	(764)	(632)	(5)	15
Share based payments	(62)	(62)	(51)	-	22
(Provision for)/ reversal of annual leave	(3)	2	(3)	*	-
Provision for long service leave	-	(1)	-	(100)	-
Total employment expenses	**(792)**	**(825)**	**(686)**	(4)	15
Brokerage, commission and trading-related expenses	(335)	(241)	(282)	39	19
Occupancy expenses	(69)	(74)	(71)	(7)	(3)
Non-salary technology expenses	(56)	(48)	(40)	17	40
Other operating expenses:					
Professional fees	(85)	(89)	(63)	(4)	35
Auditor's remuneration	(8)	(8)	(7)	-	14
Travel and entertainment expenses	(30)	(31)	(29)	(3)	3
Advertizing and communication expenses	(36)	(34)	(33)	6	9
Amortization of intangibles	(33)	(29)	(23)	14	43
Other expenses	(523)	(491)	(468)	7	12
Total other operating expenses	**(715)**	**(682)**	**(623)**	5	15
Total operating expenses	**(1,967)**	**(1,870)**	**(1,702)**	5	16

[1] "*" indicates that the absolute percentage change in the balance was greater than 300% or indicates the result was a gain in one period but a loss in another, or vice versa.

Total operating expenses of A$1,967 million for the half year ended September 30, 2013 increased 16% from A$1,702 million in the prior corresponding period reflecting the impact of the depreciation of the Australian dollar and higher employment expenses.

Employment expenses of A$792 million for the half year ended September 30, 2013 increased 15% from A$686 million in the prior corresponding period reflecting the impact of the depreciation of the Australian dollar on offshore expenses and higher staff compensation resulting from the improved performance of MGL. Headcount increased 2% from 5,712 at September 30, 2012 to 5,828 at September 30, 2013.

Brokerage, commission and trading-related expenses of A$335 million for the half year ended September 30, 2013 increased 19% from A$282 million in the prior corresponding period. The increase was mainly in Fixed Income, Currencies & Commodities, where the growth of physical commodities financing activities resulted in higher storage costs that, for accounting purposes, are reported within operating expenses while the associated income is included within net trading income.

Other operating expenses of A$715 million for the half year ended September 30, 2013 increased 15% from A$623 million in the prior corresponding period. This resulted from an increase in fees paid to legal and professional advisers, increased amortization of intangibles relating to investments in net profit interests which are amortized based on the production output of the investment and the impact of the depreciation of the Australian dollar.

Headcount

	Half year ended			Movement	
	Sep 13	Mar 13	Sep 12	Mar 13	Sep 12
				%	%
Headcount by group					
Macquarie Funds	964	984	965	(2)	(<1)
Corporate & Asset Finance	959	938	908	2	6
Banking & Financial Services	2,891	2,848	2,922	2	(1)
Macquarie Securities	156	148	50	5	212
Fixed Income, Currencies & Commodities	776	796	788	(3)	(2)
Total headcount — operating groups	5,746	5,714	5,633	<1	2
Total headcount — Corporate	82	81	79	1	4
Total headcount	**5,828**	**5,795**	**5,712**	<1	2
Headcount by region					
Australia	3,363	3,313	3,298	2	2
International:					
Americas	1,783	1,797	1,809	(<1)	(1)
Asia	320	329	249	(3)	29
Europe, Middle East and Africa	362	356	356	2	2
Total headcount — International	2,465	2,482	2,414	(<1)	2
Total headcount	**5,828**	**5,795**	**5,712**	<1	2
International headcount ratio (%)	**42**	**43**	**42**		

Total headcount of 5,828 at September 30, 2013 increased 2% from 5,712 at September 30, 2012 primarily driven by the transfer of staff from the Non-Banking Group to MBL, due to Macquarie Securities' Asia cash equities business trading through the new MBL Hong Kong Branch from the second half of the 2013 fiscal year. Headcount growth in Corporate & Asset Finance since September 30, 2012 was attributable to a combination of acquisitions and organic growth.

Income tax expense

	Half year ended		
	Sep 13	Mar 13	Sep 12
	A$m	A$m	A$m
Operating profit before income tax	589	497	532
Prima facie tax @ 30%	(177)	(150)	(159)
Income tax permanent differences	(36)	(49)	3
Income tax expense	(213)	(199)	(156)
Effective tax rate (%)[1]	**36.3%**	**40.1%**	**29.4%**

[1] The effective tax rate is calculated on net profit before tax and after non-controlling interests. Non-controlling interests reduced net profit before tax by A$2 million for the half year ended September 30, 2013 (half year ended March 31, 2013: A$1 million; half year ended September 30, 2012: A$2 million). The effective tax rate differs from the Australian company 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 outside of Australia.

The effective tax rate for the half year ended September 30, 2013 was 36.3%, up from 29.4% in the prior corresponding period largely due to the geographic mix of income and tax uncertainties.

Segment overview

Basis of preparation

MBL Group segments

AASB 8 "Operating Segments" requires the "management approach" to disclosing information about MBL's reportable segments. The financial information is reported on the same basis as used internally by senior management for evaluating operating segment performance and for deciding how to allocate resources to operating segments. Such information may be produced using different measures to that used in preparing the income statement.

For internal reporting, performance measurement and risk management purposes, MBL Group is divided into five operating groups:

- Fixed Income, Currencies & Commodities (excluding certain assets of the Credit Trading business and some other less financially significant activities);
- Macquarie Securities (excluding the Cash division and certain activities of the Derivatives division, in each case, in certain jurisdictions);
- Banking & Financial Services;
- Macquarie Funds (excluding the Macquarie Infrastructure and Real Assets division); and
- Corporate & Asset Finance.

In addition, there is a Corporate segment which includes Group Treasury, head office and central support functions, as well as certain legacy assets and businesses that are no longer core for strategic reasons. Items of income and expense within the Corporate segment include the net impact of managing liquidity for MBL, earnings on capital, non-trading derivative volatility, earnings from non-core investments, income tax expense and distributions to holders of MIS and MIPS. Central support functions recover their costs from operating groups on either a time and effort allocation basis or a fee for service basis.

Internal transactions

All transactions and transfers between segments are determined on an arm's length basis and are included within the relevant categories of income. These transactions eliminate on aggregation/consolidation. Below is a selection of the key policies.

Internal funding arrangements

Group Treasury has the responsibility for maintaining funding for MBL Group, and operating groups obtain funding from Group Treasury. The interest rates charged by Group Treasury are determined by the currency and term of the funding and are fully costed.

Generally operating groups may only source funding directly from external sources when there is recourse only to the assets being funded and not to MBL Group.

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

During the half year ended September 30, 2013, Group Treasury revised internal funding transfer pricing arrangements relating to Banking & Financial Services' deposit and lending activities. Comparative information presented in this document has been restated to reflect the current methodology.

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.

Costs recovery of central support functions

Central support functions recover their costs to operating groups on either a time and effort allocation basis or a fee for service basis. Central support functions include Risk Management, Legal and Governance, Financial Management and Corporate Operations.

Internal management revenue/charges

Internal management revenue/charges are primarily used to recognize an operating group's contribution to income tax expense and benefits. Non-assessable income generated by an operating group results in a benefit added to that group's operating result. Conversely a non-deductible expense results in a charge to the operating result. These internal management revenue/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	Corporate	Total
	A$m	A$m	A$m	A$m	A$m	A$m	A$m
Half year ended September 30, 2013							
Net interest and trading income	45	270	366	137	613	90	1,521
Fee and commission income/(expense)	453	7	317	26	47	(22)	828
Share of net (losses)/profits of associates and joint ventures accounted for using the equity method	(4)	4	1	-	16	(5)	12
Other operating income and charges	25	282	(19)	(5)	(64)	(24)	195
Internal management revenue/(charge)	2	7	2	-	5	(16)	-
Net operating income	521	570	667	158	617	23	2,556
Total operating expenses	(300)	(180)	(556)	(143)	(428)	(360)	(1,967)
Profit/ (loss) before tax	221	390	111	15	189	(337)	589
Tax expense	-	-	-	-	-	(213)	(213)
Profit/(loss) attributable to non-controlling interests	1	-	-	-	-	(3)	(2)
Profit attributable to equity holders	222	390	111	15	189	(553)	374
Distributions paid or provided for on MIS	-	-	-	-	-	(9)	(9)
Net profit/(loss) attributable to ordinary equity holders	222	390	111	15	189	(562)	365
Half year ended March 31, 2013							
Net interest and trading income	24	323	332	112	583	63	1,437
Fee and commission income/(expense)	436	21	309	(2)	31	(18)	777
Share of net profits/(losses) of associates and joint ventures accounted for using the equity method	4	(4)	1	-	11	1	13
Other operating income and charges	14	196	(14)	-	(20)	(36)	140
Internal management revenue/(charge)	1	-	8	1	12	(22)	-
Net operating income/(charge)	479	536	636	111	617	(12)	2,367
Total operating expenses	(291)	(182)	(517)	(124)	(354)	(402)	(1,870)
Profit/ (loss) before tax	188	354	119	(13)	263	(414)	497
Tax expense	-	-	-	-	-	(199)	(199)
Profit attributable to non-controlling interests	-	-	-	-	-	(1)	(1)
Profit attributable to equity holders	188	354	119	(13)	263	(614)	297
Distributions paid or provided for on MIS	-	-	-	-	-	(10)	(10)
Net profit/(loss) attributable to ordinary equity holders	188	354	119	(13)	263	(624)	287

	Macquarie Funds	Corporate & Asset Finance	Banking & Financial Services	Macquarie Securities	Fixed Income, Currencies & Commodities	Corporate	Total
	A$m	A$m	A$m	A$m	A$m	A$m	A$m
Half year ended September 30, 2012							
Net interest and trading income	35	246	310	74	504	100	1,269
Fee and commission income/(expense)	362	16	336	(26)	44	4	736
Share of net profits of associates and joint ventures accounted for using the equity method	6	1	2	-	15	3	27
Other operating income and charges	14	234	6	-	(58)	6	202
Internal management revenue/(charge)	7	3	1	-	5	(16)	-
Net operating income	424	500	655	48	510	97	2,234
Total operating expenses	(281)	(170)	(531)	(94)	(340)	(286)	(1,702)
Profit/ (loss) before tax	143	330	124	(46)	170	(189)	532
Tax expense	-	-	-	-	-	(156)	(156)
Profit/(loss) attributable to non-controlling interests	1	-	-	-	-	(3)	(2)
Profit attributable to equity holders	144	330	124	(46)	170	(348)	374
Distributions paid or provided for on MIS	-	-	-	-	-	(11)	(11)
Net profit/(loss) attributable to ordinary equity holders	144	330	124	(46)	170	(359)	363

Segment analysis

Macquarie Funds (excluding the Macquarie Infrastructure and Real Assets division)

	Half year ended			Movement[1]	
	Sep 13	Mar 13	Sep 12	Mar 13	Sep 12
	A$m	A$m	A$m	%	%
Net interest and trading income	**45**	**24**	**35**	88	29
Fee and commission income					
Base fees	364	317	294	15	24
Performance fees	9	23	2	(61)	*
Brokerage and commissions	2	1	3	100	(33)
Other fee and commission income	78	95	63	(18)	24
Total fee and commission income	**453**	**436**	**362**	4	25
Share of net (losses)/profits of associates and joint ventures accounted for using the equity method	**(4)**	**4**	**6**	*	*
Other operating income and charges					
Net gains/(losses) on sale of equity investments	19	(3)	10	*	90
Impairment (charge)/reversal on equity investments and non-financial assets	(2)	1	(1)	*	100
Specific provisions and collective allowance for credit losses	-	(5)	(2)	(100)	(100)
Other income	8	21	7	(62)	14
Total other operating income and charges	**25**	**14**	**14**	79	79
Internal management revenue[2]	**2**	**1**	**7**	100	(71)
Net operating income	**521**	**479**	**424**	9	23
Operating expenses					
Employment expenses	(91)	(90)	(88)	1	3
Brokerage, commission and trading-related expenses	(72)	(61)	(63)	18	14
Other operating expenses	(137)	(140)	(130)	(2)	5
Total operating expenses	**(300)**	**(291)**	**(281)**	3	7
Non-controlling interests[3]	1	-	1	*	-
Net profit attributable to ordinary equity holders	**222**	**188**	**144**	18	54
Other metrics					
Macquarie Funds Assets under Management (A$ billion)	272.9	247.0	236.7	10	15
Headcount	**964**	**984**	**965**	(2)	(<1)

1 "*" 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$222 million for the half year ended September 30, 2013 increased 54% from A$144 million in the prior corresponding period. The increase was primarily driven by growth in annuity base fee income, partially offset by higher expenses, which were driven by foreign exchange movements.

Net interest and trading income

Net interest and trading income of A$45 million for the half year ended September 30, 2013 increased 29% from A$35 million in the prior corresponding period. The increase was primarily due to higher demand for financing facilities from external funds and their investors, partially offset by higher funding costs associated with investments.

Fee and commission income

Base fees

Base fee income of A$364 million for the half year ended September 30, 2013 increased 24% from A$294 million in the prior corresponding period. This was primarily driven by an increase in Assets under Management, up 15% on the prior corresponding period to A$272.9 billion at September 30, 2013, driven by favorable currency and market movements. Base fee growth also reflected the transfer of Macquarie Professional Series product from Banking & Financial Services from October 1, 2012. See "Recent Developments — Funds management business — Assets under Management" for further discussion on the movements in Assets under Management during the period.

Performance fees

Performance fee income of A$9 million for the half year ended September 30, 2013 increased from A$2 million in the prior corresponding period but decreased from A$23 million in the prior period. This was due to fees earned by Quant Hedge funds and various fixed income funds outperforming their respective benchmarks. The performance fees earned in the prior period primarily relate to funds which have performance fee calculations in the second half of the fiscal year.

Other fee and commission income

Other fee and commission income includes distribution service fees, structuring fees, capital protection fees and income from True Index products. Distribution service fees are offset by associated expenses that, for accounting purposes, are recognized in brokerage, commission and trading-related expenses. Other fee and commission income of A$78 million for the half year ended September 30, 2013 increased 24% from A$63 million in the prior corresponding period primarily due to the depreciation of the Australian dollar and a reduction in internal profit sharing relating to a joint venture with Banking & Financial Services.

Other operating income and charges

Net gains on sale of equity investments

Net gains on sale of equity investments of A$19 million for the half year ended September 30, 2013 primarily related to an internal gain on sale of a business between divisions within Macquarie Funds. A net gain of A$10 million for the prior corresponding period primarily related to the gain on sale of a single co-investment.

Operating expenses

Total operating expenses of A$300 million for the half year ended September 30, 2013 increased 7% from A$281 million in the prior corresponding period. The increase was primarily driven by the depreciation of the Australian dollar and higher brokerage trading-related expenses consistent with higher revenues.

Corporate & Asset Finance

	Half year ended			Movement[1]	
	Sep 13	**Mar 13**	**Sep 12**	**Mar 13**	**Sep 12**
	A$m	**A$m**	**A$m**	**%**	**%**
Net interest and trading income	**270**	**323**	**246**	(16)	10
Fee and commission income	**7**	**21**	**16**	(67)	(56)
Share of net profits/(losses) of associates and joint ventures accounted for using the equity method	**4**	**(4)**	**1**	*	300
Other operating income and charges					
Impairment charge on equity investments and non-financial assets	(2)	(4)	(1)	(50)	100
Net operating lease income	255	212	203	20	26
Specific provisions and collective allowance for credit losses	(27)	(31)	(19)	(13)	42
Other income	56	19	51	195	10
Total other operating income and charges	**282**	**196**	**234**	44	21
Internal management revenue[2]	**7**	**-**	**3**	*	133
Net operating income	**570**	**536**	**500**	6	14
Operating expenses					
Employment expenses	(81)	(74)	(76)	9	7
Brokerage, commission and trading-related expenses	(6)	(10)	(4)	(40)	50
Other operating expenses	(93)	(98)	(90)	(5)	3
Total operating expenses	**(180)**	**(182)**	**(170)**	(1)	6
Non-controlling interests[3]	-	-	-	-	-
Net profit attributable to ordinary equity holders	**390**	**354**	**330**	10	18
Other metrics					
Loan and finance lease portfolio (A$ billion)	18.7	17.1	16.7	9	12
Operating lease portfolio (A$ billion)	5.7	5.1	4.5	12	27
Headcount	959	938	908	2	6

1 "*" 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.

Corporate & Asset Finance's net profit contribution of A$390 million for the half year ended September 30, 2013 increased by 18% from A$330 million in the prior corresponding period. The improved result was largely driven by growth in key portfolios, the favorable impact of the depreciation of the Australian dollar on earnings from offshore businesses and the contribution of the European Rail operating lease business acquired in January 2013.

Net interest and trading income

Net interest and trading income of A$270 million for the half year ended September 30, 2013 increased 10% from A$246 million in the prior corresponding period. The increase was mainly due to the favorable impact of the depreciation of the Australian dollar on income earned from non-Australian dollar denominated loan and finance lease portfolios, combined with organic growth of the motor vehicle lease portfolio. Partially offsetting this growth were the funding costs of the European Rail operating lease business acquired in January 2013. The 16% decrease in net interest and trading income compared to the prior period was predominantly due to a higher level of early loan realizations in the prior period.

Other operating income and charges

Net operating lease income

Net operating lease income of A$255 million for the half year ended September 30, 2013 increased 26% from A$203 million in the prior corresponding period. The increase was mainly driven by the contribution of the European Rail operating lease business acquired in January 2013 and the depreciation of the Australian dollar, which favorably impacted earnings from the aircraft, rail and UK Energy Leasing operating lease portfolios.

Specific provisions and collective allowance for credit losses

Specific provisions and collective allowance for credit losses of A$27 million for the half year ended September 30, 2013 increased 42% from A$19 million in the prior corresponding period mainly reflecting additional collective provisions in line with growth of the lending and motor vehicle leasing portfolios. The prior corresponding period included the recovery of some previously written-off loans.

Other income

Other income of A$56 million for the half year ended September 30, 2013 increased 10% from A$51 million in the prior corresponding period, which included the sale of an aircraft. The half year ended September 30, 2013 included the favorable settlement of a claim and additional lease termination income in relation to the UK Energy Leasing business, and the realization of equity exposures in the Lending business.

Operating expenses

Total operating expenses of A$180 million for the half year ended September 30, 2013 increased 6% from A$170 million in the prior corresponding period, primarily as a result of a 6% increase in headcount and the impact of the depreciation of the Australian dollar on non-Australian dollar denominated operating expenses.

Banking & Financial Services

	Half year ended			Movement[1]	
	Sep 13	Mar 13	Sep 12	Mar 13	Sep 12
	A$m	A$m	A$m	%	%
Net interest and trading income	**366**	**332**	**310**	10	18
Fee and commission income					
Base fees	16	9	19	78	(16)
Brokerage and commissions	106	111	103	(5)	3
Other fee and commission income	195	189	214	3	(9)
Total fee and commission income	**317**	**309**	**336**	3	(6)
Share of net profits of associates and joint ventures accounted for using the equity method	**1**	**1**	**2**	-	(50)
Other operating income and charges					
Net gains/(losses) on sale of equity investments	1	(2)	4	*	(75)
Impairment charge on equity investments and disposal groups held for sale	-	(2)	(4)	(100)	(100)
Specific provisions and collective allowance for credit losses	(23)	(15)	(22)	53	5
Other income	3	5	28	(40)	(89)
Total other operating income and charges	**(19)**	**(14)**	**6**	36	*
Internal management revenue[2]	**2**	**8**	**1**	(75)	100
Net operating income	**667**	**636**	**655**	5	2
Operating expenses					
Employment expenses	(218)	(212)	(221)	3	(1)
Brokerage, commission and trading-related expenses	(88)	(68)	(90)	29	(2)
Other operating expenses	(250)	(237)	(220)	5	14
Total operating expenses	**(556)**	**(517)**	**(531)**	8	5
Net profit attributable to ordinary equity holders	**111**	**119**	**124**	(7)	(10)
Other metrics					
Funds under management/advice/administration[3] (A$ billion)	136.8	123.0	120.1	11	14
Loan portfolio[4] (A$ billion)	25.7	22.9	23.2	12	11
Retail deposits (A$ billion)	33.1	31.0	30.8	7	7
Headcount	2,891	2,848	2,922	2	(1)

1 "*" indicates that the absolute percentage change in the balance was greater than 300% or indicates the result was a gain in one period but a loss in another, or vice versa.

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

3 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).

4 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, insurance premium funding and credit cards.

Banking & Financial Services' net profit contribution of A$111 million for the half year ended September 30, 2013 decreased 10% from A$124 million in the prior corresponding period, which included gains from the sale of the Canadian Macquarie Premium Funding business in May 2012 and the COIN institutional business in August 2012 and income from the Macquarie Professional Series product that was transferred to Macquarie Funds from October 1, 2012.

Net interest and trading income

Net interest and trading income of A$366 million for the half year ended September 30, 2013 increased 18% from A$310 million in the prior corresponding period primarily due to higher loan and deposit volumes.

Retail deposits increased 7% to A$33.1 billion at September 30, 2013 from A$30.8 billion at September 30, 2012.

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, insurance premium funding and credit cards. The total loan portfolio of A$25.7 billion at September 30, 2013 increased 11% from A$23.2 billion at September 30, 2012 primarily due to a 34% increase in the Australian mortgage portfolio to A$14.6 billion at September 30, 2013 from A$10.9 billion at September 30, 2012 that resulted from increased lending activity and the acquisition of a loan portfolio, partially offset by a reduction in the Canadian and U.S. loan portfolios.

The Canadian loan portfolio, which includes mortgages, margin loans and capital protected products, closed at A$6.2 billion at September 30, 2013, down 22% from A$7.9 billion at September 30, 2012. This was mainly due to a decrease in mortgages as the portfolio is in run-off.

Fee and commission income

Brokerage and commissions

Brokerage and commissions income of A$106 million for the half year ended September 30, 2013 increased 3% from A$103 million in the prior corresponding period. Trading volumes, although slightly up from the prior corresponding period, continued to be impacted by subdued retail equity market conditions.

Other fee and commission income

Other fee and commission income of A$195 million for the half year ended September 30, 2013 decreased 9% from A$214 million in the prior corresponding period. Other fee and commission income relates to fees earned on a range of Banking & Financial Services' products including the Australian Wrap platform, mortgages, insurance and financial planning software. The decrease from the prior corresponding period was mostly due to the sale of the COIN institutional business in August 2012 and the transfer of the Macquarie Professional Series product to Macquarie Funds from October 1, 2012, partially offset by growth of administration fees from the Australian Wrap platform.

Funds under Administration on the Australian Wrap platform closed at A$35.3 billion on September 30, 2013, an increase of 56% from A$22.6 billion at September 30, 2012. This increase was primarily due to the integration of Perpetual's Private Wealth Platform into Macquarie's Wrap platform in April 2013 combined with an increase in the market value of Funds under Administration.

Other operating income and charges

Other income

Other income of A$3 million for the half year ended September 30, 2013 decreased 89% from A$28 million in the prior corresponding period. The prior corresponding period included gains on the sale of the Canadian Macquarie Premium Funding business in May 2012 and the COIN institutional business in August 2012.

Operating expenses

Total operating expenses of A$556 million for the half year ended September 30, 2013 increased 5% from A$531 million in the prior corresponding period.

Employment expenses

Employment expenses of A$218 million for the half year ended September 30, 2013 decreased 1% from A$221 million in the prior corresponding period largely due to reduced headcount resulting from internal restructures that consolidated support functions into the Corporate segment, partially offset by increased contractor staff and commissions paid to internal advisers.

Brokerage, commission and trading-related expenses

Brokerage, commission and trading-related expenses, which are mainly paid to external advisers for product distribution, of A$88 million for the half year ended September 30, 2013 decreased 2% from A$90 million in the prior corresponding period. This was mainly driven by the transfer of the Macquarie Professional Series product to Macquarie Funds from October 1, 2012, partially offset by increased volumes due to the acquisition by the Macquarie Premium Funding JV of the Pacific Premium Funding business in March 2013.

Other operating expenses

Other operating expenses of A$250 million for the half year ended September 30, 2013 increased 14% from A$220 million in the prior corresponding period mainly due to increased project expenditure, professional fees and recoveries from central support functions resulting from internal restructures.

Macquarie Securities (excluding the Cash division and certain activities of the Derivatives division, in each case, in certain jurisdictions)

	Half year ended			Movement[1]	
	Sep 13	Mar 13	Sep 12	Mar 13	Sep 12
	A$m	A$m	A$m	%	%
Net interest and trading income	**137**	**112**	**74**	22	85
Fee and commission income					
Brokerage and commissions	90	66	(4)	36	*
Other fee and commission expense	(64)	(68)	(22)	(6)	191
Total fee and commission income/(loss)	**26**	**(2)**	**(26)**	*	*
Share of net profits of associates and joint ventures accounted for using the equity method	**-**	**-**	**-**	-	-
Other operating income and charges	**(5)**	**-**	**-**	*	*
Internal management revenue[2]	**-**	**1**	**-**	(100)	-
Net operating income	**158**	**111**	**48**	42	229
Operating expenses					
Employment expenses	(19)	(16)	(7)	19	171
Brokerage, commission and trading-related expenses	(43)	(40)	(43)	8	-
Other operating expenses	(81)	(68)	(44)	19	84
Total operating expenses	**(143)**	**(124)**	**(94)**	15	52
Net profit/ (loss) attributable to ordinary equity holders	**15**	**(13)**	**(46)**	*	*
Other metrics					
Headcount	156	148	50	5	212

1 "*" indicates that the absolute percentage change in the balance was greater than 300% or indicates the result was a gain in one period but a loss in another, or vice versa.

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

Macquarie Securities' net profit contribution of A$15 million for the half year ended September 30, 2013 improved from a net loss of A$46 million in the prior corresponding period.

Net operating income of A$158 million for the half year ended September 30, 2013 increased 229% from A$48 million in the prior corresponding period driven by improved macro-economic conditions and increased commissions due to the Asia cash equities business trading through the new MBL Hong Kong Branch from the second half of the 2013 fiscal year. Net operating income increased 42% in the half year ended September 30, 2013 compared to the prior period reflecting further inflows into equities that positively impacted the Asia cash equities business. Macquarie Securities' derivatives business benefited from improved trading conditions, reduced costs in legacy businesses, and lower operating expenses.

Net interest and trading income

Net interest and trading income of A$137 million for the half year ended September 30, 2013 increased 85% from A$74 million in the prior corresponding period mainly due to improved trading conditions and market sentiment, with higher product flow particularly across the Asia platform and reduced losses in legacy businesses.

Fee and commission income

Brokerage and commissions

Brokerage and commissions income of A$90 million for the half year ended September 30, 2013 increased from a A$4 million loss in the prior corresponding period due to the Asia cash equities business trading through the new MBL Hong Kong Branch from the second half of the 2013 fiscal year.

Other fee and commission expense

Other fee and commission expense mainly consists of stock borrow and lending transactions and internal recharges. Other fee and commission expense of A$64 million for the half year ended September 30, 2013 increased 191% from A$22 million in the prior corresponding period due to an increase in internal recharges as a result of the Asia cash equities business trading through the new MBL Hong Kong Branch from the second half of the 2013 fiscal year.

Operating expenses

Total operating expenses of A$143 million for the half year ended September 30, 2013 increased 52% from A$94 million in the prior corresponding period due to the Asia cash equities business trading through the new MBL Hong Kong Branch from the second half of the 2013 fiscal year and the impact of the depreciation of the Australian dollar on the offshore cost base.

Employment expenses

Employment expenses of A$19 million for the half year ended September 30, 2013 increased 171% from the prior corresponding period due to increased headcount as a result of the Asia cash equities business trading through the new MBL Hong Kong Branch from the second half of the 2013 fiscal year.

Other operating expenses

Other operating expenses of A$81 million for the half year ended September 30, 2013 was up 84% from A$44 million in the prior corresponding period mainly due to the Asia cash equities business trading through the new MBL Hong Kong Branch from the second half of the 2013 fiscal year and the impact of the depreciation of the Australian dollar on offshore expenses.

Fixed Income, Currencies & Commodities (excluding certain assets of the Credit Trading business and some other less financially significant activities)

	Half year ended			Movement[1]	
	Sep 13	Mar 13	Sep 12	Mar 13	Sep 12
	A$m	A$m	A$m	%	%
Net interest and trading income					
Commodities[2]	390	362	331	8	18
Credit, interest rates and foreign exchange	223	221	173	1	29
Net interest and trading income	**613**	**583**	**504**	5	22
Fee and commission income					
Brokerage and commissions	49	41	43	20	14
Other fee and commission (expense)/income	(2)	(10)	1	(80)	*
Total fee and commission income	**47**	**31**	**44**	52	7
Share of net profits of associates and joint ventures accounted for using the equity method	**16**	**11**	**15**	45	7
Other operating income and charges					
Net gains on sale of equity investments	18	67	50	(73)	(64)
Impairment charge on equity investments	(83)	(81)	(90)	2	(8)
Specific provisions and collective allowance for credit losses	(29)	(18)	(32)	61	(9)
Other income	30	12	14	150	114
Total other operating income and charges	**(64)**	**(20)**	**(58)**	220	10
Internal management revenue[3]	**5**	**12**	**5**	(58)	-
Net operating income	**617**	**617**	**510**	-	21
Operating expenses					
Employment expenses	(103)	(106)	(95)	(3)	8
Brokerage, commission and trading-related expenses	(124)	(61)	(80)	103	55
Amortization of intangibles	(15)	(16)	(4)	(6)	275
Other operating expenses	(186)	(171)	(161)	9	16
Total operating expenses	**(428)**	**(354)**	**(340)**	21	26
Net profit/ (loss) attributable to ordinary equity holders	**189**	**263**	**170**	(28)	11
Other metrics					
Headcount	776	796	788	(3)	(2)

1 "*" indicates that the absolute percentage change in the balance was greater than 300% or indicates the result was a gain in one period but a loss in another, or vice versa.

2 Includes fair value adjustments relating to 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.

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

Fixed Income, Currencies & Commodities' net profit contribution of A$189 million for the half year ended September 30, 2013 increased 11% from A$170 million in the prior corresponding period but decreased 28% from A$263 million in the prior period. Net operating income of A$617 million increased 21% from A$510 million in the prior corresponding period, while total operating expenses of A$428 million increased 26% from A$340 million in the prior corresponding period.

The result for Fixed Income, Currencies & Commodities reflected mixed market conditions experienced across its businesses.

Commodities trading income was up on both the prior corresponding period and prior period due to stronger producer hedging and trading opportunities generated by increased volatility and falling precious metals prices, and growth in physical commodities financing activities. However, ongoing weak investor sentiment and confidence in resource equity markets continued to impact the value of listed equities, resulting in impairments on a number of equity holdings, and reduced volatility in agricultural and base metals markets dampened both client hedging and trading. Volatility and volumes improved in foreign exchange and interest rate markets compared to the prior corresponding period, and futures markets experienced increased transaction volumes in all key regions. The credit environment was mixed with lower confidence experienced in higher yield markets, while the level of debt origination and issuances continued to increase.

Net interest and trading income

Commodities

Commodities trading income of A$390 million for the half year ended September 30, 2013 increased 18% from A$331 million in the prior corresponding period, as precious metals markets saw increased volatility and falling prices during the period, resulting in increased client hedging activity and associated trading income.

In base metals markets, low levels of volatility dampened both trading results and client hedging activity; however growth of physical commodities financing activities resulted in higher overall trading income. The increased trading income was offset by associated storage costs that, for accounting purposes, are recognized in brokerage, commissions and trading-related expenses.

Revenues across the global energy markets platform, particularly in the U.S. Gas and Global Oil energy businesses, remained a significant contributor to commodities trading income and continued to benefit from strong customer flow and trading opportunities.

Reduced market volatility in agricultural markets led to lower client activity and limited trading opportunities.

Credit, interest rates and foreign exchange

Net interest and trading income from credit, interest rates and foreign exchange products of A$223 million for the half year ended September 30, 2013 increased 29% from A$173 million in the prior corresponding period. Foreign exchange and interest markets saw improved volatility and volumes compared to the prior corresponding period.

Fee and commission income

Total fee and commission income of A$47 million for the half year ended September 30, 2013 was broadly in line with the prior corresponding period. Futures brokerage income increased with volumes up across all key regions, partially offset by reduced fee income from U.S. credit markets.

Other operating income and charges

Net gains on sale of equity investments

Net gains on sale of equity investments of A$18 million for the half year ended September 30, 2013 decreased 64% from A$50 million in the prior corresponding period. Subdued resource equity markets continued to impact the timing and number of asset realizations.

Impairment charge on equity investments

Impairment charges on equity investments of A$83 million for the half year ended September 30, 2013 decreased 8% from A$90 million in the prior corresponding period. Impairment charges in the half year ended September 30, 2013 mainly resulted from sustained weak investor sentiment and confidence in resource equity markets that continued to adversely impact equity values of investments held by Fixed Income, Currencies & Commodities, as well as the underperformance of a small number of investments.

Specific provisions and collective allowance for credit losses

A net charge for specific provisions and collective allowance for credit losses of A$29 million for the half year ended September 30, 2013 decreased 9% from A$32 million in the prior corresponding period. The charges in the half year ended September 30, 2013 predominantly related to loan assets in the resource and energy sectors.

Other income

Other income of A$30 million for the half year ended September 30, 2013 increased 114% from A$14 million in the prior corresponding period, primarily due to the income earned from the sale of net profit interests in North American oil assets.

Operating expenses

Total operating expenses of A$428 million for the half year ended September 30, 2013 increased 26% from A$340 million in the prior corresponding period.

Employment expenses

Employment expenses were A$103 million for the half year ended September 30, 2013, an increase of 8% from A$95 million in the prior corresponding period largely due to the impact of the depreciation of the Australian dollar on the costs associated with a significant non-Australian based work force within Fixed Income, Currencies & Commodities.

Brokerage. commission and trading-related expenses

Brokerage, commission and trading-related expenses of A$124 million for the half year ended September 30, 2013 increased 55% from A$80 million in the prior corresponding period. This was mainly driven by growth of physical commodity financing activities that resulted in higher storage costs that, for accounting purposes, are reported within brokerage, commissions and trading-related expenses, while the associated income is included within commodities trading income.

Amortization of intangibles

Amortization of intangibles relates to investments in net profit interests which are amortized based on the production output of the investment. The expense of A$15 million for the half year ended September 30, 2013 was up 275% from A$4 million in the prior corresponding period consistent with increased investments in net profit interests.

Other operating expenses

Other operating expenses of A$186 million for the half year ended September 30, 2013 increased 16% from A$161 million in the prior corresponding period mainly due to increased investment in technology to meet increasing regulatory compliance requirements globally combined with the impact of the depreciation of the Australian dollar.

Corporate

	Half year ended			Movement[1]	
	Sep 13	Mar 13	Sep 12	Mar 13	Sep 12
	A$m	A$m	A$m	%	%
Net interest and trading income	**90**	**63**	**100**	43	(10)
Fee and commission (expense)/income	**(22)**	**(18)**	**4**	22	*
Share of net (losses)/profits of associates and joint ventures accounted for using the equity method	**(5)**	**1**	**3**	*	*
Other operating income and charges					
Net gains on sale of debt and equity securities	9	12	5	(25)	80
Impairment write back/(charge) on debt and equity securities	1	(16)	(3)	*	*
Dividends and distributions received	8	-	-	*	*
Specific provisions and collective allowance for credit losses	(2)	(1)	(3)	100	(33)
Other income	(40)	(31)	7	29	*
Total other operating income and charges	**(24)**	**(36)**	**6**	(33)	*
Internal management charge[2]	**(16)**	**(22)**	**(16)**	(27)	-
Net operating income/(loss)	**23**	**(12)**	**97**	*	(76)
Operating expenses					
Employment expenses	(280)	(327)	(199)	(14)	41
Brokerage, commission and trading-related expenses	(2)	(1)	(2)	100	-
Other operating expenses	(78)	(74)	(85)	5	(8)
Total operating expenses	**(360)**	**(402)**	**(286)**	(10)	26
Tax expense	(213)	(199)	(156)	7	37
Macquarie Income Preferred Securities	(3)	(2)	(2)	50	50
Macquarie Income Securities	(9)	(10)	(11)	(10)	(18)
Non-controlling interests[3]	-	1	(1)	(100)	(100)
Net loss attributable to ordinary equity holders	**(562)**	**(624)**	**(359)**	(10)	57
Other metrics					
Headcount	82	81	79	1	4

1 "*" indicates that the absolute percentage change in the balance was greater than 300% or indicates the result was a gain in one period but a loss in another, or vice versa.

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.

The Corporate segment includes Group Treasury, as well as certain legacy assets and businesses that are no longer core for strategic reasons.

The Corporate segment's net loss for the half year ended September 30, 2013 of A$562 million increased 57% from A$359 million in the prior corresponding period, mainly driven by increases in income tax expense and employment expenses.

Net interest and trading income

Net interest and trading income in the Corporate segment includes the net result of managing liquidity for MBL, earnings on capital, non-trading derivative volatility, the funding costs associated with non-core investments held centrally and fair value movements on investments held to hedge liabilities under the Directors' Profit Share plan.

Net interest and trading income of A$90 million for the half year ended September 30, 2012 decreased 10% from A$100 million in the prior corresponding period. There was no individually significant driver of this decrease.

Fee and commission (expense)/income

Fee and commission expenses primarily relate to internal transactions with operating groups that net out in their entirety on consolidation across MBL Group. External fee and commission expense/income is minimal. Fee and commission expenses were A$22 million for the half year ended September 30, 2013 compared to fee and commission income of A$4 million for the prior corresponding period, and included a higher level of internal fees paid out of the Corporate segment due to internal transactions with other operating groups.

Share of net (losses)/profits of associates and joint ventures accounted for using the equity method

Share of net losses of associates and joint ventures of A$5 million for the half year ended September 30, 2013 decreased from a share of net profits of A$3 million in the prior corresponding period. The losses in the current period related to equity accounted losses from a non-core investment.

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$9 million for the half year ended September 30, 2013 increased 80% from A$5 million and related to the sale of assets held by Group Treasury for liquidity purposes.

Dividends and distributions received

Dividends and distributions received of A$8 million for the half year ended September 30, 2013 related to dividends received from a non-core investment.

Other income

Other income was a loss of A$40 million for the half year ended September 30, 2013, compared to a gain of A$7 million in the prior corresponding period. Other income included losses on the partial repurchase of MBL's government guaranteed debt securities in both the current and prior periods. These losses will be offset over time through lower net funding costs.

Operating expenses

Employment expenses

Employment expenses in the Corporate segment relate to staff profit share, share based payments expense and the impact of fair value adjustments of Directors' Profit Share liabilities.

For the half year ended September 30, 2013 employment expenses were A$280 million, an increase of 41% from A$199 million in the prior corresponding period. The increase was due to the impact of the depreciation of the Australian dollar on offshore costs and higher staff compensation resulting from the improved performance of MGL.

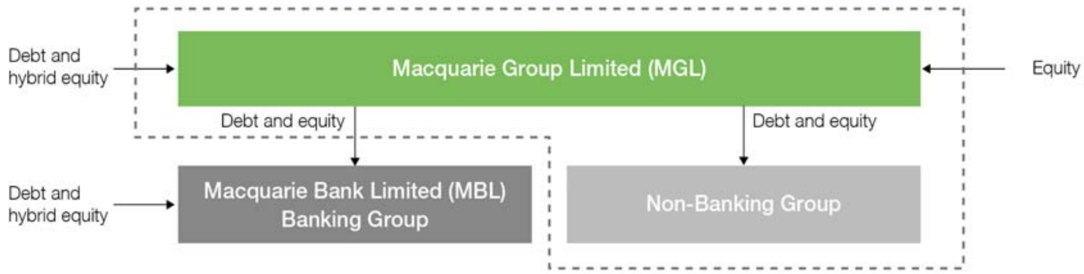
Other operating expenses

Other operating expenses in the Corporate segment includes non-employment related operating costs of central support functions and recoveries for services provided to MBL by entities in the Non-Banking Group. Other operating expenses decreased 8% from A$85 million in the prior corresponding period to A$78 million for the half year ended September 30, 2013 due to a lower level of recoveries from the Non-Banking Group.

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 structure of MGL Group is 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. MGL Group's and MBL Group's liquidity policies are approved by their respective Boards after endorsement by the Asset and Liability Committee and liquidity reporting is provided to the MGL and MBL Boards on a monthly basis. The Asset and Liability Committee includes the MGL Chief Executive Officer, MBL Chief Executive Officer, Chief Financial Officer, Chief Risk Officer 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 policy and principles

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.

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 at least annually
- A funding strategy is prepared annually and the funding position is monitored on an ongoing basis 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 and strong relationships are maintained.

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 MGL and MBL 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 and MBL 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 and MBL's ability to meet all repayment obligations under each scenario and determine the capacity for asset growth.

The scenarios separately consider the requirements of the Banking Group, Non-Banking Group and MGL Group. They are run over a number of timeframes and a range of conservative assumptions are used including 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 to ensure 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 impacting derivatives and other margined positions. The size of the liquid asset portfolio must exceed the minimum cash requirement as calculated in this model at all times.

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 remainder must be approved by Group Treasury and Risk Management before inclusion in the liquid asset portfolio. As at September 30, 2013, 96% 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, other 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 although liquid assets denominated in U.S. dollars or other currencies are held where appropriate.

MBL Group had A$19.4 billion in cash and liquid assets as at September 30, 2013 (March 31, 2013: A$18.0 billion).

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.

MBL is a global financial institution, with bank branches and subsidiaries in a variety of countries. Regulations in certain countries may require some branches or subsidiaries to have specific local contingency plans. Where that is the case, the liquidity contingency plan contains a supplement providing the specific information required for those branches or subsidiaries.

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 framework the costs of long- and short-term funding are charged out, and credits are made, to business units that provide long-term stable funding.

Credit ratings

As at September 30, 2013, the credit ratings for MBL Group were as follows:

	Macquarie Bank Limited		
Rating agency[1]	**Short-term rating**	**Long-term rating**	**Long-term rating outlook**
Fitch Ratings.........................	F-1	A	Stable
Moody's Investors Service....	P-1	A2	Stable
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.

Regulatory developments

In November 2011, APRA released its draft liquidity standard (APS 210) and discussion paper detailing the local implementation of the Basel III liquidity framework. APRA's proposals incorporate the two quantitative metrics put forward by the Basel Committee: the Liquidity Coverage Ratio ("LCR") and the Net Stable Funding Ratio ("NSFR"). In January 2013, the Basel Committee released its final requirements for the LCR and subsequently a second discussion paper, while in May 2013, APRA released its draft regulatory standards. As at the date of this Report, final APRA standards are expected in the last quarter of 2013. Other regulators in jurisdictions where MBL operates are yet to release final Basel III liquidity standards.

Liquidity Coverage Ratio

The LCR requires liquid assets to be held to cover cash outflows under a combined "idiosyncratic" and market-wide stress scenario lasting 30 days. The ratio is currently subject to an observation period prior to being introduced as a minimum requirement by APRA in 2015.

MBL expects that it will meet the overall requirements of the LCR. However, the APRA standards have not yet been finalized and the ratio may therefore be subject to change prior to local implementation.

Net Stable Funding Ratio

The NSFR is a 12-month structural funding metric, requiring that "available stable funding" be sufficient to cover "required stable funding", where "stable" funding has an actual or assumed maturity of greater than 12 months. The NSFR is currently subject to an observation period prior to being introduced as a minimum requirement by APRA in 2018.

MBL has minimal reliance on short-term funding and has sufficient cash and liquid assets to repay all short-term wholesale funding. In addition, MBL's internal liquidity policy requires that term assets are funded with term liabilities. MBL expects that it will meet the overall requirements of the NSFR. However, the APRA standards have not yet been finalized and the ratio may be subject to change over the consultation period.

MBL continues to monitor developing liquidity regulations. See "Regulation and supervision — Australia — APRA" for further information.

Funded balance sheet

MBL's statutory balance sheet 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 reconciles the reported assets of the consolidated MBL Group to the net funded assets at September 30, 2013.

MBL Group	**As at**
	Sep 13
	A$b
Total assets per MBL statutory balance sheet	**138.6**
Accounting deductions:	
Self funded trading assets[1]	(14.6)
Derivative revaluation accounting gross-ups[2]	(13.7)
Life investment contracts and other segregated assets[3]	(5.2)
Outstanding trade settlement balances[4]	(3.4)
Short-term working capital assets[5]	(3.8)
Intercompany gross-ups	(6.0)
Non-recourse funded assets:	
Securitized assets and non-recourse warehouses[6]	(12.7)
Net funded assets	79.2

1. *Self funded trading assets.*MBL Group enters into stock borrowing and lending as well as repurchase agreements and reverse repurchase agreements in the normal course of trading activity that it conducts with its clients and counterparties. Also as part of its trading activities, MBL Group pays and receives margin collateral on its outstanding derivative positions. These trading related asset and liability positions are presented gross on the balance sheet but are viewed as being self funded to the extent that they offset one another and, therefore, are netted as part of this adjustment.

2 *Derivative revaluation 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 *Outstanding trade settlement balances.* At any particular time MBL Group will have outstanding trades to be settled as part of its brokering business and trading activities. These amounts (payables) can be offset in terms of funding by amounts that MBL Group is owed on other trades (receivables).

5 *Short-term working capital assets.* As with the outstanding trade 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.* These represent assets that are funded by third parties with no recourse to MBL Group including lending assets (mortgages and leasing) sold down into external securitization entities or transferred to external funding warehouses.

Term funding initiatives

The table below sets out MBL Group's term funding transactions in the half year ended September 30, 2013:

Funding source	Banking Group
	A$bn
Securitized assets	
Term secured finance	4.5
Issued paper	
Senior debt	2.8
Total	**7.3**

In the half year ended September 30, 2013, MBL Group raised A$7.3 billion of term funding, including A$2.8 billion of term wholesale funding and A$4.5 billion of term secured finance.

Under its Rule 144A/Regulation S Medium Term Note Program, MBL issued US$1 billion of senior unsecured debt on August 15, 2013.

Wholesale term issuance of A$2.8 billion includes A$1.1 billion in U.S. dollar denominated senior unsecured debt issuance, A$1.0 billion in private placements and structured notes and A$0.7 billion senior unsecured issuance in the Euro market. Term secured finance of A$4.5 billion includes A$1.1 billion of PUMA RMBS, A$0.8 billion of SMART auto & equipment ABS and a total of A$2.6 billion of warehouse funding for PUMA and SMART.

Funding profile for the Banking Group

The funded statement of financial position of the Banking Group as at September 30, 2013:

	As at Sep 13 A$b
Banking Group	
Funding sources	
Wholesale issued paper:[1]	
Negotiable certificates of deposit	2.2
Commercial paper	6.7
Structured notes[2]	1.4
Secured funding[3]	7.7
Bonds[4]	10.5
Other loans[5]	0.9
Deposits:[6]	
Retail deposits	33.1
Corporate and wholesale deposits	4.9
Loan capital[7]	2.4
Equity and hybrid[8]	9.4
Total	**79.2**
Funded assets	
Cash and liquid assets[9]	19.4
Self securitization[10]	6.2
Net trading assets[11]	13.9
Loan assets less than one year[12]	11.6
Loan assets greater than one year[12]	26.7
Debt investment securities[13]	2.8
Non-Banking Group deposit with MBL	(3.6)
Co-investment in Macquarie-managed funds and other equity investments[14]	1.1
Property, plant and equipment and intangibles	1.2
Net trade debtors[15]	(0.1)
Total	**79.2**

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

2 *Structured notes.* 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 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 Financial Claims Scheme covers eligible deposits in MBL.

6 *Other loans.* Unsecured loans provided by financial institutions and other counterparties.

7 *Loan capital.* Long-term subordinated debt.

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

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

10 *Self securitization.* This represents Australian mortgages which have been internally securitized and is a form of collateral on the RBA's list of eligible securities for repurchase agreements.

11 *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.

12 *Loan assets.* This represents loans provided to retail and wholesale borrowers, as well as assets held under operating leases. See "— Capital analysis — Loan assets" in this Report for further information.

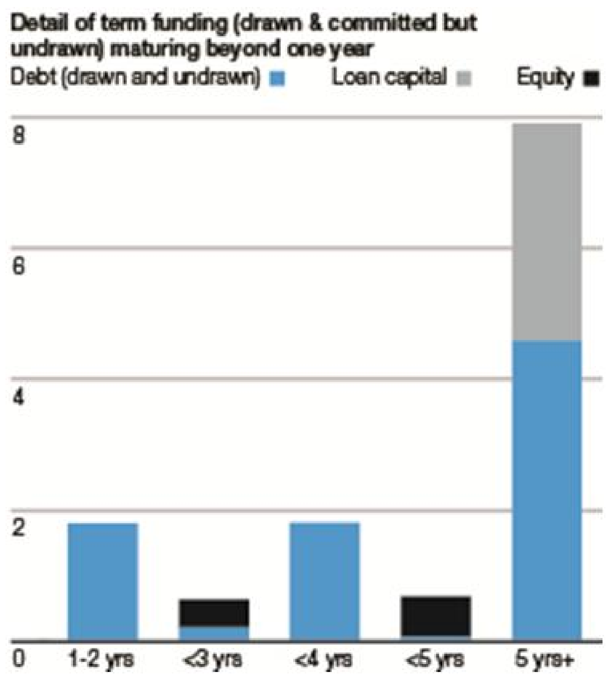
13 *Debt investment securities.* These include various categories of debt securities including asset backed securities, bonds, commercial mortgage backed securities and residential mortgage backed securities.

14 *Co-investment in Macquarie-managed funds and other equity investments.* These equity securities include co-investments in Macquarie-managed funds.

15 *Net trade debtors.* Short-term working capital balances (debtors and creditors) are created through the day-to-day operations of MBL Group. A net funding use (or source) will result due to timing differences in cash flows.

As at September 30, 2013, deposits represented A$38.0 billion, or 48% of total funding, short-term (maturing in less than 12 months) wholesale issued paper represented A$8.9 billion, or 11% of total funding, and other debt funding maturing within 12 months represented A$7.6 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, 2013:



	As at					
	Sep 13					
	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	0.2	-	0.1	0.3	0.4	1.0
Secured funding	3.0	1.5	-	0.3	0.3	5.1
Bonds	1.2	1.3	2.2	0.8	1.3	6.8
Other bank loans	-	0.2	-	-	-	0.2
Total debt	**4.4**	**3.0**	**2.3**	**1.4**	**2.0**	**13.1**
Loan capital	-	-	0.3	-	2.1	2.4
Equity and hybrid	-	-	-	-	9.4	9.4
Total funding sources drawn	**4.4**	**3.0**	**2.6**	**1.4**	**13.5**	**24.9**
Undrawn	0.3	-	-	-	-	0.3
Total funding sources drawn and undrawn	**4.7**	**3.0**	**2.6**	**1.4**	**13.5**	**25.2**

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 3.8 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 Regulation S Debt Instrument Program, incorporating both Government guaranteed and unguaranteed securities 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$7.8 billion of debt securities outstanding at September 30, 2013;

- US$10 billion Commercial Paper Program under which US$4.3 billion of debt securities were outstanding at September 30, 2013;

- US$20 billion Rule 144A/Regulation S Medium Term Note Program incorporating both Government guaranteed and unguaranteed securities. At September 30, 2013, US$5.3 billion had been issued under the Rule 144A/Regulation S Medium Term Note Program; and

- US$5 billion Structured Note Program under which US$1.1 billion of funding from structured notes was outstanding at September 30, 2013.

MBL Group accesses the Australian capital markets through the issuance of Negotiable Certificates of Deposits. At September 30, 2013, MBL Group had A$2.2 billion of these securities outstanding.

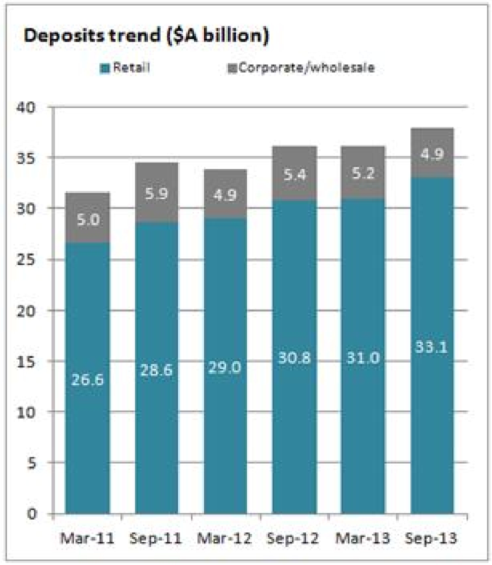
MBL, as an ADI, has access to liquidity from the RBA's daily market operations. At September 30, 2013, MBL Group had internally securitized A$6.2 billion of its own mortgages, which is a form of collateral on the RBA's list of eligible securities for repurchase agreements.

Deposit strategy

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 and reduces MBL's reliance on wholesale funding markets. In particular, MBL has focused on improving the quality and composition of the retail deposit base by targeting transactional and relationship based deposits such as the CMA.

The majority of MBL's deposits continue to be covered by the Financial Claims Scheme. The value cap on the deposits is set at A$250,000.

The chart below illustrates MBL Group's strong retail deposit growth since March 2011.



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

We do not expect our lease commitments to have a significant effect on our liquidity needs. See Note 35 "Lease commitments" to our 2013 annual financial statements for further information. Lease 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, 2013, MBL Group had A$3.7 billion of contingent liabilities and commitments, including A$1.0 billion of contingent liabilities and A$2.7 billion of commitments under undrawn credit facilities. See Note 17 "Contingent liabilities and commitments" to our 2014 interim financial statements which shows MBL Group's contingent liabilities and commitments at September 30, 2013.

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, and bullion, and commodities, individually and in the aggregate thereof. See Note 37 "Financial risk management" to MBL Group's 2013 annual financial statements for a quantitative and qualitative discussion of these risks.

Capital analysis

Overview

As an Australian Prudential Regulation Authority ("APRA") authorized and regulated Non-Operating Holding Company, MGL is required to hold adequate regulatory capital to cover the risks for the whole MGL Group, including the Non-Banking Group. MGL and APRA have agreed a capital adequacy framework for MGL, based on MGL's Board-approved Economic Capital Adequacy Model ("ECAM") and APRA's capital standards for ADIs.

MGL's capital adequacy framework requires it to maintain minimum regulatory capital requirements calculated as the sum of:

- MBL's minimum Tier 1 capital requirement, based on a percentage of risk-weighted assets plus Tier 1 deductions using prevailing APRA ADI Prudential Standards; and

- The Non-Banking Group capital requirement, calculated using MGL's ECAM. Transactions internal to MGL are eliminated.

Banking Group capital

MBL is accredited by APRA under the Basel 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 (IRRBB).

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.

Capital disclosures in this section include Harmonized Basel III[2] and APRA Basel III[3]. The former is relevant for comparison with banks regulated by regulators other than APRA, whereas the latter reflects MBL's regulatory requirements under APRA Basel III rules.

Common Equity Tier 1 capital

MBL's Common Equity Tier 1 capital under Basel III consists of ordinary share capital, retained earnings and certain reserves.

Tier 1 capital

Tier 1 capital consists of Common Equity Tier 1 capital and Additional Tier 1 capital (hybrids). Additional Tier 1 capital consists of MIS, MIPS and ECS. MBL periodically pays dividends to MGL, and is recapitalized by MGL as required to support projected business growth.

MIS are a perpetual instrument with no conversion rights. MIS were listed for trading on the Australian Stock Exchange (now known as the Australian Securities Exchange) in 1999. 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. MIS are eligible for transitional arrangements under Basel III rules.

MIPS were issued when the London Branch of MBL issued reset subordinated convertible debentures 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, 2013, MBL had £42.5 million of MIPS on issue which are held by parties not associated with MBL. MIPS are eligible for transitional arrangements under Basel III rules.

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2 Harmonized Basel III relates to the Basel III guidelines defined by the Basel Committee on Banking Supervision, documented in the following: 'Basel III: a global regulatory framework for more resilient banks and banking systems', published December 2010 (revised June 2011) by the Bank for International Settlements (BIS).

3 APRA Basel III relates to the Prudential Standards released by APRA for the period effective January 1, 2013.

ECS were issued by MBL acting through its London Branch (the issuer) in March 2012 and are quoted on the Singapore Stock Exchange. Subject to certain conditions, ECS will be exchanged for a variable number of fully paid MGL ordinary shares on June 20, 2017 (or earlier in certain circumstances). ECS pay interest of 10.25% per annum, paid semi-annually, with the rate to be reset on June 20, 2017 (and each fifth anniversary thereafter) if ECS remain outstanding after this time. The interest payments are subject to payment tests, including the discretion of the Issuer. APRA has approved ECS to be fully included in Additional Tier 1 until its first mandatory exchange date.

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 within 40 business days of the reporting date. Pillar 3 documents are available on MBL's U.S. Investors' Website.

Banking Group Basel III Tier 1 capital

	As at Sep 13	
	Harmonized Basel III	APRA Basel III
	A$m	A$m
Common Equity Tier 1 capital		
Paid-up ordinary share capital	7,681	7,681
Retained earnings	1,389	1,389
Reserves	(129)	(129)
Gross Common Equity Tier 1 capital	**8,941**	**8,941**
Regulatory adjustments to Common Equity Tier 1 capital:		
Goodwill	185	185
Deferred tax assets	135	249
Net other fair value adjustments	(20)	(20)
Intangible component of investments in subsidiaries and other entities	410	410
Loan and lease origination fees and commissions paid to mortgage originators and brokers	—	117
Other Common Equity Tier 1 capital deductions	196	223
Equity exposures	—	1,490
Shortfall in provisions for credit losses	152	152
Total Common Equity Tier 1 capital deductions	**1,058**	**2,806**
Net Common Equity Tier 1 capital	**7,883**	**6,135**
Additional Tier 1 Capital:		
Additional Tier 1 capital instruments	688	688
Gross Additional Tier 1 capital	**688**	**688**
Deduction from Additional Tier 1 capital	—	—
Net Additional Tier 1 capital	**688**	**688**
Total Tier 1 capital	**8,571**	**6,823**

Banking Group Basel III Risk-Weighted Assets ("RWA")

	As at Sep 13	
	Harmonized Basel III	**APRA Basel III**
	A$m	**A$m**
Credit risk		
Subject to IRB approach:		
Corporate	16,545	16,545
SME Corporate	1,613	1,613
Sovereign	650	650
Bank	1,748	1,748
Residential mortgage	1,429	2,334
Other Retail	4,491	4,491
Total RWA subject to IRB approach	**26,476**	**27,381**
Specialized lending exposures subject to slotting criteria	**5,192**	**5,192**
Subject to Standardized approach:		
Corporate	1,388	1,388
Residential mortgage	1,453	1,453
Other Retail	1,036	1,036
Total RWA subject to Standardized approach	**3,877**	**3,877**
Credit risk RWA for securitization exposures	**1,090**	**1,090**
Credit Valuation Adjustment RWA	**2,637**	**2,637**
Exposures to Central Counterparties RWA	**1,510**	**1,510**
RWA for Other Assets	**6,509**	**6,253**
Total Credit risk RWA	**47,291**	**47,940**
Equity risk exposures RWA	**4,756**	**-**
Market risk RWA	**4,818**	**4,818**
Operational risk RWA	**8,443**	**8,443**
Interest rate risk in banking book RWA	**-**	**-**
Scaling factor (6%) applied to IRB exposures	**1,589**	**1,643**
Total Banking Group RWA	**66,897**	**62,844**

Capital ratios

MBL Common Equity Tier 1 capital ratio (%)	11.8	9.8
MBL Tier 1 capital ratio (%)	12.8	10.9

Statutory consolidated statement of financial position

	As at			Movement	
	Sep 13	Mar 13	Sep 12	Mar 13	Sep 12
	A$m	A$m	A$m	%	%
Assets					
Receivables from financial institutions	17,007	13,899	15,838	22	7
Trading portfolio assets	21,469	18,853	14,457	14	49
Derivative assets	14,473	14,595	21,579	(1)	(33)
Investment securities available-for-sale	13,612	14,190	18,267	(4)	(25)
Other assets	7,693	7,895	7,831	(3)	(2)
Loan assets held at amortized cost	53,355	47,926	46,537	11	15
Other financial assets at fair value through profit or loss	2,524	4,645	4,909	(46)	(49)
Due from related body corporate entities	861	1,060	766	(19)	12
Property, plant and equipment	5,983	5,352	4,776	12	25
Interests in associates and joint ventures accounted for using the equity method	588	528	592	11	(1)
Intangible assets	834	795	830	5	<1
Deferred tax assets	234	262	117	(11)	100
Total assets	**138,633**	**130,000**	**136,499**	7	2
Liabilities					
Trading portfolio liabilities	1,796	1,384	3,384	30	(47)
Derivative liabilities	13,967	14,725	20,920	(5)	(33)
Deposits	42,573	40,966	39,801	4	7
Other liabilities	7,805	8,147	7,679	(4)	2
Payables to financial institutions	16,235	15,180	12,930	7	26
Other financial liabilities at fair value through profit or loss	663	919	993	(28)	(33)
Due to related body corporate entities	6,045	5,456	3,495	11	73
Debt issued at amortized cost	37,032	31,826	35,963	16	3
Provisions	110	104	94	6	17
Deferred tax liabilities	643	435	596	48	8
Total liabilities excluding loan capital	**126,869**	**119,142**	**125,855**	6	1
Loan capital					
Subordinated debt at amortized cost	2,399	2,203	1,976	9	21
Total loan capital	**2,399**	**2,203**	**1,976**	9	21
Total liabilities	**129,268**	**121,345**	**127,831**	7	1
Net assets	**9,365**	**8,655**	**8,668**	8	8
Equity					
Contributed equity	8,087	8,077	8,082	<1	<1
Reserves	(159)	(645)	(634)	(75)	(75)
Retained earnings	1,366	1,131	1,151	21	19
Total capital and reserves attributable to equity holders of Macquarie Bank Limited	**9,294**	**8,563**	**8,599**	9	8
Non-controlling interests	**71**	**92**	**69**	(23)	3
Total equity	**9,365**	**8,655**	**8,668**	8	8

Total assets of A$138.6 billion at September 30, 2013 increased 7% from A$130.0 billion at March 31, 2013 as a result of the items below.

- Receivables from financial institutions increased 22% from A$13.9 billion at March 31, 2013 to A$17.0 billion at September 30, 2013 predominantly due to an increase in reverse repurchase balances reflecting an increase in surplus liquidity combined with an increase in holdings required to cover short positions due to higher stock borrowing activity within Macquarie Securities.

- Trading portfolio assets increased 14% from A$18.9 billion at March 31, 2013 to A$21.5 billion at September 30, 2013 primarily as a result of increased trading activity in Macquarie Securities and Fixed Income, Currencies & Commodities.

- Loan assets increased 11% from A$47.9 billion at March 31, 2013 to A$53.4 billion at September 30, 2013 due primarily due to growth in the lending and finance lease portfolios in Corporate & Asset Finance, growth of the Australian mortgage portfolio in Banking & Financial Services due to organic growth and the acquisition of a loan portfolio, and increased asset backed lending by Macquarie Funds.

- Other financial assets at fair value through profit or loss decreased 46% from A$4.6 billion at March 31, 2013 to A$2.5 billion at September 30, 2013 largely due to redemptions and maturities within Macquarie Funds' Macquarie Specialised Investment Solutions.

Total liabilities (excluding loan capital) increased 6% from A$119.1 billion at March 31, 2013 to A$126.9 billion at September 30, 2013 as a result of items below.

- Deposits increased 4% from A$41.0 billion at March 31, 2013 to A$42.6 billion at September 30, 2013 primarily due to growth in cash deposits and interest related products in Banking & Financial Services.

- Payables to financial institutions increased 7% from A$15.2 billion at March 31, 2013 to A$16.2 billion at September 30, 2013 largely due to increased stock lending activity in Asia for Macquarie Securities.

- Debt issued at amortized cost increased 16% from A$31.8 billion at March 31, 2013 to A$37.0 billion at September 30, 2013 largely due to new debt issuances by Group Treasury and the issuance of bonds by securitization vehicles for the Australian mortgages business. These new issuances were partly offset by the buyback of government guaranteed securities.

Total equity increased A$710 million from A$8.7 billion at March 31, 2013 to A$9.4 billion at September 30, 2013. The increase was largely driven by a net increase in reserves of A$486 million due to a reduction in the foreign currency translation reserve from the impact of the depreciation of the Australian dollar on unhedged net investments in foreign operations.

This description of our funded loan assets is based on the funded balance sheet of MBL Group and not the statutory balance sheet classification.

	Half year ended			Movement[1]	
	Sep 13	Mar 13	Sep 12	Mar 13	Sep 12
	A$b	A$b	A$b	%	%
Loan assets at amortized cost per statutory balance sheet	53.4	47.9	46.5	11	15
Other loans held at fair value[1]	0.9	1.2	1.4	(25)	(36)
Operating lease assets	5.7	5.1	4.5	12	27
Other reclassifications[2]	0.3	0.3	0.3	-	-
Less: loans held by consolidated SPEs which are available as security to noteholders and debt providers[3]	(12.8)	(10.5)	(11.9)	22	8
Less: segregated funds[4]	(1.3)	(1.1)	(0.7)	18	42
Less: margin balances (reclassed to trading)[5]	(1.7)	(1.4)	(1.2)	21	42
Total loan assets per funded balance sheet[6]	**44.5**	**41.5**	**38.9**	7	14

1 Excludes other loans held at fair value that are self-funded.

2 Reclassification between loan assets and other funded balance sheet categories.

3 Excludes notes held by MBL Group in consolidated Special Purpose Entities ("SPE").

4 These represent the assets and liabilities that are recognized where MBL 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.

5 For the purposes of the funded balance sheet, margin balances are treated as trading assets rather than loan assets.

6 Total loan assets per the funded balance sheet include self securitization assets.

For the half years ended September 30, 2013, March 31, 2013 and September 30, 2012, funded loan assets of MBL Group consisted of:

	Half year ended			Movement	
	Sep 13	Mar 13	Sep 12	Mar 13	Sep 12
	A$b	A$b	A$b	%	%
Mortgages:					
Australia	8.0	6.8	4.5	18	78
United States	0.5	0.7	0.7	(29)	(29)
Canada	6.1	6.7	7.8	(9)	(22)
Other	0.2	0.2	0.1	-	100
Total Mortgages	**14.8**	**14.4**	**13.1**	3	13
Structured investments	4.0	3.3	3.2	21	24
Banking	4.5	4.0	3.8	13	18
Real estate	2.6	2.3	1.9	13	37
Resources and commodities	2.1	2.3	2.4	(9)	(13)
Leasing (financing and operating)	10.4	9.1	7.9	14	32
Corporate lending	4.7	4.7	5.6	-	(16)
Other lending	1.4	1.4	1.0	-	40
Total	**44.5**	**41.5**	**38.9**	7	14

Our funded loan asset portfolio comprises diverse, secured assets:

Loan category	**Asset security**
Mortgages..........	Secured by residential property 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........	Loans to retail and wholesale counterparties that are secured against equities, investment funds or cash, or are protected by capital guarantees at maturity.
Banking	Secured relationship managed 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 retail 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 (aircraft, motor vehicles and specialized equipment), diversified portfolio by geography and security asset class.
Corporate lending	Diversified secured corporate lending, subject to regular recoverability review. Secured by a diverse range of corporate assets and other securities.
Other lending.....	Includes deposits with financial institutions held as collateral for trading positions.

Equity investments

Equity investments are reported in the following categories in the statutory balance sheet:

- Other financial assets at fair value through profit or loss
- Investment securities available-for-sale
- Interests in associates and joint ventures.

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 which are not investments in Macquarie-managed funds.

The tables below set out the composition of these categories of equity investments for the half years ended September 30, 2013, March 31, 2013 and September 30, 2012.

Equity investments reconciliation

	As at		
	Sep 13	**Mar 13**	**Sep 12**
	A$m	**A$m**	**A$m**
Equity investments			
Statutory balance sheet			
Equity investments within other financial assets at fair value through profit or loss	1,210	2,243	2,279
Equity investments within investment securities available-for-sale	459	482	558
Interests in associates and joint ventures accounted for using the equity method	588	528	592
Total equity investments per statutory balance sheet	**2,257**	**3,253**	**3,429**
Adjustment for funded balance sheet			
Equity hedge positions[1]	(1,112)	(2,114)	(2,192)
Total funded equity investments	**1,145**	**1,139**	**1,237**
Adjustments for equity investments			
Available-for-sale reserves[2]	(96)	(93)	(100)
Associates reserves[3]	(1)	(1)	(1)
Total adjusted equity investments[4]	**1,048**	**1,045**	**1,136**

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

2 Available-for-sale reserves on equity investments (gross of tax) that will be released to income upon realization of the investment, excluding investments in which MBL Group has no economic exposure.

3 Associates reserves (gross of tax) that will be released to income upon realization of the investment.

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

Euro-zone exposures

This table includes MBL Group's exposures to Euro-zone countries that are currently experiencing significant economic, fiscal and/or political strains, due to which the likelihood of default by sovereign governments and non-sovereign entities based in those countries is higher than would be anticipated in the absence of such factors. The exposures below are represented gross unless cash collateral has been pledged, which is the case for certain derivative exposures. The total exposure to these countries is predominantly fully funded with minimal unfunded committed exposures.

MBL continues to monitor these exposures but notes that due to their size and associated security, they are not considered to be material in relation to overall balance sheet size.

	As at Sep 30, 2013			
		Non sovereign exposure		
Financial instrument	**Sovereign exposure**	**Financial institutions**	**Corporate**	**Total exposure**
	A$m	**A$m**	**A$m**	**A$m**
Italy				
Loans, receivables & commitments[1]	-	-	7.2	7.2
Derivative assets[2]	-	-	15.8	15.8
Italy totals	**-**	**-**	**23.0**	**23.0**
Spain				
Loans, receivables & commitments and leases[1]	-	11.8	90.0	101.8
Derivative assets[2]	-	3.6	15.3	19.0
Spain totals	**-**	**15.4**	**105.4**	**120.8**
Portugal				
Loans, receivables & commitments[1]	-	-	82.0	82.0
Derivative assets[2]	-	-	8.1	8.1
Portugal totals	**-**	**-**	**90.1**	**90.1**
Ireland				
Loans, receivables & commitments[1]	-	3.5	97.3	100.8
Derivative assets[2]	-	-	7.5	7.5
Traded debt securities	-	-	-	-
Ireland totals	**-**	**3.5**	**104.9**	**108.4**
Greece				
Loans, receivables & commitments[1]	-	-	-	-
Derivative assets[2]	-	-	-	-
Greece totals	-	-	-	-
Cyprus				
Loans, receivables & commitments[1]	-	-	-	-
Derivative assets[2]	-	-	-	-
Cyprus totals	**-**	**-**	**-**	**-**
Total exposure	**-**	**18.9**	**323.4**	**342.3**

1 Includes debt instruments held as loans, hold-to-maturity securities or available-for-sale securities, measured on an amortized cost basis. Includes finance lease receivables, but does not include assets which are on operating leases. Unfunded commitments are measured as the value of the commitment.

2 Derivative asset exposures represent the sum of positive mark-to-market counterparty positions, net of any cash collateral held against such positions.

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