Macquarie Bank Limited

(ABN 46 008 583 542)

Disclosure Report (U.S. Version)
for the Half Year ended September 30, 2009

Dated: November 16, 2009

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CERTAIN DEFINITIONS

In this Disclosure Report (U.S. Version) for the Half Year ended September 30, 2009 ("2010 Interim U.S. Disclosure Report" or this "Report"), unless otherwise specified or the context otherwise requires:

- *"2009 Annual U.S. Disclosure Report"* means our Disclosure Report (U.S. Version) for the Fiscal Year ended March 31, 2009;

- *"2009 Interim Directors' Report and Financial Report"* means our 2009 Interim Directors' Report and Financial Report;

- *"2009 interim financial statements"* means our unaudited financial statements for the half year ended September 30, 2008 contained in our 2009 Interim Directors' Report and Financial Report;

- *"2010 Interim Directors' Report and Financial Report"* means our 2010 Interim Directors' Report and Financial Report; and

- *"2010 interim financial statements"* means our unaudited financial statements for the half year ended September 30, 2009 contained in our 2010 Interim Directors' Report and Financial Report.

In addition, you should refer to "Certain Definitions" beginning on page 3 of our 2009 Annual U.S. Disclosure Report, which is posted on MBL's U.S. investors' website at www.macquarie.com/usinvestors ("MBL's U.S. Investors' Website").

Our fiscal year ends on March 31, so references to years such as 2009 and like references in the discussion of our financial statements, results of operation and financial condition are to the twelve months ending on March 31 of each such year; or, in connection with our interim financial statements, results of operation and financial condition, such 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;
- inflation, interest rate, exchange rate, market and monetary fluctuations;
- changes in market liquidity and investor confidence;
- our ability to complete, integrate or process acquisitions and dispositions;
- our ability to effectively manage our growth;
- the performance of funds and other assets we manage;
- the performance and financial condition of MGL, our indirect parent company;
- demographic changes and changes in political, social and economic conditions in any of the major markets in which we operate or enter in the future;
- the effect of, and changes in, laws, regulations, taxation or accounting standards or practices and government policy;
- changes in consumer spending and saving and borrowing habits in Australia and the other countries in which we conduct our operations or enter in the future;
- the effects of competition in the geographic and business areas in which we conduct operations or enter in the future;
- our ability to increase market share and control expenses;
- the timely development of and acceptance of new products and services and the perceived overall value of these products and services by users;
- technological changes; and
- various other factors beyond our control.

Significant risk factors applicable to MBL Group are described under "Risk Factors" beginning on page 25 of our 2009 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.

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

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

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

EXCHANGE RATES

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

In providing these translations, we are not representing that the Australian dollar amounts actually represent these US dollar amounts or that we could have converted those Australian dollars into US dollars. Unless otherwise indicated, conversions of Australian dollars to US dollars in this Report have been made at the noon buying rate at the close of business on September 30, 2009, which was US$0.8824 per A$1.00. The noon buying rate at the close of business on November 6, 2009, was US$0.9164 per A$1.00.

Fiscal Year	**Period End**	**Average Rate**[1]	**High**	**Low**
2005	0.7729	0.7423	0.7974	0.6840
2006	0.7165	0.7515	0.7834	0.7056
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
Month	**Period End**		**High**	**Low**
June 2009	0.8055		0.8195	0.7851
July 2009	0.8339		0.8339	0.7751
August 2009	0.8439		0.8439	0.8201
September 2009	0.8824		0.8824	0.8306
October 2009	0.9038		0.9275	0.8656
November 2009 (through November 6)	0.9164		0.9164	0.8985

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

FINANCIAL INFORMATION PRESENTATION

Investors should read the following discussion regarding the presentation of our financial information together with the discussion under "Financial Presentation" beginning on page 11 of our 2009 Annual U.S. Disclosure Report.

Recent changes to operating groups and reporting segments

In addition to the reorganizations of operating groups within MBL Group that are described under "Financial Presentation" beginning on page 11 of our 2009 Annual U.S. Disclosure Report, effective September 2009, Treasury & Commodities was renamed Fixed Income, Currencies & Commodities to more accurately reflect the services provided by the operating group since the relocation of Group Treasury to Corporate Affairs in October 2007. This change had no impact on the operating or financial performance of our operating groups.

For further detail on our segment reporting, see Note 3 to our 2010 interim financial statements.

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 44 to our 2009 annual financial statements.

The significant risk factors applicable to MBL Group are described under “Risk Factors” beginning on page 25 of our 2009 Annual U.S. Disclosure Report.

CAPITALIZATION, INDEBTEDNESS AND CAPITAL ADEQUACY

The following table sets forth our capitalization as at September 30, 2009.

The information relating to MBL Group in the following table is based on our 2010 interim financial statements, which were prepared in accordance with AGAAP, and should be read in conjunction therewith.

	As at	
	Sep 09	**Sep 09**
	US$m[3]	**A$m**
CAPITALIZATION		
Borrowings		
Debt issued[1] — due greater than 12 months	19,145	21,697
Subordinated debt — due greater than 12 months	1,353	1,533
Total borrowings[2]	**20,498**	**23,230**
Equity		
Contributed equity		
Ordinary share capital	4,569	5,178
Treasury shares	64	72
Exchangeable shares	345	391
Reserves	(45)	(51)
Retained earnings	1,025	1,162
Minority interests	78	88
Total equity	**6,036**	**6,840**
TOTAL CAPITALIZATION	**26,534**	**30,070**

1 At September 30, 2009, we had A$6.2 billion of secured indebtedness due in greater than 12 months compared to A$5.3 billion at March 31, 2009.

2 Total borrowings does not include our short term debt securities, including the current portion of long term debt, or securitizations. Short term debt totaled A$9.3 billion as at September 30, 2009 and securitizations totaled A$17.4 billion as at September 30, 2009 compared to A$14.0 billion and A$20.4 billion, respectively, as at March 31, 2009.

3 Conversions of Australian dollars to US dollars have been made at the noon buying rate at the close of business on September 30, 2009, which was US$0.8824 per A$1.00. See "Exchange Rates" for further information on the historical rates of exchange between the Australian dollar and the US dollar.

For details on our short-term debt position as at September 30, 2009, see "Management's Discussion and Analysis of Interim Results of Operation and Financial Condition — Liquidity — Funding Profile for Banking Group" in this Report.

Capital Adequacy

The following table sets forth our capital adequacy and risk weighted assets as at September 30, 2009.

	As at	
	Sep 09 US$m[1]	Sep 09 A$m
Tier 1 capital		
Paid-up ordinary share capital	4,633	5,250
Reserves	164	186
Retained earnings	944	1,070
Innovative Tier 1 capital	410	465
Gross Tier 1 capital	**6,151**	**6,971**
Deductions from Tier 1 capital		
Goodwill	119	135
Deferred tax assets	376	426
Net unrealized fair value gains (losses) from changes in the ADI's own creditworthiness	19	21
Intangible component of investments in non-consolidated subsidiaries and other non-Level 2 entities	123	139
Loan and lease origination fees and commissions paid to mortgage originators and brokers	125	142
Capitalized costs associated with debt raisings	-	-
Other Tier 1 capital deductions	174	197
Deductions from Tier 1 capital only	**935**	**1,060**
Other 50/50 deductions from Tier 1 capital		
Non-subsidiary entities exceeding prescribed limited (50%)	105	119
Non-consolidated subsidiaries (50%)	250	283
All other deductions relating to securitization (50%)	62	70
Shortfall in provisions for credit losses (50%)	226	256
Other 50/50 deductions from Tier 1 capital (50%)	121	137
50/50 deductions from Tier 1 capital	**763**	**865**
Total Tier 1 capital only deductions	**1,699**	**1,925**
Net Tier 1 capital	**4,453**	**5,046**
Tier 2 capital		
Upper Tier 2 capital:		
Excess Tier 1 capital instruments	-	-
Other upper Tier 2 capital	111	126
Lower Tier 2 capital:		
Term subordinated debt	1,347	1,527
Gross Tier 2 capital	1,459	1,653
Deductions from Tier 2 capital		
Total 50/50 deductions from Tier 2 capital	**763**	**865**
Total Tier 2 capital deductions	**763**	**865**
Net Tier 2 capital	**695**	**788**
Total capital base	**5,148**	**5,834**

[1] Conversions of Australian dollars to US dollars have been made at the noon buying rate at the close of business on September 30, 2009, which is US$0.8824 per A$1.00. See "Exchange Rates" for further information on the historical rates of exchange between the Australian dollar and the US dollar.

	As at	
	Sep 09	Sep 09
	US$m[1]	A$m
Credit risk — Risk weighted assets (RWA)		
Subject to FIRB approach:		
Corporate[2]	11,400	12,919
Sovereign	528	598
Bank	2,524	2,860
Residential mortgage	1,700	1,927
Other retail	766	869
Total RWA subject to FIRB[3] approach	**16,918**	**19,173**
Specialized lending exposures subject to slotting criteria[3]	1,782	2,019
Subject to Standardized approach:		
Corporate	3,673	4,163
Residential mortgage	175	198
Other retail	2,330	2,640
Other	2,342	2,654
Total RWA subject to Standardized approach	**8,520**	**9,655**
Credit risk RWA for Securitization exposures	1,058	1,199
Total Credit risk RWA	**28,277**	**32,046**
Equity exposures RWA	1,167	1,323
Market risk RWA	1,744	1,976
Operational risk RWA	5,793	6,565
Interest rate risk in the banking book RWA	-	-
APRA scaling factor (6%) applied to IRB exposures	1,015	1,150
Total RWA	**37,996**	**43,060**
Capital ratios		
MBL Group Tier 1 capital ratio (%)		11.7
MBL Group Total capital ratio (%)		13.6

1 Conversions of Australian dollars to US dollars have been made at the noon buying rate at the close of business on September 30, 2009, which is US$0.8824 per A$1.00. See “Exchange Rates” for further information on the historical rates of exchange between the Australian dollar and the US dollar.

2 Corporate includes A$500 million for exposures to the Non-Banking Group (September 30, 2008: A$1,293 million).

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

SELECTED FINANCIAL INFORMATION

Half years ended September 30, 2009 and 2008

The summary consolidated balance sheet data as at September 30, 2009 and 2008 and income statement data for the half years ended September 30, 2009 and 2008 presented below have been derived from our 2010 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 39 of our 2009 Annual U.S. Disclosure Report. The summary unaudited financial data for the half year ended September 30, 2009 is not necessarily indicative of our results for the fiscal year ending March 31, 2010 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 2010 interim financial statements.

Income Statements

	Half Year ended		
	Sep 09	**Sep 09**	**Sep 08**
	US$m[1]	**A$m**	**A$m**
Interest and similar income	1,783	2,021	3,514
Interest expense and similar charges	1,316	(1,492)	(3,070)
Net interest income	467	529	444
Fee and commission income	385	436	499
Net trading income	506	573	940
Share of net profits of associates and joint ventures using the equity method	4	5	73
Other operating income	64	73	(337)
Net operating income	**1,426**	**1,616**	**1,619**
Employment expenses	(443)	(502)	(568)
Brokerage and commission expenses	(247)	(280)	(245)
Occupancy expenses	(48)	(54)	(44)
Non-salary technology expenses	(31)	(35)	(30)
Other operating expenses	(404)	(458)	(490)
Total operating expenses	**(1,173)**	**(1,329)**	**(1,377)**
Operating profit before income tax	**253**	**287**	**242**
Income tax (expense)/benefit	(11)	(12)	(7)
Profit from ordinary activities after income tax	**243**	**275**	**235**
Distributions paid or provided on:			
Macquarie Income Preferred Securities	(5)	(6)	(23)
Other minority interests	(2)	(2)	(1)
Profit attributable to minority interests	(7)	(8)	(24)
Profit attributable to equity holders of Macquarie Bank Limited	**236**	**267**	**211**
Distributions paid or provided on Macquarie Income Securities	(9)	(10)	(19)
Profit attributable to ordinary equity holders of Macquarie Bank Limited	**227**	**257**	**192**

1 Conversions of Australian dollars to US dollars have been made at the noon buying rate at the close of business on September 30, 2009, which is US$0.8824 per A$1.00. See "Exchange Rates" for further information on the historical rates of exchange between the Australian dollar and the US dollar.

Balance Sheets

	As at		
	Sep 09	**Sep 09**	**Sep 08**
	US$m[1]	**A$m**	**A$m**
ASSETS			
Cash and balances with central banks	3	3	225
Due from banks	6,357	7,204	10,262
Cash collateral on securities borrowed and reverse repurchase agreements	3,156	3,577	13,817
Trading portfolio assets	11,985	13,582	16,664
Loan assets held at amortized cost	36,957	41,882	50,175
Other financial assets at fair value through profit and loss	2,614	2,962	3,594
Derivative financial instruments — positive values	18,852	21,365	22,250
Other assets	5,386	6,104	4,447
Investment securities available for sale	18,920	21,441	16,046
Intangible assets	266	301	161
Life investment contracts and other unit holder assets	4,473	5,069	5,646
Due from related body corporate entities	2,228	2,525	7,394
Interest in associates and joint ventures using the equity method	1,019	1,155	1,735
Property, plant and equipment	76	86	79
Deferred income tax assets	408	462	257
Non-current assets and assets of disposal groups classified as held for sale	64	73	342
Total assets	**112,763**	**127,791**	**153,094**
LIABILITIES			
Due to banks	2,269	2,571	3,058
Cash collateral on securities lent and repurchase agreements	4,494	5,093	14,493
Trading portfolio liabilities	6,164	6,986	9,902
Derivative financial instruments — negative values	18,921	21,443	24,214
Deposits	18,093	20,504	16,720
Debt issued at amortized cost	37,684	42,706	52,485
Other financial liabilities at fair value through profit and loss	2,531	2,868	6,183
Other liabilities	4,642	5,261	4,263
Current tax liabilities	39	44	11
Life investment contracts and other unit holder liabilities	4,467	5,062	5,634
Provisions	57	65	90
Due to related body corporate entities	5,856	6,637	7,898
Deferred income tax liabilities	162	184	22
Total liabilities excluding loan capital	**105,380**	**119,424**	**144,973**

[1] Conversions of Australian dollars to US dollars have been made at the noon buying rate at the close of business on September 30, 2009, which is US$0.8824 per A$1.00. See "Exchange Rates" for further information on the historical rates of exchange between the Australian dollar and the US dollar.

Loan capital			
Subordinated debt at amortized cost	887	1,005	1,401
Subordinated debt at fair value through profit and loss	461	522	647
Total liabilities	**106,727**	**120,951**	**147,021**
Net assets	**6,036**	**6,840**	**6,073**
EQUITY			
Contributed equity			
Ordinary share capital	4,569	5,178	3,886
Equity contribution from ultimate parent entity	64	72	41
Macquarie Income Securities	345	391	391
Reserves	(45)	(51)	10
Retained earnings	1,025	1,162	866
Total capital and reserves attributable to equity holders of Macquarie Bank Limited	**5,958**	**6,752**	**5,194**
Minority interest	78	88	879
Total equity	**6,036**	**6,840**	**6,073**

Other Financial Data

	As at / Half Year ended	
	Sep 09	Sep 08
Ratios		
Net loan losses as a percentage of loan assets (annualized %)[1]	1.1	1.1
Ratio of earnings to fixed charges[2]	1.2x	1.1x
Expense/income ratio (%)[3]	82.0	85.1
Tier 1 regulatory capital ratio (%)	11.7	11.0
Total regulatory capital ratio (%)	**13.6**	**15.2**

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

2 For the purpose of computing the ratio of earnings to fixed charges, earnings consist of net profit before interest costs, operating lease rental payments, income tax and minority interest. Fixed charges consist of interest costs plus rental payments under operating leases.

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

RECENT DEVELOPMENTS

The following are significant recent developments for MBL Group that have occurred since the release of our 2009 Annual U.S. Disclosure Report on May 21, 2009. Investors should be aware that the information set forth below is not complete and should be read in conjunction with the discussion under "Risk Factors" beginning on page 25 and under "Macquarie Bank Limited" beginning on page 45 of our 2009 Annual U.S. Disclosure Report and other information posted on MBL's U.S. Investors' Website.

Board and Management Changes

On August 31, 2009, Mr. Clarke resumed full duties as Chairman of MBL following a leave of absence which commenced on November 28, 2008. Accordingly, Acting Chairman, Mr. McCann resumed his role as Lead Independent Director. Mr. Cox retired from the Board on July 29, 2009. Mr. Warne was appointed Chairman of the MGL Board Risk Committee on August 27, 2009.

On September 24, 2009, MGL announced that Mr. Minogue, the Chief Risk Officer and a member of MGL and MBL's Executive Committees, is to retire effective November 30, 2009. Mr. Minogue will be replaced by Mr. Stephen Allen, who has been with MGL Group for more than 16 years and is currently Global Head of Infrastructure and Utilities for Macquarie Capital Advisers. Mr. Allen will assume Mr. Minogue's responsibilities to the MGL Board, the MGL Board Risk Committee and the MGL and MBL Executive Committees following Mr. Minogue's retirement.

Trading Conditions and Market Update

During the half year ended September 30, 2009 we have seen some recovery in market conditions. Confidence has been returning to global markets, resulting in improved equity and debt markets, although the extent or sustainability of this recovery is still uncertain. In particular, the Australian credit markets have shown significant improvement, with credit spreads decreasing on the prior period and increased liquidity in both the wholesale and retail markets.

Metal prices recovered during the half year ended September 30, 2009, in particular, the price of gold. Foreign exchange and energy market volumes were lower than the prior corresponding period primarily due to lower volatility. Increased volatility in agricultural commodity markets resulted in an increase in hedging activity. Trading conditions in equity markets has improved, with market volumes increased in our key markets on the prior period, but remained below the level in the prior corresponding period.

Impact on MBL Group

Since March 31, 2009, MBL Group's operating groups and divisions took advantage of opportunities arising from generally improving market conditions, selectively deploying surplus capital and funding to make strategic acquisitions across our operating groups.

In the half year ended September 30, 2009, MBL Group entered into an agreement to acquire Delaware Investments, a United States-based securities management firm, from Lincoln Financial Group. This transaction is expected to close in early calendar year 2010. See "— Recent Developments within MBL Group — Macquarie Funds" below for further information.

Subsequent to September 30, 2009, we have also announced the acquisition of:

- A$1.0 billion portfolio of auto leases and loans from Ford Credit Australia on October 1, 2009, see "— Recent Developments within MBL Group — Corporate & Asset Finance"; and

- Blackmont Capital ("Blackmont"), a Canadian independent investment dealer. This transaction is expected to close in early calendar year 2010. See "— Recent Developments within MBL Group — Banking & Financial Services".

For a description of certain risks we face when acquiring businesses, see "Risk Factors — Future growth may place significant demands on our managerial, administrative, IT, operational and financial resources and may expose us to additional risks", "Risk Factors — Our business may be adversely affected by our failure to adequately manage the risks associated with certain strategic opportunities, including acquisitions" and "Risk Factors — We face enhanced risks as new business initiatives lead us to transact with a broader array of clients, with new asset classes and other new products and in new markets" on pages 30, 31 and 34, respectively, of our 2009 Annual U.S. Disclosure Report.

The recovery of metal prices and commodity trading and improvement in the Australian credit markets had a positive impact on Fixed Income, Currencies & Commodities' results. This impact was partially offset by lower contributions from foreign exchange and energy activities due to decreased volatility and volumes. See "Management's Discussion and Analysis of Interim Results of Operation and Financial Condition — Half year ended September 30, 2009 compared to half year ended September 30, 2008" for a detailed analysis of MBL's financial performance for the half year ended September 30, 2009.

Despite improving trends in a number of major markets, MBL Group continued to maintain a conservative approach to funding and capital. As at September 30, 2009, MBL Group maintained surplus capital in excess of the minimum regulatory requirement, and increased its retail deposits to A$13.9 billion as at September 30, 2009 from A$13.4 billion at March 31, 2009.

Our Strategy

Our strategy is set out under "Macquarie Bank Limited — Our Strategy" on page 46 of our 2009 Annual U.S. Disclosure Report. We continually examine investment opportunities and have undertaken a number of strategic acquisitions since March 31, 2009 in response to changing market conditions and opportunities that have been presented to us. These acquisitions include Delaware Investments, a A$1 billion portfolio of auto leases and loans from Ford Credit Australia and Blackmont, as further described under " — Recent Developments within MBL Group" below. We expect to assess strategic acquisition opportunities as they arise and explore these as an avenue of growth and diversification for MBL Group in the medium term.

Our Key Strengths

For a description of our key strengths, see "Macquarie Bank Limited — Our Key Strengths" on page 47 of our 2009 Annual U.S. Disclosure Report. At September 30, 2009, our Tier 1 Capital ratio was 11.7% and our total regulatory capital ratio was 13.6%. For further information on our regulatory capital position as at September 30, 2009, see "Management's Discussion and Analysis of Interim Results of Operation and Financial Condition — Half year ended September 30, 2009 compared to half year ended September 30, 2008 — Capital Analysis" below.

Our Business

In October 2009, the Treasury & Commodities operating group was renamed Fixed Income, Currencies & Commodities to more accurately reflect the services provided by the operating group since the relocation of Group Treasury to Corporate Affairs in October 2007. We believe that the new name more accurately reflects the breadth of services that Fixed Income, Currencies & Commodities provides.

At September 30, 2009, MBL Group's businesses, known as the Banking Group, was conducted through the following operating groups and divisions:

- Fixed Income, Currencies & Commodities
- Macquarie Securities (excluding the Cash division, which forms part of the Non-Banking Group)
- Banking & Financial Services
- Macquarie Funds

- Corporate & Asset Finance division
- Real Estate Banking division.

As at September 30, 2009, the Non-Banking Group consisted of Macquarie Capital, which incorporated Macquarie Capital Funds, the Cash division of Macquarie Securities and certain less financially significant assets and businesses of Fixed Income, Currencies & Commodities.

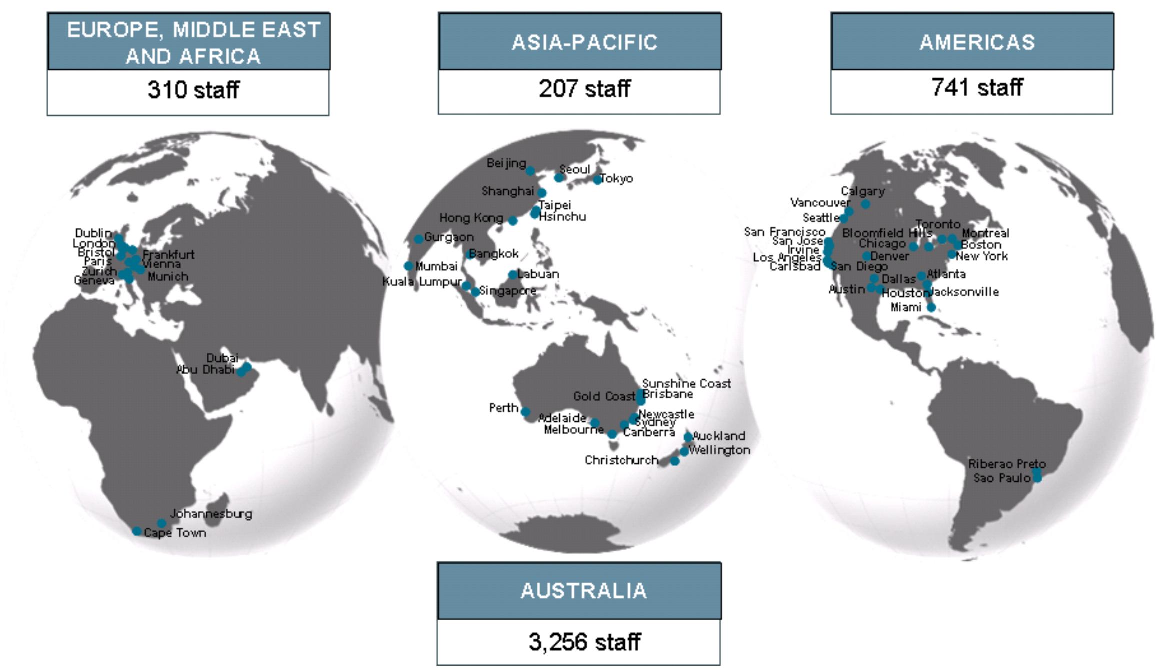
In addition, the Banking Group and Non-Banking Group are supported by shared services provided by Corporate Affairs, Risk Management and Information Technology Groups that form part of the Corporate segment. The Corporate segment provides head office and central support functions and is not considered an operating group.

See "Macquarie Bank Limited — Our Business" beginning on page 52 of our 2009 Annual U.S. Disclosure Report, for further information.

At September 30, 2009, we had total assets of A$127.8 billion and total equity of A$6.8 billion. For the half year ended September 30, 2009, our total operating income was A$1.6 billion and profit after tax attributable to ordinary equity holders was A$257 million.

The following chart shows our international footprint and staff numbers as at September 30, 2009[1]:

International footprint and staff numbers as at September 30, 2009



1 Staff numbers at September 30, 2009. Excludes staff from Delaware Investments (expected to close in early calendar year 2010) and Blackmont (expected to close in early calendar year 2010).

2 The figures in the chart do not include staff on extended leave, agency temps, casuals, and non-executive directors or consultants or staff seconded to joint ventures.

As at September 30, 2009, MBL employed approximately 4,500 people and conducted its operations through approximately 770 subsidiaries organized in 17 countries.

The tables below show the relative revenues from external customers and profit contribution from continuing operations of each of our current operating groups in the half years ended September 30, 2009 and 2008. Our results for the half years ended September 30, 2009 and 2008 included a number of significant and one-off items which should be taken into account when assessing the performance of each operating group. As such, figures in the following tables should be read in conjunction with the discussion under "Management's Discussion and Analysis of Interim Results of Operation and Financial Condition — Half year ended September 30, 2009 compared to half year ended September 30, 2008" below.

Revenues from external customers of MBL Group[1] by operating group for the half years ended September 30, 2009 and 2008

	Half Year ended		
	Sep 09	Sep 08	Movement[8]
	A$m	A$m	%
Fixed Income, Currencies & Commodities[2]	848	958	(11)
Macquarie Securities[7]	256	773	(67)
Banking & Financial Services	1,109	1,996	(44)
Macquarie Funds	705	271	160
Corporate & Asset Finance[3]	403	53	large
Real Estate Banking[4]	118	123	(4)
Macquarie Capital[6]	(6)	40	(115)
Total revenues from external customers by operating group	**3,433**	**4,214**	(19)
Corporate[5]	442	967	(54)
Total revenue from external customers	**3,875**	**5,181**	(25)

Profit contribution of MBL Group by operating group for the half years ended September 30, 2009 and 2008[1]

	Half Year ended		
	Sep 09	Sep 08	Movement[8]
	A$m	A$m	%
Fixed Income, Currencies & Commodities[2]	323	318	2
Macquarie Securities[7]	50	305	(84)
Banking & Financial Services	143	(176)	(181)
Macquarie Funds	32	48	(33)
Corporate & Asset Finance[3]	126	25	large
Real Estate Banking[4]	(35)	(139)	(75)
Macquarie Capital[6]	(54)	48	(213)
Total contribution to profit by operating group	**585**	**429**	36
Corporate[5]	(328)	(237)	38
Net profit after tax	**257**	**192**	34

1 For further information on our segment reporting, see Note 3 to our 2010 interim financial statements.

2 In September 2009, Treasury & Commodities was renamed Fixed Income, Currencies & Commodities.

3 In September 2008, the Corporate & Asset Finance division was formed from the separation of Macquarie Capital Finance division from Macquarie Capital.

4 In January 2009, the majority of staff from our Real Estate operating group and several of our responsible entities were transferred to Macquarie Capital and became part of the Non-Banking Group. The Real Estate staff and assets remaining in MBL Group on January 1, 2009 were amalgamated to form the Real Estate Banking division on March 31, 2009.

5 The Corporate segment includes earnings on capital, group treasury operations, certain corporate costs not recharged to operating businesses, employment-related costs, options expense, income tax expense, profit attributable to minority 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.

6 Being certain less financially significant businesses of Macquarie Capital that were not transferred to the Non-Banking Group in connection with the Restructure.

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

8 "n/m" indicates that the percentage change was less than 1% and therefore not meaningful and "large" indicates that actual movement was greater than 300%.

Recent Developments within MBL Group

Fixed Income, Currencies & Commodities (formerly Treasury & Commodities)

Treasury & Commodities has been renamed Fixed Income, Currencies & Commodities to more accurately reflect the services provided by the operating group since the relocation of Group Treasury to Corporate Affairs in October 2007.

Fixed Income, Currencies & Commodities consists of eight operating divisions. The newly created Emerging Markets division provides a full suite of services to institutional and local market participants in emerging markets globally. By combining strong local relationships and knowledge with a suite of products sourced from multiple Fixed Income, Currencies & Commodities divisions as well as from other operating groups, greater penetration of this segment is anticipated.

Fixed Income, Currencies & Commodities contributed A$323 million to net profit for the half year ended September 30, 2009 and, as at September 30, 2009, had 593 staff operating across nine countries. For further information on Fixed Income, Currencies & Commodities' results of operation and financial condition for the six months ended September 30, 2009, see "Management's Discussion and Analysis of Interim Results of Operation and Financial Condition — Half year ended September 30, 2009 compared to half year ended September 30, 2008 — Segment overview — Fixed Income, Currencies & Commodities" in this Report.

Fixed Income, Currencies & Commodities is involved in a broad range of financial markets trading activities and provides services worldwide with locations in Australia, Asia Pacific, the Middle East, North and South America and the United Kingdom.

Fixed Income, Currencies & Commodities specializes in:

- commodity, energy, freight and environmental financial products, physical and derivatives structuring and trading;
- commodity (metals, bullion and agricultural) and energy finance;
- futures (listed derivatives) execution and clearing;
- debt arrangement, structuring and placement activities;
- interest rate and credit derivatives structuring and trading;
- foreign exchange trading and structuring; and
- emerging market bond broking and advisory services.

For further information and a description on the divisions within Fixed Income, Currencies & Commodities and their respective activities, see "Macquarie Bank Limited — Operating Groups within MBL Group — Treasury & Commodities" beginning on page 55 of our 2009 Annual U.S. Disclosure Report.

Fixed Income, Currencies & Commodities has completed the integration of Constellation's downstream energy business in March 2009 culminating in MBL Group's United States' energy operations now being primarily based in Houston, Texas and forming a platform for growth of MBL Group's power trading business and more broadly, growth in the North American energy sector.

Fixed Income, Currencies & Commodities' United States' based credit trading business also expanded its activities to include sales and trading on behalf of clients.

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

Macquarie Securities contributed A$50 million to net profit for the half year ended September 30, 2009 and as at September 30, 2009, had 97 staff operating across four countries. For further information on Macquarie Securities' results of operation and financial condition for the six months ended September 30, 2009, see "Management's Discussion and Analysis of Interim Results of Operation and Financial Condition — Half year ended September 30, 2009 compared to half year ended September 30, 2008 — Segment overview — Macquarie Securities" in this Report.

In April 2009, the Derivatives and Delta 1 divisions merged to form one new Division known as Derivatives / Delta 1 Trading. The rationale behind the merger was to deliver a consolidated product and platform proposition for our clients in each region.

Macquarie Securities now comprises two divisions:

- *Cash.* The Cash division, which operates as a full service institutional cash equities broker in the Asia Pacific region and South Africa. In the rest of the world it operates as a specialized institutional cash equities broker. It provides equity capital markets services through a joint venture with Macquarie Capital Advisers. The Cash division forms part of the Non-Banking Group.

- *Derivatives / Delta 1 Trading.* The Derivatives / Delta 1 Trading division, which combines MBL Group's institutional and retail derivatives, structured equity finance, arbitrage trading, synthetic product businesses and global securities finance. Global securities finance includes capital management (cash and liquidity management and interest rate and foreign exchange hedging), collateral management and securities borrowing and lending. The Derivatives / Delta 1 Trading division forms part of the Banking Group.

For further information and a description of divisions within Macquarie Securities and their respective activities, see "Macquarie Bank Limited — Operating Groups within MBL Group — Macquarie Securities" beginning on page 57 of our 2009 Annual U.S. Disclosure Report.

Banking & Financial Services

Banking & Financial Services contributed A$143 million to net profit for the half year ended September 30, 2009 and as at September 30, 2009, had 2,621 staff operating across eight countries. For further information on Banking & Financial Services' results of operation and financial condition for the six months ended September 30, 2009, see "Management's Discussion and Analysis of Interim Results of Operation and Financial Condition — Half year ended September 30, 2009 compared to half year ended September 30, 2008 — Segment overview — Banking & Financial Services" in this Report.

At September 30, 2009, Banking & Financial Services had total Assets under Management of approximately A$17.0 billion, which represented an 11% decrease from A$19.2 billion at March 31, 2009 (September 30, 2008: A$21.2 billion). Total funds under administration, advice and management were approximately A$115.3 billion which represented an 11% increase from A$104.0 billion at March 31, 2009 (September 30, 2008: A$116.1 billion).

Cash deposits continued to be a major focus of Banking & Financial Services, with retail cash deposits growing from A$13.4 billion as at March 31, 2009 to A$13.9 billion at September 30, 2009. The new Cash Management Account, which was launched in November 2008 had a balance of A$1.7 billion at September 30, 2009.

The division offers a full range of Cash Management products which totaled A$15.2 billion and the Macquarie Wrap platform which had A$21.6 billion in funds under administration, in each case, at September 30, 2009. See "— Funds Management Business — MBL Group — Banking & Financial Services."

Since September 2008, Banking & Financial Services has been exiting its margin lending business in Australia as part of its strategy to focus on more profitable, balance sheet efficient businesses. The sale of the majority of the margin lending portfolio was finalized in January 2009, with the majority of the final margin lending loans remaining on the books being refinanced with external providers in the half year ended September 30, 2009.

In July 2009, Macquarie Relationship Banking expanded its insurance premium funding business in the United Kingdom, Canada and Ireland by signing a five year insurance premium funding and service agreement with the Aon Group of Companies that is expected to significantly extend our insurance premium funding footprint. Under the agreement, Banking & Financial Services will service Aon's future premium funding requirements in Canada, the United Kingdom and Ireland.

On October 27, 2009, MBL Group announced that it had entered into an agreement to acquire Blackmont from CI Financial for a cash payment of C$93.3 million (US$87 million). Blackmont is a Canadian wealth management business headquartered in Toronto with retail branches in 13 locations that is an independent, full service investment dealers in Canada with approximately 450 employees, including a network of more than 130 investment advisers. Blackmont also operates a capital markets division that provides institutional and corporate clients with capital markets, advisory, equity research, sales and trading services. The transaction is expected to close early in the 2010 calendar year.

For further information and a description of divisions within Banking & Financial Services and their respective activities, see "Macquarie Bank Limited — Operating Groups within MBL Group — Banking & Financial Services" beginning on page 58 of our 2009 Annual U.S. Disclosure Report.

Macquarie Funds

Macquarie Funds contributed A$32 million to net profit for the half year ended September 30, 2009 and, as at September 30, 2009, had 538 staff operating across ten countries. For further information on Macquarie Funds' results of operation and financial condition for the six months ended September 30, 2009, see "Management's Discussion and Analysis of Interim Results of Operation and Financial Condition — Half year ended September 30, 2009 compared to half year ended September 30, 2008 — Segment overview— Macquarie Funds" in this Report.

At September 30, 2009, Assets under Management increased 17% to A$58.0 billion from A$49.7 billion at March 31, 2009. For more information see "— Funds Management Business — MBL Group — Macquarie Funds" below.

In August 2009, Macquarie Funds announced that it had entered into an agreement to acquire Delaware Investments from Lincoln Financial Group for US$428 million, subject to certain closing adjustments. Delaware is a United States based securities management firm with over US$125 billion (A$142 billion) in Assets under Management as at June 30, 2009, providing investment services to retail and institutional investors through a broad range of managed accounts, separate accounts, mutual funds, retirement accounts, sub-advised funds, and other investment products. Upon completion of the transaction, the combined Assets under Management of Macquarie Funds and Delaware are expected to be approximately A$200 billion compared to Macquarie Funds' A$58.0 billion in Assets under Management at September 30, 2009. The acquisition is consistent with Macquarie Funds' strategy to continue to expand its global distribution capabilities and is expected to close early in the 2010 calendar year. For further information on the acquisition of Delaware, see "Recent Developments — MGL Group Acquisition of Delaware" dated August 19, 2009.

For further information and a description of divisions within Macquarie Funds and their respective activities, see "Macquarie Bank Limited — Operating Groups within MBL Group — Macquarie Funds" beginning on page 59 of our 2009 Annual U.S. Disclosure Report.

Recent Developments in Divisions and the Corporate segment within MBL Group

Corporate & Asset Finance

Corporate & Asset Finance contributed A$126 million to net profit for the half year ended September 30, 2009 and as at September 30, 2009, had 547 staff operating across 11 countries. For further information on Corporate &

Asset Finance's results of operation and financial condition for the six months ended September 30, 2009, see "Management's Discussion and Analysis of Interim Results of Operation and Financial Condition — Half year ended September 30, 2009 compared to half year ended September 30, 2008 — Segment overview — Corporate & Asset Finance" in this Report.

At September 30, 2009, Corporate & Asset Finance managed a lease and loan portfolio of A$11.3 billion representing a 33% increase since March 31, 2009. This growth was primarily due to expanded corporate lending activities. The lending business specializes in offering bridging and term lending facilities to large corporate clients and acquiring debt assets where it believes the market price does not reflect the underlying quality of the relevant asset. The loan portfolio increased substantially to A$5.2 billion at September 30, 2009 from A$1.4 billion at March 31, 2009. The loan portfolio is predominately senior ranking and a substantial proportion is investment grade.

In June 2009, the Macquarie Equipment Leasing Fund was launched. This is a Macquarie managed equipment leasing program which will offer eligible United States retail investors exposure to a diversified portfolio of equipment and equipment leases.

Following the balance sheet date, on October 1, 2009, Corporate & Asset Finance announced it had completed the acquisition of auto leases and loans from Ford Credit Australia, an Australian automotive financier. The value of the portfolio is A$1.0 billion and comprises loans and leases for approximately 60,000 cars. Management of the portfolio is expected to be transitioned to the operations of Macquarie Leasing by January 1, 2010.

For further information on Corporate & Asset Finances' businesses, see "Macquarie Bank Limited — Divisions within MBL Group — Corporate & Asset Finance" beginning on page 60 of our 2009 Annual U.S. Disclosure Report.

Real Estate Banking

Real Estate Banking contributed a net loss of A$35 million for the half year ended September 30, 2009 and as at September 30, 2009, had 118 staff operating across five countries. For further information on Real Estate Banking's results of operation and financial condition for the six months ended September 30, 2009, see "Management's Discussion and Analysis of Interim Results of Operation and Financial Condition — Half year ended September 30, 2009 compared to half year ended September 30, 2008 — Segment overview — Real Estate Banking" in this Report.

At September 30, 2009, Assets under Management had decreased 28% to A$10.7 billion from A$14.8 billion at March 31, 2009 due to asset devaluations in specific fund portfolios, asset dispositions and foreign exchange movements.

Due to challenging market conditions, provisions have been made against specific REIT holdings, developments and development financing facilities.

In October 2009, Macquarie DDR Trust ("MDT") completed the redemption of Developers Diversified Realty's ("DDR") ownership in the largest of three joint ventures between MDT and DDR.

On June 26, 2009, the internalization of the management of Macquarie Leisure Trust was announced and Macquarie Leisure Trust was renamed Ardent Leisure.

On August 13, 2009, Macquarie Central Office CR REIT ("MCO CR REIT") sold its single managed asset, the Kukdong building, for A$300 million to GE NPS REIT. The sale allows for the planned finalization of the MCO CR REIT and had a positive impact on base and performance fees in the half year ended September 30, 2009, see "Management's Discussion and Analysis of Interim Results of Operation and Financial Condition — Half year ended September 30, 2009 compared to half year ended September 30, 2008 — Results Analysis — Fee and Commission Income" in this Report.

For further information on Real Estate Banking's activities, see "Macquarie Bank Limited — Divisions within MBL Group — Real Estate Banking" beginning on page 62 of our 2009 Annual U.S. Disclosure Report.

Corporate

Corporate contributed a net loss of A$328 million for the half year ended September 30, 2009 and as at September 30, 2009, had 4,166 staff operating across 18 countries. For further information on Corporate's results of operation and financial condition for the six months ended September 30, 2009, see "Management's Discussion and Analysis of Interim Results of Operation and Financial Condition — Half year ended September 30, 2009 compared to half year ended September 30, 2008 — Segment overview — Corporate" in this Report.

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 minority interests and internal management accounting adjustments and charges.

Intra Group Loan

For a description of the Intra Group Loan, see "Macquarie Bank Limited — Intra Group Loan" on page 65 of our 2009 Annual U.S. Disclosure Report. As at September 30, 2009, US$1.3 billion remained outstanding under the Intra Group Loan. Following a repayment on October 10, 2009, US$1.15 billion remained outstanding as at November 12, 2009. This loan is to be repaid by 2012.

Funds Management Business — MBL Group

For a description of MGL Group's funds management businesses, see "Macquarie Bank Limited — Funds Management Business — MBL Group and the Non-Banking Group" beginning on page 73 of our 2009 Annual U.S. Disclosure Report.

MGL Group had an aggregate of A$216.3 billion of Assets under Management as at September 30, 2009, from which MGL Group derived an aggregate of A$442 million of funds management base fees for the half year ended September 30, 2009.

MBL Group had an aggregate A$85.6 billion of Assets under Management as at September 30, 2009, from which it derived an aggregate of A$199 million of funds management base fees from continuing operations for the half year ended September 30, 2009, which amounts are included in the figures noted above in respect of MGL Group.

Following completion of the Delaware Investments acquisition discussed above under "— Recent Developments within MBL Group — Macquarie Funds", the combined Assets under Management of MBL Group and Delaware Investments are expected to be approximately A$228 billion, based on MBL Group's Assets under Management as at September 30, 2009 of A$85.6 billion and Delaware's Assets under Management as at June 30, 2009 of US$125 billion (A$142 billion).

The table below illustrates MBL Group's aggregate Assets under Management by operating group, region and industry sector as at September 30, 2009, March 31, 2009 and September 30, 2008.

Assets under Management by operating group, region and industry sector for the half years ended September 30, 2009, March 31, 2009 and September 30, 2008

	As at			Movement[1]	
	Sep 09	Mar 09	Sep 08	Mar 09	Sep 08
	A$m	A$m	A$m	%	%
Assets under Management by group					
Macquarie Funds	57,956	49,656	44,752	17	30
Banking & Financial Services[2]	16,992	19,178	21,245	(11)	(20)

	As at			Movement[1]	
	Sep 09	Mar 09	Sep 08	Mar 09	Sep 08
	A$m	A$m	A$m	%	%
Real Estate Banking	10,663	14,761	15,198	(28)	(30)
Total Assets under Management	**85,611**	**83,595**	**81,195**	2	5
Assets under Management by region					
Australia	66,168	61,828	56,539	7	17
Europe, Africa and Middle East	2,400	2,259	3,513	6	(32)
Americas	10,296	9,909	9,258	4	11
Asia Pacific	6,747	9,599	11,885	(30)	(43)
Total Assets under Management	**85,611**	**83,595**	**81,195**	2	5
Assets under Management by industry sector					
Investment funds	74,948	68,834	62,238	9	20
Energy and utilities	-	-	427	-	(100)
Other	-	-	3,331	-	(100)
Commercial real estate	7,997	10,391	10,363	(23)	(23)
Transport and related services	-	-	-	-	-
Retail real estate	1,167	941	1,288	24	(9)
Tourism/leisure and residential real estate	933	3,176	2,813	(71)	(67)
Industrial real estate	566	253	735	124	(23)
Total Assets under Management	**85,611**	**83,595**	**81,195**	2	5

1 "n/m" 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 Macquarie Cash Management Trust, included in Banking & Financial Services Assets under Management above, is a Banking & Financial Services product that is managed by Macquarie Funds. The Cash Management Trust closed at A$12.6 billion at September 30, 2009 (March 31, 2009: A$14.7 billion, September 30, 2008: A$16.1 billion).

Assets under Management at September 30, 2009 were A$85.6 billion, a 5% increase since September 30, 2008. The overall net increase in Assets under Management was due to the combined impact of strong inflows for the Fixed Interest, Currencies & Commodities asset class in Macquarie Funds, offset by lower balance in the Cash Management Trust and the strengthening of the Australian dollar against major global currencies, which in turn resulted in lower asset values for offshore assets in Real Estate Banking.

Real Estate Banking. Real Estate Banking's Assets under Management decreased by 30% to A$10.7 billion at September 30, 2009 from A$15.2 billion at September 30, 2008. This was largely due to the strengthening of the Australian dollar, resulting in lower offshore asset values as well as write-downs and disposals by some funds.

Macquarie Funds. Macquarie Funds' Assets under Management increased 30% to A$58.0 billion at September 30, 2009 from A$44.8 billion at September 30, 2008. The increase in Assets under Management was primarily due to the strong inflows for the Fixed Interest, Currencies & Commodities asset class, which also benefited from the acquisition of two fixed interest funds management businesses in the United States during the period.

Banking & Financial Services. Banking & Financial Services' Assets under Management decreased 20% to A$17.0 billion at September 30, 2009 from A$21.2 billion at September 30, 2008. The decrease was primarily due to the decrease in Cash Management Trust assets to A$12.6 billion at September 30, 2009, from A$16.1 billion at September 30, 2008 as a result of clients moving to higher yielding investments and other market offerings within Banking & Financial Services including Cash XL, which are not included in Assets under Management. The closure of Macquarie Fusion Funds 4, 5 and 6 in June 2009 decreased Assets under Management by A$0.6 billion.

MBL Group's income from funds management is mainly derived from funds management fees. Funds management fee income includes base fees, which are ongoing fees generated from funds management activities, and performance fees, which are earned when the funds outperform predetermined benchmarks. The earning of base fees is closely aligned with the Assets under Management measure for funds in Real Estate Banking, Macquarie Funds and Banking & Financial Services. Unlisted performance fees are generally payable upon the occurrence of a “liquidity event”, such as asset sale or fund listing, and are therefore unpredictable. During the half year ended September 30, 2009, performance fees for MBL Group increased to A$40 million from A$8 million in the prior corresponding period, primarily due to the sale of the Kukdong building by MCO CR-REIT, as described in “— Recent Developments within MBL Group — Real Estate Banking”.

For further detail on MBL Group’s income from funds management, see “Management’s Discussion and Analysis of Interim Results of Operation and Financial Condition — Half year ended September 30, 2009 compared to half year ended September 30, 2008 — Results analysis — Fee and commission income — Base and performance fees” in this Report.

The tables below show total Assets under Management by fund type. For an explanation of Assets under Management see “Financial Information Presentation — Non-GAAP financial measures” beginning on page 13 of our 2009 Annual U.S. Disclosure Report.

MBL Group Assets under Management for the half years ended September 30, 2009, March 31, 2009 and September 30, 2008

	As at			Movement	
	Sep 09	Mar 09	Sep 08	Mar 09	Sep 08
	A$m	A$m	A$m	%	%
Macquarie Funds					
Fixed interest, currencies & commodities	43,287	34,895	25,794	24	68
Listed equities	7,372	6,842	9,131	8	(19)
Infrastructure securities	2,233	1,990	2,842	12	(21)
Investment Solutions and Sales	2,041	2,848	2,758	(28)	(26)
Real estate securities	1,419	1,225	2,366	16	(40)
Funds of private equity funds	1,168	1,217	1,107	(4)	6
Funds of hedge funds	436	459	493	(5)	(12)
Other Macquarie funds	–	180	261	(100)	(100)
Total Macquarie Funds	**57,956**	**49,656**	**44,752**	17	30
Banking & Financial Services					
Macquarie Cash Management Trust	12,589	14,692	16,109	(14)	(22)
Macquarie Pastoral Fund	521	434	216	20	141
Other unlisted Banking & Financial Services	3,882	4,052	4,920	(4)	(21)
Total Banking & Financial Services	**16,992**	**19,178**	**21,245**	(11)	(20)
Real Estate Banking					
Macquarie Office Trust	5,155	6,546	7,189	(21)	(28)
J-REP managed funds[1]	245	375	469	(35)	(48)
Macquarie Central Office Corporate Restructuring REIT	211	181	181	17	17
Macquarie Prime REIT[2]	–	–	1,010	–	(100)
Unlisted Real Estate funds	5,052	7,659	6,349	(34)	(20)
Total Real Estate Banking	**10,663**	**14,761**	**15,198**	(28)	(30)
Total Assets under Management	**85,611**	**83,595**	**81,195**	2	5

1 J-REP Co. Limited is a listed fund manager on the Tokyo Stock Exchange. Through a joint venture with Goodman Group, MBL Group acquired an interest in J-REP in June 2007, and therefore its funds management activities.

2 In December 2008, MBL Group sold its investment in Macquarie Prime REIT and the REIT's manager.

Corporate Governance — Real Estate Banking Funds

For details regarding corporate governance policies in relation to our funds management business, see "Macquarie Group Limited — Funds Management Business — MBL Group and the Non-Banking Group — Corporate Governance — Specialist Funds" beginning on page 80 of the 2009 Annual U.S. Disclosure Report.

Legal and Regulatory 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 40 to our 2009 annual 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.

Regulatory and Supervision Developments

A description of MBL Group's principal regulators and the regulatory regimes that MBL Group and its businesses and the funds it manages in, and outside of, Australia, is set out under "Regulation and Supervision — Australia — APRA" beginning on page 82 of our 2009 Annual U.S. Disclosure Report, posted on MBL's U.S. Investors' Website. 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 — We may incur losses as a result of ineffective risk management processes and strategies", "Risk Factors — Actual or perceived breaches of applicable laws and regulations, obligations of fidelity or confidence to clients and counterparties, unenforceability of counterparty obligations, fraud, negligence, misleading or other inappropriate conduct or inappropriate documentation of contractual relationships could adversely affect our reputation, operating results or credit ratings and have adverse regulatory consequences", "Risk Factors — We may incur financial loss, adverse regulatory consequences or reputational damage due to inadequate or failed internal or external processes, people or systems or external events" and "Risk Factors — Some 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" on pages 29, 31 and 32, respectively, of our 2009 Annual U.S. Disclosure Report.

The following is a summary of significant regulatory and supervision developments for MBL Group that have occurred since the release of our 2009 Annual U.S. Disclosure Report on May 21, 2009.

APRA

Discussion Paper - APRA's prudential approach to ADI liquidity risk

On September 11, 2009, APRA released for consultation proposals to enhance liquidity risk management by ADIs, following a review of its current prudential framework for ADI liquidity risk management, set out in its Prudential Standard APS 210: Liquidity ("APS 210"). See "Regulation and Supervision — Australia — APRA" beginning on page 84 of our 2009 Annual U.S. Disclosure Report. Subject to industry feedback and ongoing international supervisory developments, APRA is expected to release a revised draft APS 210, an associated prudential practice guide, draft reporting standards and second-round draft reporting forms (including instructions) for further consultation early in 2010.

APRA has stated that the proposed changes to be incorporated as part of its revised approach to liquidity risk are to include:

- enhanced qualitative requirements consistent with the Principles for Sound Liquidity Risk Management and Supervision issued by the Basel Committee on Banking Supervision in September 2008;

- extending the "going concern" cash flow projection requirement to all ADIs and lengthening the projection to at least 12 months;
- strengthening the current APRA-defined stress testing to ensure ADIs meet a minimum acceptable level of resilience, which includes:
    - lengthening the minimum survival horizon for the current APRA-defined "name crisis" scenario from five business days to one month; and
    - an additional APRA-defined three-month "market disruption" stress scenario; and
- a standardized reporting framework for collecting regular liquidity data from ADIs, including the ability to access data at short notice in times of stress.

APRA intends to issue final standards and reporting forms in the first half of calendar 2010, although it acknowledges that this timetable may be amended as international initiatives in this area evolve. Transition arrangements will also apply as appropriate. In its discussions on what constitutes a liquid asset for stress testing purposes, APRA proposes to adopt a definition of liquid assets in APS 210 which is consistent with the view, of what it describes as "an emerging international consensus amongst prudential supervisors", that liquid assets should be high quality assets that can be readily sold or used as collateral in private markets, even when those markets may be under stress and, as a backstop, liquid assets should also be eligible central bank collateral for normal market operations. APRA notes that, if it is the case that the Australian dollar denominated stock of assets satisfying APRA's proposed liquid asset definition is insufficient for the aggregate need of ADIs, it will consider permitting some limited portion of the liquid asset buffer to comprise assets that are RBA eligible collateral for normal market operations as the sole criterion. If implemented as proposed, the key implications for MBL Group are the narrowing of the definition of "liquid assets" which could require us to hold lower yielding assets and significantly increased reporting requirements.

Remuneration - Proposed extensions to governance requirements for APRA-regulated institutions

On May 28, 2009, APRA released its consultation package on remuneration in the form of proposed extensions to APRA's prudential standards on governance for ADIs, general insurers and life insurers. These proposed extensions will impose new requirements on APRA-regulated institutions.

According to APRA, its proposals on remuneration are designed to endorse and implement the Financial Stability Forum's ("FSF") new principles on pay and compensation by giving effect to the FSF's Principles of Sound Compensation Practices. The proposals are intended to deal with what APRA describes as "an important deficiency highlighted by the FSF's work, namely the lack of alignment of remuneration with risk management in many financial institutions".

APRA is intending to take a principles based approach in this area, by requiring boards of regulated institutions to have a remuneration policy that aligns remuneration arrangements with the long term financial soundness of the institution and its risk management framework. At the same time, APRA intends that boards are to be able to design remuneration arrangements that suit the structure of their own institution. The policy would extend beyond senior executives to all persons who, because of their roles, have the capacity to make decisions that could materially affect the interests of depositors or policyholders, and owners. APRA also proposes that regulated institutions have a Board Remuneration Committee, comprising only non-executive directors with the appropriate experience and expertise.

Under the proposals, boards of regulated institutions will be held accountable for compliance with APRA's prudential requirements for remuneration. APRA has stated that its principles-based approach, rather than the prescription required in most disclosure regimes, together with its active supervision of regulated institutions, will be aimed at ensuring compliance with both the intent and the substance of these requirements. Where the remuneration arrangements of a regulated institution are likely to encourage excessive risk taking, APRA will have several supervisory options, including the power to impose additional capital requirements on that institution.

It is expected that the final prudential standards and associated prudential practice guide will be released in November 2009 and are envisaged to come into effect on April 1, 2010. Transition arrangements will also apply as appropriate.

Changes to Remuneration Arrangements

On March 31, 2009, MGL Group announced proposed changes to its remuneration arrangements consistent with global remuneration and regulatory trends. The key proposed change was an increase in the deferred portion of performance-based profit share, which is allocated as equity, for the Chief Executive Officer, Executive Committee members and Executive Directors, see "Macquarie Bank Limited — Recent Developments — Changes to Remuneration Arrangements" on page 51 of our 2009 Annual U.S. Disclosure Report.

Subsequent to the announcement of proposed changes to MGL Group's remuneration arrangements, the Commonwealth announced proposed amendments to legislation concerning executive termination benefits and, in connection with the announcement of the Federal Budget on May 12, 2009, announced proposed changes to the taxation of employee share schemes that lead to the proposed remuneration changes and some existing remuneration arrangements being placed on hold.

Although the proposed legislation has not yet been finalized, MGL announced in October 2009 that it believes that there is sufficient clarity to progress with the proposed changes to remuneration arrangements, which are largely the same as those announced in March 2009 but with some modifications due to tax legislative changes, global remuneration and regulatory trends. Proposed changes will continue to apply for the 2009 fiscal year except for the following where changes to the tax legislation have prevented MGL Group from proceeding:

- Options will no longer be granted to Executive Committee members and will be replaced by the proposed issue of performance shares with performance hurdles.

- Under revised transitional arrangements, Executive Directors can participate in the equity scheme announced with their retained profit share invested in equity vesting to them on a straight line basis over seven years (Executive Committee) or five years (other Executive Directors).

For the 2010 fiscal year, the key changes from the proposed 2009 changes are:

- In addition to Executive Committee, 50% of profit share will be retained (55% for the Chief Executive Officer) for Executive Directors on Operations Review Committee and others with a significant management or risk responsibility, vesting from three to seven years.

- For other Executive Directors, 40% of profit share will be retained (previous proposal 50%), vesting from three to five years (previous proposal three to seven years).

In addition, Executive Directors are now given the choice not to participate in the proposed arrangements announced on March 31, 2009 for pre-2009 retained amounts. As a result of this change the value applied to the grant of MGL Group shares is likely to be less than the A$500 million estimate described in our 2009 Annual U.S. Disclosure Report. We expect that equity participation will be facilitated by a new share issue, on-market share purchases or a combination of both at the discretion of the Board, having regard to all relevant factors, including prevailing market conditions. We expect that shares will be priced at the volume weighted average price from May 4, 2009 to July 29, 2009, which is now known to be A$36.36, compared to A$27.00 for the Institutional Placement and A$26.60 for the Share Purchase Plan as disclosed in "Trading Conditions and Market Update — Recent Developments — Capital Raisings" on page 51 of our 2009 Annual U.S. Disclosure Report.

MGL and MBL shareholders are expected to be asked to approve the proposed changes at the respective special general meetings scheduled to be held on December 17, 2009.

Other regulators

During the half year ended September 30, 2009, Macquarie Futures USA Inc (“MFUSA”) became a clearing member of the CME Group, at which time CME Group became MFUSA’s Designated Self-Regulatory Organization, replacing the National Futures Association in its role.

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

Investors should be aware that the discussion set forth below is not complete and should be read in conjunction with the discussion under "Management's Discussion and Analysis of Results of Operations and Financial Condition" beginning on page 89 of our 2009 Annual U.S. Disclosure Report.

Our 2010 interim financial statements include our unaudited interim financial statements as at and for the half years ended September 30, 2009 and 2008 and are presented on the basis of our current operating groups and divisions, which are also our segments as reported in accordance with AGAAP. See " — Half year ended September 30, 2009 compared to half year ended September 30, 2008" for further information. Our 2008 annual financial statements included our audited financial statements as at and for the years ended March 31, 2008 and 2007, respectively, and were presented on the basis of our prior operating groups that existed during that period, which were also our segments as reported in accordance with AGAAP. See " — Year ended March 31, 2008 compared to year ended March 31, 2007" beginning on page 128 of our 2009 Annual U.S. Disclosure Report.

During the 2009 fiscal year, MGL Group implemented a number of changes to its internal operating groups to realign the product offerings of each group more consistently. As a result of these changes, the operating segments of MBL Group for financial reporting purposes were also changed, and certain businesses and activities that formerly were part of the Non-Banking Group were transferred to MBL Group and certain businesses and activities that formerly were part of MBL Group were transferred to the Non-Banking Group. For further information on the internal reorganization of operating groups and the operating segments reported in our 2008 annual financial statements and our historical financial statements for prior fiscal years, see "Financial Information Presentation" beginning on page 11 and "Management's Discussion and Analysis of Results of Operations and Financial Condition" beginning on page 89, respectively, of our 2009 Annual U.S. Disclosure Report.

For further information on the preparation of our 2010 interim financial statements, refer to the discussion below under " — Half year ended September 30, 2009 compared to half year ended September 30, 2008 — Segment Overview — Basis of Preparation".

Critical Accounting Policies and Significant Judgments

Note 2 to our 2009 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 Operations and Financial Condition" beginning on page 89 of our 2009 Annual U.S. Disclosure Report.

Critical accounting policies and significant judgments for the half year ended September 30, 2009 are consistent with those referred to above. These critical accounting policies should be read in conjunction with the discussion set out in our 2009 Annual U.S. Disclosure Report and Note 2 to our 2009 annual financial statements.

Half year ended September 30, 2009 compared to half year ended September 30, 2008

Results overview

	Half Year ended			Movement[1]	
	Sep 09	**Mar 09**	**Sep 08**	**Mar 09**	**Sep 08**
	A$m	**A$m**	**A$m**	**%**	**%**
Income statement					
Net interest income	529	521	444	2	19
Fee and commission income	436	496	499	(12)	(13)
Net trading income	573	605	940	(5)	(39)
Share of net profits of associates and joint ventures	5	25	73	(80)	(93)
Other operating income and charges[2]	73	(197)	(337)	137	(122)
Total operating income	**1,616**	**1,450**	**1,619**	11	n/m
Employment expenses	(502)	(319)	(568)	57	(12)
Brokerage and commission expenses	(280)	(264)	(245)	6	14
Occupancy expenses	(54)	(57)	(44)	(5)	23
Non-salary technology expenses	(35)	(45)	(30)	(22)	17
Other operating expenses	(458)	(382)	(490)	20	(7)
Total operating expenses	**(1,329)**	**(1,067)**	**(1,377)**	25	(3)
Operating profit before income tax	287	383	242	(25)	19
Income tax expense	(12)	39	(7)	131	71
Profit from ordinary activities after income tax	275	422	235	(35)	17
Profit attributable to minority interest	(8)	(24)	(24)	(67)	(67)
Profit attributable to equity holders of Macquarie Bank Limited	267	398	211	(33)	27
Distributions paid or provided on Macquarie Income Securities	(10)	(14)	(19)	(29)	(47)
Profit attributable to ordinary equity holders of Macquarie Bank Limited	**257**	**384**	**192**	(33)	34

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

2 "Other operating income and charges" includes A$253 million in impairment charges (March 31, 2009: A$536 million, September 30, 2008: A$493 million)

Consolidated net profit after income tax attributable to ordinary equity holders for the half year ended September 30, 2009 was A$257 million, a 34% increase from A$192 million in the prior corresponding period. The half year ended September 30, 2009 included significant writedowns and impairment provisions (A$269 million), negative fair value adjustments on fixed rate issued debt (A$252 million) and large gains from the financing of a further acquisition of Macquarie Income Preferred Securities ("MIPS") (A$127 million).

Total operating income for the half year ended September 30, 2009 of A$1,616 million was in line with A$1,619 million in the prior corresponding period. This was largely driven by:

- increased other operating income to A$73 million, a 122% decrease from an expense of A$337 million in the prior corresponding period due to an overall reduction in the total impairment charges and provisions to A$253 million (see footnote 2 in the table above) in aggregate for the half year ended September 30, 2009 compared to A$493 million in the prior corresponding period, including the following assets:

- impairments and equity accounted losses of A$127 million (including in relation to listed Macquarie Capital-managed funds of A$5 million, real estate equity investments of A$86 million, United States' portfolio of asset backed securities held as available for sale of A$62 million, resources equity investments of A$2 million offset by net equity accounted gains on other equity co-investments of A$28 million); and

- loan impairments of A$121 million (including real estate loans of A$13 million, resources loans of A$45 million, Corporate & Assets Finance leasing and lending loans of A$32 million, Banking & Financial Services business banking loans of A$14 million and other loans of A$17 million); and

- increased net interest income to A$529 million, a 19% increase from A$444 million in the prior corresponding period primarily due to higher net margins.

Marginally lower total operating income was offset by:

- a 13% decrease (A$63 million) in fee and commission income to A$436 million in the half year ended September 30, 2009 from A$499 million in the prior corresponding period, primarily due to a A$37 million reduction in brokerage and commission income driven by lower equity market trading volumes and a A$35 million reduction in other fee and commission income due to lower platform fees as a result of the impact of negative equity market movements on Wrap Funds under Administration; and

- a 39% decrease in net trading income (A$367 million) to A$573 million, which was primarily driven by a 231% decrease in trading income from interest rate products to an expense of A$171 million in the half year ended September 30, 2009 from income of A$131 million in the prior corresponding period, primarily driven by a non-recurring expense of A$252 million relating to the fair value adjustment on fixed rate issued debt.

Our results for the half year ended September 30, 2009 continued to be affected by trading and market conditions. See "Recent Developments — Trading Conditions and Market Update" above for further information. In particular, falls in the official RBA cash rate resulted in lower interest income being generated from our capital.

Total operating expenses of A$1,329 million for the half year ended September 30, 2009 decreased 3% from A$1,377 million in the prior corresponding period. This was largely driven by a 12% decrease in employment expenses, to A$502 million for the half year ended September 30, 2009 from A$568 million in the prior corresponding period due to lower headcount combined with a 7% decrease in other operating expenses of A$458 million for the half year ended September 30, 2009 compared to A$490 million in the prior corresponding period.

Income tax expense of A$12 million in the half year ended September 30, 2009 increased 71% from A$7 million in the prior corresponding period, as a result of the increase in net profit before income tax primarily due to the impairment charges. See "— Results analysis — Income tax expense" below for further information.

Results analysis

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

Net Interest Income

	Half Year ended			Movement[2]	
	Sep 09	Mar 09	Sep 08	Mar 09	Sep 08
	A$m	A$m	A$m	%	%
Net interest income					
Interest revenue	2,021	2,753	3,514	(27)	(42)
Interest expense	(1,492)	(2,232)	(3,070)	(33)	(51)
Net interest income (as reported)	**529**	**521**	**444**	2	19
Adjustment for accounting for swaps[1]	(79)	(12)	11	large	large
Net interest income (as adjusted)	**450**	**509**	**455**	(12)	91)

1 Australian Accounting Standards require internal derivatives hedging interest rate risk (especially swaps) to be carried at fair value through trading income so that both sides are eliminated and only external derivatives can form part of a 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.

2 "n/m" indicates that the percentage change was less than 1% and therefore not meaningful and "large" indicates that actual movement was greater than 300%.

Net interest income was A$450 million for the half year ended September 30, 2009, marginally down from A$455 million in the prior corresponding period after adjusting for amounts relating to the accounting for swaps that are classified as trading income for statutory purposes. This result was primarily driven by a decrease in earnings on capital due to lower interest rates, lower average loan volumes and the cost of excess liquidity. This was partially offset by significantly higher interest income in Corporate & Asset Finance compared to the prior corresponding period relating to the move of some of the business to the Banking Group during the year ended September 30, 2009.

A significant contributor to net interest income was Banking & Financial Services, which experienced a 26% increase in net interest income principally due to the growth in retail deposits. Retail deposits increased 48% to A$13.9 billion at September 30, 2009 from A$9.4 billion at September 30, 2008, mainly as a result of the issuance of new cash product offerings such as the Cash Management Account and growth in Cash XL and Term Deposits.

Fee and commission income

	Half Year ended			Movement	
	Sep 09	Mar 09	Sep 08	Mar 09	Sep 08
	A$m	A$m	A$m	%	%
Fee and commission income					
Base fee income	199	199	204	–	(2)
Performance fee income	40	7	8	n/m	n/m
Mergers and acquisitions, advisory and underwriting fees	22	36	35	(39)	(37)
Brokerage and commissions	136	103	173	32	(21)
Other fee and commission income	23	113	58	(80)	(60)
Income from life investment contracts and other unit holder investment assets	16	38	21	(58)	(24)
Total fee and commission income	**436**	**496**	**499**	(12)	(13)

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

Total fee and commission income of A$436 million for the half year ended September 30, 2009 decreased 13% from A$499 million in the prior corresponding period primarily due to a 21% decrease in brokerage and commission income.

Base and performance fees

Base fees are ongoing fees generated from managing funds or assets, and performance fees are earned when the funds or assets outperform predetermined benchmarks.

Base fees of A$199 million for the half year ended September 30, 2009 decreased 2% from A$204 million in the prior corresponding period, which was in line with the decrease in Assets under Management (excluding the A$5.1 billion Assets under Management from MBL Group's acquisition of the remaining shares in Allegiance Investment Management in January 2009). Base fees are generally driven by total Assets under Management. Total Assets under Management decreased 5% over the prior corresponding period to A$85.6 billion (or down 1% to $80.5 billion excluding Allegiance Investment Management) at September 30, 2009. Base fees in Banking & Financial Services decreased due to a reduction in Assets under Management in the Cash Management Trust offset by an increase in Real Estate Banking predominantly due to the A$16 million received from Macquarie Central Office CR-REIT on the sale of the Kukdong building as base fees are calculated on the income of the REIT.

Performance fees of A$40 million for the half year ended September 30, 2009 increased significantly from A$8 million in the prior corresponding period as the half year ended September 30, 2009 included performance fees from the sale of the Kukdong building by Macquarie Central Office CR-REIT from the asset disposal discussed above.

Mergers and acquisitions, advisory and underwriting fees

Mergers and acquisitions, advisory and underwriting fees of A$22 million decreased 37% from A$35 million in the prior corresponding period largely due to subdued merger and acquisition activity during the September 30, 2009 half compared to the prior comparative period.

Brokerage and commission

Brokerage and commission income of A$136 million decreased 21% for the half year ended September 30, 2009 from A$173 million in the prior corresponding period largely as a result of a 16% decline in Australian equity market turnover for the half year ended September 30, 2009, as compared to the prior corresponding period.

Other fee and commission income

Other fee and commission income of A$23 million for the half year ended September 30, 2009 decreased 60% from A$58 million in the prior corresponding period. This decrease was largely due to lower platform fees as a result of lower average Wrap Funds under Administration, which was impacted by negative equity market movements during the half year ended September 30, 2009. The Australian Wrap platform closed at A$21.6 billion at September 30, 2009, down from A$21.0 billion at September 30, 2008.

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. Income from this category was A$16 million for the half year ended September 30, 2009, compared to A$21 million in the prior corresponding period, which was a 24% decrease predominately due to a decline in funds managed resulting from reduced equity values.

Net trading income

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

	Half Year ended			Movement[1]	
	Sep 09	Mar 09	Sep 08	Mar 09	Sep 08
	A$m	A$m	A$m	%	%
Net trading income					
Equities	405	(25)	455	large	(11)
Commodities	353	402	172	(12)	105
Foreign exchange products	65	70	171	(7)	(62)
Interest rate products	(171)	170	131	(201)	(230)
Net trading income (adjusted)	**652**	**617**	**929**	6	(30)
Adjustment for swaps[2]	**(79)**	**(12)**	**11**	large	large
Net trading income (as reported)	**573**	**605**	**940**	(5)	(39)

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

2 Australian Accounting Standards require internal derivatives hedging interest rate risk (especially swaps) to be carried at fair value through trading income so that both sides are eliminated and only external derivatives can 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.

Total adjusted trading income in the half year ended September 30, 2009 of A$652 million decreased 30% from A$929 million in the prior corresponding period after adjusting for amounts relating to the accounting for swaps that are classified as trading income for statutory purposes. The main driver of this decrease was the fair value adjustment on fixed rate issued debt of A$252 million in the half year ended September 30, 2009.

Equities

Trading income from equity products in the half year ended September 30, 2009 was A$405 million, a decrease of 11% from A$455 million in the prior corresponding period. Arbitrage trading activities continued to contribute strongly to trading profits as a result of favorable spreads on exchange traded instruments particularly in the Taiwanese, Indian and Korean markets. However, derivatives revenues, notably in Asian and European equity markets, were down on the prior corresponding period, reflecting lower volumes in higher margin retail structured products. In addition, the trading result for the prior corresponding period included mark-to-market losses of A$20 million on BrisConnections.

The half year ended March 31, 2009 was a difficult period for equity markets, and the equities trading result also included a number of mark-to-market losses on equity investments carried at fair value through profit or loss, including losses on BrisConnections.

Commodities

Commodity products income for the half year ended September 30, 2009 of A$353 million increased 105% from A$172 million in the prior corresponding period. The increase in commodities trading income (including metals, energy and agricultural products) was primarily driven by improved market conditions including higher volatility, wider margins, an exit of competitors across a number of its markets and the acquisition of Constellation Energy in March 2009.

An increase in trading income in the Energy Markets division was driven by increased volumes in the United States gas business resulting from the acquisition of Constellation Energy. Market volatility in general was low, liquidity mixed, prices for oil higher while gas and power prices were lower. Trading income from the Agricultural

Commodities business for the half year ended September 30, 2009 was up on the prior corresponding period primarily as a result of higher volatility in soft commodity markets, a return of confidence in agricultural markets and freight markets improving from extreme lows. The Metals and Energy Capital division was again a significant contributor during the half year ended September 30, 2009, with metals prices, particularly gold, recovering.

Foreign exchange products

Trading income on foreign exchange products of A$65 million for the half year ended September 30, 2009, decreased 62% from A$171 million in the prior corresponding period. Both volatility and volumes were down on the prior corresponding period largely due to a fall in foreign exchange market volumes globally as a result of a reduction in global risk capital, lower commodity prices and subdued trading numbers.

Interest rate products

Trading income from interest rate products contributed a net loss of A$171 million in the half year ended September 30, 2009 down from a gain of A$131 million in the prior corresponding period. The half year ended September 30, 2009 included a net loss of A$252 million relating to the fair value adjustment on fixed rate issued debt (A$320 million due to reduced credit spreads offset by a A$68 million gain due to an increased discount rate). In the prior corresponding period, a net A$20 million gain was recognized, with a net A$159 million gain in the prior period.

The Credit Trading division (established in June 2008) and the Emerging Markets division were the largest contributors during the half year ended September 30, 2009. Improvement in the Australian credit market and spreads across all markets translated to a substantial increase in income for the Debt Markets division.

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

	Half Year ended			Movement	
	Sep 09	Mar 09	Sep 08	Mar 09	Sep 08
	A$m	A$m	A$m	%	%
Share of net profits/(losses) of associates and joint ventures	**5**	**25**	**73**	(80)	(93)

Share of net equity accounted profits of associates and joint ventures was A$5 million for the half year ended September 30, 2009, compared to A$73 million in the prior corresponding period. Equity accounted losses related to investments where MBL is both the fund manager and has an equity investment in the fund were the main contributors. The main change from the prior corresponding period was the impact of the global financial crisis on the underlying results of the investments. See "Recent Developments — Trading Conditions and Market Update" above for further information. The half year ended September 30, 2009 comprised equity accounted gains of A$41 million offset by equity accounted losses of A$36 million.

Other operating income and charges

	Half Year ended			Movement[1]	
	Sep 09	Mar 09	Sep 08	Mar 09	Sep 08
	A$m	A$m	A$m	%	%
Other operating income and charges					
Net gains on sale of investment securities available for sale	24	(15)	9	(260)	167
Net gains on sale of associates (including associates held for sale) and joint ventures	–	29	–	(100)	–
Gain on acquiring, disposing and change in ownership interest in subsidiaries and businesses held for sale	131	258	40	(49)	228
Impairment charge on investment securities available for sale	(69)	(123)	(117)	(44)	(41)
Impairment charge on investments in associates (including associates held for sale) and joint ventures	(49)	(58)	(44)	(16)	11
Impairment charge on disposal groups held for sale	–	5	(197)	(100)	(100)
Impairment charge on non-financial assets	(14)	(45)	–	(69)	–
Gain on repurchase of subordinated debt	55	–	–	–	–
Net operating lease income	37	46	9	(20)	large
Net expense from non-current assets classified as held for sale	–	(2)	(1)	(100)	(100)
Dividends/distributions received/receivable from investment securities available for sale	19	(7)	26	large	(27)
Management fees, group service charges and cost recoveries	(15)	(21)	–	(29)	–
Collective allowance for credit losses during the period	1	(93)	2	(101)	(50)
Specific provisions	(122)	(222)	(137)	(45)	(11)
Other income	75	51	73	47	3
Total other operating income and charges	**73**	**(197)**	**(337)**	(137)	(122)

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

Total other operating income and charges increased to A$73 million for the half year ended September 30, 2009, compared to a loss of A$337 million in the prior corresponding period largely due to lower impairment charges and higher gain on acquiring, disposing and change in ownership interest in subsidiaries and businesses held for sale. See "— Operating Expenses" for further detail on impairment charges, including specific provisions and of collective allowance for credit losses.

Net gains on sale of equity investments (including available for sale, associates and joint venture investments) totaled A$24 million for the half year ended September 30, 2009, up 167% from A$9 million in the prior corresponding period. Gains recognized in the half year ended September 30, 2009 were predominately from equity investment disposals in Fixed Interest, Currencies & Commodities.

The gain on deconsolidation of controlled entities for the half year ended September 30, 2009 of A$131 million increased 228% from A$40 million in the prior corresponding period largely due to the financing of the acquisition of £157.5 million of MIPS in June 2009, which contributed A$127 million during the period.

During the half year ended September 30, 2009, a gain of A$55 million was made in relation to the repurchase of issued subordinated debt in April 2009. There were no similar gains in the prior corresponding period.

Operating lease income of A$37 million for the half year ended September 30, 2009 increased significantly from A$9 million in the prior corresponding period due to reduced demand for operating lease assets during the period.

Dividends and distributions received of A$19 million for the half year ended September 30, 2009 decreased 27% from A$26 million in the prior corresponding period as a number of companies reduced dividends to preserve capital during the global financial crisis.

Reconciliation to the statutory income statement

The table below shows the various income statement categories in which impairment charges, equity accounted losses and provisions are recognized for the half years ended September 30, 2009, March 31, 2009 and September 30, 2008.

	Half Year ended		
	Sep 09	**Mar 09**	**Sep 08**
	A$m	**A$m**	**A$m**
Impairment charge on investment securities available for sale	(69)	(123)	(117)
Impairment charge on investments in associates (including associates held for sale) and joint ventures	(49)	(58)	(44)
Impairment charge on non-financial assets	(14)	(45)	-
Impairment charge on disposal groups held for sale	-	5	(197)
Collective allowance for credit losses during the period	1	(93)	2
Specific provisions	(122)	(222)	(137)
Share of net gains/losses of associates and joint ventures using the equity method	5	25	73
Net Trading Losses[1]	(21)	(33)	(41)
Total impairment charges and provisions	**(269)**	**(544)**	**(461)**

[1] Selected items included above are carried at fair value through profit or loss. Realized gains and losses, and unrealized gains and losses arising from changes in the fair value are recognized as trading income or expense in the income statement in the period in which they arise.

Details of impairment charges and provisions

	Half Year ended Sep 09								
	Macquarie Capital	Fixed Income, Currencies & Commodities	Macquarie Securities	Banking & Financial Services	Macquarie Funds	Corporate & Asset Finance	Real Estate Banking	Corporate	Total
	A$m	A$m	A$m	A$m	A$m	A$m	A$m	A$m	A$m
Impairments and equity accounted gains/losses									
Listed Macquarie Capital-managed funds	–	–	–	–	–	–	(5)	–	(5)
Real estate equity investments	–	–	–	–	–	–	(86)	–	(86)
US portfolios of asset backed securities held as available for sale	(62)	–	–	–	–	–	–	–	(62)
Resources equity investments	–	(2)	–	–	–	–	–	–	(2)
Other equity co-investments[1]	4	3	–	(3)	(1)	1	26	(2)	28
Total	**(58)**	**1**	**–**	**(3)**	**(1)**	**1**	**(65)**	**(2)**	**(127)**
Loan impairment									
Real estate loans	–	–	–	–	–	–	(13)	–	(13)
Resources loans	–	(45)	–	–	–	–	–	–	(45)
Corporate & Asset Finance leasing and lending	–	–	–	–	–	(32)	–	–	(32)
Banking & Financial Services business banking	–	–	–	(14)	–	–	–	–	(14)
Other loans	–	–	–	(15)	(2)	–	–	–	(17)
Impairments recognized on trading asset positions	–	(45)	–	(29)	(2)	(32)	(13)	–	(121)
CLO/CDO exposures held in trading portfolio	–	(21)	–	–	–	–	–	–	(21)
Total impairment charges and provisions	**(58)**	**(65)**	**–**	**(32)**	**(3)**	**(31)**	**(78)**	**(2)**	**(269)**

Total impairment charges and provisions contributed a loss of A$269 million in aggregate for the half year ended September 30, 2009, a 42% decrease from A$461 million in the prior corresponding period. The half year ended September 30, 2009 comprised:

- impairments and equity accounted losses of A$127 million predominantly related to Macquarie Capital and Real Estate Banking (including in relation to listed MBL-managed funds of A$5 million, real estate equity investments of A$86 million, United States' portfolio of asset backed securities held as available for sale of A$62 million, resources equity investments of A$2 million, offset by net equity accounted gains on other equity co-investments of A$28 million) compared to A$285 million in the prior corresponding period;

- loan impairments of A$121 million predominantly related to Fixed Income, Currencies & Commodities, Corporate & Asset Finance and Real Estate Banking (including real estate loans of A$13 million, resources loans of A$45 million and other loans of A$63 million) compared to A$135 million in the prior corresponding period; and

- impairments recognized on trading asset positions of A$21 million primarily related to CLO/CDO exposures held in our trading portfolio compared to A$41 million in the prior corresponding period.

Operating expenses

	Half Year ended			Movement	
	Sep 09	**Mar 09**	**Sep 08**	**Mar 09**	**Sep 08**
	A$m	**A$m**	**A$m**	**%**	**%**
Operating expenses					
Employment expenses:					
Salary, commissions, superannuation and performance-related profit share	(481)	(310)	(543)	55	(11)
Share based payments	(15)	(15)	(17)	—	(12)
Provision for annual leave	(5)	3	(5)	(267)	—
Provision for long service leave	(1)	3	(3)	(133)	(67)
Total employment expenses	**(502)**	**(319)**	**(568)**	57	(12)
Brokerage and commission expenses	(280)	(264)	(245)	6	14
Occupancy expenses	(54)	(57)	(44)	(5)	23
Non-salary technology expenses	(35)	(45)	(30)	(22)	17
Professional fees	(57)	(86)	(45)	(34)	27
Travel and entertainment	(22)	(31)	(26)	(29)	(15)
Advertising and communication	(22)	(23)	(22)	(4)	—
Other expenses	(357)	(242)	(397)	48	(10)
Total operating expenses	**(1,329)**	**(1,067)**	**(1,377)**	25	(3)

Operating expenses of A$1,329 million for the half year ended September 30, 2009 decreased 3% from A$1,377 million in the prior corresponding period, primarily due to decreased employments expenses.

Employment expenses decreased 12% to A$502 million for the half year ended September 30, 2009 from A$568 million in the prior corresponding period. The main driver was headcount which decreased 5% to 4,521 at September 30, 2009 from 4,737 in the prior corresponding period.

Brokerage and commission expense for the half year ended September 30, 2009 of A$280 million increased 14% from A$245 million, primarily due to increased volumes of client trading as global market conditions improved.

Occupancy costs of A$54 million for the half year ended September 30, 2009 increased 23% from A$44 million in the prior corresponding period, mainly due to the occupation of a new office in Sydney. Additionally, expense has been recognized for the cost of future surplus leased space in accordance with accounting standards.

Non-salary technology expenses of A$35 million for the half year ended September 30, 2009 were up 17% on the prior corresponding period due to increased expenditure on new and upgraded systems.

Travel and entertainment expense were down 15% to A$22 million during the half year ended September 30, 2009 due to a focus on cost rationalization.

Other expenses of A$357 million for the half year ended September 30, 2009 decreased 10% from A$397 million in the prior corresponding period and included recharges from Macquarie Group Services Pty Limited (MGSA), for the provision of administration and central support functions.

Headcount

Total headcount at September 30, 2009 of 4,514 decreased 6% from 4,826 at September 30, 2008 largely due to a reduction in headcount by some groups as a response to the global financial crisis. This was partially offset by the integration of Constellation Energy predominantly in the Americas.

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

	Half Year ended			Movement[1]	
	Sep 09	Mar 09	Sep 08	Mar 09	Sep 08
				%	%
Headcount by operating group					
Banking & Financial Services	2,621	2,592	2,772	1	(5)
Macquarie Securities	97	113	152	(14)	(36)
Fixed Income, Currencies & Commodities	593	509	525	17	13
Macquarie Funds	538	560	523	(4)	3
Real Estate Banking	118	136	206	(13)	(43)
Corporate & Asset Finance	547	479	316	14	73
Total headcount	**4,514**	**4,389**	**4,494**	3	n/m

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

Income tax expense

	Half Year ended		
	Sep 09	Mar 09	Sep 08
	A$m	A$m	A$m
Reconciliation of income tax (expense)/credit to prima facie tax payable			
Prima facie income tax expense on operating profit[1]	(86)	(114)	(73)
Tax effect of amounts which are non-assessable/(non-deductible) in calculating taxable income:			
Rate differential on offshore income	60	126	28
Distribution provided on Macquarie Income Preferred Securities and related distributions	2	6	7
Non-deductible share based payments expense	(5)	(5)	(5)
Other items	17	26	36
Total income tax (expense)/credit	**(12)**	**39**	**(7)**

1 Prima facie income tax on operating profit is calculated at the rate of 30% (half year ended March 31, 2009: 30%; half year ended September 30, 2008: 30%). The consolidated entity has a tax year ending on September 30.

Total income tax expense differs from the prima facie income tax expense due to permanent differences arising from the income tax treatment of certain income and expenses, which include tax rate differentials on some of the income earned offshore, and the non-deductibility of certain expenses, including employee options expense and interest payments made under the Macquarie Income Securities.

Income tax expense for the half year ended September 30, 2009 was A$12 million, up from A$7 million in the prior corresponding period. Income tax expense has been impacted by the following items:

- Permanent differences on operating income before write-downs, impairments, equity accounted losses and other one-off items were relatively stable when compared to the prior corresponding period; and

- Net profit before income tax for the half year ended September 30, 2009 increased from A$242 million in the prior corresponding period, to A$287 million, which had the effect of increasing prima facie income tax expense by A$13 million compared to the prior corresponding period.

Segment Overview

Summary of segment results

For internal reporting and risk management purposes, MBL Group is divided into operating groups as shown in the following table.

	Macquarie Funds	Banking & Financial Services	Real Estate Banking	Fixed Income, Currencies & Commodities	Macquarie Securities	Macquarie Capital	Corporate & Asset Finance	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, 2009									
Net interest income/(expense)	24	254	(8)	43	(26)	(5)	146	101	529
Fee and commission income	116	360	63	3	(38)	2	4	(74)	436
Trading income	4	4	–	494	275	–	30	(234)	573
Share of net profits (losses) of associates and joint ventures accounted for using the equity method	5	–	(7)	3	–	4	1	(1)	5
Other operating income and charges	3	(28)	(45)	(10)	–	(62)	21	194	73
Internal revenue	2	4	(9)	28	11	6	13	(55)	–
Total operating income	**154**	**594**	**(6)**	**561**	**222**	**(55)**	**215**	**(69)**	**1,616**
Total operating expenses	**(123)**	**(448)**	**(29)**	**(238)**	**(172)**	**1**	**(88)**	**(232)**	**(1,329)**
Profit before tax	31	146	(35)	323	50	(54)	127	(301)	287
Tax expense	–	–	–	–	–	–	–	(12)	(12)
Profit attributable to minority interests	1	(3)	–	–	–	–	(1)	(15)	(18)
Net Profit/(loss) contribution	**32**	**143**	**(35)**	**323**	**50**	**(54)**	**126**	**(328)**	**257**
Half Year ended March 31, 2009									
Net interest income/(expense)	55	229	29	54	(33)	(6)	124	69	521
Fee and commission income	139	312	25	77	(65)	68	1	(61)	496
Trading income	(16)	(36)	(7)	524	(44)	(12)	(34)	230	605
Share of net profits/(losses) of associates and joint ventures accounted for using the equity method	–	(3)	(39)	61	–	9	(1)	(2)	25
Other operating income and charges	2	2	(171)	(237)	(3)	(10)	19	201	(197)
Internal revenue	3	6	(3)	28	97	68	7	(206)	–
Total operating income	**183**	**510**	**(166)**	**507**	**(48)**	**117**	**116**	**231**	**1,450**
Total operating expenses	**(138)**	**(434)**	**(50)**	**(272)**	**(179)**	**(32)**	**(56)**	**94**	**(1,067)**
Profit before tax	45	76	(216)	235	(227)	85	60	325	383
Tax expense	–	–	–	–	–	–	–	39	39
Profit attributable to minority interests	–	(4)	–	–	–	–	(1)	(33)	(38)
Net Profit/(loss) contribution	**45**	**72**	**(216)**	**235**	**(227)**	**85**	**59**	**331**	**384**

	Macquarie Funds	Banking & Financial Services	Real Estate Banking	Fixed Income, Currencies & Commodities	Macquarie Securities	Macquarie Capital	Corporate & Asset Finance	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, 2008									
Net interest income/(expense)	29	202	(31)	(26)	14	(32)	10	278	444
Fee and commission income	136	386	25	49	45	20	11	(173)	499
Trading income	(4)	(13)	(1)	403	445	1	7	102	940
Share of net profits/(losses) of associates and joint ventures accounted for using the equity method	(1)	(3)	45	8	–	22	–	2	73
Other operating income and charges	–	(255)	(123)	49	3	(2)	(5)	(4)	(337)
Internal revenue	1	(28)	(11)	37	9	79	2	(89)	–
Total operating income	**161**	**289**	**(96)**	**520**	**516**	**88**	**25**	**116**	**1,619**
Total operating expenses	**(113)**	**(463)**	**(43)**	**(203)**	**(211)**	**(40)**	**–**	**(304)**	**(1,377)**
Profit before tax	48	(174)	(139)	317	305	48	25	(188)	242
Tax expense	–	–	–	–	–	–	–	(7)	(7)
Profit attributable to minority interests	–	(2)	–	1	–	–	–	(42)	(43)
Net Profit / (Loss) contribution	**48**	**(176)**	**(139)**	**318**	**305**	**48**	**25**	**(237)**	**192**

Basis of preparation

MBL Group segments

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

For internal reporting and risk management purposes, MBL Group is divided into four operating groups and two divisions. The operating groups are:

- Fixed Income, Currencies & Commodities (formerly Treasury & Commodities)
- Macquarie Securities (excluding the Cash division, which forms part of the Non-Banking Group)
- Banking & Financial Services
- Macquarie Funds

The divisions are:

- Corporate & Asset Finance
- Real Estate Banking

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

MBL operating group restructures

Since March 31, 2009, there have been no restructures of operating groups. See “Financial Information Presentation” beginning on page 11 of our 2009 Annual U.S. Disclosure Report and “Financial Information Presentation” above for further information on restructures that have occurred in prior periods.

Internal transactions

Any transfers or transactions between segments have been determined on what MBL believes is an arm’s-length basis and are included within the relevant categories of income. Internal management charges are recognized to reflect permanent differences arising from the income tax treatment of certain income and expenses, which include tax rate differentials on some of the income earned offshore, and the non-deductibility of certain expenses. All internal transactions are eliminated on consolidation.

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

Internal funding arrangements

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

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, and a profit in one operating group must be offset with an equal and opposite loss in the other operating group.

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. Where appropriate, recoveries include a relevant profit mark-up, for example charges for services that cross tax jurisdictions.

Internal management revenue/(charges)

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 in 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.

Macquarie Funds

	Half Year ended			Movement[1]	
	Sep 09	Mar 09	Sep 08	Mar 09	Sep 08
	A$m	A$m	A$m	%	%
Net interest income/(expense)	**24**	**55**	**29**	(56)	(17)
Fee and commission income					
Base fees	72	75	67	(4)	7
Performance fees	5	6	8	(17)	(38)
Other fee and commission income	39	58	61	(33)	(36)
Total fee and commission income	**116**	**139**	**136**	(17)	(15)
Net trading income	**4**	**(16)**	**(4)**	125	large
Share of net profits of associates and joint ventures using the equity method	**5**	**–**	**(1)**	–	100
Impairment charge on equity investments	(6)	(5)	–	20	–
Specific provisions and collective allowance for credit losses	(2)	(9)	–	(78)	–
Other income	11	16	–	(31)	–
Total other operating income and charges	**3**	**2**	**–**	50	–
Internal revenue[2]	**2**	**3**	**1**	(33)	100
Total operating income	**154**	**183**	**161**	(16)	(4)
Operating expenses					
Employment expenses	(45)	(57)	(30)	(21)	50
Brokerage and commission expenses	(27)	(26)	(41)	4	(34)
Other operating expenses	(51)	(55)	(42)	(7)	21
Total operating expenses	**(123)**	**(138)**	**(113)**	(11)	9
Minority interests[3]	1	–	–	–	–
Total contribution to profit by operating group	**32**	**45**	**48**	(29)	(33)
Non-GAAP metrics					
Assets under Management[4] (A$ billion)	58.0	159.5	158.0	(64)	(63)
Headcount[5]	538	560	523	(4)	3

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

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

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

4 Macquarie Cash Management Trust, excluded from Assets under Management reported above, is a Banking & Financial Services product that is managed by Macquarie Funds. The Cash Management Trust closed at A$12.6 billion at September 30, 2009 (March, 31 2009: A$14.7 billion; September 30, 2008: A$16.1 billion).

5 The acquisition and consolidation of fund managers in the United States during 2009, as well as the internal transfer of a European distribution business from Macquarie Securities, contributed 66 staff members to the headcount increase in the prior period.

Macquarie Fund's net profit contribution of A$32 million for the half year ended September 30, 2009 decreased 33% from A$48 million in the prior corresponding period primarily due to increased employment expenses and lower other fee and commission income, which was partially offset by increased base fees and lower brokerage and commission expenses.

Net interest income/(expense)

Net interest income of A$24 million for the half year ended September 30, 2009 decreased 17% from A$29 million in the prior corresponding period. The decrease was largely driven by lower interest revenue as a result of redemptions from retail loans issued to investors as part of Macquarie Fund's structured investment offerings.

Base income

Base fee income of A$72 million for the half year ended September 30, 2009 increased 7% from A$67 million in the prior corresponding period. Base fee income was higher due to the acquisition of two fixed interest funds management businesses in the United States and strong inflows for the Fixed Interest, Currencies & Commodities asset class over the past 12 months. This was partially offset by the impact of a decrease in Assets under Management across most other asset classes.

Total Assets under Management of A$58.0 billion at September 30, 2009, including A$5.1 billion from the acquisition of the remaining shares in Allegiance Investment Management in January 2009, increased 29% from A$44.8 billion at September 30, 2008. See "Recent Developments — Funds Management Business — MBL Group" for further information on Assets under Management by operating group.

On August 19, 2009, Macquarie Funds announced it had entered into an agreement to acquire Delaware Investments from Lincoln Financial Group for US$428 million. Delaware Investments is a United States diversified asset management firm with approximately US$125 billion (approximately A$103 billion) in Assets under Management at June 30, 2009. The transaction is expected to close in January 2010 and is subject to regulatory approvals.

Performance fees

Performance fee income of A$5 million for the half year ended September 30, 2009 decreased 38% from A$8 million in the prior corresponding period largely due to lower performance fees from Listed Equities.

Other fee and commission income

Other fee and commission income includes structuring fees, capital protection fees, wholesale threshold management fees, fees from True Index products and internal fees received for managing and administering investment products on behalf of Banking & Financial Services.

Other fee and commission income of A$39 million for the half year ended September 30, 2009 decreased 36% from A$61 million in the prior corresponding period. Structuring fees were significantly down on the prior corresponding period due to lower Australian and European retail product raisings. Wholesale threshold management fees also declined as the base on which these were earned was affected by adverse market conditions. True Index fees also decreased compared to the strong result in the prior corresponding period. These decreases were partially offset by the receipt of non-recurring service fees.

Net trading income

Net trading income of A$4 million for the half year ended September 30, 2009 increased from a loss of A$4 million in the prior corresponding period. The result was driven by performance of seed capital positions as well as increased income from some derivative products offered by the Investment Solutions and Sales division.

Other income

Other income of A$11 million for the half year ended September 30, 2009 increased significantly from nil in the prior corresponding period. The September 30, 2009 half year predominantly included distributions from Macquarie Funds' seed investments, which were minimal in the prior corresponding period.

Operating expenses

Total operating expenses of A$123 million for the half year ended September 30, 2009 increased 9% from A$113 million in the prior corresponding period. The decrease in brokerage and commission expenses of A$27 million, down 34% from A$41 million in the prior corresponding period was predominantly due to lower structured product raisings in the half year ended September 30, 2009.

Banking & Financial Services

	Half Year ended[1]			Movement	
	Sep 09	Mar 09	Sep 08	Mar 09	Sep 08
	A$m	A$m	A$m	%	%
Net interest income	**254**	**229**	**202**	11	26
Fee and commission income					
Base fees	102	109	120	(6)	(15)
Brokerage and commissions	105	80	118	31	(11)
Other fee and commission income	135	107	134	26	1
Income from life insurance business and other unit holder businesses	18	16	14	13	29
Total fee and commission income	**360**	**312**	**386**	15	(7)
Net trading income	**4**	**(36)**	**(13)**	111	(131)
Share of net profits of associates and joint ventures using the equity method	**–**	**(3)**	**(3)**	(100)	(100)
Other operating income and charges					
Net gains on sale of equity investments	–	(2)	–	(100)	–
Impairment charge on equity investments	(1)	(6)	(208)	(83)	(100)
Impairment charge on non-financial assets	(2)	(2)	–	–	–
Gain on acquiring, disposing and change in ownership interest in subsidiaries and businesses held for sale	–	56	1	(100)	(100)
Specific provisions and collective allowance for credit losses	(29)	(44)	(51)	(34)	(43)
Other income	4	–	3	–	33
Total other operating income and charges	**(28)**	**2**	**(255)**	large	(89)
Internal revenue[2]	4	6	(28)	(33)	121
Total operating income	**594**	**510**	**289**	16	106
Operating expenses					
Employment expenses	(181)	(178)	(213)	2	(15)
Brokerage and commission expenses	(65)	(73)	(67)	(11)	(3)
Other operating expenses	(202)	(183)	(183)	10	10
Total operating expenses	**(448)**	**(434)**	**(463)**	3	(3)
Minority interests[3]	(3)	(4)	(2)	(25)	50
Total contribution to profit by operating group	**143**	**72**	**(176)**	99	(181)
Non-GAAP metrics					
Assets under Management[4] (A$ billion)	17.0	19.2	21.2	(11)	(20)
Funds under management/advice/administration[5] (A$ billion)	115.3	104.0	116.1	11	(1)
Headcount	**2,621**	**2,592**	**2,772**	1	(5)

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

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

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

4 The Macquarie Cash Management Trust, included in Assets under Management above, is a Banking & Financial Services product that is managed by Macquarie Funds. The Cash Management Trust closed at A$12.6 billion at September 30, 2009 (March 31, 2009: A$14.7 billion; September 30, 2008: A$16.1 billion).

5 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).

Banking & Financial Services' net profit contribution of A$143 million for the half year ended September 30, 2009 increased from a net loss contribution of A$176 million in the prior corresponding period, which included a loss of A$272 million on the Italian Mortgages portfolio. Excluding the impact of the Italian Mortgages portfolio loss, the result for the half year ended September 30, 2009 increased 49% on the prior corresponding period.

Net interest income/(expense)

Net interest income of A$254 million for the half year ended September 30, 2009, increased 26% from A$202 million in the prior corresponding period principally due to the growth in retail deposits. Banking & Financial Services receives a premium for providing internal funding to Group Treasury from these deposits.

Retail deposits of A$13.9 billion for the half year ended September 30, 2009 increased 48% from A$9.4 billion in the prior corresponding period. This growth in deposits was primarily achieved through issuance of new cash product offerings such as the Cash Management Account and growth in Cash XL and Term Deposits.

The loan book at September 30, 2009 was A$26.3 billion and largely comprised residential mortgages in Australia and North America, loans to Australian businesses, and loans on capital protected products.

Since March 2008, the Australian residential mortgage origination services for both retail and wholesale clients has been wound back due to the significant increase in funding costs and adverse conditions in the global mortgage securitization market. The ongoing Australian business has been profitable as the portfolio runs off. The Australian mortgage book has reduced by 25% to A$15.9 billion at September 30, 2009 from A$21.2 billion at September 30, 2008.

The Canadian mortgages business continued to participate in the Canadian Mortgage Bond program. Origination volumes and margins on the Canadian loan portfolio have improved over the prior corresponding period. The United States mortgages business has been closed and the book is being run down.

The sale of the Italian Mortgages portfolio (completed in October 2008) and the Margin Lending business (completed in January 2009) also resulted in lower interest income from these products. Due to challenging conditions in both the equity and credit markets, the retained portfolio of capital protected products, which comprises Fusion, Geared Equities Investment, and 100% Investment loans, has fallen to A$1.5 billion at September 30, 2009 from A$2.2 billion at September 30, 2008.

Base fees

Base fee income of A$102 million for the half year ended September 30, 2009 decreased 15% from A$120 million in the prior corresponding period as a result of the decrease in Assets under Management in the Cash Management Trust. The Cash Management Trust closed at A$12.6 billion at September 30, 2009, down 22% from A$16.1 billion at September 30, 2008.

The Macquarie Pastoral Fund had A$521 million in Assets under Management at September 30, 2009, up 141% from A$216 million at September 30, 2008.

Brokerage and commissions

Brokerage and commission income of A$105 million for the half year ended September 30, 2009 decreased 11% from A$118 million in the prior corresponding period as a result of a 12% decrease in Macquarie Private Wealth's volumes, due to more challenging equity market conditions during the half year ended September 30, 2009, compared with the prior corresponding period.

Other fee and commission income

Other fee and commission income of A$135 million for the half year ended September 30, 2009 was in line with income of A$134 million in the prior corresponding period.

The main contributor was platform and other administration fee income, which declined 13% on the prior corresponding period due to overall lower average Wrap Funds under Administration. Funds under Administration on the Australian Wrap platform closed at A$21.6 billion at September 30, 2009, which was up 3% on September 30, 2008, and up 23% on March 31, 2009 due to improved inflows and market movements. Net inflows were A$1.7 billion and market movements were A$2.4 billion positive for the half year ended September 30, 2009, compared to net inflows of A$0.8 billion and negative market movements of A$4.3 billion for the half year ended March 31, 2009.

The other contributors to this income category were loan termination fees, which increased as the Australian mortgages and capital protected loan portfolios decreased, as well as fees earned from six property acquisitions by the Macquarie Pastoral Fund.

Net trading income

Net trading income was A$4 million for the half year ended September 30, 2009, compared to a loss of A$13 million in the prior corresponding period. The half year ended September 30, 2009 half included foreign exchange gains while the prior corresponding period included losses on listed equity investments held by Macquarie Private Wealth.

Impairment charge on equity investments

Impairment charges on equity investments during the half year ended September 30, 2009 were A$1 million. An impairment charge of A$208 million in the prior corresponding period mainly related to the loss on sale of Italian Mortgages portfolio.

Gain on acquiring, disposing and change in ownership interest in subsidiaries and businesses held for sale

There were no acquisitions, disposals or changes in ownership interest of subsidiaries and businesses held for sale during the half year ended September 30, 2009. The gain of A$56 million recognized in the prior period related to the sale of the margin lending portfolio.

Specific provisions and collective allowance for credit losses

Specific provisions and collective allowance for credit losses of A$29 million for the half year ended September 30, 2009 decreased 43% from A$51 million in the prior corresponding period, which included significant provisioning on the Italian Mortgages portfolio and Investment Lending portfolios. Default rates on the United States mortgage portfolio are well below industry averages. Specific provisions and allowance for credit losses on the United States mortgage portfolio decreased 33% in the half year ended September 30, 2009 compared to the half year ended September 30, 2008.

Operating expenses

Total operating expenses of A$448 million for the half year ended September 30, 2009 decreased 3% from A$463 million in the prior corresponding period. The decrease was mainly in employment expenses, which were down 15% on the prior corresponding period to A$181 million as a result of a 5% reduction in headcount and lower commissions paid to some staff (predominately financial planners and advisers) due to decreased brokerage and commission income.

The increase in other operating expenses of 10% to A$202 million for the half year ended September 30, 2009 was largely due to expenses associated with deposit generating activities.

Real Estate Banking

	Half Year ended			Movement	
	Sep 09	Mar 09	Sep 08	Mar 09	Sep 08
	A$m	A$m	A$m	%	%
Net interest income/(expense)	**(8)**	**29**	**(31)**	(128)	(74)
Fee and commission income					
Base fees	25	14	12	79	108
Performance fees	35	1	1	large	–
Mergers and acquisitions, advisory and underwriting	–	10	1	(100)	(100)
Other fee and commission income	3	–	11	–	(73)
Total fee and commission income	**63**	**25**	**25**	152	152
Net trading income/(expense)	**–**	**(7)**	**(1)**	(100)	(100)
Share of net profits of associates and joint ventures using the equity method	**(7)**	**(39)**	**45**	(82)	(116)
Other operating income and charges					
Net gains/(losses) on sale of equity investments	(8)	20	(7)	(140)	14
Impairment charge on equity investments	(46)	(73)	(69)	(37)	(33)
Impairment charge on non-financial assets	(12)	(40)	–	(70)	–
Specific provisions and collective allowance for credit losses	(13)	(101)	(69)	(87)	(81)
Other income	34	23	22	48	55
Total other operating income and charges	**(45)**	**(171)**	**(123)**	(74)	(63)
Internal revenue[2]	(9)	(3)	(11)	200	(18)
Total operating income	**(6)**	**(166)**	**(96)**	(96)	(94)
Operating expenses					
Employment expenses	(10)	(16)	(15)	(38)	(33)
Other operating expenses	(19)	(34)	(28)	(44)	(32)
Total operating expenses	**(29)**	**(50)**	**(43)**	(42)	(33)
Net profit/(loss) contribution	**(35)**	**(216)**	**(139)**	(84)	(75)
Non-GAAP metrics					
Assets under Management (A$ billion)	10.7	14.8	15.2	(28)	(30)
Headcount	**118**	**136**	**206**	(13)	(43)

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

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

Real Estate Banking's net loss contribution of A$35 million for the half year ended September 30, 2009, compared to a net loss contribution of A$139 million in the prior corresponding period. The half year ended September 30, 2009 remained challenging for Real Estate Banking with the global financial crisis continuing to depress real estate markets worldwide, however an asset disposal by Macquarie Central Office CR-REIT resulted in a significant increase in base and performance fees for Real Estate Banking during this period.

Net interest income/(expense)

Net interest expense of A$8 million for the half year ended September 30, 2009 decreased 74% from A$31 million in the prior corresponding period. Impairments across the loan book and investment portfolio as well as a number of disposals, including Macquarie Goodman Asia and Macquarie Prime REIT in the prior period, have reduced the overall funding requirement and interest expense. The loan book in Real Estate Structured Finance has reduced by 27% to A$935 million at September 30, 2009, from A$1,287 million at September 30, 2008 as the book is being run off.

Base fees

Base fee income of A$25 million for the half year ended September 30, 2009 increased 108% from A$12 million in the prior corresponding period, primarily due to A$16 million received from Macquarie Central Office CR-REIT on the sale of the Kukdong building as base fees are calculated on income of the REIT. This is partially offset by a decrease in Assets under Management. Assets under Management of A$10.7 billion at September 30, 2009 decreased 30% from A$15.2 billion at September 30, 2008 due to the strengthening of the Australian dollar, resulting in lower offshore asset values as well as write-downs and disposals by some funds.

Performance fees

Performance fee income of A$35 million for the half year ended September 30, 2009 increased significantly from A$1 million in the prior corresponding period, primarily due to the disposal of Macquarie Central Office CR-REIT's Kukdong building in Korea.

Mergers and acquisitions, advisory and underwriting

There were no mergers and acquisitions, advisory and underwriting fees earned during the half year ended September 30, 2009. Fees of A$10 million in the prior period mainly related to advisory fees on the sale of the interest in Macquarie Prime REIT and its manager.

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

Equity accounted losses of A$7 million were recognized for the half year ended September 30, 2009 compared to an equity accounted gain of A$45 million in the prior corresponding period. The result in the half year ended September 30, 2009 was driven by losses in Real Estate Banking's associates, including investments in Medallist, Australian listed REIT holdings and J-REP (a listed fund manager on the Tokyo Stock Exchange). The gain in the prior corresponding period was driven by equity accounted profits in MGPA (a real estate investment advisory company).

Net gains/(losses) on sales of equity investments

A net loss on sale of equity investments of A$8 million for the half year ended September 30, 2009 increased 14% from A$7 million in the prior corresponding period. Losses for the half year ended September 30, 2009 reflected the sale of an investment in fund manager, MWCell Manager LLC, in the United States.

Impairment charge on equity investments

The impairment charge on equity investments of A$46 million for the half year ended September 30, 2009 decreased 33% from A$69 million in the prior corresponding period. The prior corresponding period included write-downs on Macquarie CountryWide Trust and Macquarie Office Trust that were not repeated in the half year ended September 30, 2009. Write-downs for the half year ended September 30, 2009 included:

- A$16 million on a storage asset investment in the United Kingdom;
- A$10 million on two joint venture developments in Queensland; and
- A$6 million on joint ventures in the Real Estate Structured Finance business.

Impairment charge on non-financial assets

The impairment charge on non-financial assets of A$12 million for the half year ended September 30, 2009 was recognized on consolidation of a joint venture in Queensland that Real Estate Banking took control of during the half year ended September 30, 2009. An impairment charge of A$40 million was recognized in the prior period that related to REIT investments, direct property and inventory. No similar impairments were recognized in the prior corresponding period.

Specific provisions and collective allowance for credit losses

Specific provisions and collective allowance for credit losses of A$13 million for the half year ended September 30, 2009 decreased 81% from A$69 million in the prior corresponding period. Provisions for the half year ended September 30, 2009 were primarily attributable to loans made to developers with United States residential market exposure.

Other income

Other income of A$34 million for the half year ended September 30, 2009 increased 55% from A$22 million in the prior corresponding period. The half year ended September 30, 2009 included higher property development income from real estate developer Urban Pacific Limited of A$13 million and A$10 million from a legal settlement with a property developer in Australia.

Operating expenses

Total operating expenses of A$29 million for the half year ended September 30, 2009 decreased 33% from A$43 million in the prior corresponding period. The decrease was in line with the 43% reduction in headcount as the business focused on extracting value from its current investments.

Corporate & Asset Finance

	Half Year ended			Movement[1]	
	Sep 09	Mar 09	Sep 08	Mar 09	Sep 08
	A$m	A$m	A$m	%	%
Net interest income/(expense)	**146**	**124**	**10**	18	large
Fee and commission income/(expenses)	**4**	**1**	**11**	300	(64)
Net trading income	**30**	**(34)**	**7**	(188)	large
Share of net profits of associates and joint ventures using the equity method	**1**	**(1)**	**–**	200	–
Other operating income and charges					
Impairment charge on non-financial assets	–	(3)	–	(100)	–
Net operating lease income	33	47	–	(30)	–
Specific provisions and collective allowance for credit losses	(32)	(28)	(3)	14	large
Other income	20	3	(2)	large	250
Other operating income and charges	**21**	**19**	**(5)**	11	large
Internal revenue[2]	13	7	2	86	large
Total operating income	**215**	**116**	**25**	85	large
Operating expenses					
Employment expenses	(38)	(28)	–	36	–
Other operating expenses	**(50)**	**(28)**	**–**	79	–
Total operating expenses	**(88)**	**(56)**	–	57	–
Minority interests[3]	(1)	(1)	–	–	–
Net profit/(loss) contribution	**126**	**59**	**25**	114	136
Non-GAAP metrics					
Headcount	**547**	**479**	**316**	14	73

1 "n/m" indicates that the percentage change was less than 1% and therefore not meaningful and "large" indicates that actual movement was greater than 300%.
2 See "— Basis of preparation — Internal transactions — Internal management revenue/(charges)".
3 The minority interests category adjusts reported consolidated profit or loss for the share that is attributable to minority interests, such that the net profit or loss contribution represents the net profit or loss attributable to ordinary equity holder.

Corporate & Asset Finance's net profit contribution of A$126 million for the half year ended September 30, 2009 increased significantly from A$25 million in the prior corresponding period predominately due to the transfer of some businesses that operated in the Non-Banking Group to the Banking Group during the half year ended September 30, 2009.

Net interest income

Net interest income of A$146 million for the half year ended September 30, 2009 increased significantly from A$10 million in the prior corresponding period. The increase was predominately a result of higher margins and volumes in the loan and finance lease portfolios. Average spread on these portfolios was assisted by a greater mix of higher margin products and increased 1.5% during the half year ended September 30, 2009 compared to the prior corresponding period. The loan portfolio increased substantially to A$5.2 billion at September 30, 2009 from A$0.8 billion at September 30, 2008 largely due to increased lending to corporates globally.

On October 1, 2009, Corporate & Asset Finance announced it had completed the acquisition of a portfolio of auto leases and loans from Ford Credit Australia. The value of the portfolio is A$1.0 billion and is comprised of loans and leases for approximately 60,000 cars in Australia. Management of the portfolio is scheduled to be transitioned to the operations of the Macquarie Leasing business by January 2010.

Net trading income

Net trading income of A$30 million for the half year ended September 30, 2009 increased significantly from A$7 million in the prior corresponding period, primarily due to mark-to-market gains on options and equity securities.

Impairment charge on non-financial assets

There were no impairment charges on non-financial assets during the half year ended September 30, 2009, compared to A$3 million in the prior period.

Net operating lease income

Net operating lease income of A$33 million (net of depreciation) for the half year ended September 30, 2009 increased from nil in the prior corresponding period largely due to the transfer of the leasing business from the Non-Banking Group to the Banking Group during the half year ended September 30, 2009.

Specific provisions and collective allowance for credit losses

Specific provisions and collective allowance for credit losses of A$32 million for the half year ended September 30, 2009 increased significantly from A$3 million in the prior corresponding period primarily as a result of the substantial growth in the lease and loan portfolio, which increased 49% to A$11.3 billion at September 30, 2009, from A$7.6 billion at September 30, 2008.

Operating expenses

Total operating expenses of A$88 million for the half year ended September 30, 2009 have increased from nil in the prior corresponding period due to the transfer of some businesses that operated in the Non-Banking Group to the Banking Group during the 12 months ended September 30, 2009. During the half year ended September 30, 2009, higher transaction costs associated with an increased number of transactions and senior hires also drove the increase.

Fixed Income, Currencies & Commodities

	Half Year ended			Movement[1]	
	Sep 09	Mar 09	Sep 08	Mar 09	Sep 08
	A$m	A$m	A$m	%	%
Income from trading activities including net interest income[2]					
Commodity products	378	425	225	(11)	68
Foreign exchange products	58	77	103	(25)	(44)
Interest rate products	101	76	49	33	106
Total income from trading activities including net interest income	**537**	**578**	**377**	(7)	42
Fee and commission income	**3**	**77**	**49**	(96)	(94)
Share of net profits of associates and joint ventures using the equity method	**3**	**61**	**8**	(95)	(63)
Other operating income and charges					
Impairment charge on equity investments	(2)	(88)	(32)	(98)	(94)
Specific provisions and collective allowance for credit losses	(45)	(146)	(12)	(69)	275
Other income	37	(3)	93	large	(60)
Total operating income and charges	**(10)**	**(237)**	**49**	(96)	(120)
Internal revenue[3]	28	29	37	(3)	(24)
Total operating income	**561**	**508**	**520**	10	8
Employment expenses	(71)	(84)	(58)	(15)	22
Brokerage and commission expenses	(54)	(46)	(40)	17	35
Other operating expenses	(113)	(143)	(104)	(21)	8
Total operating expenses	**(238)**	**(273)**	**(202)**	(13)	17
Total contribution to profit by operating group	**323**	**235**	**318**	37	2
Non-GAAP metrics					
Headcount	**593**	**509**	**525**	17	13

1 "n/m" 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 relative contribution of net interest income and trading income to income from trading activities can vary from period to period depending on the underlying trading strategies undertaken by MBL Group and its clients. As such, to obtain a more complete view of Fixed Income, Currencies & Commodities' trading activities, net interest income has been combined with trading income above.

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

Fixed Income, Currencies & Commodities' net profit contribution of A$323 million for the half year ended September 30, 2009 increased 2% from A$318 million in the prior corresponding period primarily due to increased trading income, particularly commodities and interest rate products trading.

Commodities products trading income

Commodities trading income of A$378 million for the half year ended September 30, 2009 increased 68% from A$225 million in the prior corresponding period.

Trading income in the Energy Markets division was broadly in line with the prior corresponding period with the exception of increased volumes in the United States gas business resulting from the acquisition of Constellation Energy in March 2009. Market volatility in general was low, liquidity mixed and prices for oil higher while gas and power prices were lower.

Trading income from the Agricultural Commodities business was up on the prior corresponding period as a result of higher volatility in soft commodity markets, a return of confidence in agricultural markets and freight markets improving from extreme lows.

The Metals and Energy Capital division was a strong contributor with all metals prices recovering, particularly gold.

Foreign exchange products trading income

Trading income on foreign exchange products of A$58 million for the half year ended September 30, 2009 decreased 44% from A$103 million in the prior corresponding period. Volatility and volumes were down significantly on the prior corresponding period driven largely by a fall in foreign exchange market volumes globally as a result of a reduction in global risk capital, lower commodity prices and subdued trade numbers.

Interest rate products trading income

Trading income on interest rate products of A$101 million for the half year ended September 30, 2009 increased significantly from A$49 million in the prior corresponding period. The Credit Trading division (established in June 2008) and the Emerging Markets division made substantial contributions during the half year ended September 30, 2009. Significant improvement in the Australian credit market and spreads across all markets translated to an increase in income for the Debt Markets division, which reported a 97% increase in their net profit compared to the prior corresponding period. The half year ended September 30, 2009 included mark-to-market write-downs of A$21 million on CLO/CDO investments. Mark-to-market writedowns on CLO/CDO investments of A$21 million were also recognized in the prior corresponding period.

Fee and commission income

Fee and commission income of A$3 million for the half year ended September 30, 2009 was down 94% on the prior corresponding period income of A$49 million. The strong contribution from the Futures division was offset by service charges between the Banking Group and the Non-Banking Group.

Impairment charge on equity investments

Impairment charges on equity investments of A$2 million were recognized for the half year ended September 30, 2009. Impairment charges of A$32 million in the prior corresponding period related to equity investments largely in the resources sector.

Specific provisions and collective allowance for credit losses

Net loan provisions of A$45 million for the half year ended September 30, 2009, increased by 275% from A$12 million in the prior corresponding period. There was A$43 million in specific provisions raised in relation to loans in the energy capital and agricultural commodities sectors, combined with an increase in the collective allowance for credit losses of A$2 million.

Other income

Other income of A$37 million for the half year ended September 30, 2009 was driven by net gains on the sale of equity investments. Other income of A$93 million in the prior corresponding period, primarily reflected the gain on sale of a number of resources-related net profit interests in the Metals and Energy Capital division that were not repeated in the half year ended September 30, 2009 combined with net gains on the sale of equity investments.

Operating expenses

Total operating expenses of A$238 million for the half year ended September 30, 2009 increased 17% from A$202 million in the prior corresponding period. Employment expenses were up 22% from A$58 million in the prior corresponding period to A$71 million for the half year ended September 30, 2009 mainly driven by an 13% increase in headcount due to the acquisition of Constellation Energy. Other operating expenses of A$113 million for the half year ended September 30, 2009 were up 8% from A$104 million in the prior corresponding period largely due to increased investment in the Credit Trading business and integration expenses associated with the acquisition of Constellation Energy.

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

	Half Year ended			Movement[1]	
	Sep 09	**Mar 09**	**Sep 08**	**Mar 09**	**Sep 08**
	A$m	**A$m**	**A$m**	**%**	**%**
Income from trading activities including net interest income[2]	249	(77)	459	large	(46)
Total fee and commission income	**(38)**	**(65)**	**45**	(42)	(184)
Total other income	**–**	**(3)**	**3**	100	100
Internal revenue[3]	11	97	9	(89)	22
Total operating income	**222**	**(48)**	**516**	large	(57)
Operating expenses					
Employment expenses	(10)	(14)	(13)	(29)	(23)
Brokerage and commission expenses	(113)	(94)	(112)	20	1
Other operating expenses	(49)	(71)	(86)	(30)	(42)
Total operating expenses	**(172)**	**(179)**	**(211)**	93)	(18)
Total contribution to profit by operating group	**50**	**(227)**	**305**	(122)	(84)
Non-GAAP metrics					
Headcount	97	113	152	(14)	(36)

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

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

Macquarie Securities' net profit contribution of A$50 million for the half year ended September 30, 2009 decreased 84% from A$305 million in the prior corresponding period primarily due to lower trading income, partially offset by lower operating expenses.

Net trading income (including net interest income)

Net trading income from equity products (including net interest income) of A$249 million for the half year ended September 30, 2009 decreased 46% from A$459 million in the prior corresponding period. Derivatives revenues, although improved over the period, were down on the prior corresponding period reflecting weaker volumes in retail structured products.

Structured Equity Finance revenues were significantly down on the prior corresponding period as a result of lower volumes, as customers became more risk averse. Arbitrage Trading activities have continued to contribute strongly to trading profits as a result of favorable spreads in exchange traded instruments, particularly in Taiwanese, Indian and Korean markets. The lower net trading result for the half year ended March 31, 2009 was due to substantially lower demand for listed/structured products and unprecedented volatility during the half year ended March 31, 2009. The prior period also included a provision for losses on BrisConnections of A$35 million and the impact of some MGL Group funding transactions that were offset with internal management revenue.

Fee and commission income

Fee and commission income for the half year ended September 30, 2009 was a loss of A$38 million, compared to a gain of A$45 million in the prior corresponding period. This category mainly consists of internal transfer pricing charges paid as compensation for services provided to MBL by non-bank service entities. The gain in the prior corresponding period was due to an adjustment to transfer pricing relating to the prior year.

Operating expenses

Employment expenses of A$10 million for the half year ended September 30, 2009 decreased 23% from A$13 million in the prior corresponding period. The decrease was mainly driven by a 47% reduction in headcount from 182 at September 30, 2008 to 97 at September 30, 2009. The reduction in headcount was in direct response to deteriorating market conditions experienced during the half year ended March 31 ,2009.

Brokerage and commission expenses of A$113 million for the half year ended September 30, 2009 increased 1% from A$112 million in the prior corresponding period. The increase in brokerage and commission expenses was primarily driven by the derivatives and arbitrage trading businesses in Asia.

Other operating expenses of A$49 million for the half year ended September 30, 2009 decreased 42% from A$86 million in the prior corresponding period. The decrease was predominantly driven by a reduction in headcount and a focus on expense rationalization.

Macquarie Capital

	Half Year ended			Movement	
	Sep 09	Mar 09	Sep 08	Mar 09	Sep 08
	A$m	A$m	A$m	%	%
Net interest income	(5)	(6)	(32)	(17)	(84)
Fee and commission income	2	68	20	(97)	(90)
Total net trading income	–	(12)	1	(100)	(100)
Share on net profits of associates and joint ventures using the equity method	4	9	22	(55)	(82)
Other operating income and charges	(62)	(10)	(2)	large	large
Internal revenue[3]	6	68	79	(91)	(92)
Total operating income	**(55)**	**117**	**88**	(147)	(163)
Total operating expenses	**1**	**(32)**	**(40)**	(103)	(103)
Total contribution to profit by operating group	**(54)**	**85**	**48**	(163)	(213)

1 "n/m" 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 minority interests category adjusts reported consolidated profit or loss for the share that is attributable to minority interests, such that the net profit or loss contribution represents the net profit or loss attributable to ordinary equity holders.

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

Macquarie Capital's net loss contribution of A$54 million for the half year ended September 30, 2009, compared to net profit contribution of A$48 million in the prior corresponding period was largely due to impairment charges on asset backed securities held as available for sale.

Net interest income

Net interest expense of A$5 million for the half year ended September 30, 2009 was down 84% from A$32 million in the prior corresponding period. This reduction mainly reflects interest expense on borrowings for principal investments which decreased in line with lower interest rates during the half year ended September 30, 2009 compared to the prior corresponding period and an overall reduction in principal investments held by the Banking Group.

Fee and commission income

Fee and commission income was A$2 million for the half year ended September 30, 2009. Income of A$20 million in the prior corresponding period mainly related to non-recurring internal fees.

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

Net equity accounted gains of A$4 million for the half year ended September 30, 2009 decreased by 82% from A$22 million in the prior corresponding period driven by a deterioration of the results of investments due to the global financial crisis.

Other operating income and charges

Other operating income and charges of A$62 million expense for the half year ended September 30, 2009 primarily related to the writedowns of asset-backed securities held as available for sale. Other operating income and charges of A$2 million expense in the prior corresponding period consisted of a A$41 million gain related to the disposal of aircraft leasing assets, A$10 million of operating lease income related to a consolidated principal investment that was sold from the Banking Group to the Non-Banking Group partially offset by A$48 million related to the writedown of asset-backed securities held as available for sale.

Operating expenses

The reduction in operating expenses from A$40 million expense in the prior corresponding period to A$1 million income for the half year ended September 30, 2009 was driven by the reduction in headcount from 13 at September 30, 2008 to nil at September 30, 2009. The reduction in headcount reduced employment costs and other headcount driven costs and recoveries. This small net income is due to net brokerage and commissions charged between the Banking Group and the Non-Banking Group.

Corporate

	Half Year ended			Movement[1]	
	Sep 09	Mar 09	Sep 08	Mar 09	Sep 08
	A$m	A$m	A$m	%	%
Net interest income	**101**	**69**	**278**	46	(64)
Fee and commission income	**(74)**	**(61)**	**(173)**	21	(57)
Net trading income	**(234)**	**230**	**102**	(202)	125
Share of net profits of associates and joint ventures using the equity method	**(1)**	**(2)**	**2**	50	(150)
Other operating income and charges					
Net gains on sale of equity investments	7	–	–	–	–
Impairment charge on equity investments	–	–	–	–	–
Gain on acquiring, disposing and change in ownership interest in subsidiaries and businesses held for sale	74	199	3	(63)	large
Gain on repurchase of debt	55	–	–		
Specific provisions and collective allowance for credit losses	1	12	–	(92)	–
Other income	57	(10)	(7)	large	29
Other operating income and charges	**194**	**201**	**(4)**	(3)	large
Internal revenue[2]	(55)	(206)	(89)	(73)	(38)
Total operating income	**(69)**	**231**	**116**	(130)	(159)
Operating expenses					
Employment expenses	(148)	82	(203)	(278)	(27)
Brokerage and commission expenses	(15)	(22)	(2)	(32)	large
Other operating expenses	(69)	34	(99)	large	(30)
Total operating expenses	**(232)**	**94**	**(304)**	large	(24)
Tax expense	(12)	39	(7)	(131)	71
MIPS	(6)	(22)	(23)	(73)	(74)
MIS	(10)	(15)	(18)	(40)	(50)
OEI	1	4	(1)	(75)	large
Net profit contribution	**(328)**	**331**	**(237)**	(199)	38

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

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

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 minority 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.

Net interest income

Interest income was mainly generated through the investment of MBL's capital, offset by funding costs not passed on to businesses through Group Treasury.

Net interest income for the half year ended September 30, 2009 was A$101 million, a decrease of 64% from A$278 million in the prior corresponding period. Increased costs associated with excess liquidity have been the main drivers of the change.

Fee and commissions income

Fee and commissions expense in all periods primarily related to internal transactions with operating groups that net to nil on aggregation across MBL Group.

Net trading income

The primary drivers of net trading income in the Corporate segment were derivative volatility and the impact of changes in fair value of fixed rate issued debt. During the half year ended September 30, 2009, negative fair value adjustments on fixed rate issued debt amounted to A$252 million. This compared to positive fair value adjustments in both the prior corresponding period and prior period of A$20 million and A$159 million respectively.

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

The Corporate segment holds investments in Macquarie Capital-managed funds to hedge exposures to liabilities under the Directors' profit share plan. These investments are accounted for using the equity method whereas the related Directors' profit share plan liabilities are accounted for on a fair value (mark-to-market) basis. The investment holdings were not significant and therefore the profit or loss from equity accounting of those investments were not material. The change from the prior corresponding period reflected the impact of the global financial crisis on the results of the underlying investments. There was no single investment that was the main contributor to the change.

Gain on acquiring, disposing and change in ownership interest in subsidiaries and businesses held for sale

Further acquisitions of MIPS were financed during the half year ended September 30, 2009 resulting in a gain of A$127 million. No such transactions were undertaken in the prior corresponding period.

Gain on repurchase of debt

In the half year ended September 30, 2009, MGL Group undertook a buy-back of a portion of MGL Group's outstanding subordinated debt carried at amortized cost at a discount to face value that realized a profit of A$55 million.

Employment expenses

Employment expenses in the Corporate segment were largely driven by headcount, staff profit share and the impact of mark-to-market adjustments of Directors' profit share plan liabilities. For the half year ended September 30, 2009, employment expenses were A$148 million, down 28% on the prior corresponding period. The driver of the decrease was a reduction in headcount from 4,737 at September 30, 2008 to 4,521 at September 30, 2009.

Brokerage and commission expenses

Brokerage and commission expenses in the Corporate segment related to fees and commissions paid on the issuance of debt instruments by Group Treasury. The increase from the prior corresponding period from A$2 million to A$15 million was due to an increase in the amount of issuances, since the introduction of the Commonwealth Large Deposit and Wholesale Funding Guarantee Scheme in October 2008.

Macquarie Income Preferred Securities (MIPS)

The reduction in the net distributions under the MIPS from A$23 million in the prior corresponding period to A$6 million in the half year ended September 30, 2009 was due to the acquisitions of the MIPS financed in February and June 2009.

Capital

In January 2008, the new global capital regime for banks, known as the Basel II Framework, was implemented in Australia by APRA.

Macquarie Bank is accredited under the 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, MIS and MIPS. Reserves included in Tier 1 capital are the share based payment reserve and foreign currency translation reserve. The innovative Tier 1 capital includes MIS and MIPS.

MIS are perpetual instruments with no conversion rights. MIS were listed for trading on the Australian Stock Exchange (now known as the Australian Securities Exchange) on October 19, 1999 and became redeemable (in whole or in part) at the 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 the Bank.

MIPS were issued when the London branch of the Bank issued 7,000 reset subordinated convertible debentures, each with a face value of £50,000, to Macquarie Capital Funding LP, a controlled entity of the Bank. The convertible debentures currently pay a fixed return of 6.177% until April 2020. On 11 September 2009, £307.5 million of MIPS owned by entities associated with MGL Group were redeemed and on 29 September 2009, £307.5 million of reset convertible debentures issued by Macquarie Bank's London Branch were subsequently redeemed. As at September 30, 2009, Macquarie Bank had £42.5 million of MIPS on issue which are held by parties not associated with Macquarie.

Tier 2 capital

MBL Group's Upper Tier 2 capital consists of the portion of MIS and MIPS not eligible for inclusion in Tier 1 capital and a portion of equity reserves. MBL Group's Lower Tier 2 capital consists of subordinated debt issued to financial institutions, subject 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.

Pillar 3

The APRA Prudential Standard APS 330: Public Disclosure of Prudential Information details the market discipline (Pillar 3) requirements for Australian domiciled banks. APS 330 was effective from September 30, 2008, requiring qualitative and quantitative disclosure of risk management practices and capital adequacy.

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

Capital Adequacy

MBL Group's regulatory capital supply and capital ratios as at September 30, 2009, March 31, 2009 and September 30, 2008 are detailed in the tables on the following pages.

	As at			Movement[1]	
	Sep 09	**Mar 09**	**Sep 08**	**Sep 08**	**Sep 08**
	A$m	**A$m**	**A$m**	**%**	**%**
Tier 1 capital					
Paid-up ordinary share capital	5,250	4,560	3,927	15	34
Reserves	186	190	180	(2)	3
Retained earnings	1,070	882	884	21	21
Innovative Tier 1 capital	465	915	917	(49)	(49)
Gross Tier 1 capital	**6,971**	**6,547**	**5,908**	6	15
Deductions from Tier 1 capital					
Goodwill	135	162	121	(17)	12
Deferred tax assets	426	53	269	large	58
Changes in the ADI's own creditworthiness on banking book liabilities	21	340	71	(94)	
Intangible component of investments in non-consolidated subsidiaries and other non-Level 2 entities	139	128	55	9	153
Loan and lease origination fees and commissions paid to mortgage originators and brokers	142	170	215	(16)	(34)
Holding of own Tier 1 capital instruments agreed with APRA	-	127	17	(100)	(100)
Other Tier 1 capital deductions	197	357	146	(45)	35
Deductions from Tier 1 capital only	**1,060**	**1,337**	**894**	(21)	19
Other 50/50 deductions from Tier 1 capital:					
Non-subsidiary entities exceeding prescribed limited (50%)	119	112	70	6	70
Non-consolidated subsidiaries (50%)	283	274	268	3	6
All other deductions relating to securitization (50%)	70	74	39	(5)	79
Shortfall in provisions for credit losses (50%)	256	294	147	(13)	74
Other 50/50 deductions from Tier 1 capital (50%)	137	172	194	(20)	(29)
Total 50/50 deductions from Tier 1 capital	**865**	**926**	**718**	(7)	7
Total Tier 1 capital deductions	**1,925**	**2,263**	**1,612**	(15)	19
Net Tier 1 capital	**5,046**	**4,284**	**4,296**	18	17
Tier 2 capital					
Upper Tier 2 capital:					
Excess Tier 1 capital instruments	–	204	254	(100)	(100)
Other Upper Tier 2 capital	126	86	89	47	42
Lower Tier 2 capital:					
Term subordinated debt	1,527	1,941	2,047	(21)	(25)
Gross Tier 2 capital	**1,653**	**2,231**	**2,390**	(26)	(31)
Deductions from Tier 2 capital:					
Holding of own Tier 2 capital instruments agreed with APRA	–	204	–	(100)	(100)
50/50 deductions from Tier 2 capital	865	926	718	(7)	17
Total Tier 2 capital deductions	**865**	**1,130**	**718**	(23)	17
Net Tier 2 capital	**788**	**1,101**	**1,672**	(28)	(52)
Total capital base	**5,834**	**5,385**	**5,968**	8	(2)

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

Risk Weighted Assets

	As at			Movement[3]	
	Sep 09	Mar 09	Sep 08	Mar 09	Sep 08
	A$m	A$m	A$m	%	%
Credit risk — Risk weighted assets (RWA)					
Subject to Foundation Internal Ratings Based (FIRB) approach[1]:					
Corporate	12,919	9,901	7,960	30	62
Sovereign	598	36	54	large	large
Bank	2,860	1,134	958	152	199
Residential mortgage	1,927	1,952	1,275	(1)	51
Other retail	869	680	540	28	61
Total RWA subject to FIRB approach	**19,173**	**13,703**	**10,787**	40	78
Specialized lending exposures subject to slotting criteria[2]	**2,019**	**3,101**	**4,163**	(35)	(52)
Subject to Standardized approach:					
Corporate	4,163	3,504	4,518	19	(8)
Residential mortgage	198	197	1,483	1	(87)
Other retail	2,640	2,496	2,039	6	29
Other	2,654	3,540	3,608	(25)	(26)
Total RWA subject to Standardized approach	**9,655**	**9,737**	**11,648**	(1)	(17)
Credit risk RWA for Securitization exposures	1,199	1,074	1,357	12	(12)
Total credit risk RWA	**32,046**	**27,615**	**27,955**	16	15
Equity risk exposures RWA	1,323	1,189	1,456	11	(9)
Market risk RWA	1,976	2,082	2,291	(5)	(14)
Operational risk RWA	6,565	5,761	6,720	14	(2)
Interest rate risk in banking book RWA	–	6	98	(100)	(100)
APRA scaling factor (6%) applied to IRB exposures	1,150	822	647	40	78
Total RWA	**43,060**	**37,475**	**39,167**	15	10
Capital ratios					
MBL Group Tier 1 capital ratio (%)	11.7	11.4	11.0	3	6
MBL Group Total capital ratio (%)	**13.6**	**14.4**	**15.2**	(6)	(11)

1 Macquarie has adopted the Foundation Internal Rating Based approach for credit risk capital. This approach revolves around the Probability of Default and internal rating assigned to the obligor. The exposure is weighted using this internal Probability of Default and a Loss Given Default value set by APRA. Credit Conversion Factors are applied based on the nature of the exposure.

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

3 "n/m" indicates that the percentage change was less than 1% and therefore not meaningful and "large" indicates that actual movement was greater than 300%.

Statutory consolidated balance sheet

	As at			Movement[1]	
	Sep 09	Mar 09	Sep 08	Mar 09	Sep 08
	A$m	A$m	A$m	%	%
Assets					
Cash and balances with central banks	3	141	225	(98)	(99)
Due from banks	7,204	10,169	10,262	(29)	(30)
Cash collateral on securities borrowed and reverse repurchase agreements	3,577	4,534	13,817	(21)	(74)
Trading portfolio assets	13,582	8,772	16,664	55	(18)
Loan assets held at amortized cost	41,882	43,922	50,175	(5)	(17)
Other financial assets at fair value through profit or loss	2,962	5,541	3,594	(47)	(18)
Derivative financial instruments – positive values	21,365	27,335	22,250	(22)	(4)
Other assets	6,104	4,341	4,447	41	37
Investment securities available for sale	21,441	14,544	16,046	47	34
Intangible assets	301	337	161	(11)	87
Life investment contracts and other unit holder assets	5,069	4,314	5,646	18	(10)
Due from related body corporate entities	2,525	4,647	7,394	(46)	(66)
Interests in associates and joint ventures using the equity method	1,155	1,571	1,735	(26)	(33)
Property, plant and equipment	86	88	79	(2)	9
Deferred income tax assets	462	93	257	large	80
Non-current assets and assets of disposal groups classified as held for sale	73	56	342	30	(79)
Total assets	**127,791**	**130,405**	**153,094**	(2)	(17)
Liabilities					
Due to banks	2,571	3,264	3,058	(21)	(16)
Cash collateral on securities lent and repurchase agreements	5,093	3,881	14,493	31	(65)
Trading portfolio liabilities	6,986	1,980	9,902	253	(29)
Derivative financial instruments – negative values	21,443	27,273	24,214	(21)	(11)
Deposits	20,504	21,603	16,720	(5)	23
Debt issued at amortized cost	42,706	48,270	52,485	(12)	(19)
Other financial liabilities at fair value through profit or loss	2,868	3,878	6,183	(26)	(54)
Other liabilities	5,261	4,001	4,263	31	23
Current tax liabilities	44	111	11	(60)	300
Life investment contracts and other unit holder liabilities	5,062	4,312	5,634	17	(10)
Provisions	65	76	90	(14)	(28)
Due to related body corporate entities	6,637	3,332	7,898	99	(16)
Deferred income tax liabilities	184	72	22	156	large
Total liabilities excluding loan capital	**119,424**	**122,053**	**144,973**	(2)	(18)
Loan capital					
Subordinated debt at amortized cost	1,005	1,491	1,401	(33)	(28)
Subordinated debt at fair value through profit or loss	522	451	647	16	(19)
Total loan capital	**1,527**	**1,942**	**2,048**	(21)	(25)
Total liabilities	**120,951**	**123,995**	**147,021**	(2)	(18)
Net assets	**6,840**	**6,410**	**6,073**	7	13
Equity					
Contributed equity:					
Ordinary share capital	5,178	4,503	3,886	15	33
Equity contribution from ultimate parent entity	72	57	41	26	76
Macquarie Income Securities	391	391	391	–	–
Reserves	(51)	(201)	10	(75)	large
Retained earnings	1,162	1,250	866	(7)	34
Total capital and reserves attributable to equity holders of Macquarie Bank Limited	**6,752**	**6,000**	**5,194**	13	30
Minority interests	88	410	879	(79)	(90)
Total equity	**6,840**	**6,410**	**6,073**	7	13

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

Total assets of A$127.8 billion at September 30, 2009 were down 17% from A$153.1 billion at September 30, 2008, a decrease of A$25.3 billion.

Reduced activity in global markets over the year ended September 30, 2009 resulted in a fall in trading related balances from September 30, 2008 to September 30, 2009, including cash collateral on securities borrowed & reverse repurchase agreements (down A$10.2 billion) and trading portfolio assets (down A$3.1 billion).

Loan assets were down 17% from A$50.2 billion at September 30, 2008 to A$41.9 billion at September 30, 2009 primarily due to a reduction in the mortgage portfolios as the businesses continue to wind down. This decline has been partially offset by an increase in loan volumes in the Corporate & Asset Finance division largely due to corporate debts acquired since March 2009.

The A$3.1 billion reduction in due from banks since September 30, 2008 has been offset by A$5.4 billion increase in investment securities available for sale as Group Treasury have experienced increased opportunities to acquire these securities that generate higher yields than overnight cash rates.

Total liabilities (excluding loan capital) are down 18% from A$145.0 billion at September 30, 2008 to A$119.4 billion at September 30, 2009. As with assets, the main decreases have been in trading related balances, with Cash collateral on securities lent and repurchase agreements down A$9.4 billion and trading portfolio liabilities down A$2.9 billion as a result of more subdued market conditions compared to the prior corresponding period.

The reduction in loan assets was also the key driver of the reduction in debt issued at amortized cost, which decreased A$9.8 billion from the prior corresponding period to A$42.7 billion at September 30, 2009.

The other notable change in the composition of liabilities has been the growth in deposits from A$16.7 billion at September 30, 2008 to A$20.5 billion at September 30, 2009.

Total equity increased A$767 million since the prior corresponding period to A$6.8 billion at September 30, 2009. The main drivers of this change was profit for the period of A$257 million, partially offset by the reduction in minority interests of A$791 million.

Loan assets

This analysis is based on the funded balance sheet classification of loan assets and not the statutory balance sheet classification. For details on the funded balance sheet see "— Liquidity — Funded Assets and Funding Sources of MBL Group."

For the half year ended September 30, 2009 funded loan assets of MBL Group consisted of:

	Half Year ended MBL Group Sep 09
	A$b
Mortgages	
Australia	1.8
United States	1.0
Canada	5.0
Structured investments	3.8
Banking	3.3
Real estate	0.9
Debt market warehouses	0.2
Resources and commodities	1.3
Corporate & Asset Finance leasing	2.2
Corporate & Asset Finance lending	3.8
Other lending	0.9
Total	**24.2**

Our funded loan asset portfolio comprises diverse, secured assets:

Loan Category	**Asset Security**
Mortgages	Secured by residential mortgages and supported by mortgage insurance. • Australia: most loans are fully mortgage insured. • United States: majority of loans where loan to value ratio is greater than 80% are mortgage insured. • Canada: most loans are fully insured with underlying government support.
Structured investments	Retail loans to invest in various investment funds. Secured by investments with value protected by capital guarantees at maturity. Underlying assets primarily include direct and indirect equities and cash.
Banking	Secured relationship managed loan portfolio to professional and financial services firms, real estate industry clients, insurance premium funding and other small business clients. Secured largely by real estate, working capital, business cash flows and credit insurance. The portfolio also includes other consumer lending of A$0.4 billion including credit cards.
Real estate	Loans secured against real estate, subject to regular independent valuations.
Debt markets warehouses	Fully secured loans with contractual maturity no greater than 12 months. Secured by residential mortgages, car loans and other receivables.
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.
Corporate & Asset Finance leasing	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	MGL Group includes: • A$0.5 billion aircraft operating lease portfolio to a single counterparty with average aircraft life of less than 3 years, all aircraft residual values insured. • A$0.4 billion deposits with financial institutions as collateral for trading positions • A$0.3 billion other secured lending, subject to regular recoverability review. Secured by a diverse range of corporate assets and other securities. MBL Group includes • A$0.4 billion deposits with financial institutions as collateral for trading positions

Equity investments

Equity investments are reported in the following categories in the statutory balance sheet: other financial assets at fair value through profit or loss; investment securities available for sale; investment in associates; assets and disposal groups held for sale. The classification is driven by a combination of the level of influence MBL Group has over the investment and management's intention with respect to the holding of the asset in the short term.

Other financial assets at fair value through profit or loss include those financial assets that contain embedded derivatives which must be otherwise separated and carried at fair value if it is part of a group of financial assets managed and evaluated on a fair value basis.

Available for sale assets are investments where MBL Group does not have significant influence or control and are intended to be held for an indefinite period. These assets are initially recognized at cost and revalued in subsequent periods to recognize changes in the assets' fair value with these revaluations included in the available for sale reserve in equity. If and when the available for sale asset is sold or impaired, the cumulative unrealized gain or loss will be recognized in the income statement.

Associates are entities over which MBL Group has significant influence, but not control. Investments in associates may be further classified as held for sale associates. Held for sale investments are those that have a high probability of being sold within twelve months to external parties. Associates that are not held for sale are carried at cost and equity-accounted. MBL Group's share of the investment's post-acquisition profits or losses is recognized in the income statement and its share of post-acquisition movements in reserves is recognized within equity.

For the purpose of analysis, equity investments have been re-grouped into the following categories: investments in Macquarie Capital-managed funds; other investments not held for sale or which are not investments in Macquarie Capital-managed funds and held for sale investments.

Equity investments reconciliation

	As at		
	Sep 09	**Mar 09**	**Sep 08**
	A$m	**A$m**	**A$m**
Equity investments (excluding Held for Sale)			
Statutory balance sheet			
Equity investments within Other financial assets at fair value through profit or loss	1,068	2,086	88
Equity investments within Investment securities available for sale	614	411	460
Interests in associates and joint ventures using the equity method	1,155	1,571	1,735
Total equity investments per statutory balance sheet	**2,837**	**4,068**	**2,283**
Adjustment for funded balance sheet			
Equity hedge positions[1]	(967)	(1,951)	(127)
Total funded equity investments	**1,870**	**2,117**	**2,156**
Adjustments for equity investments analysis			
Available-for-Sale reserves[2]	(132)	(19)	(31)
Associate reserves[3]	20	(43)	(3)
Total adjusted equity investments[4]	**1,758**	**2,055**	**2,122**
Held-for-Sale investments			
Net assets of disposal groups classified as held for sale	73	56	342
Total equity investments including Held for Sale investments	**1,831**	**2,111**	**2,464**

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

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

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

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

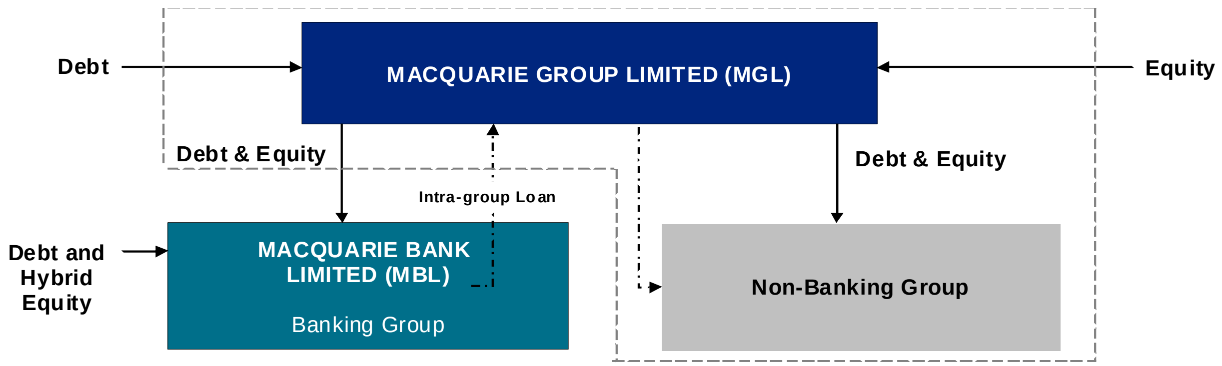
Adjusted sale value of equity investments by category

	As at		
	Sep 09	Mar 09	Sep 08
	A$m	A$m	A$m
Macquarie Capital-managed funds			
Macquarie CountryWide Trust	89	164	138
Macquarie DDR Trust	2	7	7
Macquarie Office Trust	220	234	108
Total listed Macquarie Capital-managed funds	**311**	**405**	**253**
Other Macquarie Capital-managed funds	**342**	**265**	**221**
Total Macquarie Capital-managed funds	**653**	**670**	**474**
Other investments			
Finance, investment, funds management and exchanges	368	488	444
Transport, industrial and infrastructure	10	–	–
Real estate	289	425	613
Debt investment entities	253	283	306
Energy and resources	183	187	283
Telecommunications, internet, media and entertainment	2	2	2
Total Other investments	**1,105**	**1,385**	**1,648**
Held-for-Sale investments	**73**	**56**	**342**
Total equity investments including Held-for-Sale investments	**1,831**	**2,111**	**2,464**

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 and provides funding under the Intra Group Loan to MGL.

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 and liquidity reporting is provided to the MGL and MBL Boards, respectively, 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 repayment obligations for the next twelve months (measured on a rolling twelve month basis) with no access to funding markets.

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. MGL has no short-term wholesale funding.

The MBL liquidity policy outlines the liquidity requirements for the Banking Group. The key requirement of the policy is that MBL Group is able to meet all of its repayment obligations for the next twelve months (measured on a rolling twelve month basis) through a period of constrained access to wholesale funding markets. MBL is funded mainly by capital, long-term liabilities 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 "Regulation and Supervision — Australia — APRA" beginning on page 84 of our 2009 Annual U.S. Disclosure Report. As a result, MGL's liquidity modeling and twelve 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 plan is prepared annually and the funding position is monitored throughout the year
- 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 and MBL Group's ability to meet all repayment obligations under each scenario and determine the capacity for asset growth. The modeling includes twelve month liquidity scenarios significantly more severe than the conditions that have been experienced since August 2007.

Scenarios are run over a number of timeframes (including twelve 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 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 also complies with regulatory minimum 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 twelve 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 repo-eligible 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, 2009, 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 bank 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 US dollars or other currencies where appropriate.

MGL Group has A$26.7 billion cash and liquid assets at September 30, 2009 (September 30, 2008: A$26.3 billion), of which A$23.7 billion was held by MBL Group (September 30, 2008: A$22.0 billion).

Liquidity Contingency Plan

Group Treasury maintains a liquidity contingency plan. The liquidity contingency plan defines roles and 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.

Funding Transfer Pricing

An internal funding transfer pricing system 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 out, and credits are made to business units that provide long-term stable funding.

Credit Ratings

As at September 30, 2009, the credit ratings for each of MGL and MBL were as follows:

	Macquarie Group Limited			Macquarie Bank Limited		
Rating Agency[1]	**Short-term**	**Long-term**	**Long-term Rating Outlook**	**Short-term**	**Long-term**	**Long-term Rating Outlook**
Fitch Ratings..........................	F-1	A	Stable	F-1	A+	Stable
Moody's Investors Services ..	P-1	A2	Negative	P-1	A1	Negative
Standard & Poor's	A-2	A-	Negative	A-1	A	Negative

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.

__Funding Transactions__

The table below sets out MGL Group's term funding transactions in the half year ended September 30, 2009:

Funding Source	Half Year ended Sep 09 Banking Group A$bn	Non-Banking Group A$bn	Total A$bn
Secured finance			
Term secured finance	0.9	-	0.9
Issued paper			
Commonwealth Guaranteed	3.9	–	3.9
Unguaranteed	–	2.0	2.0
Capital			
Institutional placement and retail share purchase plan	–	1.2	1.2
Total	**4.8**	**3.2**	**8.0**

In the half year ended September 30, 2009, MBL Group raised term secured finance through the issuance of A$0.9 billion Canadian Mortgage Bonds.

Although the Commonwealth Guarantee has been successful in reopening credit markets, the cost of funding for issuances under this scheme has generally been significantly higher than that obtained prior to the global financial crisis. Commonwealth Guaranteed issuances are only available to MBL and cannot be used to fund the Non-Banking Group. Since March 31, 2009, MBL and MGL have continued to raise term wholesale funding. In the half year ended September 30, 2009, MBL issued A$3.9 billion of Commonwealth guaranteed funding and MGL issued A$2.0 billion of non-guaranteed funding.

On May 7, 2009, MGL completed a A$540 million capital raising in the Australian and international capital markets through an institutional private placement that resulted in the issue of approximately 20 million additional ordinary shares at A$27 per ordinary share. In addition to the institutional placement, on June 2, 2009, MGL completed a A$669 million Share Purchase Plan for eligible retail shareholders that resulted in the issue of approximately 25 million additional ordinary shares at A$26.60 per ordinary share.

__Recent Funding Developments__

On October 14, 2009, MBL Group raised further term funding through the issuance of A$675 million SMART Series 2009-1 bonds. These securities are backed by automobile and equipment receivables previously funded through non-recourse warehouse facilities.

__Explanation of Funded Balance Sheet__

MGL and MBL's statutory balance sheets are prepared based on AGAAP and do not always represent their actual funding requirements. For example, the statutory balance sheet 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, 2009. This MGL Group funding requirement is then split between the Banking and Non-Banking Group to assist in the analysis of each of the separate funding requirements of MBL and MGL.

MGL Group	**As at Sep 09 A$b**
Total assets per MGL Statutory Balance Sheet	**146.9**
Accounting deductions:	
Self funded trading assets[1]	(16.0)
Derivative revaluation accounting gross-ups[2]	(20.6)
Life investment contracts and segregated assets[3]	(8.0)
Broker settlement balances[4]	(7.5)
Short term working capital assets[5]	(5.8)
Non-recourse funded assets:	
Securitized assets and non-recourse warehouses[6]	(17.4)
Net funded assets	**71.6**

1. *Self funded trading assets.* There are a number of entries on the balance sheet that arise from the normal course of trading activity MGL Group conducts with its clients. They typically represent both sides of a transaction. The entries off-set each other as both the bought and sold 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 client driven with client positions hedged by off-setting 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 rather than the gross balance.

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 balance sheet of MGL Group at September 30, 2009:

	As at Sep 09 A$b
MGL Group	
Funding sources	
Wholesale issued paper:[1]	
Negotiable certificates of deposits	2.7
Commercial paper	1.8
Net trade creditors[2]	-
Structured notes[3]	3.0
Secured funding[4]	7.2
Bonds[5]	19.2
Other loans[6]	0.4
Senior credit facility[7]	7.0
Deposits[8]	
Retail deposits	13.9
Corporate and wholesale deposits	3.1
Loan Capital[9]	2.1
Equity and hybrids[10]	11.2
Total	**71.6**

	As at Sep 09 A$b
Funded assets	
Cash and liquid assets[11]	26.7
Net trading assets[12]	9.3
Loan assets less than one year[13]	5.9
Loan assets greater than one year[13]	19.4
Assets held for sale[14]	0.1
Debt investment securities[15]	2.6
Co-investment in MGL Group-managed funds and equity investments[16]	5.8
Property, plant and equipment and intangibles	1.4
Net trade debtors[17]	0.4
Total	**71.6**

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.

7 *Senior credit facility.* MGL's senior credit facility, provided by a syndicate of wholesale lenders, is a A$7.7 billion facility, of which A$0.7 billion is undrawn as at September 30, 2009.

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 and Convertible Preference Securities.

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

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.

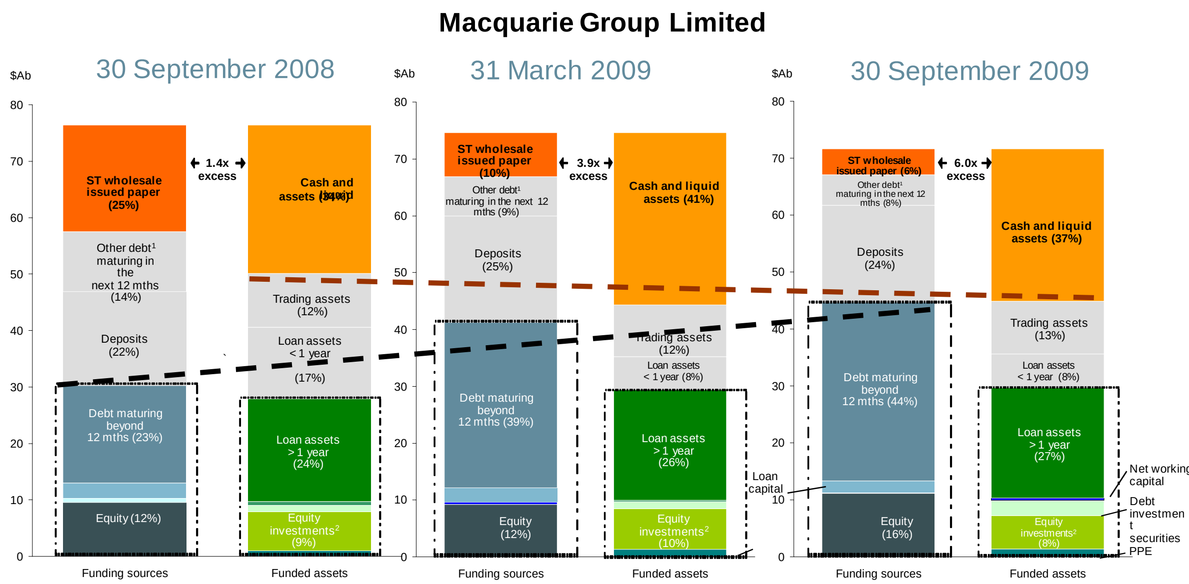
14 *Assets held for sale.* These are the net assets/liabilities of the held-for-sale categories on the balance sheet.

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.

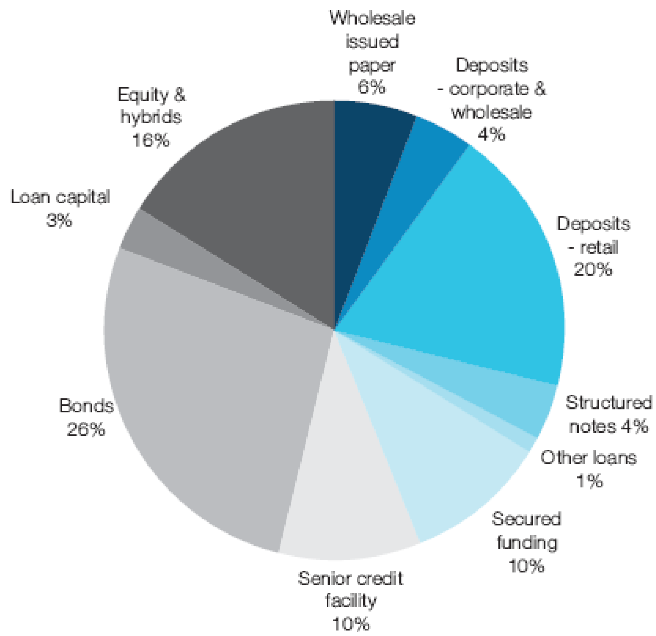
16 *Co-investment in MGL Group-managed funds and equity investments.* These equity securities are held with a long-term investment horizon, and include co-investments in Macquarie Capital-managed funds.

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

The funded balance sheet of MGL has continued to strengthen due to the term funding raised in the half year ended September 30, 2009, as described above under "— Funding Transactions". The graph below illustrates the change in composition of the funded balance sheet over this period.

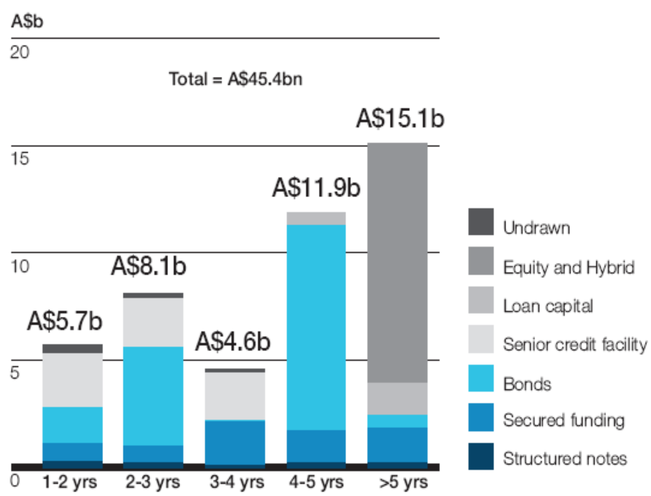


Diversity of funding sources of MGL Group, as at September 30, 2009



As at September 30, 2009, deposits represented A$17.0 billion, or 23.7% of total funding, short-term (maturing in less than 12 months) wholesale issued paper represented A$4.5 billion, or 6.3% of total funding and other debt funding maturing within twelve months represented A$5.4 billion or 7.5% of total funding.

The following chart and table provide detail of MGL Group's term funding (drawn and committed but undrawn) maturing beyond one year, at September 30, 2009:



	As at				
	Sep 09				
	1-2 yrs	**2-3 yrs**	**3-4 yrs**	**4-5 yrs**	**5 yrs+**
MGL Group	**A$b**	**A$b**	**A$b**	**A$b**	**A$b**
Structured notes	0.3	0.2	0.1	0.2	0.2
Secured funding	0.8	0.8	2.0	1.5	1.6
Bonds	1.7	4.6	0.1	9.6	0.6
Other loans	–	–	–	–	–
Senior credit facility	2.5	2.3	2.2	–	–
Total debt	**5.3**	**7.9**	**4.4**	**11.3**	**2.4**
Loan capital	–	–	–	0.6	1.5
Equity and hybrid	–	–	–	–	11.2
Total funding sources drawn	**5.3**	**7.9**	**4.4**	**11.9**	**15.1**
Undrawn	0.4	0.2	0.2	–	–
Total funding sources drawn and undrawn	**5.7**	**8.1**	**4.6**	**11.9**	**15.1**

MGL Group's term funding (including undrawn facilities) maturing beyond one year exceeds term assets, which primarily comprises loan assets of greater than one year (A$19.4 billion or 27.1% of total funded assets) and equity investments (A$5.8 billion or 8.1% of total funded assets). In addition, at September 30, 2009, MGL Group's cash and liquid assets of A$26.7 billion exceeded short term wholesale issued paper of A$4.5 billion. Excluding equity as a permanent source of funding, the weighted average term to maturity of term funding (excluding short term funding) increased to 3.8 years at September 30, 2009 from 3.7 years at March 31, 2009.

The net funding requirements of MGL Group is split between the Banking and Non-Banking Group below, to assist in the analysis of each of the separate funding requirements of MBL and MGL.

Funding Profile for Banking Group

The funded balance sheet of the Banking Group as at September 30, 2009:

	As at
	Sep 09
Banking Group	**A$b**
Funding sources	
Wholesale issued paper:[1]	
Negotiable certificates of deposit	2.7
Commercial paper	1.8
Net trade creditors[2]	-
Structured notes[3]	2.8
Secured funding[4]	6.6
Bonds[5]	17.1
Other loans[6]	-
Deposits[7]	
Retail	13.9
Corporate and wholesale	3.1
Loan capital[8]	1.5
Equity and hybrids[9]	6.8
Total	**56.3**

Funded assets	
Cash and liquid assets[10]	23.7
Net trading assets[11]	7.7
Loan assets less than one year[12]	5.7
Loan assets greater than one year[12]	18.5
Assets held for sale[13]	0.1
Debt investment securities[14]	2.3
MBL Intra Group Loan to MGL[15]	1.4
Non-Banking Group deposit with MBL	(5.5)
Co-investment in MGL Group-managed funds and equity investments[16]	1.8
Property, plant and equipment and intangibles	0.4
Net trade debtors[17]	0.2
Total	**56.3**

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 MBL 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.

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

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

9 *Equity and hybrids.* Equity balances are comprised of issued capital, retained earnings and reserves. Hybrid instruments include the MIPS security issues.

10 *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.

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

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

13 *Assets held for sale.* These are the net assets/liabilities of the held-for-sale categories on the balance sheet.

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

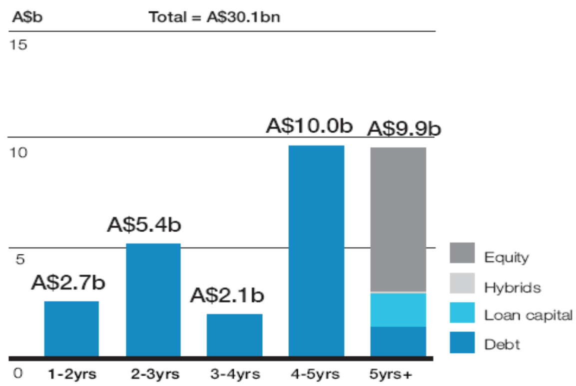
15 *Intra Group Loan*. See "Recent Developments—Macquarie Group Limited — Intra Group Loan" above for details.

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

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

As at September 30, 2009, deposits represented A$17.0 billion, or 30.2% of total funding, short-term wholesale funding represented A$4.5 billion, or 8.0% of total funding and other debt funding maturing within twelve months represented A$4.9 billion, or 8.7% of total funding.

The following chart and table provides detail of the Banking Group's term funding (drawn and committed but undrawn) maturing beyond one year, at September 30, 2009:



	As at				
	Sep 09				
	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	5 yrs+
Banking Group	**A$b**	**A$b**	**A$b**	**A$b**	**A$b**
Structured notes	0.3	0.2	0.1	0.1	0.2
Secured funding	0.7	0.7	1.9	1.5	1.4
Bonds	1.6	4.5	0.1	8.4	–
Total debt	**2.6**	**5.4**	**2.1**	**10.0**	**1.6**
Loan capital	–	–	–	–	1.5
Equity and hybrid	–	–	–	–	6.8
Total funding sources drawn	**2.6**	**5.4**	**2.1**	**10.0**	**9.9**
Undrawn	0.1	–	–	–	–
Total funding sources drawn and undrawn	**2.7**	**5.4**	**2.1**	**10.0**	**9.9**

As demonstrated above, the Banking Group has diversity in its funding sources by source and maturity. The Banking Group's term funding beyond one year (excluding equity) has a weighted average term to maturity of 4.1 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, incorporating both Government guaranteed and unguaranteed securities that may be issued including Euro Commercial Paper, Euro Commercial Deposits, Euro-Medium Term Notes, senior and subordinated fixed/floating rate notes, and Transferable Deposits. The Debt Instrument Program had US$7.7 billion of debt securities outstanding at September 30, 2009;

- US$10 billion Commercial Paper Program incorporating Government guaranteed and unguaranteed securities under which US$1.0 billion of debt securities were outstanding as at September 30, 2009; and

- US$20 billion Rule 144A/Regulation S Medium Term Note Program incorporating both Government guaranteed and unguaranteed securities. As at September 30, 2009, Government guaranteed issuance amounted to US$9.3 billion under the Rule 144A/Regulation S Medium Term Note Program, and there were no unguaranteed notes outstanding under the program.

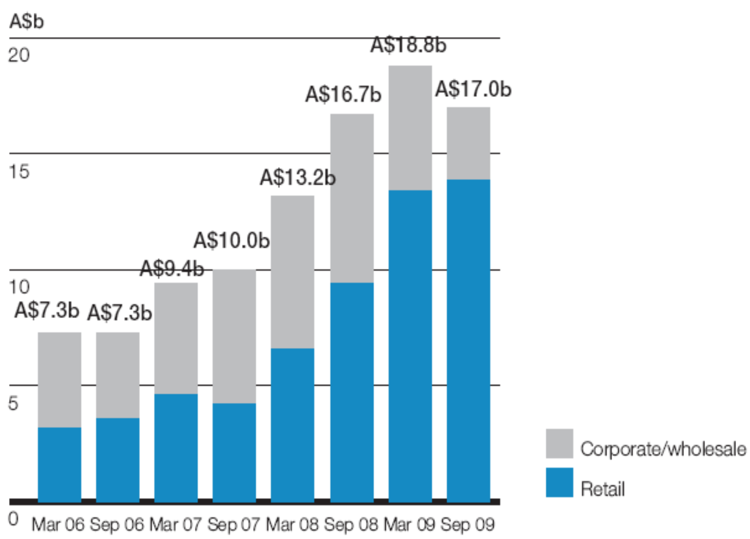
In addition to the foregoing, MBL Group accesses the Australian capital markets through the issuance of Negotiable Certificates of Deposits and Transferable Negotiable Certificates of Deposits. As at September 30, 2009, MBL Group had A$2.7 billion of these securities outstanding of which A$1.3 billion were government guaranteed.

Furthermore, MBL Group as an ADI has access to liquidity from the RBA's daily market operations. At September 30, 2009, MBL Group had internally securitized A$1.0 billion of its own mortgages, which is a form of collateral on the RBA's list of eligible securities for repurchase agreements.

Deposit Strategy

MBL continued to pursue a deposit strategy that was consistent with the core liquidity management principle of achieving diversity and stability of funding sources. The strategy was focused on growing the retail deposit base, which generally represents a more stable and reliable source of funding than corporate and wholesale deposits. This resulted in a reduction in corporate and wholesale deposits from A$5.4 billion at March 31, 2009 to A$3.1 billion at September 30, 2009, while retail deposits continued to grow by A$0.5 billion to A$13.9 billion at September 30, 2009.

The chart below illustrates MBL Group's retail deposit growth since March 2006.



Deposits	**Mar 06** A$b	**Sep 06** A$b	**Mar 07** A$b	**Sep 07** A$b	**Mar 08** A$b	**Sep 08** A$b	**Mar 09** A$b	**Sep 09** A$b
Retail	3.2	3.6	4.6	4.2	6.6	9.4	13.4	13.9
Corporate/Wholesale	4.1	3.7	4.8	5.8	6.6	7.3	5.4	3.1

MBL is an Australian ADI, and therefore the provisions of the financial claims scheme apply to MBL. MBL is also eligible for the large deposit and wholesale funding guarantees implemented by the Australian Government on November 20, 2008. See "Regulation and Supervision — Australia — Financial Claims Scheme and Commonwealth Large Deposits and Wholesale Funding Guarantee Scheme" beginning on page 82 of our 2009 Annual U.S. Disclosure Report.

Funding Profile for Non-Banking Group

The funded balance sheet of the Non-Banking Group as at September 30, 2009:

	As at Sep 09 A$b
Non-Banking Group	
Funding sources	
MBL Intra Group Loan to MGL[1]	1.4
Net trade creditors[2]	–
Structured notes[3]	0.2
Secured funding[4]	0.6
Bonds[5]	2.1
Other loans[6]	0.4
Senior credit facility[7]	7.0
Deposits[8]	–
Loan capital[9]	0.6
Equity and hybrids[10]	4.4
Total	**16.7**
Funded assets	
Cash and liquid assets[11]	3.0
Non-Banking Group deposit with MBL	5.5
Net trading assets[12]	1.6
Loan assets less than one year[13]	0.2
Loan assets greater than one year[13]	0.9
Assets held for sale[14]	-
Debt investment securities[15]	0.3
Co-investment in MGL Group-managed funds and equity investments[16]	4.0
Property, plant and equipment and intangibles	1.0
Net trade debtors[17]	0.2
Total	**16.7**

1 *Intra Group Loan*. See "Recent Developments — Macquarie Group Limited — Intra Group Loan" above for details.

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.

7 *Senior credit facility.* MGL's senior credit facility, provided by a syndicate of wholesale lenders, is a A$7.7 billion facility, of which A$0.7 billion is undrawn as at September 30, 2009.

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 and Convertible Preference Securities.

10 *Equity and hybrids.* Equity balances are comprised of issued capital, retained earnings and reserves. Hybrid instruments include the MIPS security issues.

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.

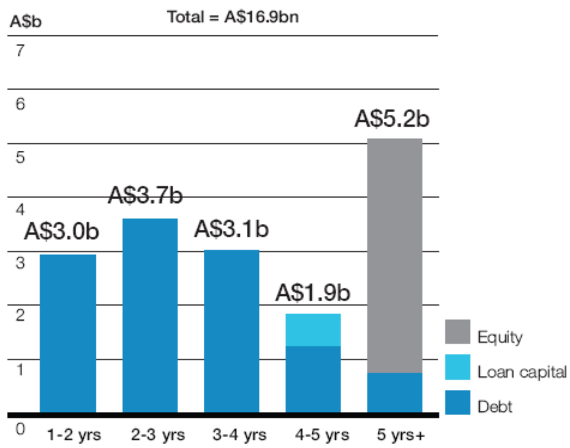
14 *Assets held for sale.* These are the net assets/liabilities of the held-for-sale categories on the balance sheet.

[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 MGL Group-managed funds and equity investments.* These equity securities are held with a long-term investment horizon, and include co-investments in Macquarie Capital-managed funds.

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

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, 2009:



	As at Sep 09				
	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	5 yrs+
Non-Banking Group	**A$b**	**A$b**	**A$b**	**A$b**	**A$b**
Structured notes	–	–	–	0.1	–
Secured funding	0.1	0.1	0.1	–	0.2
Bonds	0.1	0.2	0.1	1.2	0.6
Other bank loans	–	–	–	–	–
Senior credit facility	2.5	2.3	2.2	–	–
Intra-group loan	–	0.9	0.5	–	–
Total debt	**2.7**	**3.5**	**2.9**	**1.3**	**0.8**
Loan capital	–	–	–	0.6	–
Equity	–	–	–	–	4.4
Total funding sources drawn	**2.7**	**3.5**	**2.9**	**1.9**	**5.2**
Undrawn[1]	0.3	0.2	0.2	–	–
Total funding sources drawn and undrawn	**3.0**	**3.7**	**3.1**	**1.9**	**5.2**

[1] Undrawn term facilities for the Non-Bank include A$0.7 billion undrawn on the Senior Credit Facility.

Term funding beyond one year (excluding equity) has a weighted average term to maturity of 3.1 years.

Debt funding of MGL, which primarily funds the activities of the Non-Banking Group, includes:

- Senior Credit Facility, which at September 30, 2009 was A$7.0 billion drawn and A$0.7 billion undrawn. For a description of the Senior Credit Facility entered into by MGL on November 13, 2007, see "Macquarie Bank Limited — Senior Credit Facility" on page 65 of our 2009 Annual U.S. Disclosure Report.

- US$1.3 billion Intra Group Loan from MBL. This facility is an unsecured term loan to be repaid by December 2012. As at September 30, 2009, the balance outstanding was US$1.3 billion. This facility provided funding to MGL following the Restructure and is described under "Recent Developments — Macquarie Group Limited — Intra Group Loan" above.

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

- this US$10 billion Rule 144A/Regulation S Medium Term Note Program. US$1.5 billion was outstanding under the Rule 144A/Regulation S Medium Term Note Program at September 30, 2009; 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 A$343 million debt securities outstanding at September 30, 2009.

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

As detailed in Note 41 "Capital and other expenditure commitments" and Note 42 "Lease commitments" to our 2009 annual financial statements, we do not expect our capital and other expenditure commitments and our lease commitments to have a significant effect on our liquidity needs. 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, 2009, MBL Group had A$5.7 billion of contingent liabilities and commitments, including A$871 million of contingent liabilities and A$4.3 billion of commitments under undrawn credit facilities, of which A$861 million could be revocable at any time. See Note 18 "Contingent liabilities and commitments" to our 2010 interim financial statements which shows MBL Group's contingent liabilities and commitments at September 30, 2009.

Quantitative and Qualitative Disclosures about Market Risk

Each year we prepare a detailed analysis of market risk as it applied to MBL Group and a quantitative analysis of MBL Group's value at risk for equities, interest rates, foreign exchange, bullion, and commodities and in the aggregate thereof. See Note 44 "Financial risk management" to MBL Group's 2009 annual financial statements for a quantitative and qualitative discussion of these risks.

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