Macquarie Group Limited

(ABN 94 122 169 279)

Disclosure Report (U.S. Version)
for the half year ended September 30, 2014

Dated: November 14, 2014

TABLE OF CONTENTS

CERTAIN DEFINITIONS

In this Disclosure Report (U.S. Version) for the half year ended September 30, 2014 ("*2015 Interim U.S. Disclosure Report*" or this "*Report*"), unless otherwise specified or the context otherwise requires:

- *"2014 Annual U.S. Disclosure Report"* means our Disclosure Report (U.S. Version) for the fiscal year ended March 31, 2014 and the documents incorporated by reference therein;
- *"2014 Interim Directors' Report and Financial Report"* means our 2014 Interim Directors' Report and Financial Report;
- *"2015 Interim Directors' Report and Financial Report"* means our 2015 Interim Directors' Report and Financial Report;
- *"2015 Half Year Management Discussion and Analysis Report"* means our Management Discussion and Analysis report dated October 31, 2014, which includes a comparative discussion and analysis of our results of operation and financial condition for the half year ended September 30, 2014 compared to the half year ended September 30, 2013, along with other balance sheet, capital and liquidity disclosures as at or for the half year ended September 30, 2014, has been posted on MGL's U.S. Investors' Website, and has been incorporated by reference herein; and
- *"2015 interim financial statements"* means our unaudited financial statements for the half year ended September 30, 2014 contained in our 2015 Interim Directors' Report and Financial Report.

In addition, you should refer to "Certain definitions" beginning on page ii of our 2014 Annual U.S. Disclosure Report, which is posted on MGL's U.S. investors' website at www.macquarie.com/mgl/com/us/usinvestors/mgl ("*MGL's U.S. Investors' Website*").

Our fiscal year ends on March 31, so references to years such as "2015" 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;
- changes in market liquidity, volatility and investor confidence;
- inflation, and interest rate, exchange rate and other market fluctuations;
- our ability to deal effectively with an economic slowdown or other economic or market difficulties or disruptions;
- our ability to effectively manage our capital and liquidity and to adequately fund the operations of MGL and the Non-Banking Group;
- the effect of, and changes in, laws, regulations, taxation or accounting standards or practices, or 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;
- our ability to complete, integrate or process acquisitions, disposals, mergers and other significant corporate transactions;
- our ability to effectively manage our growth;
- adverse impact on our reputation;
- the performance and financial condition of MGL;
- 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 maintain or to increase market share and control expenses;
- the ability of MGL to attract and retain employees;
- changes in the credit quality of MGL's clients and counterparties;
- changes to the credit ratings assigned to each of MGL and MBL;
- the effectiveness of our risk management processes and strategies;

- the performance of funds and other assets we manage;
- the impact of asset sales on our long-term business prospects;
- the impact of catastrophic events on MGL and its operations;
- changes in political, social and economic conditions, including changes in consumer spending and saving and borrowing habits, in any of the major markets in which we conduct our operations or which we may enter in the future; 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 MGL 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 MGL Group are described under "Risk factors" beginning on page 9 of our 2014 Annual U.S. Disclosure Report. Other factors are discussed in our 2015 Half Year Management Discussion and Analysis Report and in our 2014 Fiscal Year Management Discussion and Analysis Report.

EXCHANGE RATES

MGL 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 MGL 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, 2014, which was US$0.8737 per A$1.00. The noon buying rate on November 7, 2014, was US$0.8620 per A$1.00.

Fiscal year	Period End	Average Rate[1]	High	Low
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
2014	0.9275	0.9339	1.0564	0.8715
Month	**Period End**		**High**	**Low**
May 2014	0.9298		0.9382	0.9215
June 2014	0.9427		0.9430	0.9250
July 2014	0.9301		0.9488	0.9301
August 2014	0.9344		0.9352	0.9263
September 2014	0.8737		0.9376	0.8737
October 2014	0.8791		0.8904	0.8675
November 2014 (through November 7)	0.8620		0.8729	0.8580

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 2014 Annual U.S. Disclosure Report and our 2015 Half Year Management Discussion and Analysis Report.

Our financial information

In addition to this section, investors should refer to the discussion of our historical financial information included elsewhere in this Report and in the additional information posted on MGL's U.S. Investors' Website, including:

- the section of this Report under the heading "Selected Financial Information", which presents summary consolidated statement of financial position data as at September 30, 2014 and 2013, income statement data for the half years ended September 30, 2014 and 2013 and other historical financial data and metrics;

- the section of this Report under the heading "Recent Developments — Trading conditions and market update", which includes a discussion of operating conditions during the half year ended September 30, 2014 and the impact of such operating conditions on MGL Group;

- the section of this Report under the heading "Management's Discussion and Analysis of Results of Operation and Financial Condition", which incorporates by reference our 2015 Half Year Management Discussion and Analysis Report, which includes a comparative discussion and analysis of our results of operation and financial condition for the half year ended September 30, 2014 compared to the half year ended September 30, 2013, along with other balance sheet, capital and liquidity disclosures as at or for the half year ended September 30, 2014 and which is posted on MGL's U.S. Investors' Website;

- MBL's Pillar 3 Disclosure Document for the quarter ended June 30, 2014, which describes MBL's capital position, risk management policies and risk management framework and the measures adopted to monitor and report within the framework and which is posted on MGL's U.S. Investors' Website; and

- our historical financial statements, which are included in the extracts from our 2015 Interim Directors' Report and Financial Report posted on MGL's U.S. Investors' Website.

For further information on our historical financial information for the 2014 Fiscal Year and prior periods, refer to the discussion under the heading "Financial information presentation — Our financial information" included in our 2014 Annual U.S. Disclosure Report.

Application of new accounting standards

The application of new Australian Accounting Standards and amendments to Australian Accounting Standards and Interpretations that became effective in the half year ended September 30, 2014 have not had a material impact on MGL's reported financial position and operating results in this period. For further detail on new accounting standards and amendments to existing accounting standards that became effective in the half year ended September 30, 2014, see Note 1(iii) to our 2015 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 xii of our 2014 Annual U.S. Disclosure Report.

Critical accounting policies and significant judgments

For information on our critical accounting policies and significant judgments, see "Financial information presentation — Critical accounting policies and significant judgments" beginning on page xii of our 2014 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 MGL 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 xviii of our 2014 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 38 to our 2014 annual financial statements.

The significant risk factors applicable to MGL Group are described under "Risk factors" beginning on page 9 of our 2014 Annual U.S. Disclosure Report.

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth our capitalization as at September 30, 2014.

The information relating to MGL Group in the following table is based on our 2015 interim financial statements, which were prepared in accordance with AGAAP, and should be read in conjunction therewith.

	As at	
	Sep 14	**Sep 14**
	US$m[1]	**A$m**
CAPITALIZATION		
Borrowings[2]		
Debt issued — due greater than 12 months	20,896	23,917
Subordinated debt — due greater than 12 months	3,144	3,598
Total borrowings[3]	**24,040**	**27,515**
Equity		
Contributed equity		
Ordinary share capital	5,278	6,041
Treasury shares	(876)	(1,003)
Exchangeable shares	22	25
Reserves	722	826
Retained earnings	5,068	5,801
Macquarie Income Preferred Securities	68	78
Macquarie Income Securities	342	391
Other non-controlling interests	50	57
Total equity	**10,674**	**12,216**
TOTAL CAPITALIZATION	**34,714**	**39,731**

1 Conversions of Australian dollars to U.S. dollars have been made at the noon buying rate on September 30, 2014, which was US$0.8737 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, 2014, we had A$2.5 billion of secured indebtedness due in greater than 12 months compared to A$5.1 billion at September 30, 2013.

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$19.4 billion as at September 30, 2014 and securitizations totaled A$15.5 billion as at September 30, 2014 compared to A$18.0 billion and A$12.7 billion, respectively, as at September 30, 2013.

For details on our short-term debt position as at September 30, 2014, see section 5.3 of our 2015 Half Year Management Discussion and Analysis Report.

SELECTED FINANCIAL INFORMATION

Half years ended September 30, 2014 and 2013

The selected consolidated statement of financial position data as at September 30, 2014 and 2013 and income statement data for the half years ended September 30, 2014 and 2013 presented in this Report have been derived from our 2015 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 2014 Annual U.S. Disclosure Report, our 2015 Half Year Management Discussion and Analysis Report and our 2014 Fiscal Year Management Discussion and Analysis Report. The selected unaudited financial data for the half year ended September 30, 2014 is not necessarily indicative of our results for the fiscal year ending March 31, 2015 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 2015 interim financial statements.

Income statements

	Half year ended		
	Sep 14	**Sep 14**	**Sep 13**
	US$m[1]	**A$m**	**A$m**
Interest and similar income	2,093	2,396	2,244
Interest expense and similar charges	(1,258)	(1,440)	(1,384)
Net interest income	**835**	**956**	**860**
Fee and commission income	**1,906**	2,181	1,838
Net trading income	**600**	687	591
Share of net profits of associates and joint ventures accounted for using the equity method	17	19	70
Other operating income and charges	398	455	320
Net operating income	**3,755**	**4,298**	**3,679**
Employment expenses	(1,698)	(1,944)	(1,730)
Brokerage, commission and trading-related expenses	(350)	(401)	(379)
Occupancy expenses	(156)	(178)	(200)
Non-salary technology expenses	(180)	(206)	(154)
Other operating expenses	(391)	(448)	(406)
Total operating expenses	**(2,776)**	**(3,177)**	**(2,869)**
Operating profit before income tax	**979**	**1,121**	**810**
Income tax expense	(377)	(432)	(307)
Profit after income tax	**602**	**689**	**503**
(Profit)/loss attributable to non-controlling interests:			
Macquarie Income Securities	(8)	(9)	(9)
Macquarie Income Preferred Securities	(2)	(2)	(2)
Other non-controlling interests	-	-	9
Profit attributable to non-controlling interests	(10)	(11)	(2)
Profit attributable to ordinary equity holders of Macquarie Group Limited	**592**	**678**	**501**

---

1 Conversions of Australian dollars to U.S. dollars have been made at the noon buying rate on September 30, 2014, which was US$0.8737 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.

Statements of financial position

	As at		
	Sep 14	Sep 14	Sep 13
	US$m[1]	A$m	A$m
ASSETS			
Receivables from financial institutions	18,151	20,775	18,384
Trading portfolio assets	22,987	26,310	22,489
Derivative assets	12,798	14,648	14,647
Investment securities available for sale	8,125	9,299	16,578
Other assets	11,379	13,024	12,335
Loan assets held at amortized cost	56,297	64,435	56,093
Other financial assets at fair value through profit or loss	2,404	2,752	3,116
Property, plant and equipment	5,798	6,636	6,175
Interests in associates and joint ventures accounted for using the equity method	2,169	2,483	2,497
Intangible assets	1,081	1,237	1,276
Deferred tax assets	640	733	1,010
Total assets	**141,829**	**162,332**	**154,600**
LIABILITIES			
Trading portfolio liabilities	3,598	4,118	3,485
Derivative liabilities	12,786	14,634	14,149
Deposits	38,632	44,216	42,694
Other liabilities	11,609	13,287	12,638
Payables to financial institutions	14,819	16,961	19,625
Other financial liabilities at fair value through profit or loss	1,192	1,364	1,205
Debt issued at amortized cost	44,625	51,076	43,755
Provisions	193	221	225
Deferred tax liabilities	555	635	667
Total liabilities excluding loan capital	**128,008**	**146,512**	**138,443**
Loan capital			
Macquarie Convertible Preference Securities	-	-	-
Subordinated debt at amortized cost	3,149	3,604	3,438
Total loan capital	**3,149**	**3,604**	**3,438**
Total liabilities	**131,156**	**150,116**	**141,881**
Net assets	**10,673**	**12,216**	**12,719**
EQUITY			
Contributed equity	4,424	5,063	5,893
Reserves	722	826	726
Retained earnings	5,068	5,801	5,610
Total capital and reserves attributable to ordinary equity holders of Macquarie Group Limited	**10,214**	**11,690**	**12,229**
Non-controlling interests			
Macquarie Income Securities	342	391	391
Macquarie Income Preferred Securities	68	78	71
Other non-controlling interests	50	57	28
Total equity	**10,673**	**12,216**	**12,719**

[1] Conversions of Australian dollars to U.S. dollars have been made at the noon buying rate on September 30, 2014, which was US$0.8737 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 14	**Mar 14**	**Sep 13**
<u>Per share information</u>			
(Amounts in A$)			
Basic earnings per share (cents per share)	213.3	235.0	149.7
Diluted earnings per share (cents per share)	204.9	224.8	144.6
(Amounts in US$)[1]			
Basic earnings per share (cents per share)	186.4	205.3	130.8
Diluted earnings per share (cents per share)	179.0	196.4	126.3
Number of shares on issue (in millions)	321.2	321.1	339.9
<u>Ratios</u>			
Net loan losses as a percentage of loan assets (annualized %)[2]	0.3	0.5	0.4
Ratio of earnings to fixed charges[3]	1.8x	1.8x	1.6x
Expense/income ratio (%)[4]	73.9	70.9	78.0
Annualized return on equity (%)[5]	12.5	13.5	8.7
Dividend payout ratio (%)	61.8	66.6	67.1

---

1 Conversions of Australian dollars to U.S. dollars for the periods ended September 30, 2014, March 31, 2014 and September 30, 2013 have been made at the noon buying rate on September 30, 2014, March 31, 2014 and September 30, 2013, which were US$0.8737 per A$1.00, US$0.9275 per A$1.00 and US$0.9342 per A$1.00, respectively. See "Exchange rates" for further information on the historical rates of exchange between the Australian dollar and the U.S. dollar.

2 Net loan losses as a percentage of loan assets excludes amounts relating to mortgage securitization special purpose entities. MGL'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.

3 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.

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

5 The profit after income tax attributable to ordinary shareholders expressed as an annualized percentage of the average ordinary equity over the relevant period.

RECENT DEVELOPMENTS

The following are significant recent developments for MGL Group that have occurred since the release of our 2014 Annual U.S. Disclosure Report on May 15, 2014. 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 Group Limited" beginning on page 26 of our 2014 Annual U.S. Disclosure Report and other information posted on MGL's U.S. Investors' Website.

Recent board changes

In addition to the board and management changes described under "Macquarie Group Limited — Board and management changes since the beginning of the 2014 fiscal year" on page 26 of our 2014 Annual U.S. Disclosure Report, Helen Nugent and Peter Kirby retired as Non-Executive Directors from the Boards of MGL and MBL, effective July 24, 2014.

Gordon Cairns was appointed to the Boards of MGL and MBL as a Non-Executive Director, effective November 1, 2014. Mr. Cairns is currently the Chairman of Origin Energy Limited, Quick Service Restaurants and the Origin Foundation. Mr. Cairns has held a range of management and executive roles throughout his career including Chief Executive Officer of Lion Nathan Limited. He is a senior adviser to McKinsey & Co and a director of Opera Australia. Mr. Cairns has extensive experience as a company director, including nine years as a non-executive director of Westpac Banking Corporation, where he served on the Board Risk Management and Remuneration Committees. He has served as a director on the boards of Lion Nathan Australia Limited and Seven Network Australia Limited, and as the Chairman of David Jones Limited and Rebel Group Pty Limited.

Organizational structure

MGL Group's business operations are conducted primarily through two groups, within which our individual businesses operate: the Banking Group and the Non-Banking Group.

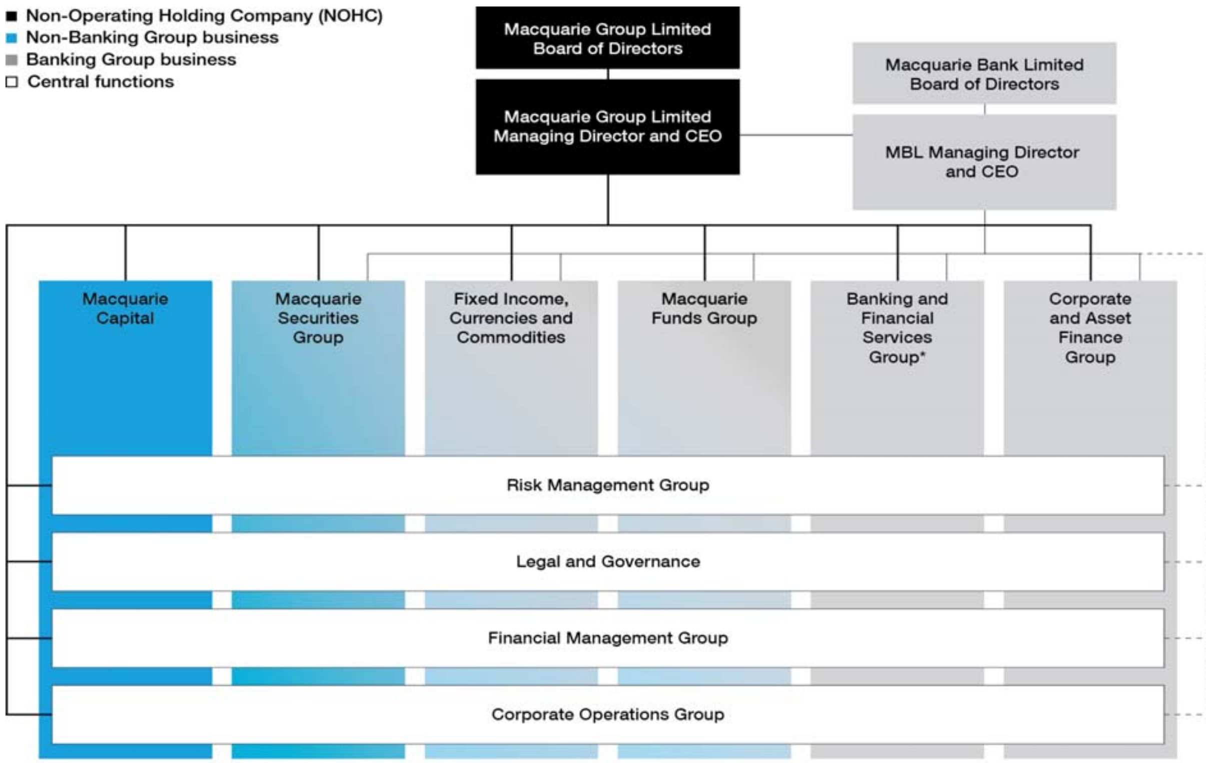
The Banking Group comprises MBL Group and has five operating groups: Corporate & Asset Finance; Banking & Financial Services; Macquarie Funds (excluding the Macquarie Infrastructure and Real Assets division); Fixed Income, Currencies & Commodities (excluding certain assets of the Credit Trading bufsiness and some other less financially significant activities); and Macquarie Securities (excluding the Cash division and the Derivatives division, in each case, in certain jurisdictions).

The Non-Banking Group consists of Macquarie Capital; the Macquarie Infrastructure and Real Assets division of Macquarie Funds; the Cash division and the Derivatives division of Macquarie Securities, in each case, in certain jurisdictions; and certain assets of the Credit Trading business and some other less financially significant activities of Fixed Income, Currencies & Commodities.

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, 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. Items of income and expense within 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.

MBL and MGL have corporate governance and policy frameworks that meet APRA's requirements for ADIs and NOHCs, respectively. The Banking Group and the Non-Banking Group operate as separate sub-groups within MGL with clearly identifiable businesses, separate capital requirements and discrete funding programs. For further information on MGL's and MBL's liquidity and funding, see the discussion in section 5.0 of our 2015 Half Year Management Discussion and Analysis Report. Although the Banking Group and the Non-Banking Group operate as separate sub-groups, both are integral to MGL Group's identity and strategy as they assist MGL Group in continuing to pursue value adding and diversified business opportunities while meeting its obligations under APRA rules.

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



As at 1 July 2014
**The current Group Head of BFS is also the Deputy Group CEO.*

MGL will continue to monitor and review the appropriateness of the MGL structure, including the provision of shared services. From time to time, the optimal allocation of our businesses between the Banking Group and the Non-Banking Group and within the Banking Group and the Non-Banking Group may be adjusted and 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 Group Limited — Our key strengths" on page 29 of our 2014 Annual U.S. Disclosure Report.

At September 30, 2014, MGL had total regulatory capital of A$13.2 billion, including A$2.5 billion of capital in excess of MGL Group's current minimum APRA regulatory requirement (calculated at the internal minimum Tier 1 ratio of the Banking Group, which is 7.0%) on a Basel III basis. On a pro forma basis, including A$429 million of "Macquarie Bank Capital Notes" issued on October 8, 2014 ("BCN") which are eligible for inclusion as Additional Tier 1 Capital, MGL had total regulatory capital of A$13.7 billion, including A$1.8 billion of capital in excess of MGL Group's minimum APRA regulatory requirement, which will come into effect on January 1, 2016 (calculated at 8.5% of the Banking Group's RWA. The 8.5% represents the Basel III minimum Tier 1 ratio of 6% plus 2.5% of capital conservation buffer, per the minimum requirements in the APRA Prudential Standard APS110 which will come into effect January 1, 2016) or A$2.9 billion (calculated at the internal minimum Tier 1 ratio of the Banking Group, which is 7.0%), in excess of MGL Group's minimum APRA regulatory requirement on a Basel III basis. For further information, refer to the discussion under the heading "Regulation and Supervision — APRA" on page 49 of our 2014 Annual U.S. Disclosure Report. MGL 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, 2014, see our 2015 Half Year Management Discussion and Analysis Report.

Our strategy

Our strategy is set out under "Macquarie Group Limited — Our strategy" on page 31 of our 2014 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 MGL 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 MGL products to clients around the world. See "— Overview of MGL Group — Regional activity" below for further information on MGL's performance across its key geographical regions.

Trading conditions and market update

The half year ended September 30, 2014 was characterized by mixed trading conditions for MGL's capital markets-facing businesses. Macquarie Securities was impacted by subdued secondary equity and derivative market volumes across most regions. Macquarie Capital benefited from the continued global improvement in mergers and acquisitions and equity capital markets activity. Fixed Income, Currencies & Commodities experienced mixed market conditions across its business. Subdued mining equity markets and low prices in metals and bulk commodities continued to impact the timing of asset realizations and new project financings. Lower levels of volatility in base and precious metals markets impacted client hedging and trading activity. Foreign exchange markets experienced increased volatility, leading to improved trading conditions. Debt origination and securitization business deal flow remained steady in Australia and continued to increase in Europe, the Middle East and Africa. The credit environment was mixed, influenced by downward rate movements, liquidity volatility driven by investor risk appetite and general global uncertainty, while there was increased client demand for high yield products.

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, 2014, see our 2015 Half Year Management Discussion and Analysis Report for further information.

Overview of MGL Group

At September 30, 2014, MGL employed 14,138 staff, had total assets of A$162.3 billion and total equity of A$12.2 billion. For the half year ended September 30, 2014, our net operating income was A$4.3 billion and profit after tax attributable to ordinary equity holders was A$678 million, with 65% of our net operating income (excluding earnings on capital and other corporate items) derived from international income.

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, 2014 and 2013.

Net operating income of MGL Group by operating group for the half years ended September 30, 2014 and 2013[1]

	Half year ended		
	Sep 14	**Sep 13**	**Movement**
	A$m	**A$m**	**%**
Macquarie Funds	1,239	907	37
Corporate & Asset Finance	688	578	19

	Half year ended		
	Sep 14	Sep 13	Movement
	A$m	A$m	%
Banking & Financial Services	665	667	(<1)
Macquarie Securities	431	436	(1)
Macquarie Capital	439	372	18
Fixed Income, Currencies & Commodities	725	653	11
Total net operating income by operating group	**4,187**	**3,613**	16
Corporate[2]	111	66	68
Total net operating income	**4,298**	**3,679**	17

[1] For further information on our segment reporting, see our 2015 Half Year Management Discussion and Analysis Report and Note 3 to our 2015 interim financial statements.

[2] 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 MGL Group by operating group for the half years ended September 30, 2014 and 2013[1]

	Half year ended		
	Sep 14	Sep 13	Movement
	A$m	A$m	%
Macquarie Funds	785	500	57
Corporate & Asset Finance	468	396	18
Banking & Financial Services	141	111	27
Macquarie Securities	17	71	(76)
Macquarie Capital	150	101	49
Fixed Income, Currencies & Commodities	250	203	23
Total contribution to profit by operating group	**1,811**	**1,382**	31
Corporate[2]	(1,133)	(881)	29
Net profit after tax	**678**	**501**	35

[1] For further information on our segment reporting, see our 2015 Half Year Management Discussion and Analysis Report and Note 3 to our 2015 interim financial statements.

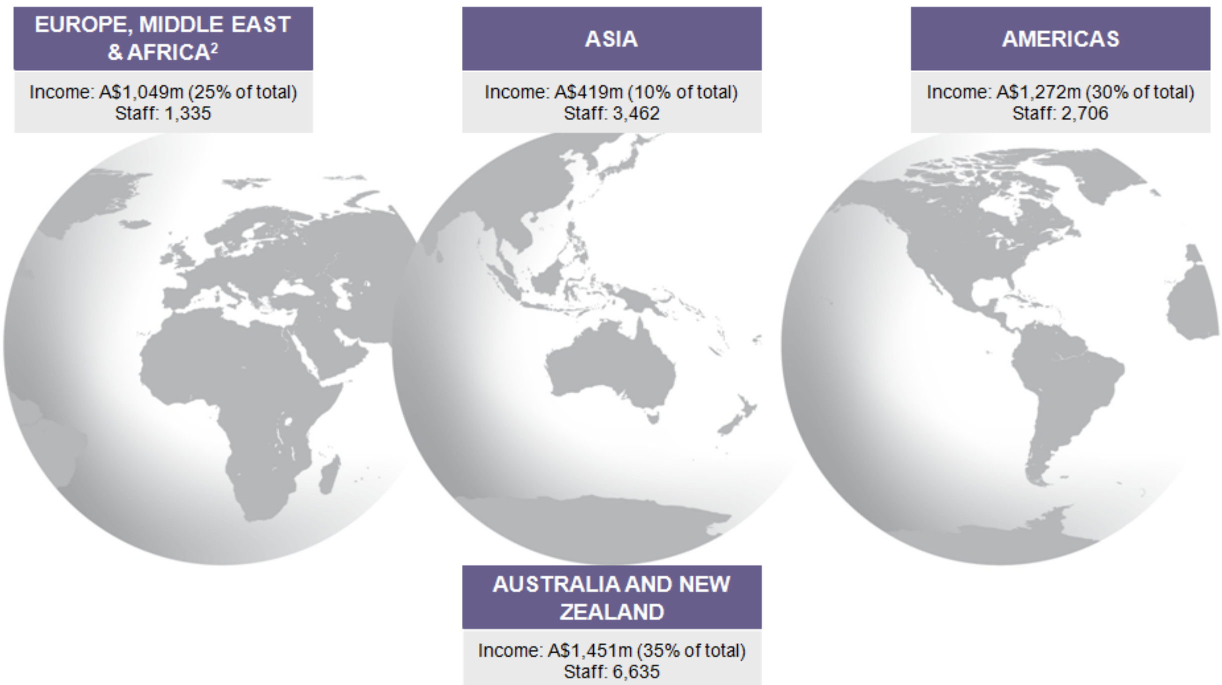
[2] The Corporate segment includes earnings on capital, group treasury operations, earnings from certain legacy assets and businesses, certain corporate costs not recharged to operating businesses, employment related costs, income tax expense, profit attributable to non-controlling interests and internal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

Regional activity

At September 30, 2014, MGL Group employed 14,138 staff globally and conducted its operations in 28 countries. For the half year ended September 30, 2014, MGL Group generated 65% of its net operating income (excluding earnings on capital and other corporate items) outside Australia.

The chart below shows MGL Group's international income by region in the half year ended September 30, 2014.

International income of MGL Group[1] by region for the half year ended September 30, 2014.



1 International income comprises net operating income excluding earnings on capital and other corporate items. For further information on our segment reporting, see section 3.0 of our 2015 Half Year Management Discussion and Analysis Report and Note 3 to our 2015 interim financial statements.

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

Australia and New Zealand. MBL Group, the predecessor of MGL Group, has its origins as the merchant bank Hill Samuel Australia Limited, created in 1969 as a wholly-owned subsidiary of Hill Samuel & Co. Limited, London, and began operations in Sydney in January 1970 with only three staff. As at September 30, 2014, MGL Group employed over 6,600 staff across Australia and New Zealand. In the half year ended September 30, 2014, Australia and New Zealand contributed A$1.5 billion (35%) of our net operating income (excluding earnings on capital and other corporate items) as compared to A$1.2 billion (34%) in the half year ended September 30, 2013.

Americas. MGL Group has been active in the Americas for 20 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, FPK, Tristone, and Constellation Energy, and the growth of our Energy Trading and Credit Trading businesses. As at September 30, 2014, MGL Group employed over 2,700 staff across the United States, Canada, Mexico and Brazil. In the half year ended September 30, 2014, the Americas contributed A$1.3 billion (30%) of our net operating income (excluding earnings on capital and other corporate items) as compared to A$1.2 billion (32%) in the half year ended September 30, 2013.

Asia. MGL Group has been active in Asia for almost 20 years, when we established our first office in Hong Kong in 1995. As at September 30, 2014, MGL Group employed over 3,400 staff across China, Hong Kong, India, Indonesia, Japan, South Korea, Malaysia, the Philippines, Singapore, Taiwan and Thailand. MGL has expanded the regional investment and product platforms of Macquarie Funds, Corporate & Asset Finance as well as Fixed Income, Currencies & Commodities, which had established an Asian regional "hub" in Singapore in the 2011 fiscal year. In the half year ended September 30, 2014, Asia contributed A$419 million (10%) of our net operating income (excluding earnings on capital and other corporate items) as compared to A$485 million (13%) in the half year ended September 30, 2013.

Europe, Middle East & Africa. MGL Group has been active in Europe since the late 1980s, in Africa since 2000 and the Middle East since 2005. As at September 30, 2014, MGL Group employed over 1,300 staff across the United Kingdom, Germany, France, Luxembourg, the Netherlands, Sweden, Austria, Switzerland, South Africa, Abu Dhabi and Dubai. In the half year ended September 30, 2014, Europe, Middle East & Africa contributed A$1.0 billion (25%) of our net operating income (excluding earnings on capital and other corporate items) as compared to A$741 million (21%) in the half year ended September 30, 2013.

For further information on our segment reporting, see section 3.0 of our 2015 Half Year Management Discussion and Analysis Report and Note 3 to our 2015 interim financial statements.

Recent developments within MGL Group

Macquarie Capital

Macquarie Capital is the primary business in the Non-Banking Group.

Macquarie Capital contributed A$150 million to MGL Group's net profit for the half year ended September 30, 2014 and, as at September 30, 2014, had over 1,100 staff operating across more than 20 countries, including Australia, United States, United Kingdom, Canada, Hong Kong, South Korea, Singapore and China. For further information on Macquarie Capital's results of operation and financial condition for the half year ended September 30, 2014, see section 3.6 of our 2015 Half Year Management Discussion and Analysis Report.

In the half year ended September 30, 2014, Macquarie Capital was involved in 219 transactions with an aggregate deal value of approximately A$63 billion. Significant transactions that Macquarie Capital was involved in during the half year ended September 30, 2014 included Queensland Investment Corporation's A$7 billion sale of Queensland Motorways; Sompo Japan's US$967 million acquisition of Canopius, a Lloyd's of London insurance group; Covanta Energy's financing of the approximately €500 million Dublin Waste-to-Energy project; and Amaya Gaming Group Inc.'s US$4.9 billion acquisition of Rational Group.

For further information on Macquarie Capital, its divisions and products, see "Macquarie Group Limited — Operating groups — Macquarie Capital" beginning on page 36 of our 2014 Annual U.S. Disclosure Report.

Fixed Income, Currencies & Commodities

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$250 million to MGL Group's net profit for the half year ended September 30, 2014 and, as at September 30, 2014, had over 900 staff operating across 14 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, 2014, see section 3.7 of our 2015 Half Year Management Discussion and Analysis Report.

During the half year ended September 30, 2014, the Commodities Markets division established a Wholly Foreign Owned Enterprise ("*WFOE*"), Macquarie Commodities Trading (Shanghai) Co., Ltd, in the Shanghai Free Trade Zone in China. In addition, the Energy Markets division maintained its ranking by Platts as the No.4 US physical gas marketer in North America.

For further information and a description of the divisions within Fixed Income, Currencies & Commodities and their respective activities, see "Macquarie Group Limited — Operating groups — Fixed Income, Currencies & Commodities" beginning on page 37 of our 2014 Annual U.S. Disclosure Report.

Macquarie Securities

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 clearing and settlement services in Australia) and the Non-Banking Group (in respect of the Cash division's activities in jurisdictions other than Hong Kong and Australia). Generally, the Derivatives division's activities, which include sales of retail and corporate derivatives, volatility trading, market making, 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.

Macquarie Securities contributed A$17 million to MGL Group's net profit for the half year ended September 30, 2014 and, as at September 30, 2014, had over 1,000 staff operating across 19 countries, including Australia, Canada, China, Germany, India, Indonesia, Japan, South Korea, Malaysia, New Zealand, the Philippines, Singapore, South Africa, Switzerland, Taiwan, Thailand, 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 section 3.5 of our 2015 Half Year Management Discussion and Analysis Report.

During the half year ended September 30, 2014, Macquarie Securities continued the wind-down of certain of its legacy businesses, including in particular, its structured products businesses in Asia and Europe due to unfavorable market conditions. During June 2014, Macquarie Securities closed its retail equity structured products business in Asia.

In addition, during the half year ended September 30, 2014, Macquarie Securities has continued its investment in technology to support the ongoing additional regulatory compliance requirements of the business, including in particular, increased reporting requirements to various regulators in the changing financial services environment.

For further information and a description of the divisions within Macquarie Securities and their respective activities, see "Macquarie Group Limited — Operating groups — Macquarie Securities" beginning on page 39 of our 2014 Annual U.S. Disclosure Report.

Banking & Financial Services

Banking & Financial Services is in the Banking Group and comprises MGL 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$141 million to MGL Group's net profit for the half year ended September 30, 2014 and, as at September 30, 2014, had over 2,500 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, 2014, see our 2015 Half Year Management Discussion and Analysis Report.

Cash deposits continued to be a major focus of Banking & Financial Services, with retail cash deposits growing from A$33.3 billion at March 31, 2014 to A$35.3 billion at September 30, 2014. This was primarily due to increased Macquarie Cash Management Account deposits and at call deposits.

Banking & Financial Services' Australian mortgages business has grown from A$17.0 billion at March 31, 2014 to A$19.8 billion at September 30, 2014. Banking & Financial Services intends to continue to grow its Australian mortgage portfolio through organic growth, while continuing to assess acquisition opportunities as they arise. Macquarie platform assets under administration increased from A$40.3 billion at March 31, 2014 to A$41.7 billion at September 30, 2014. In addition, Macquarie Life insurance inforce premiums have grown from A$190 million at March 31, 2014 to A$207 million at September 30, 2014.

During the half year ended September 30, 2014, Banking & Financial Services signed an agreement as credit card issuing partner for the Woolworths Money Everyday and Woolworths Money Qantas Credit Cards.

During the half year ended September 30, 2014, Banking & Financial Services has continued its investment in technology projects to support business growth, including in particular, the implementation of a new Core Banking system.

For further information on Banking & Financial Services' results of operation and financial condition for the half year ended September 30, 2014 see section 3.4 of our 2015 Half Year Management Discussion and Analysis Report.

For further information and a description of the divisions within Banking & Financial Services and their respective activities, see "Macquarie Group Limited — Operating groups — Banking & Financial Services" beginning on page 40 of our 2014 Annual U.S. Disclosure Report.

Macquarie Funds

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$785 million to MGL Group's net profit for the half year ended September 30, 2014, and as at September 30, 2014, had over 1,400 staff operating across 22 countries across Australia, the Americas, Europe and Asia. As at September 30, 2014, Macquarie Funds had Assets under Management of A$423 billion. For further information on Macquarie Funds' results of operation and financial condition for the half year ended September 30, 2014, see section 3.2 of our 2015 Half Year Management Discussion and Analysis Report.

In the Non-Banking Group, Macquarie Funds continued its focus on investing capital strategically across the globe during the half year ended September 30, 2014, by raising A$4.1 billion in new equity commitments, investing A$3.4 billion in equity across 15 acquisitions in 9 countries and divesting managed assets of A$2.4 billion, including 8 infrastructure assets in Europe and the United States.

In the Banking Group, Macquarie Funds launched a number of new products and continued to strengthen the global distribution team and to grow the infrastructure debt management business. In addition, it created the Jackson Square Partners joint venture, which is jointly owned by Delaware Investments and its former Focus Growth investments team, and acts as a sub-adviser to Delaware Investments' mutual funds, other pooled vehicles and separately managed accounts. Macquarie Funds also completed the sale of the Macquarie Investment Management Private Markets business to its management. Collectively, the creation of Jackson Square Partners and the sale of the Macquarie Investment Management Private Markets business reduced Macquarie Funds' Assets under Management by A$22 billion.

In April 2014, Macquarie Funds received a discretionary investment management license from the Ministry of Finance in Japan that allows Macquarie Investment Management (Banking Group) and Macquarie Infrastructure and Real Assets (Non-Banking Group) to conduct direct business with Japanese pension funds via the Macquarie Asset Management Japan, Co. entity. The license carries a minimum regulatory capital requirement of JPY50 million.

For further information and a description of the divisions within Macquarie Funds, see "Macquarie Group Limited — Operating groups — Macquarie Funds" beginning on page 41 of our 2014 Annual U.S. Disclosure Report.

Corporate & Asset Finance

Corporate & Asset Finance is in the Banking Group and provides innovative and traditional capital, finance and related services to clients operating in selected international markets. Corporate & Asset Finance has broad, specialist asset finance and corporate debt capabilities across aircraft, motor vehicles, technology, healthcare, manufacturing, industrial, energy, rail and mining equipment.

Corporate & Asset Finance contributed A$468 million to MGL Group's net profit for the half year ended September 30, 2014 and, as at September 30, 2014, had over 1,000 staff operating across 17 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, 2014, see section 3.3 of our 2015 Half Year Management Discussion and Analysis Report.

At September 30, 2014, Corporate & Asset Finance managed lease and loan assets of A$27.5 billion, which represents an increase of 8% from A$25.5 billion at March 31, 2014. The asset finance portfolio of A$17.5 billion increased 5% from A$16.6 billion at March 31, 2014, mostly driven by growth in the motor vehicle portfolio and aircraft acquisitions. The mining, rail and technology businesses continued to perform well, with volumes in line with March 31, 2014.

The funded loan portfolio of A$10.0 billion at September 30, 2014 increased 12% from A$9.0 billion at March 31, 2014, largely driven by net acquisitions. During the half year ended September 30, 2014, there were A$2.0 billion of portfolio additions, comprising A$1.2 billion of new primary financings across corporate and real estate, weighted towards customized originations, A$0.6 billion of corporate loans and similar assets acquired in the secondary market and A$0.2 billion of commercial real estate loans acquired in the secondary market. Notable transactions included the £76.5 million financing of a portfolio of 47 hospitality properties on long-term leases to Spirit, the provision of US$150 million funding to Vertex Pharmaceutical and the €294 million acquisition of a German residential mortgage portfolio. Corporate & Asset Finance believes that asset quality remained sound and the portfolio continued to generate strong overall returns.

For further information on Corporate & Asset Finance's businesses, see "Macquarie Group Limited — Operating groups — Corporate & Asset Finance" beginning on page 42 of our 2014 Annual U.S. Disclosure Report.

Recent developments within the Corporate segment of MGL Group

Corporate

Items of income and expense within 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.

Corporate contributed a net loss of A$1,133 million to MGL Group's net profit for the half year ended September 30, 2014 and, as at September 30, 2014, had over 5,900 staff operating across all countries in which MGL operates. Headcount has increased across support functions during the half year ended September 30, 2014 as a result of investment in technology platforms and increased regulatory compliance requirements, primarily in Australia.

For further information on Corporate's results of operation and financial condition for the half year ended September 30, 2014, see section 3.8 of our 2015 Half Year Management Discussion and Analysis Report.

For further information about Macquarie Funds, see "Macquarie Group Limited — Operating groups — Corporate" beginning on page 43 of our 2014 Annual U.S. Disclosure Report.

Funds management business

For a description of MGL Group's funds management businesses, see "Macquarie Group Limited — Funds management business" beginning on page 43 of our 2014 Annual U.S. Disclosure Report.

Assets under Management

For a description of MGL Group's funds management fee income, see "Macquarie Group Limited — Funds management business — Assets under Management" beginning on page 44 of our 2014 Annual U.S. Disclosure Report. MGL Group's policy is to recognize a performance fee only once the fee can be reliably measured and the risk of not receiving the fee is highly improbable. The timing and quantum of these fees are therefore unpredictable, can require significant judgment and will vary depending on the specific factors relevant for each fund.

For further information on MGL Group's income from funds management for the half year ended September 30, 2014, see section 2.2 of our 2015 Half Year Management's Discussion and Analysis Report and for further information on MGL Group's Assets under Management for the half year ended September 30, 2014, see section 7.1 of our 2015 Half Year Management Discussion and Analysis Report.

Equity under Management

For further information on MGL Group's Equity under Management for the half year ended September 30, 2014, see section 7.2 of our 2015 Half Year Management Discussion and Analysis Report.

Legal proceedings and other provisions

In the half year ended September 30, 2014, both proceedings commenced by ASIC against a number of banking institutions, including MBL, in relation to Storm, were resolved without any adverse findings against MBL. For further information, refer to the discussion under the heading "Macquarie Group Limited — Legal proceedings and regulatory matters — Legal proceedings" on page 45 of our 2014 Annual U.S. Disclosure Report.

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 18 to our 2015 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.

Revenue authorities undertake risk reviews and audits as part of their normal activities. MGL Group is currently subject to risk review and audit by the ATO. In prior years, MGL received amended assessments from the ATO. A number of these matters have been resolved. MGL has not received any amended assessments from the ATO in the half year ended September 30, 2014. In accordance with ATO practice, MGL has paid a portion of the primary tax and interest in respect of the unresolved amended assessments, pending resolution, and this amount has been included in our 2015 interim financial statements as part of tax receivables. See Note 4 to our 2015 interim financial statements for further information. In addition, MGL Group also carries a provision for tax uncertainties that arise due to the complex nature of tax law and revenue authority regulation in the countries in which MGL conducts its business and reviews such tax uncertainties and provisions periodically. We have assessed those matters which have been identified in such reviews and audits, as well as other taxation claims and litigation, including seeking independent advice as necessary, and consider that MGL Group currently holds appropriate provisions.

Competition

For a description of the competition MGL Group faces in the markets in which it operates, see "Macquarie Group Limited — Competition" beginning on page 45 of our 2014 Annual U.S. Disclosure Report.

Regulatory and supervision developments

A description of MGL Group's principal regulators and the regulatory regimes that MGL 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 49 of our 2014 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 and regulatory policy or unintended consequences from such changes and increased 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 17, respectively, of our 2014 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, the United States, the United Kingdom and other jurisdictions for MGL Group that have occurred since the release of our 2014 Annual U.S. Disclosure Report on May 15, 2014.

Australia

APRA's prudential supervision - Capital requirements for the supervision of conglomerates

In August 2014, APRA issued its planned framework for the supervision of conglomerate groups ("*Level 3 groups*"), which includes the MGL Group, although APRA has deferred its final implementation until the recommendations of the Financial System Inquiry are known (see further "*– Financial System Inquiry*" below), and the Australian Government's response to them, has been announced.

The impact of this framework is subject to consultation with APRA, with our current assessment being that MGL has sufficient capital to meet the minimum APRA capital requirements for Level 3 groups. However, it is not possible to predict how APRA will implement, or how the Australian Government's response to the Financial System Inquiry will affect, these rules and, in particular, how these matters will impact the capital structure or businesses of the MGL Group.

RBA's release of legal documentation for a Committed Liquidity Facility

In September 2014, the RBA released legal documentation for a Committed Liquidity Facility ("*CLF*"), including the terms and conditions of the CLF ("*CLF Terms and Conditions*"). The commitment of the RBA under a CLF to the relevant participating ADI ("*CLF participant*") will be available on and from January 1, 2015, with the applicable commitment fee set at 0.15%.

If there is any failure of, or breach by, the RBA in respect of a CLF, the liability of the RBA to the relevant CLF participant in respect of claims the CLF is expressly limited and, notwithstanding such limitations, is capped at A$50 million in aggregate.

Amounts owing to the RBA in respect of a CLF by the relevant CLF participant (which may include, without limitation, fees due but unpaid and amounts owing under an indemnity provided by the CLF participant under the CLF Terms and Conditions) may, in a winding-up of the CLF Participant, be mandatorily preferred over other debts of the CLF Participant (including, pursuant to section 13A(3)(d) of the Australian Banking Act and section 86 of the Reserve Bank Act 1959 of Australia).

ASIC

On January 29, 2013, Macquarie Equities Limited (a subsidiary of MBL) agreed an Enforceable Undertaking ("*EU*") with ASIC. The EU raised concerns about the effectiveness of compliance within Macquarie Private Wealth ("*MPW*"), in particular processes, controls and systems previously in place such as recordkeeping, monitoring and supervision. MPW is MGL's retail financial advice business within Banking & Financial Services and is primarily engaged in retail broking and equities advice. MGL acknowledged ASIC's concerns within the EU.

MPW has completed three of the four phases of the EU implementation program, which is subject to independent oversight by ASIC and an Independent Expert, KPMG. The fourth and final phase is ongoing, with continued investment in new technology tools to support supervision and monitoring of advisers. A client remediation approach has also commenced based on the consistent application of the Financial Ombudsman Service principles and is subject to oversight by Deloitte and ASIC.

Financial System Inquiry

The Australian Government is currently undertaking a review of the Australian financial system, called the Financial System Inquiry. The Financial System Inquiry has released an interim report containing a number of observations and potential policy options but has not made any recommendations for policy changes at this stage. The Financial System Inquiry's final report is currently expected to be released before the end of 2014. At this stage, it is not possible to predict with any certainty the impact that the Financial System Inquiry will have or the reforms that may be adopted by the Australian Government and, in particular, their impact on the capital structure or businesses of MGL, however, such new requirements could have a material effect on our business. See "Risk Factors – Many of our businesses are highly regulated and we could be adversely affected by temporary and permanent changes in regulations and regulatory policy or unintended consequences from such changes and increased compliance requirements, particularly for financial institutions, in the markets in which we operate" in our 2014 Annual Disclosure Report.

United States

The CFTC continues to issue final and proposed regulations, statements of guidance and no-action letters that may affect certain members of the MGL Group. As a non-U.S. swap dealer registered with the CFTC, MGL currently benefits from relief from an obligation to report to the CFTC swaps with non-U.S. persons. This relief is due to expire on December 1, 2014. We currently expect the CFTC to extend this relief, or provide similar relief. This expectation is based on, among other factors, the relief having been provided to permit the CFTC to conduct an assessment as to the equivalence of Australia's transaction reporting regime, which has not yet been completed. Despite this, the timing and content of any potential extension, or a substituted compliance determination, is uncertain. The expiration of this relief without an extension would require MGL to comply with rules that it might not be able to satisfy immediately. See "Regulation and Supervision – International – United States" in our 2014 Annual U.S. Disclosure Report for further information.

United Kingdom

The PRA and the FCA have announced major changes that are to be made to the way individuals working for PRA supervised firms, including MBIL and MBL LB, are assessed and held accountable for the roles they perform. The changes are in response to perceived shortcomings in behavior and culture within firms following the financial crisis and recent conduct scandals. The changes are significant and will introduce (i) a new Senior Managers Regime which will clarify the lines of responsibility at the top of banks, enhance the regulator's ability to hold senior individuals accountable and require banks to regularly evaluate their senior managers for fitness and propriety; (ii) a Certification Regime requiring firms to assess the fitness and propriety of certain employees who could pose a risk of significant harm to the firm or any of its customers; and (iii) a new set of "conduct" rules setting out high level principles and standards of behavior that will apply to all bank employees except those in ancillary service functions such as IT and catering. The FCA/PRA consultation period on such rules is due to close at the end of October 2014 with the new rules due to come into force at the beginning of 2015 and compliance required by mid 2015.

MALL and MEFL are required to apply for full consumer credit authorization between August 1, 2015 and October 31, 2015 as notified to them by the FCA. A full license will be required to continue our consumer credit activities. In the meantime, the FCA has granted MALL and MEFL an interim license with effect from April 1, 2014 (being the date when the FCA took over as the regulatory body for consumer credit).

European Union Financial Transaction Tax ("FTT")

On May 6, 2014, a joint statement was issued by ten of the participating Member States of the European Union which indicated an intention to implement the FTT in stages so that the initial stage would be implemented by January, 1, 2016 and would only relate to shares and certain derivatives.

Other regulators

In April 2014, Macquarie Funds received a discretionary investment management license from the Ministry of Finance in Japan that allows Macquarie Investment Management (Banking Group) and Macquarie Infrastructure and Real Assets (Non-Banking Group) to conduct direct business with Japanese pension funds via the Macquarie Asset Management Japan, Co. entity. The license carries a minimum regulatory capital requirement of JPY50 million.

In June 2014, MGL's WFOE business application was approved by the Ministry for Commerce in China. Registration and operation of WFOEs are governed by the Wholly Foreign Owned Enterprise Law of the People's Republic of China.

Additional financial disclosures for the half year ended September 30, 2014

Euro-zone exposures

This table includes MGL 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.

MGL 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.

Financial instrument	As at Sep 30, 2014			
		Non sovereign exposure		
	Sovereign exposure	Financial institutions	Corporate	Total exposure
	A$m	A$m	A$m	A$m
Italy				
Loans, receivables & commitments[1]	-	-	29.4	29.4
Derivative assets[2]	-	-	16.5	16.5
Italy totals	-	-	**45.9**	**45.9**
Spain				
Loans, receivables & commitments[1]	-	0.9	103.9	104.8
Traded debt securities	-	-	8.0	8.0
Derivative assets[2]	-	-	1.6	1.6
Spain totals	**-**	**0.9**	**113.5**	**114.4**
Portugal				
Loans, receivables & commitments[1]	-	1.6	32.5	34.1
Traded debt securities	-	-	27.2	27.2
Derivative assets[2]	-	-	-	-
Portugal totals	-	**1.6**	**59.7**	**61.3**
Ireland				
Loans, receivables & commitments[1]	0.2	1.0	148.5	149.7
Derivative assets[2]	-	-	7.3	7.3
Traded debt securities	-	-	23.2	23.2
Ireland totals	**0.2**	**1.0**	**179.0**	**180.2**
Greece				
Loans, receivables & commitments[1]	-	-	34.3	34.3
Derivative assets[2]	-	-	0.9	0.9
Greece totals	-	-	**35.2**	**35.2**
Cyprus				
Loans, receivables & commitments[1]	-	-	-	-
Derivative assets[2]	-	-	-	-
Cyprus totals	-	-	-	-
Total exposure	**0.2**	**3.5**	**433.3**	**437.0**

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.

In addition, during the half year ended September 30, 2014, the political situation in Russia and Ukraine negatively affected market sentiment toward those countries. As of September 30, 2014, MGL's total credit and market exposure to Russia and Ukraine was not material.

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

Investors should refer to our 2015 Half Year Management Discussion and Analysis Report for a comparative discussion and analysis of our results of operation and financial condition for the half year ended September 30, 2014 compared to the half year ended September 30, 2013, along with other balance sheet, capital and liquidity disclosures as at and for the half year ended September 30, 2014, which is posted on MGL's U.S. Investors' Website. Such information should be read in conjunction with the discussion under "Management's Discussion and Analysis of Results of Operation and Financial Condition" beginning on page 62 of our 2014 Annual Disclosure Report.

Recent developments post September 30, 2014

On October 8, 2014, MBL issued approximately A$429 million of BCN. BCN are convertible subordinated notes that are included as Additional Tier 1 Capital for MBL. Subject to various conditions, BCN are callable on March 24, 2020, September 24, 2020 and March 24, 2021, and if still in force, will be mandatorily exchanged for a variable number of MGL ordinary shares on March 24, 2023.

On October 27, 2014, MBL issued US$1.75 billion Senior Medium Term Notes under its Rule 144A/Regulation S Medium Term Note Program.

Half year ended September 30, 2014 compared to half year ended September 30, 2013

See sections 1.0 – 8.0 of our 2015 Half Year Management Discussion and Analysis Report for a discussion of our results of operation and financial condition for the half year ended September 30, 2014, which has been incorporated by reference herein.

MACQUARIE