Macquarie Group Limited

(ABN 94 122 169 279)

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

Dated: November 11, 2011

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CERTAIN DEFINITIONS

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

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

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

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

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

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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

- macroeconomic conditions in the global debt and equity markets;
- the effect of, and changes in, laws, regulations, taxation or accounting standards or practices, and government policy, including as a result of the regulatory proposals for reform of the banking, life insurance and funds management industries in Australia and the other countries in which we conduct our operations or which we may enter in the future;
- changes in market liquidity and investor confidence;
- inflation, interest rate, exchange rate, market and monetary fluctuations;
- our ability to deal effectively with an economic slowdown or other economic or market difficulty;
- our ability to complete, integrate or process acquisitions, dispositions, mergers and other significant corporate transactions;
- our ability to effectively manage our growth;
- the performance of funds and other assets we manage;
- 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 MGL and the Non-Banking Group;
- our ability to return capital or borrow from our subsidiaries;
- the impact of asset sales on our long-term business prospects;
- our ability to maintain or to increase market share and control expenses;
- the timely development of and acceptance of new products and services, the perceived overall value of these products and services by users, and the extent to which products and services previously sold by us require us to incur liabilities or absorb losses not contemplated at their initiation or origin;

- technological changes instituted by MGL, its counterparties or competitors;
- the ability of MGL 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 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 8 of our 2011 Annual U.S. Disclosure Report. Other factors are discussed under "Management's discussion and analysis of interim results of operation and financial condition" in this Report and in the "Management's discussion and analysis of results of operation and financial condition" in the 2011 Annual U.S. Disclosure Report.

EXCHANGE RATES

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. Since September 30, 2010, when the noon buying rate for Australian dollars into U.S. dollars was US$0.9640 per A$1.00, the Australian dollar has remained volatile. From October 1, 2010 to September 30, 2011, the noon buying rate of the Australian dollar into the U.S. dollar fluctuated from a low of US$0.9594 per A$1.00 to a high of US$1.1026 per A$1.00. Unless otherwise indicated, conversions of Australian dollars to U.S. dollars in this Report have been made at the noon buying rate at the close of business on September 30, 2011, which was US$0.9744 per A$1.00. The noon buying rate at the close of business on November 4, 2011, was US$1.0358 per A$1.00.

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

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

AUSTRALIAN EXCHANGE CONTROL RESTRICTIONS

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

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

FINANCIAL INFORMATION PRESENTATION

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

Recent changes to operating groups and reporting segments

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

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

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

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

Non-GAAP financial measures

We report our financial results in accordance with AGAAP. However, we include certain financial measures and ratios that are not prepared in accordance with AGAAP that we believe provide useful information to users in measuring the financial performance and condition of our business for the reasons set out below. In addition, some of these non-GAAP financial measures are used by 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 xiv of our 2011 Annual U.S. Disclosure Report.

RISK FACTORS

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

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

CAPITALIZATION AND INDEBTEDNESS

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

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

	As at	
	Sep 11	**Sep 11**
	US$m[1]	**A$m**
CAPITALIZATION		
Borrowings[2]		
Debt issued — due greater than 12 months	26,601	27,300
Subordinated debt — due greater than 12 months	2,949	3,026
Total borrowings[3]	**29,550**	**30,326**
Equity		
Contributed equity		
Ordinary share capital	7,060	7,245
Treasury shares	(1,106)	(1,135)
Exchangeable shares	95	98
Reserves	491	504
Retained earnings	4423	4,539
Macquarie Income Preferred Securities	64	66
Macquarie Income Securities	381	391
Other non-controlling interests	55	56
Total equity	**11,463**	**11,764**
TOTAL CAPITALIZATION	**41,013**	**42,090**

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

2 At September 30, 2011, we had A$9.7 billion of secured indebtedness due in greater than 12 months compared to A$9.8 billion at March 31, 2011.

3 Total borrowings do not include our short-term debt securities, including the current portion of long-term debt, or securitizations. Short-term debt totaled A$14.4 billion as at September 30, 2011 and securitizations totaled A$13.0 billion as at September 30, 2011 compared to A$14.1 billion and A$12.8 billion, respectively, as at March 31, 2011.

For details on our short-term debt position as at September 30, 2011, see “Management’s discussion and analysis of interim results of operation and financial condition — Liquidity — Funded assets and funding sources of MGL Group” in this Report.

SELECTED FINANCIAL INFORMATION

Half years ended September 30, 2011 and 2010

The summary consolidated statement of financial position data as at September 30, 2011 and 2010 and income statement data for the half years ended September 30, 2011 and 2010 presented in this Report have been derived from our 2012 interim financial statements which PricewaterhouseCoopers has reviewed but not audited and which, in the opinion of our management, have been prepared on the same basis as our audited consolidated historical financial statements and include all adjustments necessary for a fair statement of our operating results and financial position for those periods and as of those dates. See "Financial information presentation" in this Report for further information. In addition, investors should read the following selected financial information together with the discussion under "Selected financial information" beginning on page 19 of our 2011 Annual U.S. Disclosure Report, "Management's discussion and analysis of interim results of operation and financial condition" in this Report and "Management's discussion and analysis of results of operation and financial condition" beginning on page 56 of our 2011 Annual U.S. Disclosure Report. The summary unaudited financial data for the half year ended September 30, 2011 is not necessarily indicative of our results for the fiscal year ending March 31, 2012 and our historical results are not necessarily indicative of our results for any future period.

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

Income statements

	Half year ended		
	Sep 11	**Sep 11**	**Sep 10**
	US$m[1]	**A$m**	**A$m**
Interest and similar income	2,718	2,789	2,637
Interest expense and similar charges	(2,037)	(2,091)	(2,032)
Net interest income	680	698	605
Fee and commission income	1,721	1,766	1,995
Net trading income	364	374	606
Share of net profits of associates and joint ventures accounted for using the equity method	48	49	85
Other operating income and charges	347	356	370
Net operating income	**3,160**	**3,243**	**3,661**
Employment expenses	(1,610)	(1,652)	(1,896)
Brokerage and commission expenses	(376)	(386)	(441)
Occupancy expenses	(208)	(213)	(237)
Non-salary technology expenses	(145)	(149)	(159)
Other operating expenses	(417)	(428)	(432)
Total operating expenses	**(2,756)**	**(2,828)**	**(3,165)**
Operating profit before income tax	**404**	**415**	**496**
Income tax (expense)/benefit	(104)	(107)	(85)
Profit after income tax	**300**	**308**	**411**
Distributions paid or provided on:			
Macquarie Income Preferred Securities	(2)	(2)	(2)
Macquarie Income Securities	(13)	(13)	(13)
Other non-controlling interests	12	12	7
Profit/(loss) attributable to non-controlling interests	(3)	(3)	(8)
Profit attributable to ordinary equity holders of Macquarie Group Limited	**297**	**305**	**403**

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

Statements of financial position

	As at		
	Sep 11	Sep 11	Sep 10
	US$m[1]	A$m	A$m
ASSETS			
Due from financial institutions	11,230	11,525	9,766
Cash collateral on securities borrowed and reverse repurchase agreements	6,525	6,696	9,266
Trading portfolio assets	14,242	14,616	15,938
Loan assets held at amortized cost	44,669	45,843	45,130
Other financial assets at fair value through profit or loss	9,742	9,998	11,025
Derivative financial instruments – positive values	33,325	34,201	23,430
Other assets	14,577	14,960	11,671
Investment securities available-for-sale	20,788	21,334	18,576
Life investment contracts and other unitholder assets	4,636	4,758	5,047
Interests in associates and joint ventures accounted for using the equity method	2,817	2,891	2,719
Property, plant and equipment	5,002	5,133	2,899
Intangible assets	1,357	1,393	1,411
Deferred income tax assets	1,219	1,251	1,107
Non-current assets and assets of disposal groups classified as held-for-sale	87	89	75
Total assets	**170,216**	**174,688**	**158,060**
LIABILITIES			
Due to financial institutions	9,312	9,557	9,981
Cash collateral on securities lent and repurchase agreements	8,618	8,844	6,482
Trading portfolio liabilities	4,312	4,425	5,811
Derivative financial instruments – negative values	31,415	32,240	24,326
Deposits	37,076	38,050	35,047
Debt issued at amortized cost	41,176	42,258	39,955
Other financial liabilities at fair value through profit or loss	3,249	3,334	3,710
Other liabilities	14,791	15,180	12,973
Current tax liabilities	70	72	94
Life investment contracts and other unitholder liabilities	4,637	4,759	5,069
Provisions	226	232	221
Deferred income tax liabilities	342	351	235
Total liabilities excluding loan capital	**155,224**	**159,302**	**143,904**
Loan capital			
Macquarie Convertible Preference Securities	581	596	593
Subordinated debt at amortized cost	2,803	2,877	1,483
Subordinated debt at fair value through profit or loss	145	149	487
Total loan capital	**3,529**	**3,622**	**2,563**
Total liabilities	**158,753**	**162,924**	**146,467**
Net assets	**11,463**	**11,764**	**11,593**
EQUITY			
Contributed equity			
Ordinary share capital	7,060	7,245	7,063
Treasury shares	(1,106)	(1,135)	(719)
Exchangeable securities	95	98	129

	As at		
	Sep 11	Sep 11	Sep 10
	US$m[1]	A$m	A$m
Reserves	491	504	263
Retained earnings	4,423	4,539	4,325
Total capital and reserves attributable to equity holders of Macquarie Group Limited	**10,963**	**11,251**	**11,061**
Non-controlling interests	500	513	532
Total equity	**11,463**	**11,764**	**11,593**

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

Other financial data

	As at		
	Sep 11	**Mar 11**	**Sep 10**
Per share information			
(Amounts in A$)			
Basic earnings per share (cents per share)	86.6	163.3	119.2
Diluted earnings per share (cents per share)	85.3	158.8	117.1
(Amounts in US$)[1]			
Basic earnings per share (cents per share)	84.4	169.1	114.9
Diluted earnings per share (cents per share)	83.1	164.5	112.9
Number of shares on issue (as at; millions)	348.3	346.8	345.6
Ratios			
Net loan losses as a percentage of loan assets (annualized %)[2]	0.3	0.3	0.6
Ratio of earnings to fixed charges[3]	1.2x	1.4x	1.3x
Expense/income ratio (%)[4]	87.2	80.5	86.5
Return on equity (%)[5]	5.7	10.2	7.4
Dividend payout ratio (%)	73.8	62.7	73.7

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

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. Loan losses in these vehicles are not material.

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

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 2011 Annual U.S. Disclosure Report on May 13, 2011. Investors should be aware that the information set forth in this Report is not complete and should be read in conjunction with the discussion under "Risk factors" beginning on page 8 and under "Macquarie Group Limited" beginning on page 22 of our 2011 Annual U.S. Disclosure Report and other information posted on MGL's U.S. Investors' Website.

Recent Board and management changes

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

- Deputy Managing Director of MGL and Chief Executive Officer of MBL, Richard Sheppard, will retire on December 20, 2011. Mr. Sheppard has been Deputy Managing Director since 1996 and, following the restructure, in 2007 became Chief Executive Officer of MBL;
- MGL Group's current Chief Financial Officer, Greg Ward, will succeed Richard Sheppard as Deputy Managing Director of MGL and Chief Executive Officer of MBL;
- Group Treasurer and Head of Group Treasury, Patrick Upfold (who succeeded Craig Shapiro as Group Treasurer in June 2011), will succeed Greg Ward as Chief Financial Officer. Mr. Upfold joined MGL in 1997 and was appointed an Executive Director in 2002. He has 15 years of experience in finance and financial services. Mr. Upfold is a Fellow of the Institute of Chartered Accountants and holds a Bachelor of Economics;
- Macquarie Capital Group Head, Roy Laidlaw, will retire on March 31, 2012 having joined MGL Group in 2003;
- Executive Committee Member and U.S. Country Head, Tim Bishop, will succeed Roy Laidlaw as Macquarie Capital Group Head. Mr. Bishop joined MGL in 1999 following its acquisition of the Australian investment banking business of Bankers Trust, and was appointed President and Chief Executive Officer of Macquarie Capital (USA) Inc. in January 2008. He has over 17 years of investment banking experience, having joined Bankers Trust in 1991. Mr. Bishop holds a Bachelor of Laws; and
- U.S.-based Fixed Income, Currencies & Commodities Executive Director, Michael McLaughlin, will succeed Tim Bishop as U.S. Country Head and Head of U.S. Management Committee and will join the MGL Group Executive Committee from January 1, 2012.

Share buyback of MGL's ordinary shares

On October 28, 2011, MGL Group announced that it currently plans to apply some of the capital generated from capital efficiency initiatives, including legacy asset sales and businesses in run down, and a potential future hybrid issuance to fund an on-market buyback of up to 10% of MGL's ordinary shares (approximately A$800 million at September 30, 2011), subject to regulatory approval. See "Management's discussion and analysis of interim results of operation and financial condition — Capital analysis — Overview — Share buyback of MGL's ordinary shares" in this Report.

Ratings review

On November 4, 2011, Moody's Investors Services announced that it had placed MGL's A2 and MBL's A1 senior unsecured debt rating and P-1 short term ratings on review for possible downgrade. The review is expected to focus on the outlook for MGL's earnings against a backdrop of protracted weakness in the financial markets, and the extent that this trend may be secular as opposed to cyclical. The review is expected to consider the challenges posed by MGL's expansion, including risk management of an increasingly global and diverse business, as well as greater competition in many global capital markets business lines, among other factors. See "Management's discussion and analysis of interim results of operation and financial condition — Liquidity — Credit ratings" for the credit ratings of MGL and MBL at September 30, 2011.

Organizational structure

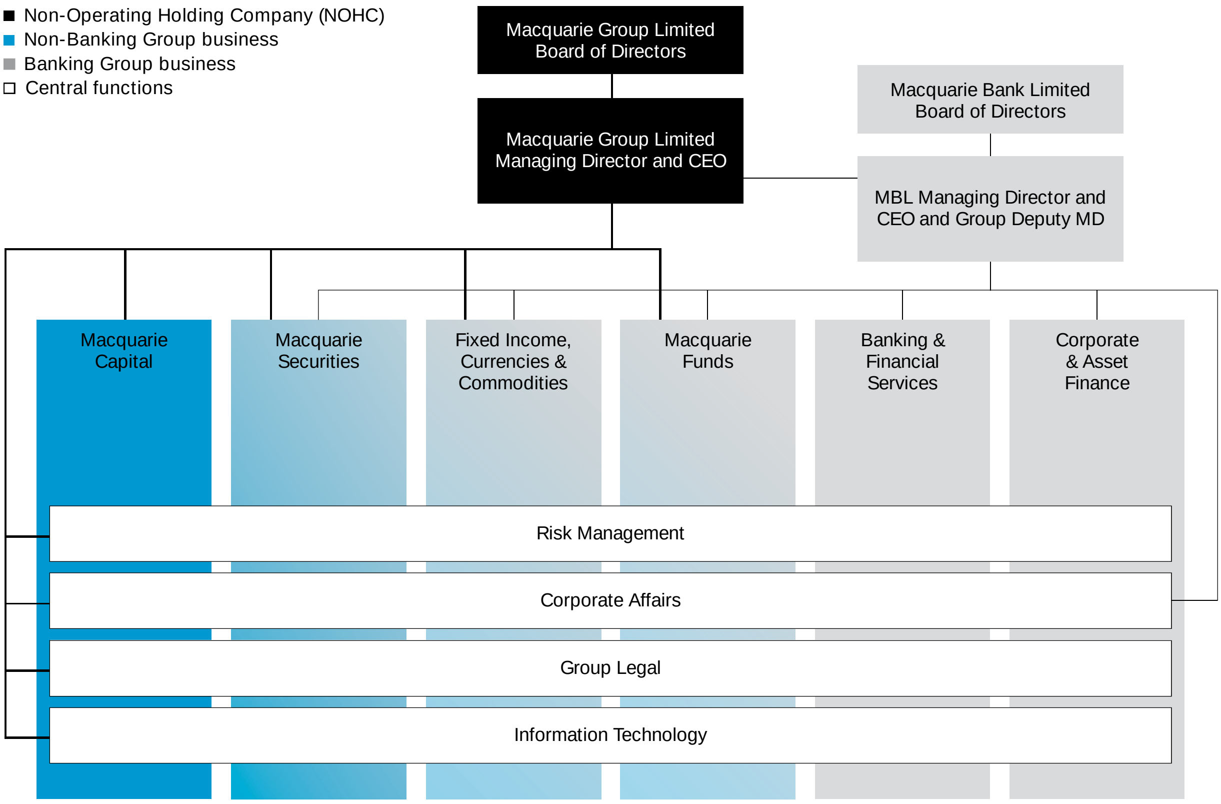
MGL Group's operations are conducted primarily through two groups: the Banking Group and the Non-Banking Group, which include six operating groups and one division, within which individual businesses operate.

The Banking Group comprises MBL Group and has five operating groups: Fixed Income, Currencies & Commodities; Macquarie Securities (excluding the Cash division); Banking & Financial Services; Corporate & Asset Finance and Macquarie Funds (excluding the Macquarie Infrastructure and Real Assets division). MBL Group also has one division: Real Estate Banking.

The Non-Banking Group consists of Macquarie Capital; the Macquarie Infrastructure and Real Assets division of Macquarie Funds; the Cash division of Macquarie Securities and certain less financially significant assets and businesses 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, Corporate Affairs, Group Legal and Information Technology. Shared services include: Risk Management, Finance, Information Technology, Group Treasury, Settlement Services, Equity Markets Operations, Human Resources Services, Business Services, Company Secretarial, Corporate Communications and Investor Relations Services, Taxation Services, Business Improvement and Strategy Services, Central Executive Services, Other Group-wide Services, Business Shared Services, and other services as may be agreed from time to time.

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



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

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

Our key strengths

For a description of our key strengths, see “Macquarie Group Limited — Our key strengths” on page 24 of our 2011 Annual U.S. Disclosure Report.

At September 30, 2011, MGL had total regulatory capital of A$12.4 billion, including A$3.5 billion of capital in excess of MGL Group’s minimum regulatory requirement. For further information on our regulatory capital position as at September 30, 2011, see “Management’s discussion and analysis of interim results of operation and financial condition — Capital analysis” in this Report.

Our strategy

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

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

Overview of MGL Group

At September 30, 2011, MGL employed 15,088 staff, had total assets of A$174.7 billion and total equity of A$11.8 billion. For the half year ended September 30, 2011, our net operating income was A$3.2 billion and profit after tax attributable to ordinary equity holders was A$305 million, with 61% of our total operating income (excluding earnings on capital and other corporate items) derived from international income.

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

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

	Half year ended Sep 11	Half year ended Sep 10	Movement
	A$m	A$m	%
Macquarie Funds	812	825	(2)
Corporate & Asset Finance	958	766	25
Banking & Financial Services	1,130	1,239	(9)
Macquarie Securities	609	694	(12)
Macquarie Capital	369	493	(25)
Fixed Income, Currencies & Commodities	783	803	(2)
Real Estate Banking	24	25	(4)
Total revenues from external customers by operating group	**4,685**	**4,845**	(3)
Corporate[2]	681	1,016	(33)
Total revenues from external customers	**5,366**	**5,861**	(8)

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

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

Profit contribution of MGL Group by operating group for the half years ended September 30, 2011 and 2010[1]

	Half year ended Sep 11	Half year ended Sep 10	Movement[1]
	A$m	A$m	%
Macquarie Funds	410	228	80
Corporate & Asset Finance	358	246	46
Banking & Financial Services	137	134	2
Macquarie Securities	(19)	98	large
Macquarie Capital	5	44	(89)
Fixed Income, Currencies & Commodities	6	167	(96)
Real Estate Banking	(3)	(28)	(89)
Total contribution to profit by operating group	**894**	**889**	1
Corporate[2]	(589)	(486)	21
Net profit after tax	**305**	**403**	(24)

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

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

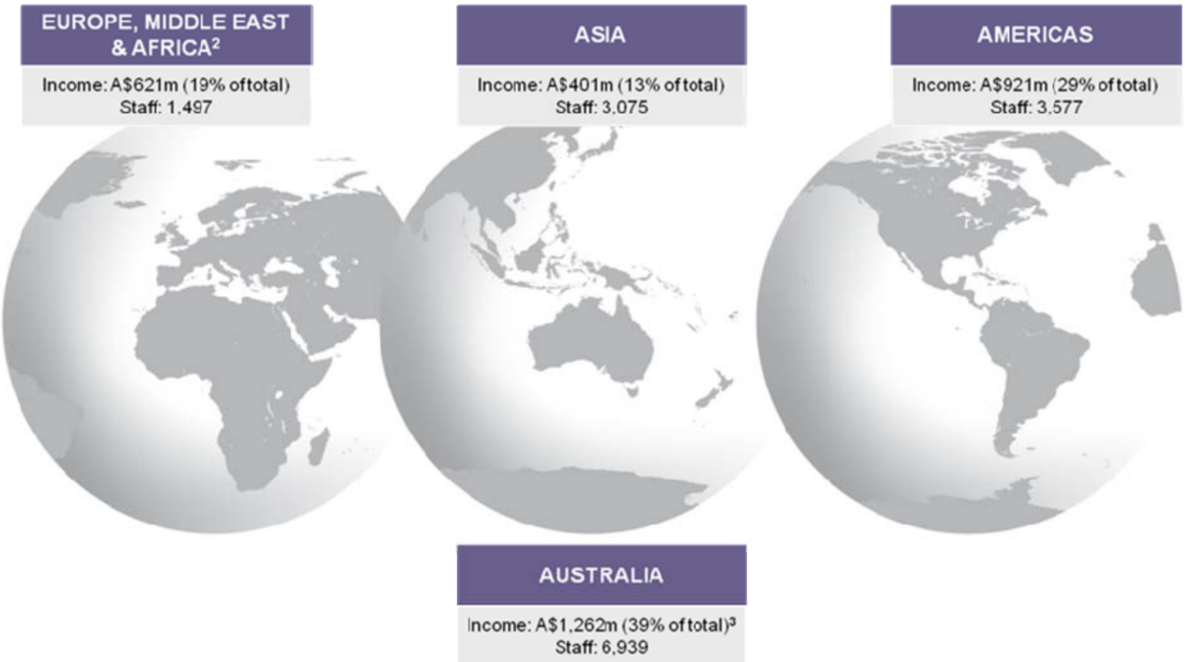
3 The Corporate segment includes earnings on capital, group treasury operations, certain corporate costs not recharged to operating businesses, employment related costs, options expense, income tax expense, profit attributable to non-controlling interests and internal management accounting adjustments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

Regional activity

At September 30, 2011, MGL Group employed 15,088 staff globally and conducted its operations in over 28 countries.

The chart below shows MGL Group's international income by region in the half year ended September 30, 2011.

International income of MGL Group[1] by region for the half year ended September 30, 2011



1 Operating income in each region excludes earnings on capital and other corporate items. For further information on our segment reporting, see "Management's discussion and analysis of interim results of operation and financial condition — Half year ended September 30, 2011 compared to the half year ended September 30, 2010 — Segment overview" and Note 3 to our 2012 interim financial statements.

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

3 Includes New Zealand.

Australia. MBL Group, the predecessor of MGL Group, has its origins as the merchant bank Hill Samuel Australia Limited, created in 1969 as a wholly-owned subsidiary of Hill Samuel & Co. Limited, London, and began operations in Sydney in January 1970 with only 3 staff. As at September 30, 2011, MGL Group employed 6,939 staff across Australia. In the half year ended September 30, 2011, Australia and New Zealand contributed A$1.3 billion (39%) of our total operating income (excluding earnings on capital and other corporate items) as compared to A$1.5 billion (44%) in the half year ended September 30, 2010.

Americas. MGL Group has been active in the Americas for more than 15 years, when we established our first office in New York in 1994 and has grown rapidly over the last two years, principally through acquisitions of Delaware Investments, FPK, Tristone and Blackmont in the 2010 fiscal year and Constellation Energy in the 2009 fiscal year, and the growth of our Energy Trading and Credit Trading businesses. As at September 30, 2011, MGL Group employed 3,577 staff across the United States, Canada, Mexico and Brazil. In the half year ended September 30, 2011, the Americas contributed A$921 million (29%) of our total operating income (excluding earnings on capital and other corporate items) as compared to A$929 million (28%) in the half year ended September 30, 2010.

Asia. MGL Group has been active in Asia for more than 15 years, when we established our first office in Hong Kong. As at September 30, 2011, MGL Group employed 3,075 staff across China, Hong Kong, New Zealand, India, Indonesia, Japan, South Korea, Malaysia, the Philippines, Singapore, Taiwan and Thailand. During the half year ended September 30, 2011, MGL continued to expand the regional investment and product platforms of Macquarie Funds (including the Macquarie Infrastructure and Real Assets division), Corporate & Asset Finance as well as Fixed Income Currencies & Commodities, which had established an Asian regional "hub" in Singapore. In the half year ended September 30, 2011, Asia (excluding New Zealand) contributed A$401 million (13%) of our total operating income (excluding earnings on capital and other corporate items) as compared to A$529 million (16%) in the half year ended September 30, 2010.

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, 2011, MGL Group employed 1,497 staff across the United Kingdom, Germany, France, Luxembourg, the Netherlands, Sweden, Austria, Switzerland, South Africa, Abu Dhabi and Dubai. In the half year ended September 30, 2011, Europe, Middle East & Africa contributed A$621 million (19%) of our total operating income (excluding earnings on capital and other corporate items) as compared to A$430 million (13%) in the half year ended September 30, 2010.

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

Recent developments within MGL Group

Macquarie Capital

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

Macquarie Capital contributed A$5 million to net profit for the half year ended September 30, 2011 and, as at September 30, 2011, had 1,341 staff operating across 24 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, 2011, see "Management's discussion and analysis of interim results of operation and financial condition — Half year ended September 30, 2011 compared to half year ended September 30, 2010 — Segment analysis — Macquarie Capital" in this Report.

Significant transactions that Macquarie Capital was involved in during the half year ended September 30, 2011 included:

- sponsor, financial adviser, debt and equity arranger and equity underwriter for the SA Health Partnership Consortium on the A$1.85 billion New Royal Adelaide Hospital public private partnership;
- adviser to Rio Tinto on its A$4 billion acquisition of Australian Securities Exchange ("ASX")-listed coking coal developer Riversdale Mining;
- joint sponsor, joint bookrunner and joint lead manager on the US$799 million IPO of Huaneng Renewables Corporation Limited on the Stock Exchange of Hong Kong;
- joint financial advisor to Cumulus Media Inc. on its acquisition of Citadel Broadcasting Corporation. Macquarie Capital was also joint bookrunner and joint lead arranger on the US$3 billion debt financing, and provided, along with Crestview Partners, a US$500 million equity commitment;
- joint bookrunner on American International Group's US$8.7 billion follow-on offering;
- adviser to HgCapital on the disposal of SLV Group, a provider of innovative lighting products and systems in Europe, to Cinven;

- sole global coordinator and sole bookrunner on the IPO of Powerland AG in Germany; and

- adviser to sponsors Samsung Engineering, Invest AD and United Utilities in relation to the project financing of the Muharraq Wastewater Treatment Plant and Sewage Conveyance public private partnership.

On May 20, 2011, MGL Group completed the acquisition of REGAL Capital Advisors, a United States based advisory firm specializing in the gaming, lodging and leisure industries. The acquisition is expected to further strengthen MGL's capabilities in the United States.

For further information on Macquarie Capital, its divisions and products, see "Macquarie Group Limited — Operating groups — Macquarie Capital" beginning on page 31 of our 2011 Annual U.S. Disclosure Report.

Fixed Income, Currencies & Commodities

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

Fixed Income, Currencies & Commodities contributed A$6 million to net profit for the half year ended September 30, 2011 and, as at September 30, 2011, had 939 staff operating across 12 countries, with locations in Australia, Asia, the Middle East, North and South America, Europe and the United Kingdom. For further information on Fixed Income, Currencies & Commodities' results of operation and financial condition for the half year ended September 30, 2011, see "Management's discussion and analysis of interim results of operation and financial condition — Half year ended September 30, 2011 compared to half year ended September 30, 2010 — Segment analysis — Fixed Income, Currencies & Commodities" in this Report.

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

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

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

For further information and a description of the divisions within Fixed Income, Currencies & Commodities and their respective activities, see "Macquarie Group Limited — Operating groups — Fixed Income, Currencies & Commodities" beginning on page 33 of our 2011 Annual U.S. Disclosure Report.

Macquarie Securities

Macquarie Securities operates businesses across the Banking Group and Non-Banking Group. In the Non-Banking Group, Macquarie Securities' activities include cash equities broking and equity capital markets services. In the Banking Group, Macquarie Securities' activities include sales of institutional and retail derivatives, arbitrage trading, equity finance and capital management.

Macquarie Securities' activities include cash equities broking, equity capital markets services, sales of institutional and retail derivatives, arbitrage trading, equity finance and capital management.

Macquarie Securities contributed a net loss of A$19 million for the half year ended September 30, 2011 and, as at September 30, 2011, had 1,564 staff operating across 18 countries. For further information on Macquarie Securities' results of operation and financial condition for the half year ended September 30, 2011, see "Management's discussion and analysis of interim results of operation and financial condition — Half year ended

September 30, 2011 compared to half year ended September 30, 2010 — Segment analysis — Macquarie Securities" in this Report.

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 35 of our 2011 Annual U.S. Disclosure Report.

Banking & Financial Services

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

Banking & Financial Services contributed A$137 million to net profit for the half year ended September 30, 2011 and, as at September 30, 2011, had 3,076 staff operating across 11 countries, including Australia, Canada, United Kingdom, New Zealand, India and Singapore. For further information on Banking & Financial Services' results of operation and financial condition for the half year ended September 30, 2011, see "Management's discussion and analysis of interim results of operation and financial condition — Half year ended September 30, 2011 compared to half year ended September 30, 2010 — Segment analysis — Banking & Financial Services" in this Report.

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

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

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

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

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

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

For further information and a description of the divisions within Banking & Financial Services and their respective activities, see "Macquarie Group Limited — Operating groups — Banking & Financial Services" beginning on page 36 of our 2011 Annual U.S. Disclosure Report.

Macquarie Funds

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

Macquarie Funds contributed A$410 million to net profit for the half year ended September 30, 2011 and, as at September 30, 2011, had 1,381 staff operating across 23 countries, including Australia, the United States, the United Kingdom and Hong Kong. As at September 30, 2011, Macquarie Funds had Assets under Management of A$323.9 billion. For further information on Macquarie Funds' results of operation and financial condition for the half year ended September 30, 2011, see "Management's discussion and analysis of interim results of operation and financial condition — Half year ended September 30, 2011 compared to half year ended September 30, 2010 — Segment analysis — Macquarie Funds" in this Report. For further information on Macquarie Funds' Assets under Management, see "— Funds management business — Assets under Management" in this Report.

During the half year ended September 30, 2011, Macquarie Funds continued to focus on organic growth of its Assets under Management and leveraging off its existing operating platforms to generate cost synergies across the business.

In the Non-Banking Group, Macquarie Funds continued its focus on investing capital strategically across the globe, with over A$750 million of capital invested and raised over A$1.5 billion of new equity commitments during the half year ended September 30, 2011. In the Banking Group, Macquarie Funds saw strong inflows in long-only equity strategies, U.S. fixed income and the Asian Alpha hedge fund.

For further information and a description of the divisions within Macquarie Funds, see "Macquarie Group Limited — Operating groups — Macquarie Funds" beginning on page 37 of our 2011 Annual U.S. Disclosure Report.

Corporate & Asset Finance

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

Corporate & Asset Finance contributed A$358 million to net profit for the half year ended September 30, 2011 and, as at September 30, 2011, had 948 staff operating across 15 countries, including Australia, New Zealand, South Korea, United States and the United Kingdom. For further information on Corporate & Asset Finance's results of operation and financial condition for the half year ended September 30, 2011, see "Management's discussion and analysis of interim results of operation and financial condition — Half year ended September 30, 2011 compared to half year ended September 30, 2010 — Segment analysis — Corporate & Asset Finance" in this Report.

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

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

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

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

For further information on Corporate & Asset Finance's businesses, see "Macquarie Group Limited — Operating groups — Corporate & Asset Finance" beginning on page 38 of our 2011 Annual U.S. Disclosure Report.

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

Real Estate Banking

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

The Real Estate Banking division contributed a net loss of A$3 million for the half year ended September 30, 2011 and, as at September 30, 2011, had 33 staff operating across 4 countries, including Australia, China, South Africa and the United States. For further information on Real Estate Banking's results of operation and financial condition for the half year ended September 30, 2011, see "Management's discussion and analysis of interim results of operation and financial condition — Half year ended September 30, 2011 compared to half year ended September 30, 2010 — Segment analysis — Real Estate Banking" in this Report. For further information on Real Estate Banking's Assets under Management, see "— Funds management business — Assets under Management" in this Report.

For further information on Real Estate Banking's activities, see "Macquarie Group Limited — Division within MBL Group — Real Estate Banking" beginning on page 40 of our 2011 Annual U.S. Disclosure Report.

Corporate

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

Corporate contributed a net loss of A$589 million for the half year ended September 30, 2011 and, as at September 30, 2011, had 5,806 staff operating across all countries in which MGL operates.

For further information on Corporate's results of operation and financial condition for the half year ended September 30, 2011, see "Management's discussion and analysis of interim results of operation and financial condition — Half year ended September 30, 2011 compared to half year ended September 30, 2010 — Segment analysis — Corporate" in this Report.

Funds management business

For a description of MGL Group's funds management businesses, see "Macquarie Group Limited — Funds management business" beginning on page 41 of our 2011 Annual U.S. Disclosure Report.

Assets under Management

MGL Group had an aggregate of A$327.3 billion of Assets under Management as at September 30, 2011, from which it derived an aggregate of A$463 million of funds management base fees for the half year ended September 30, 2011. As at September 30, 2011, Macquarie Infrastructure and Real Assets, which is part of Macquarie Funds, represented A$101.6 billion of Assets under Management, or 31% of MGL Group's total Assets under Management.

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

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

	As at			Movement[1]	
	Sep 11	Mar 11	Sep 10	Mar 11	Sep 10
	A$m	A$m	A$m	%	%
Assets under Management by group					
Macquarie Investment Management	220,412	205,546	209,200	7	5
Macquarie Infrastructure and Real Assets	101,586	97,328	101,116	4	nm
Macquarie Specialised Investment Solutions	1,950	2,262	2,154	(14)	(9)
Total Macquarie Funds	323,948	305,136	312,470	6	4
Other operating groups	3,349	4,675	4,510	(28)	(26)
Total Assets under Management	**327,297**	**309,811**	**316,980**	6	3
Assets under Management by region					
Australia	53,437	54,449	55,690	(2)	(4)
Americas	190,759	174,306	179,594	9	6
Europe, Middle East and Africa	64,963	63,012	65,892	3	(1)
Asia	18,138	18,044	15,804	1	15
Total Assets under Management	**327,297**	**309,811**	**316,980**	6	3
Assets under Management by type					
Fixed income	140,101	126,410	135,122	11	4
Direct infrastructure	91,944	88,993	90,683	3	1
Equities	54,661	54,677	48,502	nm	13
Cash	16,828	20,022	20,929	(16)	(20)
Direct real estate	7,605	9,823	11,436	(23)	(33)
Currency	4,585	5,330	5,564	(14)	(18)
Alternatives	3,792	1,660	1,814	128	109
Specialist investments	3,023	2,262	2,326	34	30
Multi-asset allocation solutions[2]	4,758	634	604	large	large
Total Assets under Management	**327,297**	**309,811**	**316,980**	6	3

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

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

Assets under Management of A$327.3 billion at September 30, 2011 increased 3% from A$317.0 billion at September 30, 2010. The overall net increase in Assets under Management was primarily due to the weakening of the Australian dollar, in particular against the U.S. dollar, resulting in higher offshore asset values, and the acquisition of Innovest in March 2011. There were strong inflows into fixed income and equities in the half year ended September 30, 2011, which were partially offset by the decline in equity markets.

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

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

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

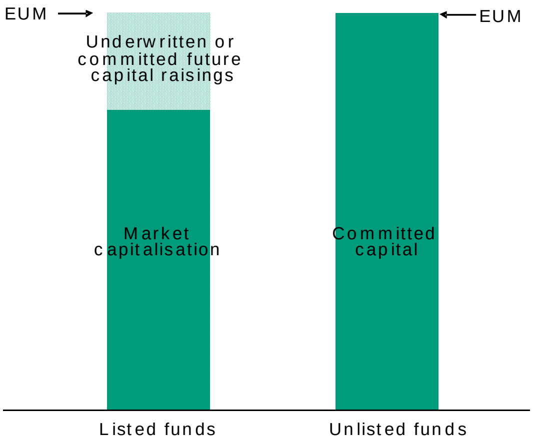
For the Macquarie Infrastructure and Real Assets division, see "— Equity under Management" in this Report for further information. The earning of base fees is closely aligned with the Assets under Management measure for funds in Macquarie Funds and Banking & Financial Services.

Equity under Management

The Macquarie Infrastructure and Real Assets division of Macquarie Funds tracks its funds under management using an Equity under Management measure as base management fee income is more closely aligned with Equity under Management. Equity under Management differs from the Assets under Management measure which other Macquarie-managed funds use to determine base fee income. Equity under Management is determined as follows:

Type of equity investment	Basis of Equity under Management calculation
Listed equity	Market capitalization at the measurement date plus underwritten or committed future capital raisings for listed funds and face value for hybrid instruments
Unlisted equity	Committed capital from investors at the measurement date less called capital subsequently returned to investors for unlisted funds
	Invested capital at measurement date for managed businesses[1]

[1] Managed businesses includes third-party equity invested in Macquarie Infrastructure and Real Assets managed businesses where management fees may be payable to MGL Group.



If a fund is managed through a joint venture with another party, the Equity under Management amount is weighted based on MGL Group's proportionate economic interest in the joint venture management entity.

The table below shows Equity under Management by listed and unlisted equity and by region as at September 30, 2011, March 30, 2011 and September 30, 2010.

	As at[1, 2]			Movement	
	Sep 11	Mar 11	Sep 10	Mar 11	Sep 10
	A$m	A$m	A$m	%	%
Equity under Management by type					
Listed equity	3,767	4,485	3,836	(16)	(2)
Unlisted equity	33,461	31,908	33,986	5	(2)
Total Macquarie Infrastructure and Real Assets Equity under Management by region[3]	**37,228**	**36,393**	**37,822**	2	(2)
Australia	4,780	4,754	4,662	1	3
Europe, Middle East and Africa	15,960	15,658	17,594	2	(9)
Americas	11,204	11,396	12,017	(2)	(7)
Asia	5,284	4,585	3,549	15	49
Total Macquarie Infrastructure and Real Assets Equity under Management	**37,228**	**36,393**	**37,822**	2	(2)

1 Excludes equity invested by MGL Group in businesses managed by the Macquarie Infrastructure and Real Assets division.

2 Where a fund's Equity under Management is denominated in a foreign currency, amounts are translated to Australian dollars at the exchange rate prevailing at the measurement date.

3 By location of fund management team.

Equity under Management of A$37.2 billion at September 30, 2011 decreased 2% from A$37.8 billion at September 30, 2010, primarily due to listed and unlisted fund equity raisings, which were offset by interests in portfolio businesses that are no longer managed by MGL and foreign exchange movements.

Legal matters

We have contingent liabilities in respect of actual and potential claims and proceedings that have not been determined. An assessment of likely losses is made on a case by case basis for the purposes of our financial statements and specific provisions that we consider appropriate are made, as described in Note 19 to our 2012 interim financial statements. We do not believe that the outcome of any such claims of which we are aware, either individually or in the aggregate, are likely to have a material effect on our operations or financial condition.

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

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

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

Regulatory and supervision developments

A description of 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 — Australia — APRA" beginning on page 47 of our 2011 Annual U.S. Disclosure Report. Our businesses are increasingly subject to greater regulatory scrutiny as we continue to grow our businesses both organically and through acquisitions. For a description of certain regulatory risks our businesses face, see "Risk factors — Many of our businesses are highly regulated and we could be adversely affected by temporary and permanent changes in regulations, regulatory policy and by compliance requirements, particularly for financial institutions, in the markets in which we operate", "Risk factors — We may incur losses as a result of ineffective risk management processes and strategies" and "Risk factors — We may incur financial loss, adverse regulatory consequences or reputational damage due to inadequate or failed internal or external operational systems, processes, people or systems or external events" on pages 9, 13 and 15, respectively, of our 2011 Annual U.S. Disclosure Report.

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

Australia

APRA

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

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

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

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

United States

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

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

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

Other regulators

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

Competition

For a description of the competition MGL Group faces in the markets in which it operates, see "Macquarie Group Limited — Competition" beginning on page 45 of our 2011 Annual U.S. Disclosure Report.

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

Investors should be aware that the discussion set forth in this Report is not complete and should be read in conjunction with the discussion under "Management's discussion and analysis of results of operation and financial condition" beginning on page 56 of our 2011 Annual U.S. Disclosure Report.

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

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

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

Critical accounting policies and significant judgments

Note 1 to our 2011 annual financial statements provides a list of our significant accounting policies. While we regard all of our significant accounting policies as important to consider in evaluating our financial statements, further information on policies involving critical accounting estimates and requiring management's exercise of judgment is set out in detail under "Management's discussion and analysis of results of operation and financial condition" beginning on page 56 of our 2011 Annual U.S. Disclosure Report.

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

Trading conditions and market update

Operating conditions

The half year ended September 30, 2011 was characterized by heightened levels of uncertainty in global financial markets, weak investor confidence and increased market volatility, primarily due to European sovereign debt concerns and expectations of weakening global economic growth. These factors resulted in low levels of client activity, significant volatility in capital and commodity markets and disruption to many capital markets functions. In addition, the global financial markets were negatively impacted by concerns that U.S. lawmakers would be unable to reach an agreement on the federal debt ceiling. While U.S. lawmakers reached an agreement to raise the debt ceiling on August 2, 2011, Standard & Poor's downgraded the long term sovereign credit rating of the U.S. from AAA to AA+. This downgrade is partly based on Standard & Poor's view that the U.S. government has failed to take sufficient action to stabilize the country's medium term debt dynamics. This downgrade and any further downgrades of the U.S. or the inability of Europe to solve their sovereign debt concerns, or the lack of improvement in macro-economic conditions in the United States or Europe could prevent the improvement, and lead to a further deterioration, of global financial market conditions.

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

Mergers and acquisition activity levels declined on prior quarter, particularly in Australia, Asia and the Americas, and equity capital markets activity was significantly lower across the Americas and Asia when compared to the prior corresponding period.

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

Impact on MGL Group

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

Macquarie Securities experienced a challenging environment, with weak investor confidence and difficult market conditions affecting the results of the cash and derivatives businesses and equity capital markets activity globally. Macquarie Capital experienced significantly weaker markets for mergers and acquisitions transactions and equity capital markets raisings. Fixed Income, Currencies & Commodities experienced heightened volatility, which resulted in reduced volumes and activity in many businesses, with credit and interest rate markets most affected.

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

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

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

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

Results overview

	Half year ended			Movement	
	Sep 11	Mar 11	Sep 10	Mar 11	Sep 10
Income statement	A$m	A$m	A$m	%	%
Net interest income	698	670	605	4	15
Fee and commission income	1,766	1,896	1,995	(7)	(11)
Net trading income	374	762	606	(51)	(38)
Share of net profits/(losses) of associates and joint ventures accounted for using the equity method	49	94	85	(48)	(42)
Other operating income and charges[1]	356	561	370	(37)	(4)
Net operating income	**3,243**	**3,983**	**3,661**	(19)	(11)
Employment expenses	(1,652)	(1,994)	(1,896)	(17)	(13)
Brokerage and commission expenses	(386)	(344)	(441)	12	(12)
Occupancy expenses	(213)	(246)	(237)	(13)	(10)
Non-salary technology expenses	(149)	(157)	(159)	(5)	(6)
Other operating expenses	(428)	(467)	(432)	(8)	(1)
Total operating expenses	**(2,828)**	**(3,208)**	**(3,165)**	(12)	(11)
Operating profit before income tax	415	775	496	(46)	(16)
Income tax (expense)	(107)	(197)	(85)	(46)	26
Profit after income tax	**308**	**578**	**411**	(47)	(25)
Profit/(loss) attributable to non-controlling interests	**(3)**	**(25)**	**(8)**	(88)	(63)
Profit attributable to ordinary equity holders of Macquarie Group Limited	**305**	**553**	**403**	(45)	(24)
Operating metrics					
Expense to income ratio (%)	87.2	80.5	86.5		
Compensation ratio (%)	47.2	46.6	47.9		
Effective tax rate (%)	25.8	25.4	17.1		
Basic earnings per share (cents per share)	86.6	163.3	119.2		
Diluted earnings per share (cents per share)	85.3	158.8	117.1		
Dividends per share (cents per share)	65.0	100.0	86.0		
Dividend payout ratio (%)	73.8	62.7	73.7		
Return on equity (%)	5.7	10.2	7.4		

[1] "Other operating income and charges" includes A$105 million in total impairment charges and provisions (Half year ended March 31, 2011: A$128 million; Half year ended September 30, 2010: A$130 million).

Profit attributable to ordinary equity holders of A$305 million for the half year ended September 30, 2011 decreased 24% from A$403 million in the prior corresponding period. Challenging global market conditions during the period resulted in lower operating income compared with the prior corresponding period. The impact was partially offset by lower operating expenses resulting from a number of cost initiatives undertaken during the period and lower staff profit share expense combined with lower headcount.

Net operating income for the half year ended September 30, 2011 of A$3,243 million decreased 11% from A$3,661 million in the prior corresponding period. This was largely driven by:

- an 11% decrease in fee and commission income to A$1,766 million for the half year ended September 30, 2011 from A$1,995 million in the prior corresponding period driven by weak investor confidence and increased market volatility, which adversely impacted fee income from mergers, acquisition, advisory and underwriting transactions as well as brokerage and commissions income;

- a 38% decrease in net trading income to A$374 million for the half year ended September 30, 2011 from A$606 million in the prior corresponding period largely driven by the adverse impact of extreme volatility in credit and financial markets due to the uncertainty over sovereign debt and economic conditions in Europe and the United States, compounded by concerns over global growth; and

- a 4% decrease in other operating income and charges to A$356 million for the half year ended September 30, 2011 from A$370 million in the prior corresponding period. This was in part due to the prior corresponding period including gains of A$114 million on the re-measurement of retained investments in MAp Group that were reclassified from an associate to available-for-sale due to the loss of significant influence. This was offset by a 147% increase in net operating lease income to A$188 million for the half year ended September 30, 2011 from A$76 million in the prior corresponding period, largely due to the completion of the acquisition of 44 aircraft assets and associated leases from International Lease Finance Corporation (ILFC), and the acquisition of the remaining 62.5% of Macquarie AirFinance, an aircraft leasing business, in November 2010.

Total operating expenses of A$2,828 million for the half year ended September 30, 2011 decreased 11% from A$3,165 million in the prior corresponding period. The main drivers of this decrease were:

- a 13% decrease in employment expenses of A$1,652 million for the half year ended September 30, 2011 from A$1,896 million in the prior corresponding period, due to a 3% reduction in headcount from 15,533 at September 30, 2010 to 15,088 at September 30, 2011 and lower staff profit share expense. The compensation ratio of 47.2% for the half year ended September 30, 2011 decreased from 47.9% in the prior corresponding period; and

- a 12% decrease in brokerage and commission expenses of A$386 million from A$441 million in the prior corresponding period due to reduced activity in the corporate segment, including reduced commissions on the issuance of debt instruments by Group Treasury, reduced activity in Fixed Income, Currencies & Commodities, offset by increased activity in the Derivatives DeltaOne Trading division within Macquarie Securities.

Income tax expense of A$107 million in the half year ended September 30, 2011 increased 26% from A$85 million in the prior corresponding period. See "— Results analysis — Income tax expense" in this Report for further information. As a result, the effective tax rate of 26% for the half year ended September 30, 2011 increased from 17% in the prior corresponding period largely due to changes in the mix of income combined with increased permanent differences relating to share based payments.

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

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

Results analysis

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

Net interest income

	Half year ended Sep 11	Half year ended Mar 11	Half year ended Sep 10	Movement Mar 11	Movement Sep 10
	A$m	A$m	A$m	%	%
Net interest income					
Interest revenue	2,789	2,667	2,637	5	6
Interest expense	(2,091)	(1,997)	(2,032)	5	3
Net interest income (as reported)	**698**	**670**	**605**	4	15
Adjustment for accounting for swaps[1]	(3)	(41)	(4)	(93)	(25)
Adjusted net interest income	**695**	**629**	**601**	10	16

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

Adjusted net interest income of A$695 million for the half year ended September 30, 2011 increased 16% from A$601 million in the prior corresponding period. The main drivers of the increase were growth of the corporate loan and finance lease portfolios and a significant increase in the average margin for non-mortgage lending driven by accelerated recognition of discounts on certain early loan repayments in the corporate lending portfolio.

The table below provides further details of adjusted net interest income.

Analysis of net interest margins

	Half year ended Sep 11			Half year ended Mar 11			Half year ended Sep 10		
	Interest	Average volume	Average Spread	Interest	Average volume	Average Spread	Interest	Average volume	Average Spread
	A$m	A$m	%	A$m	A$m	%	A$m	A$m	%
Mortgages	87	20,573	0.85%	91	21,404	0.85%	97	22,128	0.88
Other lending areas	569	26,834	4.24%	488	25,885	3.77%	441	24,570	3.59
Total net interest margin from interest bearing assets	**656**	**47,407**	2.77	**579**	**47,289**	2.45	**538**	**46,698**	2.30
Other net interest income/(expense)	39			50			63		
Adjusted net interest income[1]	**695**			**629**			**601**		

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

Mortgages

Net interest income from mortgage assets of A$87 million decreased 10% from A$97 million in the prior corresponding period, primarily due to a 7% reduction in average mortgage volumes from A$22.1 billion at September 30, 2010 to A$20.6 billion at September 30, 2011 resulting from the reduction in the value of the

Australian residential mortgage portfolio and the impact of a stronger Australian dollar on the Canadian mortgage portfolio. At September 30, 2011, A$8.1 billion of the Australian mortgage portfolio was funded by third parties through external securitizations, a 21% decrease from A$10.3 billion in the prior corresponding period due to the winding down of the mortgage portfolio. Average margins for the period decreased slightly compared with the prior corresponding period.

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

Other lending areas

Net interest income from other lending areas of A$569 million for the half year ended September 30, 2011 increased 29% from A$441 million in the prior corresponding period, primarily due to growth in the corporate and asset lending portfolios. Overall, average volumes increased 9% to A$26.8 billion at September 30, 2011 from A$24.6 billion at September 30, 2010. The margins in the corporate lending business benefitted from the accelerated recognition of discounts on some early loan repayments.

Other net interest income

Other net interest income includes earnings on capital offset by costs associated with excess liquidity and the funding cost of non-interest bearing assets. Other net interest income of A$39 million for the half year ended September 30, 2011 decreased 38% from A$63 million in the prior corresponding period. This increase was mainly driven by reduced earnings on capital as a result of a change in the currency mix of the earnings base as part of MGL's capital management activities.

Fee and commission income

	Half year ended			Movement[1]	
	Sep 11	**Mar 11**	**Sep 10**	**Mar 11**	**Sep 10**
	A$m	**A$m**	**A$m**	**%**	**%**
Fee and commission income					
Base fees	463	454	496	2	(7)
Performance fees	89	21	15	large	large
Mergers and acquisitions, advisory and underwriting fees	339	529	402	(36)	(16)
Brokerage and commissions	488	555	582	(12)	(16)
Other fee and commission income	354	300	454	18	(22)
Income from life investment contracts and other unit holder investment assets	33	37	46	(11)	(28)
Total fee and commission income	**1,766**	**1,896**	**1,995**	(7)	(11)

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

Fee and commission income of A$1,766 million for the half year ended September 30, 2011 decreased 11% from A$1,995 million in the prior corresponding period, primarily due to a 22% decrease in other fee and commission income, a 16% decrease in brokerage and commissions, a 16% decrease in mergers and acquisitions, advisory and underwriting fees, and a 7% decrease in base fees. This was partially offset by a significant increase in performance fees.

Base and performance fees

Base fees of A$463 million for the half year ended September 30, 2011 decreased 7% from A$496 million of base fees earned in the prior corresponding period. This decrease was primarily due to the full period impact of the conversion of CMT accounts to the CMA in July 2010, which reduced Assets under Management by A$9.6 billion. Excluding the impact of the CMT conversion, base fees were broadly in line with the prior corresponding period. Strong inflows into a range of funds including equities and fixed income, and capital raisings for DUET Group and a new infrastructure fund in Korea resulted in an increase in base fees. This was offset by the impact of the stronger Australian dollar compared to the prior corresponding period on base fees earned outside of Australia, the decline in equity markets, the divestment of Macquarie Essential Asset Partnership's assets and the internalization of Capstone Infrastructure Corporation (formerly Macquarie Power and Income Corporation). For further details of Assets under Management, see "Recent developments — Funds management business — Assets under Management".

Performance fees of A$89 million for the half year ended September 30, 2011, increased significantly from A$15 million in the prior corresponding period. The increase was largely as a result of performance fees earned as a result of the divestment of Macquarie Essential Asset Partnership's ("MEAP") final two assets, and Macquarie Atlas Roads, Thames Water and Asian Alpha hedge fund outperforming their respective benchmarks.

A split of base and performance fees received is provided in the table below. For a discussion of fee income by operating group, see "— Segment analysis — Banking & Financial Services", "— Segment analysis — Macquarie Funds" and "— Segment analysis — Real Estate Banking".

	Half year ended			Movement[1]	
	Sep 11	Mar 11	Sep 10	Mar 11	Sep 10
	A$m	A$m	A$m	%	%
Base fees					
Macquarie Funds					
Macquarie Investment Management	262	251	250	4	5
Macquarie Infrastructure and Real Assets	171	170	181	1	(6)
Macquarie Specialist Investment Solutions	7	10	10	(30)	(30)
Total Macquarie Funds	**440**	**431**	**441**	2	nm
Other operating groups	**23**	**23**	**55**	—	(58)
Total base fee income	**463**	**454**	**496**	2	(7)
Performance fees					
Macquarie Funds					
Macquarie Investment Management	10	11	7	(9)	43
Macquarie Infrastructure and Real Assets	79	4	7	large	large
Total Macquarie Funds	**89**	**15**	**14**	large	large
Other operating groups	—	**6**	1	(100)	(100)
Total performance fee income	**89**	**21**	**15**	large	large

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

Mergers and acquisitions, advisory and underwriting fees

Mergers and acquisitions, advisory and underwriting fees of A$339 million for the half year ended September 30, 2011 decreased 16% from A$402 million in the prior corresponding period. For the half year ended September 30, 2011, there was a decrease in fees reflecting weak investor confidence, lower deal volume and increased market volatility during the period. See "— Trading conditions and market update" for further information.

Brokerage and commissions

Brokerage and commission income predominantly includes transaction related fees from cash equities services provided to institutional and retail clients.

Brokerage and commission income of A$488 million for the half year ended September 30, 2011 decreased 16% from A$582 million in the prior corresponding period, primarily driven by weaker market conditions and reduced client activity in cash equities. The partial sale of a majority shareholding in OzForex in November 2010 adversely impacted brokerage and commissions income in Banking & Financial Services.

Other fee and commission income

Other fee and commission income of A$354 million for the half year ended September 30, 2011 decreased 22% from A$454 million in the prior corresponding period. This decrease was largely due to the strengthening of the Australian dollar against major currencies, lower True Index revenues, a reduction in income from Infrastructure Bonds as a result of scheduled maturities, and lower Funds under Administration on the Australian Wrap platform due to negative equity market movements. The prior corresponding period also included the recognition of certain items in the Corporate segment that, for accounting purposes, offset with other fee and commission expense.

Income from life investment contracts and other unit holder investment assets

Income from life investment contracts and other unit holder investment assets includes income from the provision of life insurance by Macquarie Life and True Index income earned on funds managed by Macquarie Funds. Macquarie True Index delivers clients pre-tax returns (before buy/sell spreads on transactions). Any under-performance is compensated by MGL and, conversely, any out-performance is retained by MGL. Income from this category of A$33 million for the half year ended September 30, 2011 decreased 28% from A$46 million in the prior corresponding period. The inforce book is the aggregate annualized life insurance premium payable for policies issued by the life company, and still paying premiums, at the balance date.

Net trading income

The composition of net trading income set out below excludes interest revenue and expense, brokerage and commission revenue and expense, and the operating costs of trading activities. See "— Segment analysis — Fixed Income, Currencies & Commodities" and "— Segment analysis — Macquarie Securities" for further discussion of MGL's trading activities.

	Half year ended			Movement	
	Sep 11	Mar 11	Sep 10	Mar 11	Sep 10
	A$m	A$m	A$m	%	%
Net trading income (as reported)	374	762	606	(51)	(38)
Adjustment for accounting for swaps[2]	3	41	4	(93)	(25)
Adjusted net trading income	**377**	**803**	**610**	(53)	(38)

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

	Half year ended			Movement[1]	
	Sep 11	Mar 11	Sep 10	Mar 11	Sep 10
	A$m	A$m	A$m	%	%
Equities	129	214	178	(40)	(28)
Commodities					
Trading income	226	382	188	(41)	20
Fair value adjustments relating to leasing contracts[2]	(19)	15	(32)	large	(41)
Foreign exchange products	119	109	83	9	43
Interest rate products	(78)	83	193	large	large
Adjusted net trading income	**377**	**803**	**610**	(53)	(38)

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

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

Adjusted net trading income of A$377 million for the half year ended September 30, 2011 decreased 38% from A$610 million in the prior corresponding period primarily as a result of the adverse impact of volatile conditions in the credit and financial markets on interest rate products income.

Equities

Trading income from equities of A$129 million for the half year ended September 30, 2011 decreased 28% from A$178 million in the prior corresponding period. The contribution from Macquarie Securities was broadly in line with the prior corresponding period and benefitted from increased volatility and dislocation in some markets. The current period includes losses relating to fair value adjustments that were incurred on assets held to hedge exposures to liabilities under the Directors' profit share plan. Changes in the value of the DPS liabilities are recognized in employment expenses. The prior corresponding period also included realized and unrealized profits in relation to an Australian listed investment of A$19 million.

Commodities

Commodities trading income of A$226 million for the half year ended September 30, 2011 increased 20% from A$188 million in the prior corresponding period, primarily due to volatility in energy prices which resulted in an increase in activity as clients managed their risk through hedging.

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

Foreign exchange products

Trading income from foreign exchange products of A$119 million for the half year ended September 30, 2011 increased 43% from A$83 million in the prior corresponding period. The increase was primarily due to increased volatility in currencies during the current period and an increasingly diverse client base within Fixed Income, Currencies & Commodities. See "— Segment analysis — Fixed Income, Currencies & Commodities" below for further information.

Interest rate products

The trading loss from interest rate products of A$78 million for the half year ended September 30, 2011 increased significantly from income of A$193 million in the prior corresponding period. This was primarily due to the loss contribution of Fixed Income, Currencies & Commodities in the half year ended September 30, 2011, compared to a profit in the prior corresponding period. Credit and financial markets were heavily impacted by extreme volatility due to the uncertainty in Europe and the United States, compounded by concerns over global economic growth. This resulted in counterparties and issuers exiting global credit markets leading to a widening in credit spreads which had a negative impact on both inventory positions and their associated U.S. treasury bond hedges. In addition, assets held within the Corporate segment for liquidity purposes were also impacted by movements in credit spreads resulting in fair value adjustment losses in the current period compared to gains in the prior corresponding period.

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

	Half year ended			Movement	
	Sep 11	Mar 11	Sep 10	Mar 11	Sep 10
	A$m	A$m	A$m	%	%
Share of net profits/(losses) of associates and joint ventures accounted for using the equity method	**49**	**94**	**85**	(48)	(42)

Share of equity accounted profits of associates and joint ventures of A$49 million for the half year ended September 30, 2011 decreased from A$85 million in the prior corresponding period. The prior corresponding period included equity accounted income from Macquarie AirFinance, prior to the acquisition of a controlling interest in November 2010, which was not repeated in the half year ended September 30, 2011.

Other operating income and charges

	Half year ended			Movement[1]	
	Sep 11	Mar 11	Sep 10	Mar 11	Sep 10
	A$m	A$m	A$m	%	%
Net gains on sale of investment securities available-for-sale	78	124	105	(37)	(26)
Impairment charge on investment securities available-for-sale	(56)	(35)	(3)	60	large
Net gains on sale of associates (including associates held-for-sale) and joint ventures	13	10	9	30	44
Impairment (charge)/write-back on interests in associates and joint ventures	24	(23)	(46)	large	large
Impairment charge on disposal groups held-for-sale	—	(16)	—	(100)	—
Gain on acquiring, disposing and change in ownership interest in subsidiaries	5	63	33	(92)	(85)
Gain on re-measurement of retained investments[2]	—	15	114	(100)	(100)
Impairment (charge)/write-back on non-financial assets	(7)	(3)	(4)	133	75
Sale of management rights	—	14	—	(100)	—
Net operating lease income[3]	188	167	76	13	147
Dividends/distributions received/receivable from investment securities available-for-sale	81	60	66	35	23
Collective allowance for credit losses written-back/(provided for) during the period	(16)	(4)	9	300	large
Specific provisions	(50)	(47)	(86)	6	(42)
Other income	96	236	97	(59)	(1)
Total other operating income and charges	**356**	**561**	**370**	(37)	(4)

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

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

3 Includes rental income of A$304 million (Half year ended September 30, 2010: A$161 million) less depreciation of A$116 million (Half year ended September 30, 2010: A$85 million) in relation to operating leases where MGL Group is the lessor.

Total other operating income and charges decreased 4% to A$356 million for the half year ended September 30, 2011 compared to A$370 million in the prior corresponding period largely due to increased impairment charges on investment securities available-for-sale and decreased gains on re-measurement of retained investments and net gains on sale of investment securities available for sale.

Net gains on sale of equity investments (including available-for-sale, associates and joint venture investments) of A$91 million for the half year ended September 30, 2011 decreased 20% from A$114 million in the prior corresponding period. Gains recognized during the period included gains from the sale of liquid assets by Group Treasury, and the sale of investments in the resources sector.

Impairment charges on investment securities available-for-sale of A$56 million in the half year ended September 30, 2011 increased significantly from A$3 million in the prior corresponding period, primarily as a result of equity holdings in the resources sector, which were impacted by the deterioration in general investor sentiment and confidence. The half year ended September 30, 2011 also included an impairment charge that related to an investment in the real estate sector.

The net impairment reversal of investments in associates and joint ventures of A$24 million for the half year ended September 30, 2011 increased significantly from an impairment charge of A$46 million in the prior corresponding period. The reversal in the half year ended September 30, 2011 largely related to an investment in the real estate sector.

A gain on re-measurement of retained investments of A$114 million in the prior corresponding period primarily related to the reclassification of an investment in MAp Group from an associate to available-for-sale due to the loss of significant influence during the period. On reclassification, the retained stake was required to be re-measured to fair value. There were no gains in the half year ended September 30, 2011.

Net operating lease income of A$188 million increased 147% from A$76 million in the prior corresponding period, primarily due to the completion of the acquisition of 44 aircraft assets and associated leases from ILFC and the acquisition of the remaining 62.5% of Macquarie AirFinance, an aircraft portfolio leasing business, in November 2010.

A summary of our critical accounting policies relating to impairment charges and provisions is set forth under "— Critical accounting policies and significant judgments" beginning on page 57 of our 2011 Annual U.S. Disclosure Report.

Operating expenses

	Half year ended			Movement[1]	
	Sep 11	Mar 11	Sep 10	Mar 11	Sep 10
	A$m	A$m	A$m	%	%
Employment expenses					
Salary and salary related costs, including commissions, superannuation and performance-related profit share	(1,398)	(1,673)	(1,596)	(16)	(12)
Share based payments	(113)	(181)	(125)	(38)	(10)
Provision for annual leave	(16)	(4)	(25)	300	(36)
Provision for long service leave	(4)	—	(8)	large	(50)
Total compensation expenses	**(1,531)**	**(1,858)**	**(1,754)**	(18)	(13)
Other employment expenses including on-costs, staff procurement and staff training	(121)	(136)	(142)	(11)	(15)
Total employment expenses	**(1,652)**	**(1,994)**	**(1,896)**	(17)	(13)
Brokerage and commission expenses	(386)	(344)	(441)	12	(12)
Occupancy expenses	(213)	(246)	(237)	(13)	(10)
Non-salary technology expenses	(149)	(157)	(159)	(5)	(6)
Professional fees	(116)	(163)	(133)	(29)	(13)
Travel and entertainment expenses	(81)	(92)	(92)	(12)	(12)
Advertising and communication expenses	(57)	(66)	(61)	(14)	(7)
Other expenses	(174)	(146)	(146)	19	19
Total operating expenses	**(2,828)**	**(3,208)**	**(3,165)**	(12)	(11)

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

Total operating expenses of A$2,828 million for the half year ended September 30, 2011 decreased 11% from A$3,165 million in the prior corresponding period and was impacted by cost initiatives undertaken during the period, lower headcount and reduced staff profit share expense. The half year ended September 30, 2011 also benefited from a stronger Australian dollar compared with the prior corresponding period, which had a favorable impact on costs incurred outside of Australia.

Employment expenses of A$1,652 million for the half year ended September 30, 2011 decreased 13% from A$1,896 million in the prior corresponding period. The main driver was a 3% decrease in headcount from 15,533 at September 30, 2010 to 15,088 at September 30, 2011 and a reduction in staff profit share expense compared to the prior corresponding period.

Brokerage and commission expenses of A$386 million for the half year ended September 30, 2011 decreased 12% from A$441 million in the prior corresponding period, primarily due to a decrease in the Corporate segment where certain items were recognized that, for accounting purposes, offset with other fee and commission income in the prior corresponding period.

Occupancy expenses of A$213 million for the half year ended September 30, 2011 decreased 10% from A$237 million in the prior corresponding period, mainly due to the overlapping rental periods in the prior corresponding period as new premises in London and Singapore were in the process of fit-out.

Professional fees of A$116 million for the half year ended September 30, 2011 decreased 13% from A$133 million in the prior corresponding period primarily due to reduced activity in Macquarie Capital combined with cost management initiatives across MGL.

Other expenses of A$174 million for the half year ended September 30, 2011 increased 19% from A$146 million in the prior corresponding period. There was no single item that was the main contributor to the change.

Headcount

Total headcount of 15,088 at September 30, 2011 decreased 3% from 15,533 at September 30, 2010. The net decrease was mainly in the operating groups, which decreased 7% to 9,282 at September 30, 2011 from 9,939 at September 30, 2010, while corporate headcount increased 4% to 5,806 at September 30, 2011 from 5,594 at September 30, 2010.

The growth in Corporate headcount is predominantly due to the realignment of corporate roles that were previously embedded in the operating groups, including staff in Human Resources, Compliance and Market Operations, reflecting the continued buildout of a global operating platform across all support functions. Excluding these transfers, headcount in the operating groups decreased 4%, and corporate headcount decreased 1% compared to the prior corresponding period.

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

	Half year ended			Movement[1]	
	Sep 11	Mar 11	Sep 10	Mar 11	Sep 10
				%	%
Headcount by operating group					
Macquarie Funds	1,381	1,457	1,525	(5)	(9)
Corporate & Asset Finance	948	888	844	7	12
Banking & Financial Services	3,076	3,228	3,349	(5)	(8)
Macquarie Securities	1,564	1,768	1,734	(12)	(10)
Macquarie Capital	1,341	1,397	1,471	(4)	(9)
Fixed Income, Currencies & Commodities	939	980	953	(4)	(1)
Real Estate Banking	33	57	63	(42)	(48)
Total headcount – operating groups	**9,282**	**9,775**	**9,939**	(5)	(7)
Total headcount – service areas	**5,806**	**5,781**	**5,594**	nm	4
Total headcount	**15,088**	**15,556**	**15,533**	(3)	(3)
Headcount by region					
Australia	**6,939**	**7,386**	**7,525**	(6)	(8)
International:					
Americas	3,577	3,723	3,732	(4)	(4)
Asia	3,075	2,834	2,623	9	17
Europe, Middle East and Africa	1,497	1,613	1,653	(7)	(9)
Total headcount – International	**8,149**	**8,170**	**8,008**	nm	2
Total headcount	**15,088**	**15,556**	**15,533**	(3)	(3)
International headcount ratio (%)	54	53	52		

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

Income tax expense

	Half year ended		
	Sep 11	Mar 11	Sep 10
	A$m	A$m	A$m
Operating profit before income tax	**415**	**775**	**496**
Prima facie tax @ 30%	125	232	149
Income tax permanent differences	(18)	(35)	(64)
Income tax expense	**107**	**197**	**85**
Effective tax rate (%)[1]	26%	25%	17%

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

The effective tax rate for the half year ended September 30, 2011 was 26%, which increased from 17% in the prior corresponding period, primarily due to changes in the mix of income combined with increased permanent differences relating to share based payments. As a result, income tax expense increased 26% to A$107 million from A$85 million for the prior corresponding period.

Segment overview

Basis of preparation

MGL Group segments

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

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

- Macquarie Funds;
- Corporate & Asset Finance;
- Banking & Financial Services;
- Macquarie Securities;
- Macquarie Capital; and
- Fixed Income, Currencies & Commodities.

The division is:

- Real Estate Banking

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

MGL Group Asset Transfers

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

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

Internal transactions

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

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

Internal funding arrangements. Group Treasury has the responsibility for maintaining the funding for MGL Group, and operating groups obtain their funding from Group Treasury. The interest rates charged by Group Treasury are determined by the types of assets being funded and the term of the funding, and are fully costed.

Operating groups may only source funding directly from external sources generally when there is recourse only to the assets being funded and not to MGL Group.

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

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

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

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

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

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

Summary of segment results

	Macquarie Funds	Corporate & Asset Finance	Banking & Financial Services	Macquarie Securities	Macquarie Capital	Fixed Income, Currencies & Commodities	Real Estate Banking	Corporate	Total
	A$m	A$m	A$m	A$m	A$m	A$m	A$m	A$m	A$m
Half year ended September 30, 2011									
Net interest income/(expense)	57	296	363	5	(47)	(28)	(3)	55	698
Fee and commission income/(expense)	642	15	361	372	273	99	5	(1)	1,766
Trading income/(expense)	26	(3)	3	165	(9)	296	(1)	(103)	374
Share of net profits/(losses) of associates and joint ventures accounted for using the equity method	16	2	(1)	—	18	9	3	2	49
Other operating income and charges	9	213	(5)	(1)	21	32	2	85	356
Internal management revenue/(charge)	16	5	1	—	10	7	—	(39)	—
Total operating income	766	528	722	541	266	415	6	(1)	3,243
Total operating expenses	(358)	(167)	(585)	(560)	(279)	(409)	(9)	(461)	(2,828)
Profit before tax	408	361	137	(19)	(13)	6	(3)	(462)	415
Tax expense	—	—	—	—	—	—	—	(107)	(107)
Profit attributable to non-controlling interests	2	(3)	—	—	18	—	—	(20)	(3)
Net profit/(loss) contribution	**410**	**358**	**137**	**(19)**	**5**	**6**	**(3)**	**(589)**	**305**
Half year ended March 31, 2011									
Net interest income/(expense)	(5)	284	369	(5)	(55)	10	(6)	78	670
Fee and commission income/(expense)	574	23	359	464	410	84	9	(27)	1,896
Trading income/(expense)	12	1	8	227	4	587	—	(77)	762
Share of net profits/(losses) of associates and joint ventures accounted for using the equity method	61	5	1	1	19	—	3	4	94

	Macquarie Funds	Corporate & Asset Finance	Banking & Financial Services	Macquarie Securities	Macquarie Capital	Fixed Income, Currencies & Commodities	Real Estate Banking	Corporate	Total
	A$m	A$m	A$m	A$m	A$m	A$m	A$m	A$m	A$m
Other operating income and charges	3	172	19	(1)	154	158	3	53	561
Internal management revenue/(charge)	12	8	8	—	14	28	(3)	(67)	—
Total operating income	657	493	764	686	546	867	6	(36)	3,983
Total operating expenses	(405)	(165)	(623)	(600)	(361)	(459)	(20)	(575)	(3,208)
Profit before tax	252	328	141	86	185	408	(14)	(611)	775
Tax expense	—	—	—	—	—	—	—	(197)	(197)
Profit attributable to non-controlling interests	5	—	—	—	(23)	—	—	(7)	(25)
Net profit/ (loss) contribution	**257**	**328**	**141**	**86**	**162**	**408**	**(14)**	**(815)**	**553**
Half year ended September 30, 2010									
Net interest income/(expense)	(24)	277	344	(14)	(59)	(39)	(6)	126	605
Fee and commission income	628	16	393	463	303	87	3	102	1,995
Trading income/(expense)	(1)	–	(2)	167	28	367	(1)	48	606
Share of net profits/(losses) of associates and joint ventures accounted for using the equity method	6	19	—	—	37	15	(8)	16	85
Other operating income and charges	26	59	(7)	12	40	92	(3)	151	370
Internal management revenue/(charge)	4	12	2	(6)	15	27	1	(55)	—
Total operating income	639	383	730	622	364	549	(14)	388	3,661
Total operating expenses	(412)	(137)	(591)	(524)	(333)	(382)	(14)	(772)	(3,165)
Profit before tax	227	246	139	98	31	167	(28)	(384)	496
Tax expense	—	—	—	—	—	—	—	(85)	(85)
Profit attributable to non-controlling interests	1	—	(5)	—	13	—	—	(17)	(8)
Net profit/ (loss) contribution	**228**	**246**	**134**	**98**	**44**	**167**	**(28)**	**(486)**	**403**

Segment analysis

Macquarie Funds

	Half year ended			Movement[1]	
	Sep 11	Mar 11	Sep 10	Mar 11	Sep 10
	A$m	A$m	A$m	%	%
Net interest income/(expense)	**57**	**(5)**	**(24)**	large	large
Fee and commission income					
Base fees	440	431	441	2	nm
Performance fees	89	15	14	large	large
Mergers and acquisitions, advisory and underwriting fees	—	18	3	(100)	(100)
Brokerage and commissions	13	13	18	—	(28)
Other fee and commission income	100	97	152	3	(34)
Total fee and commission income	**642**	**574**	**628**	12	2
Net trading income/(expense)	**26**	**12**	**(1)**	117	large
Share of net profits/(losses) of associates and joint ventures accounted for using the equity method	**16**	**61**	**6**	(74)	167
Other operating income and charges					
Impairment reversal/(charge) on equity investments	7	(27)	4	large	75
Sale of management rights	—	14	—	(100)	—
Specific provisions and collective allowance for credit losses	(9)	(8)	(5)	13	80
Other income	11	24	27	(54)	(59)
Total other operating income and charges	**9**	**3**	**26**	200	(65)
Internal management revenue/(charge)[2]	**16**	**12**	**4**	33	300
Total operating income	**766**	**657**	**639**	17	20
Operating expenses					
Employment expenses	(124)	(158)	(153)	(22)	(19)
Brokerage and commission expenses	(72)	(69)	(67)	4	7
Other operating expenses	(162)	(178)	(192)	(9)	(16)
Total operating expenses	**(358)**	**(405)**	**(412)**	(12)	(13)
Non-controlling interests[3]	2	5	1	(60)	100
Net profit/(loss) contribution	**410**	**257**	**228**	60	80
Other metrics					
Assets under Management (A$ billion)[4]	323.9	305.1	312.5	6	4
Macquarie Infrastructure and Real Assets Equity Under Management (A$ billion)	37.2	36.4	37.8	2	(2)
Headcount	1,381	1,457	1,525	(5)	(9)

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

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

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

4 Macquarie Funds' Assets under Management include the Macquarie Infrastructure and Real Assets division. See "Macquarie Group Limited — Operating groups — Macquarie Funds" in our 2011 Annual U.S. Disclosure Report for more information.

Macquarie Funds' net profit contribution of A$410 million for the half year ended September 30, 2011 increased 80% from A$228 million in the prior corresponding period, primarily as a result of increased performance fee income, additional interest income from the provision of financing facilities to funds and fund investors, and lower operating expenses.

Net interest income/(expense)

Net interest income of A$57 million for the half year ended September 30, 2011 increased significantly from a net interest expense of A$24 million in the prior corresponding period. The increase was primarily driven by income earned from the expansion of the provision of financing facilities to a number of non-Macquarie managed funds and fund investors.

Fee and commission income

Base fees

Base fees of A$440 million for the half year ended September 30, 2011 was consistent with base fee income of A$441 million in the prior corresponding period. Total Assets under Management of A$323.9 billion at September 30, 2011 increased 4% from A$312.5 billion at September 30, 2010, primarily as a result of inflows into a range of funds including equities and fixed income and capital raisings for DUET Group and a new infrastructure fund in Korea. These factors were partially offset by the decline in equity markets, the strengthening of the Australian dollar against major currencies since the prior corresponding period, the divestment of MEAP's assets and the internalization of Macquarie Power and Infrastructure Corporation ("MPT").

See "Recent developments — Funds management business" for further information on Assets under Management and Equity under Management.

Performance fees

Performance fees of A$89 million for the half year ended September 30, 2011 increased significantly from A$14 million in the prior corresponding period primarily due to performance fees earned as a result of MEAP, MQA and Asian Alpha hedge fund outperforming their respective benchmarks.

Other fee and commission income

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

Other fee and commission income of A$100 million for the half year ended September 30, 2011 decreased 34% from A$152 million in the prior corresponding period, primarily as a result of the continued strengthening of the Australian dollar against major currencies, lower True Index revenues and a reduction in income from Infrastructure Bonds as a result of scheduled maturities.

Net trading income/(expense)

Net trading income of A$26 million for the half year ended September 30, 2011 increased significantly from a net expense of A$1 million in the prior corresponding period. The profit in the half year ended September 30, 2011 included income under new swap-deposit and leveraged-swap transactions with funds and fund investors.

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

Net equity accounted profits of A$16 million for the half year ended September 30, 2011 increased 167% from A$6 million in the prior corresponding period, primarily due to a profit on the divestment of MEAP's final two assets of A$7 million.

Other operating income and charges

Other operating income and charges of A$9 million for the half year ended September 30, 2011 decreased 65% from A$26 million in the prior corresponding period. This was primarily due to a decrease in other income. Other income included gains on sale of equity investments and dividend income. Other income of A$11 million for the half year ended September 30, 2011 decreased 59% from A$27 million in the prior corresponding period. This was primarily due to the disposal of securities in, and termination of the services agreement with Intoll, which contributed income of $7 million in the prior corresponding period. There were no individually significant transactions in the half year ended September 30, 2011.

In addition, there were also no sales of management rights in the half year ended September 30, 2011 and income of A$14 million from the sale of management rights in the prior period related to termination of management arrangements with MPT.

Operating expenses

Total operating expenses of A$358 million for the half year ended September 30, 2011 decreased 13% from A$412 million in the prior corresponding period, primarily due to a decrease in employment expenses and other operating expenses.

Employment expenses

Employment expenses of A$124 million for the half year ended September 30, 2011 decreased 19% from A$153 million in the prior corresponding period, primarily as a result of the 9% decrease in headcount from 1,525 at September 30, 2010 to 1,381 at September 30, 2011 and the impact of the stronger Australian dollar against major currencies.

Other operating expenses

Other operating expenses of A$162 million for the half year ended September 30, 2011 decreased 16% from A$192 million in the prior corresponding period. The decrease in other operating expenses was primarily due to the decrease in headcount, combined with the completion of the Delaware systems integration and the impact of the strong Australian dollar on expenses incurred outside of Australia.

Corporate & Asset Finance

	Half year ended			Movement[1]	
	Sep 11	Mar 11	Sep 10	Mar 11	Sep 10
	A$m	A$m	A$m	%	%
Net interest income	**296**	**284**	**277**	4	7
Fee and commission income	**15**	**23**	**16**	(35)	(6)
Net trading income/(expense)	**(3)**	**1**	—	large	large
Share of net profits/(losses) of associates and joint ventures accounted for using the equity method	**2**	**5**	**19**	(60)	(89)
Other operating income and charges					
Impairment charge on non-financial assets	—	1	(1)	(100)	(100)
Impairment charge on equity investments	(1)	1	(4)	large	(75)
Net operating lease income	183	159	41	15	large
Specific provisions and collective allowance for credit losses	(18)	(21)	(19)	(14)	(5)
Other income	49	32	42	53	17
Total other operating income and charges	**213**	**172**	**59**	24	261
Internal management revenue/(charge)[2]	**5**	**8**	**12**	(38)	(58)
Total operating income	**528**	**493**	**383**	7	38
Operating expenses					
Employment expenses	(70)	(77)	(72)	(9)	(3)
Other operating expenses	(97)	(88)	(65)	10	49
Total operating expenses	**(167)**	**(165)**	**(137)**	1	22
Non-controlling interests[3]	(3)	—	—	large	large
Net profit/(loss) contribution	**358**	**328**	**246**	9	46
Other metrics					
Loan and finance lease portfolio (A$ billion)	16.1	15.2	14.3	6	13
Operating lease portfolio (A$ billion)	4.4	4.3	1.6	2	175
Headcount	948	888	844	7	12

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

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

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

Corporate & Asset Finance's net profit contribution of A$358 million for the half year ended September 30, 2011 increased 46% from A$246 million in the prior corresponding period, primarily due to growth of the loan portfolio, accelerated recognition of discounts on early repayments, and the acquisitions of a controlling interest in Macquarie AirFinance, an aircraft portfolio leasing business, and an aircraft operating lease portfolio from ILFC.

Net interest income

Net interest income of A$296 million for the half year ended September 30, 2011 increased 7% from A$277 million in the prior corresponding period. The increase in net interest income was primarily due to accelerated recognition of the discount on early loan repayments, which resulted in higher margins in corporate lending, and a 13% increase in the loan and finance lease portfolios to A$16.1 billion at September 30, 2011 from A$14.3 billion in the prior corresponding period. This was partly offset by an increase in external funding expense due to the acquisition of a controlling interest in Macquarie AirFinance.

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

Share of net profits of associates and joint ventures accounted for using the equity method of A$2 million for the half year ended September 30, 2011 decreased 89% compared to A$19 million in the prior corresponding period. The prior corresponding period included equity accounted income from Macquarie AirFinance, prior to the acquisition of a controlling interest in November 2010.

Other operating income and charges

Net operating lease income

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

Specific provisions and collective allowance for credit losses

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

Other income

Other income of A$49 million for the half year ended September 30, 2011 increased 17% from A$42 million in the prior corresponding period, primarily as a result of the sale of one wide bodied aircraft in September 2011.

Operating expenses

Total operating expenses of A$167 million for the half year ended September 30, 2011 increased 22% from A$137 million in the prior corresponding period. This increase was driven by increased average headcount and a 49% increase in operating expenses to A$97 million for the half year ended September 30, 2011 compared to the prior corresponding period from the acquisition of a controlling interest in Macquarie AirFinance in November 2010.

Banking & Financial Services

	Half year ended			Movement[1]	
	Sep 11	Mar 11	Sep 10	Mar 11	Sep 10
	A$m	A$m	A$m	%	%
Net interest income	**363**	**369**	**344**	(2)	6
Fee and commission income					
Base fees	22	22	54	—	(59)
Brokerage and commissions	120	130	130	(8)	(8)
Other fee and commission income	189	182	183	4	3
Income from life insurance business and other unitholder businesses	30	25	26	20	15
Total fee and commission income	**361**	**359**	**393**	1	(8)
Net trading income/(expense)	**3**	**8**	**(2)**	(63)	large
Share of net profits of associates and joint ventures accounted for using the equity method	**(1)**	**1**	—	large	large
Other operating income and charges					
Net gains on sale of equity investments	1	1	2	—	(50)
Impairment charge on equity investments and disposal groups held-for-sale[2]	(1)	(4)	(5)	(75)	(80)
Impairment charge on non-financial assets	(2)	(3)	(2)	(33)	—
Gain on acquiring, disposing and change in ownership interest in subsidiaries and businesses held-for-sale	—	23	1	(100)	(100)
Gain on reclassification	—	17	1	(100)	(100)
Specific provisions and collective allowance for credit losses	(17)	(22)	(15)	(23)	13
Other income	14	7	11	100	27
Total other operating income and charges	**(5)**	**19**	**(7)**	large	(29)
Internal management revenue/(charge)[2]	**1**	**8**	**2**	(88)	(50)
Total operating income	**722**	**764**	**730**	(5)	(1)
Operating expenses					
Employment expenses	(244)	(253)	(253)	(4)	(4)
Brokerage and commission expenses	(81)	(74)	(75)	9	8
Other operating expenses	(260)	(296)	(263)	(12)	(1)
Total operating expenses	**(585)**	**(623)**	**(591)**	(6)	(1)
Non-controlling interests[3]	**—**	**—**	(5)	—	(100)
Net profit/(loss) contribution	**137**	**141**	**134**	(3)	2
Other metrics					
Assets under Management (A$ billion)	3.3	3.9	4.1	(15)	(20)
Funds under management/advice/administration[4] (A$ billion)	114.4	121.7	119.2	(6)	(4)
Loan portfolio[5] (A$ billion)	24.9	25.5	26.0	(2)	(4)
Deposits (A$ billion)	28.6	26.6	26.5	8	8
Headcount	3,076	3,228	3,349	(5)	(8)

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

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

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

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

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

Banking & Financial Services' net profit contribution of A$137 million for the half year ended September 30, 2011 increased 2% from A$134 million in the prior corresponding period.

Net interest income

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

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

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

Fee and commission income

Base fees

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

Brokerage and commissions

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

Other fee and commission income

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

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

Income from life insurance business and other unitholder businesses

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

Other operating income and charges

Specific provisions and collective allowance for credit losses

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

Other income

Other income of A$14 million for the half year ended September 30, 2011 increased 27% from $11 million in the prior corresponding period, primarily due to income generated from the outsourcing of mortgages servicing and origination relating to our Canadian mortgage portfolio.

Operating expenses

Total operating expenses of A$585 million for the half year ended September 30, 2011 decreased 1% from A$591 million in the prior corresponding period, primarily due to a decrease in employment expenses.

Employment expenses

Employment expenses of A$244 million at September 30, 2011 decreased 4% from A$253 million in the prior corresponding period, primarily due to an 8% decrease in headcount from 3,349 at September 30, 2010 to 3,076 at September 30, 2011 mainly as a result of internal restructures and the partial sale of a majority shareholding in OzForex in November 2010.

Other operating expenses

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

Macquarie Securities

	Half year ended			Movement[1]	
	Sep 11	Mar 11	Sep 10	Mar 11	Sep 10
	A$m	A$m	A$m	%	%
Net trading income (including net interest income)[2]	**170**	**222**	**153**	(23)	11
Fee and commission income					
Brokerage and commissions	283	343	372	(17)	(24)
Other fee and commission income	89	121	91	(26)	(2)
Total fee and commission income	**372**	**464**	**463**	(20)	(20)
Share of net profits of associates and joint ventures accounted for using the equity method	**—**	**1**	—	(100)	—
Other operating income and charges	**(1)**	**(1)**	**12**	—	large
Internal management revenue/(charge)[3]	**—**	**—**	**(6)**	—	(100)
Total operating income	**541**	**686**	**622**	(21)	(13)
Operating expenses					
Employment expenses	(161)	(208)	(174)	(23)	(7)
Brokerage and commission expenses	(145)	(136)	(106)	7	37
Other operating expenses	(254)	(256)	(244)	(1)	4
Total operating expenses	**(560)**	**(600)**	**(524)**	(7)	7
Net profit/(loss) contribution	**(19)**	**86**	**98**	large	large
Other metrics					
Headcount	1,564	1,768	1,734	(12)	(10)

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

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

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

Macquarie Securities' net loss of A$19 million for the half year ended September 30, 2011 decreased significantly from a profit of A$98 million in the prior corresponding period, primarily due to decreased global equity capital markets activity. Weak investor confidence, primarily due to European sovereign debt concerns and concerns over the U.S. federal debt ceiling and related credit downgrade and expectations of weakening global economic growth, negatively impacted global equity capital market activity.

Net trading income (including net interest income)

Net trading income from equity products (including net interest income) of A$170 million for the half year ended September 30, 2011 increased 11% from A$153 million in the prior corresponding period, primarily due to Macquarie Securities benefitting from increased volatility in its derivatives business and dislocation in some markets, particularly in Asia.

Fee and commission income

Fee and commission income of A$372 million for the half year ended September 30, 2011 decreased 20% from A$463 million in the prior corresponding period. This income category largely consists of brokerage and commission income, which predominantly includes transaction related fees from cash equities services provided to institutional clients, including internal clients.

Brokerage and commissions

Brokerage and commission income of A$283 million for the half year ended September 30, 2011 decreased 24% from A$372 million in the prior corresponding period. Brokerage and commission income predominantly includes transaction related fees from cash equities services provided to institutional clients, including internal clients. This result is primarily due to weaker market conditions and reduced client activity in cash equities across all regions.

Other fee and commission income

Other fee and commission income includes equity capital markets fees and other fees received. Other fee and commission income of A$89 million for the half year ended September 30, 2011 decreased 2% from A$91 million in the prior corresponding period. Volatile markets and poor investor sentiment led to lower levels of primary activity compared to the prior period. Capital raising activity was down across most regions.

Operating expenses

Total operating expenses of A$560 million for the half year ended September 30, 2011 increased 7% from A$524 million in the prior corresponding period Total expenses were down on the prior period as the business remained focused on a range of cost initiatives and driving efficiency in the infrastructure supporting businesses.

Employment expenses

Employment expenses of A$161 million for the half year ended September 30, 2011 decreased 7% from A$174 million in the prior corresponding period. The decrease was mainly driven by a 10% decrease in headcount from 1,734 at September 30, 2010 to 1,564 at September 30, 2011. The decrease in headcount was primarily driven by the transfer of market operations staff to the Corporate segment.

Brokerage and commission expenses

Brokerage and commission expenses of A$145 million for the half year ended September 30, 2011 increased 37% from A$106 million in the prior corresponding period. The increase in brokerage and commission expenses was driven by increased trading activity in the derivatives business as a result of increased volatility and dislocation in some markets.

Other operating expenses

Other operating expenses, which include recoveries from service areas, of A$254 million for the half year ended September 30, 2011 increased 4% from A$244 million in the prior corresponding period. The increase was predominantly driven by the transfer of the market operations staff from Macquarie Securities to the Corporate segment, which was offset by reductions in other costs generated through cost initiatives and the impact of the strong Australian dollar on expenses incurred outside of Australia.

Macquarie Capital

	Half year ended			Movement[1]	
	Sep 11	Mar 11	Sep 10	Mar 11	Sep 10
	A$m	A$m	A$m	%	%
Net interest income/(expense)	**(47)**	**(55)**	**(59)**	(15)	(20)
Fee and commission income/(expense)					
Mergers and acquisitions, advisory and underwriting fees	313	477	376	(34)	(17)
Brokerage and commissions	21	22	21	(5)	—
Other fee and commission income/(expenses)	(61)	(89)	(94)	(31)	(35)
Total fee and commission income	**273**	**410**	**303**	(33)	(10)
Net trading income/(expense)	**(9)**	**4**	**28**	large	large
Share of net profits/(losses) of associates and joint ventures accounted for using the equity method	**18**	**19**	**37**	(5)	(51)
Other operating income and charges					
Net gains on sale of equity investments	35	1	6	large	large
Gain on reclassification of retained investments	—	—	19	—	(100)
Impairment charge on equity investments	—	(4)	(8)	(100)	(100)
Gain on acquiring, disposing and change in ownership interest in subsidiaries and businesses held-for-sale	8	33	8	(76)	—
Net operating lease income	5	13	30	(62)	(83)
Specific provisions and collective allowance for credit losses	(5)	1	(10)	large	(50)
Other income	(22)	110	(5)	large	large
Total other operating income and charges	**21**	**154**	**40**	(86)	(48)
Internal management revenue/(charge)[2]	**10**	**14**	**15**	(29)	(33)
Total operating income	**266**	**546**	**364**	(51)	(27)
Operating expenses					
Employment expenses	(153)	(201)	(179)	(24)	(15)
Brokerage and commission expenses	(2)	(1)	(4)	100	(50)
Other operating expenses	(124)	(159)	(150)	(22)	(17)
Total operating expenses	**(279)**	**(361)**	**(333)**	(23)	(16)
Non-controlling interests[3]	18	(23)	13	large	38
Net profit /(loss) contribution	**5**	**162**	**44**	(97)	(89)
Other metrics					
Headcount	1,341	1,397	1,471	(4)	(9)

1 "nm" indicates that the percentage change was less than 1% and therefore not meaningful and "large" indicates that actual movement was greater than 300%, 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 Capital's net profit contribution of A$5 million for the half year ended September 30, 2011, decreased 89% from A$44 million in the prior corresponding period. This was primarily due to reduced mergers and acquisitions, advisory and underwriting income, which was partially offset by reduced operating expenses.

Net interest income/(expense)

Net interest expense of A$47 million for the half year ended September 30, 2011 decreased 20% from A$59 million in the prior corresponding period. The expense mainly related to borrowings for principal investments. The decrease was primarily due to the impact of the stronger Australian dollar compared to the prior corresponding period and the sale of the Macquarie Asset Leasing Trust in November 2010.

Fee and commission income

Total fee and commission income of A$273 million for the half year ended September 30, 2011 decreased 10% from A$303 million in the prior corresponding period primarily due to a decrease in mergers and acquisitions, advisory and underwriting income.

Mergers and acquisitions, advisory and underwriting income

Mergers and acquisitions, advisory and underwriting income of A$313 million for the half year ended September 30, 2011 decreased 17% from A$376 million in the prior corresponding period, reflecting weak investor confidence, lower deal volume and increased market volatility primarily due to European sovereign debt concerns and expectations of weakening global economic growth.

For details on significant transactions that Macquarie Capital was involved in during the half year ended September 30, 2011, see "Recent Developments — Recent Developments within MGL Group — Macquarie Capital".

Other fee and commission income/(expense)

Other fee and commission expense of A$61 million for the half year ended September 30, 2011 decreased 35% from A$94 million in the prior corresponding period. For Macquarie Capital, other fee and commission expense predominantly relates to internal transactions with other operating groups. The decrease was primarily due to lower payments to Macquarie Securities on equity underwriting transactions, which decreased from the prior corresponding period due to reduced equity capital markets activity by clients.

Net trading income/(expense)

Net trading expense of A$9 million for the half year ended September 30, 2011 decreased significantly from income of A$28 million in the prior corresponding period. The half year ended September 30, 2011 included mark to market losses in relation to listed equity investments, warrants and options. The profit in the prior corresponding period included realized and unrealized profit in relation to an Australian listed investment of A$19 million.

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

Net equity accounted profits of A$18 million for the half year ended September 30, 2011 decreased 51% from A$37 million in the prior corresponding period primarily due to the performance of the underlying businesses. Profits of A$13 million were recognized for the half year ended September 30, 2011 for listed associates and A$5 million for unlisted associates.

Other operating income and charges

Net gains on sale of equity investments

Net gains on sale of equity investments of A$35 million for the half year ended September 30, 2011 increased significantly from A$6 million in the prior corresponding period. The net gain for the half year ended September 30, 2011 included a gain on an Australian listed investment of A$22 million and gains on unlisted investments in the infrastructure industry of A$13 million. The prior corresponding period included a gain on an unlisted investment.

Gain on reclassification of retained investments

A gain on reclassification of retained investments of A$19 million was recognized in the prior corresponding period. This was not repeated in the half year ended September 30, 2011.

Net operating lease income

Net operating lease income of A$5 million for the half year ended September 30, 2011 decreased 83% from A$30 million in the prior corresponding period. The income in the prior corresponding period included operating lease income in relation to the Macquarie Asset Leasing Trust which was sold in November 2010.

Other income

A loss of other income of A$22 million for the half year ended September 30, 2011 decreased significantly from A$5 million in the prior corresponding period.

Operating expenses

Total operating expenses of A$279 million for the half year ended September 30, 2011 decreased 16% from A$333 million.

Employment expenses

Employment expenses of A$153 million for the half year ended September 30, 2011 decreased 15% from A$179 million in the prior corresponding period due to lower average and total headcount and the impact of the strong Australian dollar compared to the prior corresponding period on expenses incurred outside of Australia. See " — Half year ended September 30, 2011 compared to half year ended September 30, 2010 — Results analysis — Operating expenses" for further information.

Other operating expenses

Other operating expenses of A$124 million for the half year ended September 30, 2011 decreased 17% from A$150 million in the prior corresponding period, primarily due to lower average headcount, the impact of the strong Australian dollar on expenses incurred outside of Australia, a reduction in occupancy costs and lower non-recurring expenses, including acquisition costs, compared to the prior corresponding period.

Fixed Income, Currencies & Commodities

	Half year ended			Movement[1]	
	Sep 11	Mar 11	Sep 10	Mar 11	Sep 10
	A$m	A$m	A$m	%	%
Net trading income (including net interest income)[2]					
Commodities[3]	279	421	197	(34)	42
Foreign exchange products	27	25	13	8	108
Interest rate products	(19)	136	150	large	large
Fair value adjustments relating to leasing contracts[3]	(19)	15	(32)	large	(41)
Total net trading income/(expense) (including net interest income)	**268**	**597**	**328**	(55)	(18)
Fee and commission income					
Brokerage and commissions	51	45	42	13	21
Other fee and commission income	48	39	45	23	7
Total fee and commission income	**99**	**84**	**87**	18	14
Share of net profits of associates and joint ventures accounted for using the equity method	**9**	**—**	**15**	large	(40)
Other operating income and charges					
Net gains/(losses) on sale of equity investments	32	87	52	(63)	(38)
Impairment charge on equity investments	(23)	(7)	(2)	229	large
Specific provisions and collective allowance for credit losses	(15)	1	12	large	large
Other income	38	77	30	(51)	27
Total other operating income and charges	**32**	**158**	**92**	(80)	(65)
Internal management revenue/(charge)[4]	**7**	**28**	**27**	(75)	(74)
Total operating income	**415**	**867**	**549**	(52)	(24)
Operating expenses					
Employment expenses	(122)	(179)	(123)	(32)	(1)
Brokerage and commission expenses	(74)	(82)	(91)	(10)	(19)
Other operating expenses	(213)	(198)	(168)	8	27
Total operating expenses	**(409)**	**(459)**	**(382)**	(11)	7
Net profit/(loss) contribution	**6**	**408**	**167**	(99)	(96)
Other metrics					
Headcount	939	980	953	(4)	(1)

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

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

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

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

Fixed Income, Currencies & Commodities' net profit contribution of A$6 million for the half year ended September 30, 2011 decreased 96% from A$167 million in the prior corresponding period primarily due to a challenging global operating environment. Market conditions were dominated by high levels of U.S. and European uncertainty and concerns over global growth leading to deterioration in investor sentiment and confidence especially in the credit and interest rate markets. The September 2011 quarter saw a general flight to safety with the markets experiencing some of the most volatile periods since the global financial crisis of 2009 which resulted in subdued client activity as clients wait for more stability before re-entering the market.

Net trading income

Commodities trading income

Commodities trading income of A$279 million for the half year ended September 30, 2011 increased 42% from A$197 million in the prior corresponding period. The Energy Markets division's contribution to the overall result increased significantly from the prior corresponding period. Volatility in energy prices increased activity as clients managed their risk through hedging.

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

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

Foreign exchange products trading income

Trading income on foreign exchange products of A$27 million for the half year ended September 30, 2011 increased significantly from A$13 million in the prior corresponding period. The increase was primarily due to an increasingly diverse client base, which was partially offset by the continued impact of the higher Australian dollar on revenues.

Interest rate products trading income

Trading losses on interest rate products of A$19 million for the half year ended September 30, 2011 increased significantly from income of A$150 million in the prior corresponding period. Credit and financial markets were heavily impacted by extreme volatility due to uncertainty in Europe and the United States compounded by concerns over global growth. The flight to safety led to a widening in credit spreads which had a negative fair value impact on both Fixed Income, Currencies & Commodities' inventory positions and the associated U.S. treasury bond hedges.

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

Fee and commission income

Fee and commission income of A$99 million for the half year ended September 30, 2011 increased 14% from A$87 million in the prior corresponding period, primarily due to improved volumes in futures execution and clearing markets.

Other operating income and charges

Net gains/(losses) on sale of equity investments

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

Impairment charge on equity investments

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

Specific provisions and collective allowance for credit losses

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

Other income

Other income of A$38 million for the half year ended September 30, 2011 increased 27% from A$30 million in the prior corresponding period. This increase reflected net profit interests and royalties from participations in the metals and energy sector. As net profit interests are a share of production or proceeds from production derived from rights to various commodity assets, the timing of recognition fluctuates with their operations.

Operating expenses

Total operating expenses of A$409 million for the half year ended September 30, 2011 increased 7% from A$382 million in the prior corresponding period.

Employment expenses

Employment expenses of A$122 million for the half year ended September 30, 2011 were broadly in line with A$123 million in the prior corresponding period. Employment costs per head decreased during the half year ended to September 30, 2011. Of the 41 person decrease in headcount from March 31, 2011 to September 30, 2011, approximately half related to Fixed Income, Currencies & Commodities ceasing to provide fixed income products in Latin America.

Brokerage and commission expenses

Brokerage and commission expenses of A$74 million decreased 19% from A$91 million in the prior corresponding period largely as a result of a reduction in commission expenses in the credit trading business.

Other operating expenses

Other operating expenses of A$213 million for the half year ended September 30, 2011 increased 27% from A$168 million in the prior corresponding period, mainly as a result of the cost of additional support headcount in risk, operations and information technology alongside the expansion of the Fixed Income, Currencies & Commodities business platform and increased regulatory requirements.

Real Estate Banking

	Half year ended			Movement[1]	
	Sep 11	Mar 11	Sep 10	Mar 11	Sep 10
	A$m	A$m	A$m	%	%
Net interest income/(expense)	**(3)**	**(6)**	**(6)**	(50)	(50)
Fee and commission income	**5**	**9**	**3**	(44)	67
Net trading income/(expense)	**(1)**	**—**	**(1)**	large	—
Share of net profits/(losses) of associates and joint ventures accounted for using the equity method	**3**	**3**	**(8)**	—	large
Other operating income and charges					
Net gains/(losses) on sale of equity investments	5	28	3	(82)	67
Impairment charge on equity investments	(11)	(17)	(3)	(35)	267
Specific provisions and collective allowance for credit losses	—	(21)	(10)	(100)	(100)
Other income	8	13	7	(38)	14
Total other operating income and charges	**2**	**3**	**(3)**	(33)	large
Internal management revenue/(charge)[2]	**—**	**(3)**	1	(100)	(100)
Total operating income	**6**	**6**	**(14)**	—	large
Operating expenses					
Employment expenses	(4)	(6)	(5)	(33)	(20)
Other operating expenses	(5)	(14)	(9)	(64)	(44)
Total operating expenses	**(9)**	**(20)**	**(14)**	(55)	(36)
Net profit /(loss) contribution	**(3)**	**(14)**	**(28)**	(79)	(89)
Other metrics					
Headcount	33	57	63	(42)	(48)

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

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

Real Estate Banking's net loss contribution of A$3 million for the half year ended September 30, 2011 improved 89% from a net loss contribution of A$28 million in the prior corresponding period, driven mainly by reduced provisions as part of the declining investment portfolio and the increase in equity accounted profits.

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

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

Other operating income and charges

Impairment charge on equity investments

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

Operating expenses

Total operating expenses of A$9 million for the half year ended September 30, 2011 decreased 36% from A$14 million in the prior corresponding period. The decrease reflected a net reduction in resources managing the investment portfolio.

Corporate

	Half year ended			Movement[1]	
	Sep 11	**Mar 11**	**Sep 10**	**Mar 11**	**Sep 10**
	A$m	**A$m**	**A$m**	**%**	**%**
Net interest income	**55**	**78**	**126**	(29)	(56)
Fee and commission income/(expense)	**(1)**	**(27)**	**102**	(96)	large
Net trading income/(expense)	**(103)**	**(77)**	**48**	34	large
Share of net profits/(losses) of associates and joint ventures accounted for using the equity method	**2**	**4**	**16**	(50)	(88)
Other operating income and charges					
Net gains on sale of debt and equity securities	25	6	43	large	(42)
Impairment charge on equity investments	(2)	(17)	(30)	(88)	(93)
Net (gains/losses) on sale of associates and joint ventures	(5)	(1)	9	large	large
Dividends and distributions received	64	35	48	83	33
Specific provisions and collective allowance for credit losses	(1)	14	(29)	large	(97)
Other income	4	16	110	(75)	(96)
Total other operating income and charges	**85**	**53**	**151**	60	(44)
Internal management revenue/(charge)[2]	**(39)**	**(67)**	**(55)**	(42)	(29)
Total operating income/(expense)	**(1)**	**(36)**	**388**	(97)	large
Operating expenses					
Employment expenses	(775)	(911)	(936)	(15)	(17)
Brokerage and commission expenses	(1)	29	(85)	large	(99)
Other operating expenses	315	307	249	3	27
Total operating expenses	**(461)**	**(575)**	**(772)**	(20)	(40)
Tax expense	(107)	(197)	(85)	(46)	26
Macquarie Income Preferred Securities	(2)	(2)	(2)	—	—
Macquarie Income Securities	(13)	(13)	(13)	—	—
Other non-controlling interests[3]	(5)	8	(2)	large	150
Net profit/(loss) contribution	**(589)**	**(815)**	**(486)**	(28)	21
Other metrics					
Headcount	5,806	5,781	5,594	nm	4

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

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

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

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

Corporate's net loss contribution of A$589 million for the half year ended September 30, 2011 increased 21% from a net loss contribution of A$486 million in the prior corresponding period.

Net interest income

Interest income is mainly generated through the investment of Macquarie's capital. Net interest income for the half year ended September 30, 2011 of A$55 million decreased 56% from A$126 million in the prior corresponding period primarily due to the impact of reduced earnings on capital driven by a change in the currency mix of the earnings base as part of MGL's capital management activities.

Fee and commission income/(expense)

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

Fee and commission expense of A$1 million for the half year ended September 30, 2011 increased significantly from income of A$102 million in the prior corresponding period. The prior corresponding period included the recognition of certain items that, for accounting purposes, offset with other fee and commission expense.

Net trading income/(loss)

The primary drivers of net trading income in the Corporate segment were derivative volatility and the impact of changes in the fair value of liquid assets due to changes in credit spreads. A net trading loss of A$103 million for the half year ended September 30, 2011 increased significantly from net trading income of A$48 million in the prior corresponding period. This was primarily due to losses relating to fair value adjustments on assets held for liquidity purposes resulting from credit spread movements. In addition, the half year ended September 30, 2011 includes losses relating to fair value adjustments that were incurred on assets held to hedge exposures to liabilities under the Directors' profit share ("DPS") plan.

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

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

Other operating income and charges

Net gains on sale of debt and equity securities

Net gains on sale of debt and equity securities of A$25 million for the half year ended September 30, 2011 decreased 42% from A$43 million in the prior corresponding period. This primarily related to the sale of debt securities by Group Treasury.

Dividends and distributions received

Dividends and distributions received of A$64 million in the half year ended September 30, 2011 increased 33% from A$48 million in the prior corresponding period. Dividends are received on investments held to hedge DPS liabilities and on the investment in MAp Group, which was transferred from Macquarie Funds to the Corporate segment on April 1, 2011.

Other income

Other income of A$4 million for the half year ended September 30, 2011 decreased significantly from $110 million in the prior corresponding period. The income in the prior corresponding period primarily relates to the gain on the reclassification of MAp Group upon the loss of significant influence.

Operating expenses

Total operating expenses of A$461 million for the half year ended September 30, 2011 decreased 40% from A$772 million in the prior corresponding period.

Employment expenses

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

For the half year ended September 30, 2011, employment expenses of A$775 million decreased 17% from A$936 million in the prior corresponding period due to factors including decreased profit share and the impact of fair value adjustments of DPS liabilities.

Brokerage and commission expenses

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

Brokerage and commission expenses of A$1 million for the half year ended September 30, 2011 decreased 99% from A$85 million from the prior corresponding period. The expense in the prior period includes amounts that offset with fee and commission income as described above.

Other operating expenses

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

Other operating expenses were a net income item in the Corporate segment due to recoveries of service area costs out to operating groups. The 27% net increase in this category from income of A$249 million in the prior corresponding period to net income of A$315 million in the half year ended September 30, 2011 was largely due to realignment of corporate roles that have been previously embedded in the business, reflecting continued support inbuilding a global operating platform across all support functions.

International income

International income by region

	Half year ended			Movement	
	Sep 11	**Mar 11**	**Sep 10**	**Mar 11**	**Sep 10**
	A$m	**A$m**	**A$m**	**%**	**%**
Americas	921	1,300	929	(29)	(1)
Asia Pacific	401	621	529	(35)	(24)
Europe, Middle East and Africa	621	579	430	7	44
Total international income	**1,943**	**2,500**	**1,888**	(22)	3
Australia	1,262	1,395	1,476	(10)	(14)
Total income (excluding earnings on capital and other corporate items)	**3,205**	**3,895**	**3,364**	(18)	(5)
Earnings on capital and other corporate items	38	88	297	(57)	(87)
Total net operating income (as reported)	**3,243**	**3,983**	**3,661**	(19)	(11)
International income/net operating income (excluding earnings on capital and other corporate items) (%)	61	64	56		

Total international income increased 3% to A$1,943 million for the half year ended September 30, 2011 from A1,888 million in the prior corresponding period primarily due to an increase in income from Europe, Middle East and Africa for the half year ended September 30, 2011 of A$621 million increasing 44% from A$430 million in the prior year.

Earnings on capital and other corporate items for the half year ended September 30, 2011 was A$38 million, down 87% from A$297 million in the prior year primarily due to reduced earnings on capital driven by a change in the currency mix of the earnings base as part of MGL's capital management activities.

The table below shows a breakdown of our net operating income (excluding earnings on capital and other corporate items) by operating group for the half year ended September 30, 2011.

International income by group and region

	Half year ended September 30, 2011						
	Americas	**Asia**	**Europe, Middle East & Africa**	**Total International**	**Australia**	**Total income**	**Total International**
	A$m	**A$m**	**A$m**	**A$m**	**A$m**	**A$m**	**%**
Macquarie Funds	371	42	188	601	149	750	80
Corporate & Asset Finance	156	26	194	376	147	523	72
Banking & Financial Services	97	(5)	4	96	625	721	13
Macquarie Securities	62	272	131	465	76	541	86
Macquarie Capital	64	43	11	118	138	256	46
Fixed Income, Currencies & Commodities	169	23	93	285	123	408	70
Real Estate Banking	2	—	—	2	4	6	33
Total net operating income (excluding earnings on capital and other corporate items)	**921**	**401**	**621**	**1,943**	**1,262**	**3,205**	**61**

Liquidity

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

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

Liquidity management

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

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

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

Liquidity policies and principles

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

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

The MBL liquidity policy outlines the liquidity requirements for the Banking Group. The key requirement of the policy is that MBL is able to meet all of its liquidity obligations on a daily basis and during a period of liquidity stress: a 12 month period of constrained access to funding markets and with only a limited impact on franchise businesses. MBL is funded mainly by capital, long-term wholesale funding and deposits.

MBL can provide debt funding to MGL (or the Non-Banking Group) up to a regulatory limit that is determined by APRA's non-ELE rules. MBL's ability to return capital to MGL for use by MGL (or the Non-Banking Group) is limited by MBL's existing capital requirements as an ADI. See "Recent developments — Regulatory and supervision developments — Australia — APRA” in this Report and “Regulation and supervision — Australia — APRA” beginning on page 47 of our 2011 Annual U.S. Disclosure Report. As a result, MGL’s liquidity modeling and 12-month scenarios separately test MGL Group, MBL Group and the Non-Banking Group to ensure that sufficient liquidity is available in each part of its business.

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

Liquidity and funding management

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

Liquidity limits

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

Scenario analysis

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

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

Liquid asset holdings

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

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

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

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

MGL Group had A$28.0 billion cash and liquid assets at September 30, 2011 (September 30, 2010: A$26.5 billion), of which A$25.8 billion was held by MBL Group (September 30, 2010: A$24.1 billion).

MGL Group continues to monitor regulatory and other market developments in response to the global financial crisis that may impact the composition of its cash and liquid asset portfolio. See “Regulation and supervision — Australia — APRA” beginning on page 47 of our 2011 Annual U.S. Disclosure Report for further information.

Liquidity contingency plan

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

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

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

Funding transfer pricing

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

Credit ratings

As at September 30, 2011, the credit ratings for each of our funding vehicles were as follows:

	Macquarie Group Limited			Macquarie Bank Limited		
Rating agency[1]	**Short-term rating**	**Long-term rating**	**Long-term rating outlook**	**Short-term rating**	**Long-term rating**	**Long-term rating outlook**
Fitch Ratings..........................	F-1	A	Stable	F-1	A+	Stable
Moody's Investors Service....	P-1	A2	Rating under review	P-1	A1	Rating under review
Standard & Poor's	A-2	A-	Stable	A-1	A	Stable

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

On November 4, 2011, Moody's Investors Services announced that it had placed MGL's A2 and MBL's A1 senior unsecured debt rating and P-1 short term ratings on review for possible downgrade. The review is expected to focus on the outlook for MGL's earnings against a backdrop of protracted weakness in the financial markets, and the extent that this trend may be secular as opposed to cyclical. The review is expected to consider the challenges posed by MGL's expansion, including risk management of an increasingly global and diverse business lines, as well as greater competition in many global capital markets business lines, among other factors.

Funding transactions

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

Funding source	Banking Group	Non-Banking Group	Total
	A$bn	A$bn	A$bn
Securitized assets			
Term secured finance[1]..	2.1	—	2.1
Issued paper			
Subordinated debt..	1.0	—	1.0
Senior debt...	0.2	0.4	0.6
Senior credit facility[2]	—	2.6	2.6
Total...	**3.3**	**3.0**	**6.3**

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

2 Conversions of Australian dollars to U.S. dollars have been made at rate of US$0.9684 per A$1.00. This includes the A$0.5 billion refinance of the senior credit facility committed in October 2011.

In the half year ended September 30, 2011, MGL Group raised A$6.3 billion of term funding, including A$2.1 billion of term secured finance from mortgage, motor vehicle and equipment securitizations, and A$1.6 billion of term wholesale funding. MGL also completed the first stage in refinancing its senior credit facility.

Recent funding developments. To finance the Restructure, on November 13, 2007, MGL entered into the A$9 billion senior credit facility. As at September 30, 2011, two tranches of borrowings of A$2.5 billion each, maturing in November 2011 and November 2012, respectively, remained outstanding under the senior credit facility.

On August 23, 2011, MGL partially refinanced the senior credit facility, with 10 of the original banks to the senior credit facility providing commitments totaling US$2 billion for tenors between 3.5 and 5 years. Subsequent to September 30, 2011, a further US$0.5 billion was committed by additional banks, which brought the total amount refinanced on the senior credit facility to US$2.5 billion.

In October 2011, MBL also completed A$0.8 billion of term securitization.

Explanation of funded statement of financial position

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

The tables below have been prepared to reconcile the reported assets of the consolidated MGL Group to net funded assets at September 30, 2011. This MGL Group funding requirement is then split between the Banking Group and the Non-Banking Group to assist in the analysis of each of the separate funding profiles of MGL and MBL.

MGL Group	**As at**
	Sep 11
	A$b
Total assets per MGL statutory statement of financial position	**174.7**
Accounting deductions:	
Self funded trading assets[1]	(15.0)
Derivative revaluation accounting gross-ups[2]	(32.0)
Life investment contracts and other segregated assets[3]	(7.8)
Broker settlement balances[4]	(8.8)
Short term working capital assets[5]	(6.5)
Non-recourse funded assets:	
Securitized assets and non-recourse warehouses[6]	(13.0)
Net funded assets	**91.6**

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

2 *Derivative re-valuation accounting gross-ups.* MGL 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 MGL Group provides products such as investment-linked policy contracts. The policy (contract) liability will be matched by assets held to the same amount and hence does not require funding.

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

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

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

Funded assets and funding sources of MGL Group

The following table represents the funded statement of financial position of MGL Group at September 30, 2011:

	As at Sep 11 A$b
MGL Group	
Funding sources	
Wholesale issued paper:[1]	
Negotiable certificates of deposit	1.5
Commercial paper	4.2
Net trade creditors[2]	—
Structured notes[3]	2.7
Secured funding[4]	11.5
Bonds[5]	16.9
Other loans[6]	0.6
Senior credit facility[7]	4.3
Deposits:[8]	
Retail deposits	28.6
Corporate and wholesale deposits	5.9
Loan capital[9]	3.6
Equity and hybrid[10]	11.8
Total	**91.6**
Funded assets	
Cash and liquid assets[11]	28.0
Net trading assets[12]	14.5
Loan assets less than one year[13]	8.5
Loan assets greater than one year[13]	28.1
Assets held-for-sale[14]	0.1
Debt investment securities[15]	3.6
Co-investment in Macquarie-managed funds and other equity investments[16]	5.8
Property, plant and equipment and intangibles	2.0
Net trade debtors	1.0
Total	**91.6**

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

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

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

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

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

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

7 *Senior credit facility.* MGL's senior credit facility, provided by a syndicate of wholesale lenders, was refinanced and is now a A$2.6 billion facility after being refinanced during and after the half year ended September 30, 2011. At September 30, 2011, A$0.3 billion remained undrawn.

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

9 *Loan capital.* Long-term subordinated debt, Convertible Preference Securities and Preferred Membership Interests.

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

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

12 *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.

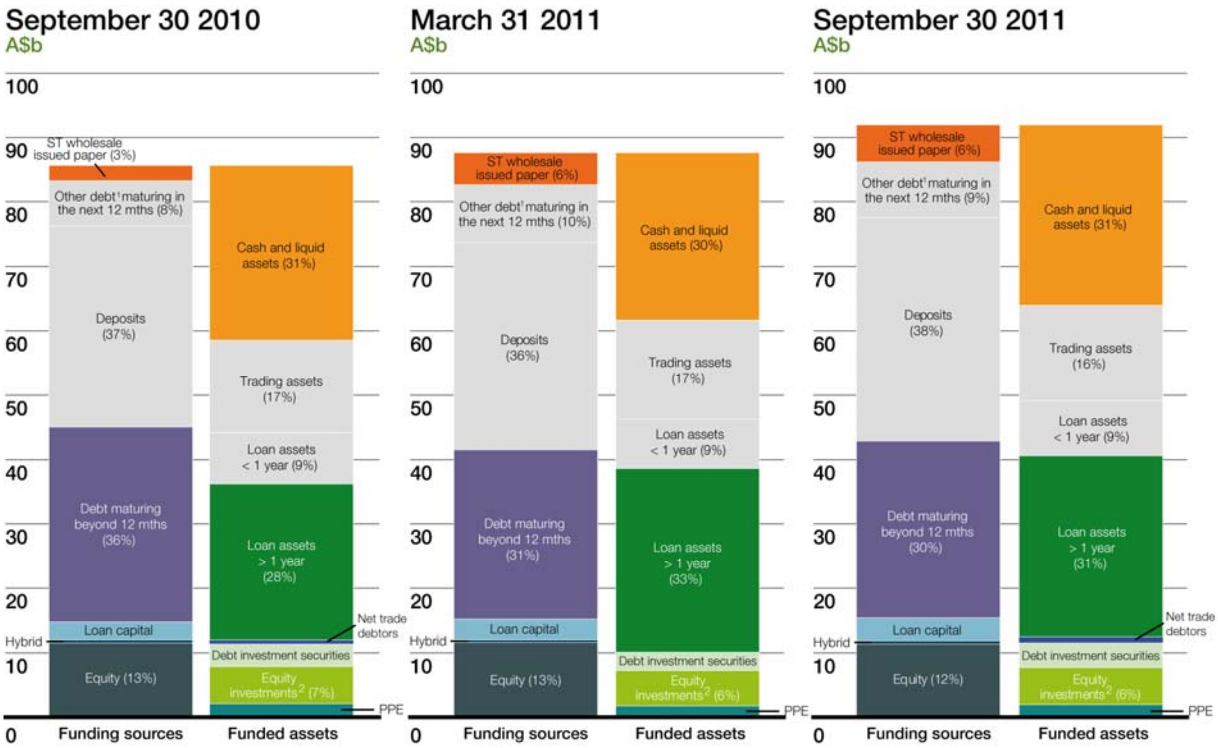
13 *Loan assets.* This represents all loans provided to retail and wholesale borrowers, in addition to operating lease assets. See "— Capital analysis — Loan assets" below for further information.

14 *Assets held-for-sale.* These are the net assets/liabilities of the held-for-sale categories on the statement of financial position.

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

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

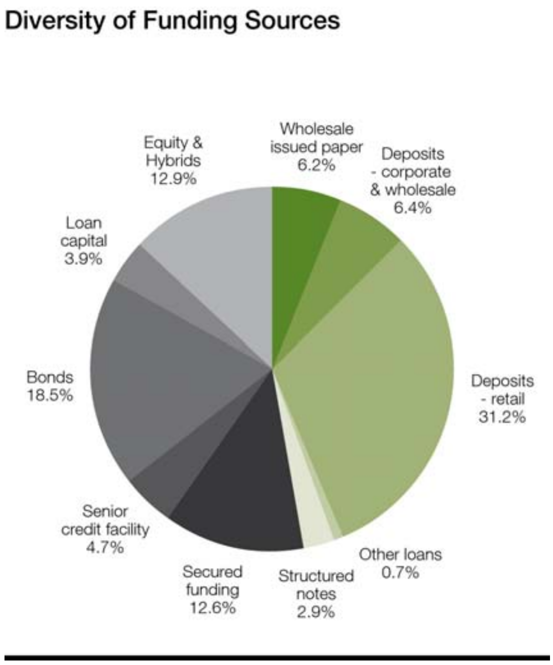
The funded statement of financial position of MGL has continued to improve due to the term funding raised in the half year ended September 30, 2011, as described in this Report under "— Funding transactions". The graph below illustrates the change in composition of the funded statement of financial position from September 30, 2010 to September 30, 2011.



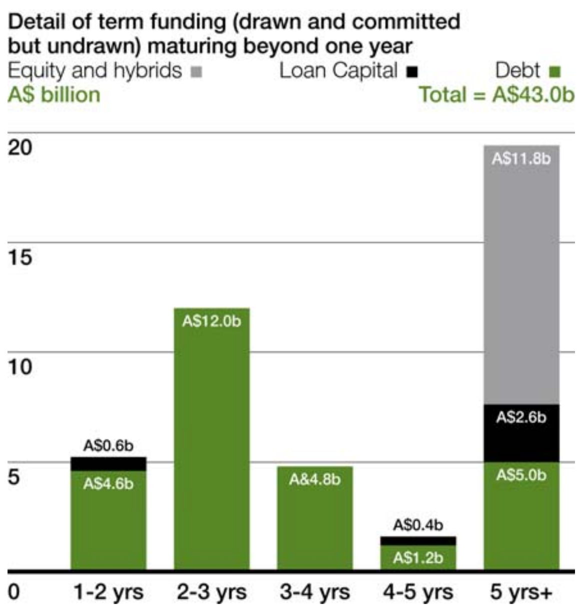
1 Includes structured notes, secured funding, bonds, other bank loans maturing within the next 12 months and net trade creditors.

2 This represents MGL's co-investment in Macquarie–managed funds and other equity investments.

Diversity of funding sources of MGL Group, as at September 30, 2011



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



	As at					
	Sep 11					
	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	5 yrs+	Total
MGL Group	**A$b**	**A$b**	**A$b**	**A$b**	**A$b**	**A$b**
Structured notes	0.5	0.4	0.2	0.1	0.2	1.4
Secured funding	2.4	2.4	3.4	1.0	0.5	9.7
Bonds	0.2	9.2	—	0.1	3.4	12.9
Other loans	0.1	—	0.1	—	—	0.2
Senior credit facility	1.1	—	1.1	—	0.9	3.1
Total debt	**4.3**	**12.0**	**4.8**	**1.2**	**5.0**	**27.3**
Loan capital	0.6	—	—	0.4	2.6	3.6
Equity and hybrid	—	—	—	—	11.8	11.8
Total funding sources drawn	**4.9**	**12.0**	**4.8**	**1.6**	**19.4**	**42.7**
Undrawn	0.3	—	—	—	—	0.3
Total funding sources drawn and undrawn	**5.2**	**12.0**	**4.8**	**1.6**	**19.4**	**43.0**

At September 30, 2011, MGL Group's term assets were covered by term funding maturing beyond one year (including undrawn facilities), stable deposits and equity. Excluding equity as a permanent source of funding, the weighted average term to maturity of term funding (excluding short term funding) of 4.1 years at September 30, 2011 was in line with 4.1 years at March 31, 2011 (including the A$0.5 billion refinance of the senior credit facility committed in October 2011).

As at September 30, 2011, deposits represented A$34.5 billion, or 38% of total funding, short-term (maturing in less than 12 months) wholesale issued paper represented A$5.7 billion, or 6% of total funding and other debt funding maturing within 12 months represented A$8.7 billion or 9% of total funding.

Funding profile for the Non-Banking Group

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

	As at Sep 11 A$b
Non-Banking Group	
Funding sources	
Net trade creditors[1]	—
Structured notes[2]	0.6
Secured funding[3]	0.2
Bonds[4]	4.7
Other loans[5]	0.1
Senior credit facility[6]	4.3
Loan capital[7]	1.0
Equity[8]	2.4
Total	**13.3**
Funded assets	
Cash and liquid assets[9]	2.2
Non-Banking Group deposit with MBL	3.4
Net trading assets[10]	1.2
Loan assets less than one year[11]	0.4
Loan assets greater than one year[11]	0.5
Assets held-for-sale	0.1
Debt investment securities[12]	0.1
Co-investment in Macquarie-managed funds and other equity investments[13]	4.1
Property, plant and equipment and intangibles	0.9
Net trade debtors	0.4
Total	**13.3**

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

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

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

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

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

6 *Senior credit facility.* MGL's senior credit facility, provided by a syndicate of wholesale lenders, was refinanced and is now a A$2.6 billion facility after being refinanced during and after the half year ended September 30, 2011. At September 30, 2011, A$0.3 billion remained undrawn.

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

8 *Equity.* Equity balances are comprised of issued capital, retained earnings and reserves.

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

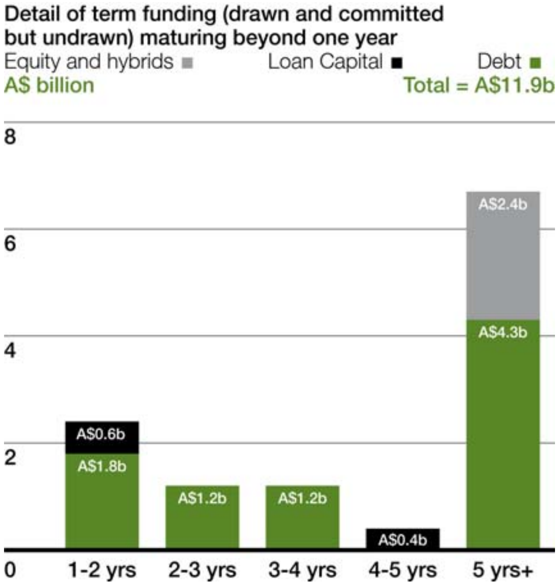
10 *Net trading assets.* The net trading asset balance consists of financial markets and equity trading assets including the net derivative position and any margin or collateral balances. It also includes trading assets which are hedging structured notes issued.

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

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

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

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



	As at Sep 11					
	1-2 yrs	**2-3 yrs**	**3-4 yrs**	**4-5 yrs**	**5 yrs+**	**Total**
Non-Banking Group	**A$b**	**A$b**	**A$b**	**A$b**	**A$b**	**A$b**
Structured notes	0.2	0.1	—	—	0.1	0.4
Secured funding	0.1	—	—	—	—	0.1
Bonds	0.1	1.1	—	—	3.3	4.5
Other loans	—	—	0.1	—	—	0.1
Senior credit facility	1.1	—	1.1	—	0.9	3.1
Total debt	**1.5**	1.2	**1.2**	—	**4.3**	**8.2**
Loan capital	0.6	—	—	0.4	—	1.0
Equity and hybrid	—	—	—	—	2.4	2.4
Total funding sources drawn	**2.1**	**1.2**	**1.2**	**0.4**	**6.7**	**11.6**
Undrawn[1]	0.3	—	—	—	—	0.3
Total funding sources drawn and undrawn	**2.4**	**1.2**	**1.2**	**0.4**	**6.7**	**11.9**

[1] Undrawn term facilities for the Non-Banking Group include A$0.3 billion undrawn on the senior credit facility.

Term funding beyond one year (excluding equity) has a weighted average term to maturity of 4.8 years (including the A$0.5 billion refinance of the senior credit facility committed in October 2011).

Debt funding of MGL, which primarily funds the activities of the Non-Banking Group, includes the senior credit facility. See "— Funding transactions — Recent funding developments" for further information.

In addition to the above facility, the other key tools used for accessing wholesale debt funding markets for MGL:

- US$10 billion Rule 144A/Regulation S Medium Term Note Program. US$3.8 billion was outstanding under the Rule 144A/Regulation S Medium Term Note Program at September 30, 2011; and

- US$10 billion multi-instrument Regulation S Debt Instrument Program, under which securities may be issued include Euro Commercial Paper, Euro Commercial Deposits, Euro-Medium Term Notes, senior and subordinated fixed/floating rate notes, and Transferable Deposits and MGL Wholesale Notes. The Debt Instrument Program had US$0.9 billion debt securities outstanding at September 30, 2011.

Funding profile for the Banking Group

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

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

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

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

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

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

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

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

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

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

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

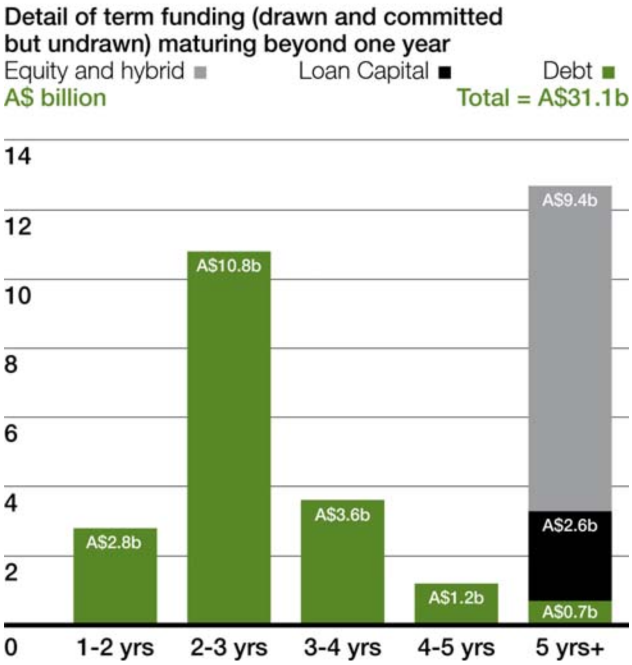
10 *Loan assets.* This represents all loans provided to retail and wholesale borrowers, in addition to operating lease assets. See "— Capital analysis — Loan assets" in this Report for further information.

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

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

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

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



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

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

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

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

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

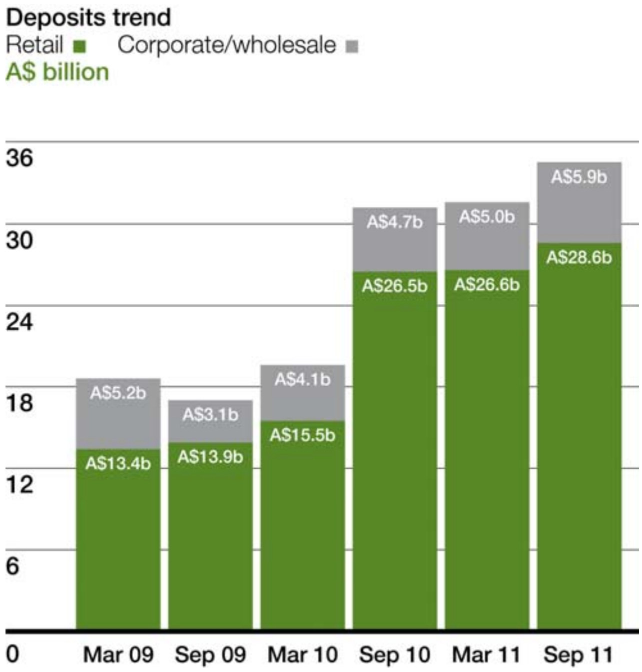
- US$20 billion Rule 144A/Regulation S Medium Term Note Program. At September 30, 2011, US$8.3 billion had been issued under the Rule 144A/Regulation S Medium Term Note Program.

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

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

Deposit strategy

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



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

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

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

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

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

As at September 30, 2011, MGL Group had A$6.4 billion of contingent liabilities and commitments, including A$595 million of contingent liabilities and A$4.3 billion of commitments under undrawn credit facilities. See Note 19 "Contingent liabilities and commitments" to our 2012 interim financial statements which shows MGL Group's contingent liabilities and commitments at September 30, 2011.

Quantitative and qualitative disclosures about market risk

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

Capital analysis

Overview

As an 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 Group's Board-approved Economic Capital Adequacy Model 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 the dollar value 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 Group's Economic Capital Adequacy Model.

Transactions internal to MGL Group are eliminated.

Eligible regulatory capital of MGL consists of ordinary share capital, retained earnings and certain reserves plus eligible hybrid instruments. Eligible hybrid instruments currently include the Convertible Preference Securities (CPS), the Macquarie Income Securities (MIS), the Macquarie Income Preferred Securities (MIPS) and Macquarie Preferred Membership Interests (PMIs), described in further detail below.

The PMIs are U.S. dollar denominated, non-cumulative, unsecured and subordinated limited liability company interests of Macquarie PMI LLC. They are redeemable at the issuer's option on any distribution date from December 2, 2015, and are non-dilutive, as they will exchange to MGL preference shares in specified circumstances, and mandatorily on December 2, 2035. The PMIs bear fixed-rate deferrable coupons at 8.375% per annum, paid semi-annually.

Significant regulatory changes that may affect our businesses are expected in various markets in which we operate, including changes to the minimum capital requirements and changes to the way in which capital is calculated. See "— Regulatory and supervision developments — Australia" and "Regulation and supervision — Australia — APRA" beginning on page 47 of our 2011 Annual U.S. Disclosure Report. While we continue to analyze the impact of these changes to our business and capital requirements, we believe we are well positioned to transition to the new requirements.

Share buyback of MGL's ordinary shares

On October 28, 2011, MGL Group announced that it currently plans to apply some of the capital generated from capital efficiency initiatives, including legacy asset sales and businesses in run down and a potential future hybrid issuance to fund an on-market buyback of up to 10% of MGL's ordinary shares (approximately A$800 million at September 30, 2011), subject to regulatory approval.

MGL Group regulatory capital surplus calculation

	As at		
	Sep 11	**Mar 11**	**Sep 10**
	A$m	**A$m**	**A$m**
MGL Group eligible capital			
Bank Gross Tier 1 capital	9,221	8,519	8,446
Non-Bank eligible capital	3,145	3,570	3,148
Eligible capital	12,366	12,089	11,594
MGL Group capital requirement			
Banking Group			
Risk-Weighted Assets[1]	57,601	55,222	53,363
Capital required to cover Risk-Weighted Assets[2]	4,032	3,866	3,735
Tier 1 deductions[3]	2,194	2,527	2,664
Total Banking Group	6,226	6,393	6,399
Total Non-Banking Group	2,608	2,745	2,328
Total capital requirement	8,834	9,138	8,727
MGL Group regulatory capital surplus	3,532	2,951	2,867

1 In calculating MBL's contribution to MGL Group's capital requirements, Risk-Weighted Assets associated with exposures to MBL are eliminated (A$nil million at September 30, 2011; A$178 million at March 31, 2011 and A$330 million at September 30, 2010).

2 At the internal minimum Tier 1 ratio of MBL Group, which is 7%.

3 In calculating MBL's contribution to MGL Group's capital requirement, Tier 1 deductions arising from transactions with MGL Group are eliminated (A$60 million at September 30, 2011; A$60 million at March 31, 2011 and A$nil million at September 30, 2010).

Banking Group capital

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

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

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

Tier 1 capital

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

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

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

Tier 2 capital

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

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

Pillar 3

The APRA Prudential Standard APS 330 Capital Adequacy: Public Disclosure of Prudential Information (Pillar 3) details the market disclosure requirements for Australian domiciled banks. APS 330 requires qualitative and quantitative disclosure of risk management practices and capital adequacy. These disclosures are required to be published by MBL Group within 40 business days of the reporting date and are posted on MGL's U.S. Investors' Website.

Banking Group total capital base

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

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

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

Risk-Weighted Assets

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

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

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

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

Non-Banking Group capital

APRA has approved our Economic Capital Adequacy Model for use in calculating the regulatory capital requirement of the Non-Banking Group. The Economic Capital Adequacy Model is based on similar principles and models as the Basel II Framework for banks, with both calculating capital at a one year 99.9% confidence level. The key features are:

Risk[1]	**Basel II**	**Economic Capital Adequacy Model**
Credit	Capital requirement determined by Basel II formula, with some parameters specified by the regulator (*e.g.,* loss given default)	Capital requirement determined by Basel II formula, but with internal estimates of some parameters
Equity	Simple risk-weight approach or deductions. Tier 1 capital requirement between 24% and 50% of face value[2]	Extension of Basel II credit model to cover equity exposures. Capital requirement between 39% and 82% of face value; average 52%
Market	3 times 10 day 99% Value at Risk plus a specific risk charge	Scenario-based approach.
Operational	Basel II Advanced Measurement Approach	Basel II Advanced Measurement Approach

1 The Economic Capital Adequacy Model also covers insurance underwriting risk, non-traded interest rate risk and the risk on assets held as part of business operations, *e.g.,* fixed assets, goodwill, intangible assets, capitalized expenses and certain minority stakes in associated companies or stakes in joint ventures.

2 Assuming an 8% Tier 1 ratio, the 300% and 400% risk-weightings for equity exposures under Basel II equate to a capital requirement of 24% or 32%, respectively. Any deductions required for equity exposure are 50/50 Tier 1 and Tier 2, hence a 50% Tier 1 capital requirement.

Non-Banking Group regulatory capital requirement

The capital requirement of the Non-Banking Group is set out in the table below.

	As at Sep 11 Asset	As at Sep 11 Capital requirement	As at Sep 11 Equivalent risk-weight
	A$b	A$m	%
Funded assets			
Cash and liquid assets	2.2	26	15%
Loan assets[1]	0.9	95	137%
Assets held-for-sale	0.1	49	685%
Debt investment securities	0.1	6	51%
Co-investments in Macquarie-managed funds and other equity investments	4.0	1,866	587%
Co-investments in Macquarie-managed funds and other equity investments (relating to investments that hedge DPS plan liabilities)	0.1		
Property, plant and equipment and intangibles[2]	0.9	273	371%
Non-Banking Group deposits with MBL	3.4		
Net trading assets	1.2		
Net trade debtors	0.4		
Total funded assets	**13.3**	**2,315**	
Self-funded and non-recourse assets			
Self funded trading assets	0.4		
Broker settlement balances	4.8		
Derivative revaluation accounting gross-ups	—		
Working capital assets	3.9		
Total self-funded and non-recourse assets	9.1		
Total Non-Banking Group assets	**22.4**		
Off balance sheet exposures, operational, market and other risk and diversification offset[3]		293	
Non-Banking Group capital requirement		**2,608**	

1 Includes leases.

2 A component of the intangibles relating to the acquisitions of Orion Financial Inc. and Tristone are supported 100% by exchangeable shares. These exchangeable shares have not been included in eligible regulatory capital.

3 Includes capital associated with net trading assets (*e.g.*, market risk capital) and net trade debtors.

Statutory consolidated statement of financial position

	As at			Movement[1]	
	Sep 11	Mar 11	Sep 10	Mar 11	Sep 10
	A$m	A$m	A$m	%	%
Assets					
Due from financial institutions	11,525	9,817	9,766	17	18
Cash collateral on securities borrowed and reverse repurchase agreements	6,696	8,790	9,266	(24)	(28)
Trading portfolio assets	14,616	14,898	15,938	(2)	(8)
Loan assets held at amortized cost	45,843	46,016	45,130	nm	2
Other financial assets at fair value through profit or loss	9,998	11,668	11,025	(14)	(9)
Derivative financial instruments - positive values	34,201	21,185	23,430	61	46
Other assets	14,960	12,646	11,671	18	28
Investment securities available-for-sale	21,334	17,051	18,576	25	15
Life investment contracts and other unitholder investment assets	4,758	5,059	5,047	(6)	(6)
Interests in associates and joint ventures accounted for using the equity method	2,891	2,790	2,719	4	6
Property, plant and equipment	5,133	5,007	2,899	3	77
Intangible assets	1,393	1,317	1,411	6	(1)
Deferred income tax assets	1,251	1,245	1,107	nm	13
Non-current assets and assets of disposal groups classified as held-for-sale	89	79	75	13	19
Total assets	**174,688**	**157,568**	**158,060**	11	11
Liabilities					
Due to financial institutions	9,557	7,810	9,981	22	(4)
Cash collateral on securities lent and repurchase agreements	8,844	6,617	6,482	34	36
Trading portfolio liabilities	4,425	5,808	5,811	(24)	(24)
Derivative financial instruments - negative values	32,240	21,572	24,326	49	33
Deposits	38,050	35,338	35,047	8	9
Debt issued at amortized cost	42,258	41,177	39,955	3	6
Other financial liabilities at fair value through profit or loss	3,334	4,339	3,710	(23)	(10)
Other liabilities	15,180	14,327	12,973	6	17
Current tax liabilities	72	197	94	(63)	(23)
Life investment contracts and other unitholder liabilities	4,759	5,055	5,069	(6)	(6)
Provisions	232	215	221	8	5
Deferred income tax liabilities	351	287	235	22	49
Total liabilities excluding loan capital	**159,302**	**142,742**	**143,904**	12	11
Loan capital					
Macquarie Convertible Preference Securities	596	595	593	nm	1
Subordinated debt at amortized cost	2,877	1,832	1,483	57	94
Subordinated debt at fair value through profit or loss	149	467	487	(68)	(69)
Total loan capital	**3,622**	**2,894**	**2,563**	25	41
Total liabilities	**162,924**	**145,636**	**146,467**	12	11
Net assets	**11,764**	**11,932**	**11,593**	(1)	1
Equity					
Contributed equity					
Ordinary share capital	7,245	7,140	7,063	1	3
Treasury shares	(1,135)	(731)	(719)	55	58
Exchangeable shares	98	104	129	(6)	(24)
Reserves	504	310	263	63	92
Retained earnings	4,539	4,581	4,325	(1)	5
Total capital and reserves attributable to ordinary equity holders of MGL Group	**11,251**	**11,404**	**11,061**	(1)	2
Non-controlling interests					
Macquarie Income Preferred Securities	66	63	66	5	—
Macquarie Income Securities	391	391	391	—	—
Other non-controlling interests	56	74	75	(24)	(25)
Total equity	**11,764**	**11,932**	**11,593**	(1)	1

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

Total assets of A$174.7 billion at September 30, 2011 increased 11% from A$158.1 billion at September 30, 2010, an increase of A$16.6 billion as a result of the items listed below.

Cash collateral on securities borrowed and reverse repurchase agreements of A$6.7 billion at September 30, 2011 decreased 28% from A$9.3 billion at September 30, 2010, primarily as a result of decreased trading activities in Macquarie Securities and Fixed Income, Currencies & Commodities.

Other financial assets at fair value through profit or loss of A$10 billion at September 30, 2011 decreased 9% from A$11.0 billion at September 30, 2010, primarily due to liquidity management activities conducted by Group Treasury.

Derivative financial instruments (positive values) of $34.2 billion at September 30, 2011 increased 46% from A$23.4 billion in the prior corresponding period, primarily due to the effect of increases in base metal prices on derivative instruments.

Other assets of $15.0 billion at September 30, 2011 increased 28% from A$11.7 billion in the prior corresponding period, primarily due to unsettled trade receivables at the end of the period arising from increased trading activity.

Investment securities available-for-sale of A$21.3 billion at September 30, 2010 increased 15% from A$18.6 billion at September 30, 2010, primarily due to liquidity management activities conducted by Group Treasury.

Property, plant and equipment of A$5.1 billion at September 30, 2011 increased 77% from A$2.9 billion at September 30, 2010, largely due to the completion of the acquisition of 44 aircraft assets and associated leases from ILFC and the acquisition of the remaining 62.5% of Macquarie AirFinance.

Total liabilities (excluding loan capital) of A$159.3 billion at September 30, 2011 increased 11% from A$143.9 billion at September 30, 2010 as a result of the items listed below.

Deposits of A$38.1 billion at September 30, 2011 increased 9% from A$35.0 billion at September 30, 2010, primarily due to the continued growth in CMA account balances and corporate banking deposits.

Derivative financial instruments (negative values) of A$32.2 billion at September 30, 2011 increased 33% from A$24.3 billion in the prior corresponding period, primarily due to the effect of increases in base metal prices on derivative instruments.

Other liabilities of A$15.2 billion at September 30, 2011 increased 17% from A$13.0 billion in the prior corresponding period, primarily due to increased unsettled trade payables at the end of the period arising from increased trading activity.

Total equity of A$11.8 billion at September 30, 2011 increased 1% from A$11.6 billion at September 30, 2010. The main drivers of this change was due to a net increase retained earnings of A$214 million, contributed equity from the dividend reinvestment plan of A$79 million, and increased reserves, including share based payments and foreign currency translation. This was partially offset by an increase of A$416 million in treasury shares related to MGL shares acquired in relation to the MGL Employee Retained Equity Plan.

Loan assets

This description of our funded loan assets is based on the funded statement of financial position of MGL Group and not the statutory statement of financial position classification. For details on the funded statement of financial position, see "— Liquidity — Funded assets and funding sources of MGL Group".

	As at			Movement[1]	
	Sep 11	**Mar 11**	**Sep 10**	**Mar 11**	**Sep 10**
	A$b	**A$b**	**A$b**	**%**	**%**
Loan assets at amortized cost per statutory statement of financial position	45.8	46.0	45.1	nm	2
Other loans held at fair value	2.0	2.5	2.3	(20)	(13)
Operating lease assets	4.5	4.4	2.2	2	105
Less: loans held by consolidated SPEs which are available as security to noteholders and debt providers	(12.9)	(12.8)	(13.5)	1	(4)
Less: segregated funds	(1.2)	(1.3)	(1.4)	(8)	(14)
Less: margin balances (reclassed to trading)	(1.4)	(2.0)	(2.3)	(30)	(39)
Less: other reclassification	(0.2)	(0.6)	(0.3)	(67)	(33)
Total per funded statement of financial position	**36.6**	**36.2**	**32.1**	1	14

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

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

	Half year ended			Movement	
	Sep 11	**Mar 11**	**Sep 10**	**Mar 11**	**Sep 10**
	A$b	**A$b**	**A$b**	**%**	**%**
Mortgages					
Australia	2.3	2.1	1.9	10	21
United States	0.8	0.8	0.9	—	(11)
Canada	8.5	8.5	8.0	—	6
Structured investments	3.0	3.4	3.4	(12)	(12)
Banking	3.9	3.7	3.6	5	8
Real estate	0.4	0.4	0.5	—	(20)
Resources and commodities	1.9	1.5	1.5	27	27
Leasing (finance and operating)	7.7	8.2	5.9	(6)	31
Corporate & Asset Finance lending	7.0	6.5	5.2	8	35
Other lending	1.1	1.1	1.2	—	(8)
Total	**36.6**	**36.2**	**32.1**	1	14

Our funded loan asset portfolio comprises diverse, secured assets:

Loan category	**Asset security**
Mortgages	Secured by residential mortgages and supported by mortgage insurance. • Australia: most loans are fully mortgage insured. • United States: majority of loans where loan to value ratio is greater than 80% are mortgage insured. • Canada: most loans are fully insured with underlying government support.
Structured investments	Retail loans to invest in various investment funds. Secured by investments with value protected by capital guarantees at maturity. Underlying assets primarily include direct and indirect equities and cash.

Loan category	Asset security
Banking	Secured relationship managed loan portfolio to professional and financial services firms, real estate industry clients, insurance premium funding and other small business clients. Secured largely by real estate, working capital, business cash flows and credit insurance. The portfolio also includes other consumer lending including credit cards.
Real estate	Loans secured against real estate assets, generally subject to regular independent valuations.
Resources and commodities	Diversified loan portfolio primarily to the resources sector that are secured by the underlying assets. Secured by gold, base metals and oil resources and supported by price hedging.
Leasing (finance and operating)....	Secured by underlying leased assets (motor vehicles and specialized equipment), diversified portfolio by geography and security asset class.
Corporate & Asset Finance lending..............	Diversified secured corporate lending, subject to regular recoverability review. Secured by a diverse range of corporate assets and other securities.
Other lending......	Deposits with financial institutions as collateral for trading positions.

Equity investments

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

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

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

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

Equity investments reconciliation

	As at		
	Sep 11	**Mar 11**	**Sep 10**
	A$m	**A$m**	**A$m**
Equity investments (excluding held-for-sale)			
Statutory statement of financial position			
Equity investments within other financial assets at fair value through profit or loss	2,904	2,542	2,144
Equity investments within investment securities available-for-sale	2,612	2,541	2,737
Interests in associates and joint ventures accounted for using the equity method	2,891	2,790	2,719
Total equity investments per statutory statement of financial position	**8,407**	**7,873**	**7,600**
Adjustment for funded statement of financial position			
Equity hedge positions[1]	(2,621)	(2,332)	(1,830)
Total funded equity investments	**5,786**	**5,541**	**5,770**
Adjustments for equity investments analysis			
Available-for-sale reserves[2]	(234)	(385)	(228)
Associate reserves[3]	8	2	10
Total adjusted equity investments[4]	**5,560**	**5,158**	**5,552**
Held-for-sale investments			
Net assets of disposal groups classified as held-for-sale	89	79	75
Total equity investments including held-for-sale investments	**5,649**	**5,237**	**5,627**

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

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

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

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

Adjusted book value of equity investments by category

	As at		
	Sep 11	**Mar 11**	**Sep 10**
	A$m	**A$m**	**A$m**
Macquarie-managed funds			
DUET Group	17	15	15
Macquarie Infrastructure Company	78	65	66
Macquarie Atlas Roads Limited	101	80	80
Macquarie International Infrastructure Fund	55	54	54
Macquarie Korea Infrastructure Fund	50	51	52
Total listed Macquarie Infrastructure and Real Assets - managed funds	**301**	**265**	**267**
Unlisted Macquarie Infrastructure and Real Assets - managed funds	**634**	**615**	**542**
Other Macquarie-managed funds	**337**	**361**	**368**
Total Macquarie-managed funds	**1,272**	**1,241**	**1,177**
Other investments			
Finance, investment, funds management and exchanges	677	609	749
Transport, industrial and infrastructure	1,893	1,803	2,202
Real estate	460	479	581
Debt investment entities	41	148	167
Energy and resources	575	509	362
Telecommunications, internet, media and entertainment	642	369	314
Total other investments	**4,288**	**3,917**	**4,375**
Held-for-sale investments	89	79	75
Total equity investments including held-for-sale investments	**5,649**	**5,237**	**5,627**

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