Macquarie Group Limited

(ABN 94 122 169 279)

Disclosure Report (U.S. Version)
for the half year ended September 30, 2010

Dated: November 15, 2010

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CERTAIN DEFINITIONS

In this Disclosure Report (U.S. Version) for the half year ended September 30, 2010 ("*2011 Interim U.S. Disclosure Report*" or this "*Report*"), unless otherwise specified or the context otherwise requires:

- *"2010 Annual U.S. Disclosure Report"* means our Disclosure Report (U.S. Version) for the Fiscal Year ended March 31, 2010;

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

- *"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;

- *"2011 Interim Directors' Report and Financial Report"* means our 2011 Interim Directors' Report and Financial Report; and

- *"2011 interim financial statements"* means our unaudited financial statements for the half year ended September 30, 2010 contained in our 2011 Interim Directors' Report and Financial Report.

In addition, you should refer to "Certain Definitions" beginning on page ii of our 2010 Annual U.S. Disclosure Report, which is posted on MGL's U.S. investors' website at www.macquarie.com/usinvestors ("*MGL's U.S. Investors' Website*").

Our fiscal year ends on March 31, so references to years such as "2011" or "Fiscal Year" 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 the applicable year; and, in connection with our interim financial statements, results of operation and financial condition, references such as "half year" and like references are to the six months ending on September 30 of the preceding year.

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

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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

- macroeconomic conditions in the global debt and equity markets;
- inflation, interest rate, exchange rate, market and monetary fluctuations;
- our ability to deal effectively with an economic slowdown or other economic or market difficulty;
- the effect of, and changes in, laws, regulations, taxation or accounting standards or practices and government policy;
- 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;
- 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;
- 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 adequately fund the operations of MGL and the Non-Banking Group;
- our ability to return capital or borrow from our subsidiaries;
- the impact of asset sales on our long-term business prospects;
- our ability to maintain or to increase market share and control expenses;
- the timely development of and acceptance of new products and services, the perceived overall value of these products and services by users and the extent to which products and services previously sold by us require us to incur liabilities or absorb losses not contemplated at their initiation or origin;

- technological changes instituted by MGL, its counterparties or competitors;
- the ability of MGL to attract and retain employees; and
- various other factors beyond our control.

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

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

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

Significant risk factors applicable to MGL Group are described under "Risk Factors" beginning on page 8 of our 2010 Annual U.S. Disclosure Report. Other factors are discussed under "Management's Discussion and Analysis of Interim Results of Operation and Financial Condition" in this Report and in the "Management's Discussion and Analysis of Results of Operation and Financial Condition" in the 2010 Annual U.S. Disclosure Report.

EXCHANGE RATES

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

In providing these translations, we are not representing that the Australian dollar amounts actually represent these U.S. dollar amounts or that we could have converted those Australian dollars into U.S. dollars. Unless otherwise indicated, conversions of Australian dollars to U.S. dollars in this Report have been made at the noon buying rate at the close of business on September 30, 2010, which was US$0.9640 per A$1.00. The noon buying rate at the close of business on November 5, 2010, was US$1.0162 per A$1.00.

Fiscal Year	Period End	Average Rate[1]	High	Low
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
2010	0.9169	0.8507	0.9369	0.6941
Month	**Period End**		**High**	**Low**
June 2010	0.8480		0.8818	0.8192
July 2010	0.9051		0.9051	0.8380
August 2010	0.8910		0.9170	0.8807
September 2010	0.9640		0.9714	0.9093
October 2010	0.9714		0.9943	0.9666
November 2010 (through November 5)	1.0162		1.0162	0.9859

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

AUSTRALIAN EXCHANGE CONTROL RESTRICTIONS

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

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

FINANCIAL INFORMATION PRESENTATION

Investors should read the following discussion regarding the presentation of our financial information together with the discussion under "Financial Information Presentation" beginning on page *ix of our 2010 Annual U.S. Disclosure Report.*

Recent changes to operating groups and reporting segments

During the half year ended September 30, 2010, MGL Group implemented the following changes to its internal operating groups that impacted the composition of its reporting segments:

- In July 2010, Macquarie Capital Funds, formerly a part of Macquarie Capital and the Non-Banking Group, consolidated with and became an operating division of Macquarie Funds and was renamed Macquarie Infrastructure & Real Assets. The activities of Macquarie Infrastructure & Real Assets have remained part of the Non-Banking Group; and

- All real estate lending activities and Real Estate Structured Finance, a division of Real Estate Banking, were transferred to Corporate & Asset Finance and has remained part of the Banking Group. Corporate & Asset Finance became MGL Group's sixth operating group.

The results of our operating groups for the half year ended September 30, 2010 are presented to give effect to these internal reorganizations effective April 1, 2010, with the comparative information for the half years ended March 31, 2010 and September 30, 2009 presented on a consistent basis. A reconciliation of our segment results for the half years ended March 31, 2010 and September 30, 2009 on a statutory basis prior to the internal reorganizations, is presented in "Management's Discussion and Analysis of Interim Results of Operation and Financial Condition — Half year ended September 30, 2010 compared to half year ended September 30, 2009 — Segment Overview — Basis of preparation — Reconciliation of segment results for half year ended September 30, 2010 to historical financial statements".

As a result of these internal reorganizations, in our 2011 interim financial statements:

- the financial results of Macquarie Infrastructure & Real Assets are presented within the Macquarie Funds segment effective April 1, 2010, with the comparative information for Macquarie Funds for the half year ended September 30, 2009 represented to now include the aggregated results of the businesses that comprise the new Macquarie Funds operating group. Accordingly, the contribution of the Macquarie Capital operating group to MGL Group's financial results for the half year ended September 30, 2010 excludes the contribution from the activities of the Macquarie Infrastructure & Real Assets division that now form part of Macquarie Funds; and

- the financial results of Corporate & Asset Finance include the real estate lending activities and Real Estate Structured Finance division of Real Estate Banking described above, effective April 1, 2010, with comparative segment information for Corporate & Asset Finance for the half year ended September 30, 2009 presented on a consistent basis to include the aggregated results of the real estate lending activities and Real Estate Structured Finance business that now comprise the new Corporate & Asset Finance operating group. Accordingly, the contribution of the Real Estate Banking division to MGL Group's financial results for the half year ended September 30, 2010 excludes the contribution from the real estate lending activities and Real Estate Structured Finance division of Real Estate Banking that were transferred to Corporate & Asset Finance.

For further information on the rationale for the internal reorganizations of our operating groups during the half year ended September 30, 2010, see "Recent Developments" in this Report. Other than as described above, our operating groups and reporting segments remained the same. In addition, all recent changes to operating groups and reporting segments have been internal to each of the Non-Banking Group and the Banking Group and accordingly, these changes have had no impact on the operating or financial performance of either the Non-Banking Group or Banking Group. All acquisitions and reorganizations of operating groups within MGL Group during the 2010 Fiscal Year are described under "Financial Information Presentation" beginning on page ix of our 2010 Annual U.S. Disclosure Report.

Investors should note that while the financial information for the half year ended September 30, 2010 included in this Report presents our current operating segments in accordance with AASB 8 "Operating Segments" following these internal reorganizations, and while in our 2011 interim financial statements we restated the comparative information for the half year ended September 30, 2009 to reflect these internal reorganizations, we were not required to restate the operating segment presentation in the financial statements for earlier fiscal periods. As a result, the operating segments reported in our 2010 annual financial statements, our 2010 interim financial statements and our financial statements for prior fiscal years have not been restated to reflect our current reportable operating segments. Further, the audit reports on those historical financial statements report on historical financial statements that have not been re-presented on the same basis that our 2011 interim financial statements have been prepared. Investors are urged to use caution in analyzing the segment disclosures reported in our financial statements and the segment discussion presented in "Management's Discussion and Analysis of Results of Operation and Financial Condition" in our 2010 Annual U.S. Disclosure Report, since such historical financial statements include the disclosures of our previous operating segments and have not been restated to reflect our current reportable segments in accordance with AASB 8.

For further detail on our segment reporting, see Note 3 to our 2011 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 41 to our 2010 annual financial statements.

The significant risk factors applicable to MGL Group are described under "Risk Factors" beginning on page 8 of our 2010 Annual U.S. Disclosure Report.

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth our capitalization as at September 30, 2010.

The information relating to MGL Group in the following table is based on our 2011 interim financial statements, which were prepared in accordance with AGAAP, and should be read in conjunction therewith.

	As at	
	Sep 10	**Sep 10**
	US$m[3]	**A$m**
CAPITALIZATION		
Borrowings[1]		
Debt issued — due greater than 12 months	29,113	30,200
Subordinated debt — due greater than 12 months	1,899	1,970
Total borrowings[2]	**31,012**	**32,170**
Equity		
Contributed equity		
Ordinary share capital	6,809	7,063
Treasury shares	(693)	(719)
Exchangeable shares	124	129
Reserves	254	263
Retained earnings	4,169	4,325
Macquarie Income Preferred Securities	64	66
Macquarie Income Securities	377	391
Other non-controlling interests	72	75
Total equity	**11,176**	**11,593**
TOTAL CAPITALIZATION	**42,188**	**43,763**

1 At September 30, 2010, we had A$8.6 billion of secured indebtedness due in greater than 12 months compared to A$7.7 billion at March 31, 2010.

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$9.5 billion as at September 30, 2010 and securitizations totaled A$13.0 billion as at September 30, 2010 compared to A$11.7 billion and A$14.8 billion, respectively, as at March 31, 2010.

3 Conversions of Australian dollars to U.S. dollars have been made at the noon buying rate at the close of business on September 30, 2010, which was US$0.9640 per A$1.00. See "Exchange Rates" for further information on the historical rates of exchange between the Australian dollar and the U.S. dollar.

For details on our short-term debt position as at September 30, 2010, see "Management's Discussion and Analysis of Interim Results of Operation and Financial Condition — Liquidity — Funded Assets and Funding Sources of MGL Group" in this Report.

SELECTED FINANCIAL INFORMATION

Half years ended September 30, 2010 and 2009

The summary consolidated balance sheet data as at September 30, 2010 and 2009 and income statement data for the half years ended September 30, 2010 and 2009 presented in this Report have been derived from our 2011 interim financial statements which PricewaterhouseCoopers has reviewed but not audited and which, in the opinion of our management, have been prepared on the same basis as our audited consolidated historical financial statements and include all adjustments necessary for a fair statement of our operating results and financial position for those periods and as of those dates. See "Financial Information Presentation" in this Report for further information. In addition, investors should read the following selected financial information together with the discussion under "Selected Financial Information" beginning on page 19 of our 2010 Annual U.S. Disclosure Report and "Management's Discussion and Analysis of Results of Operation and Financial Condition" beginning on page 35 in this Report and page 66 of our 2010 Annual U.S. Disclosure Report. The summary unaudited financial data for the half year ended September 30, 2010 is not necessarily indicative of our results for the fiscal year ending March 31, 2011 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 2011 interim financial statements.

Income Statements

	Half year ended		
	Sep 10	**Sep 10**	**Sep 09**
	US$m[1]	**A$m**	**A$m**
Interest and similar income	2,542	2,637	2,155
Interest expense and similar charges	(1,959)	(2,032)	(1,730)
Net interest income	583	605	425
Fee and commission income	1,923	1,995	1,882
Net trading income	584	606	633
Share of net profits of associates and joint ventures using the equity method	82	85	(197)
Other operating income	357	370	362
Net operating income	**3,529**	**3,661**	**3,105**
Employment expenses	(1,828)	(1,896)	(1,509)
Brokerage and commission expenses	(425)	(441)	(329)
Occupancy expenses	(228)	(237)	(251)
Non-salary technology expenses	(153)	(159)	(125)
Other operating expenses	(416)	(432)	(359)
Total operating expenses	**(3,051)**	**(3,165)**	**(2,573)**
Operating profit before income tax	**478**	**496**	**532**
Income tax (expense)/benefit	(82)	(85)	(36)
Profit from ordinary activities after income tax	**396**	**411**	**496**
Distributions paid or provided on:			
Macquarie Income Preferred Securities	(2)	(2)	(6)
Macquarie Income Securities	(13)	(13)	(10)
Other non-controlling interests	7	7	(1)
Profit attributable to non-controlling interests	(8)	(8)	(17)

	Half year ended		
	Sep 10	Sep 10	Sep 09
	US$m[1]	A$m	A$m
Interest and similar income	2,542	2,637	2,155
Interest expense and similar charges	(1,959)	(2,032)	(1,730)
Profit attributable to ordinary equity holders of Macquarie Group Limited	**388**	**403**	**479**

[1] Conversions of Australian dollars to U.S. dollars have been made at the noon buying rate at the close of business on September 30, 2010, which is US$0.9640 per A$1.00. See "Exchange Rates" for further information on the historical rates of exchange between the Australian dollar and the U.S. dollar.

Balance Sheets

	As at		
	Sep 10	Sep 10	Sep 09
	US$m[1]	A$m	A$m
ASSETS			
Cash and balances with central banks	9	9	3
Due from banks	9,406	9,757	8,936
Cash collateral on securities borrowed and reverse repurchase agreements	8,932	9,266	4,493
Trading portfolio assets	15,364	15,938	14,502
Loan assets held at amortized cost	43,505	45,130	42,504
Other financial assets at fair value through profit or loss	10,628	11,025	5,249
Derivative financial instruments – positive values	22,587	23,430	21,441
Other assets	13,363	13,862	13,791
Investment securities available-for-sale	17,907	18,576	23,152
Intangible assets	1,360	1,411	715
Life investment contracts and other unitholder assets	4,866	5,047	5,066
Interest in associates and joint ventures using the equity method	2,621	2,719	4,931
Property, plant and equipment	683	708	647
Deferred income tax assets	1,067	1,107	1,401
Assets and disposal groups classified as held-for-sale	72	75	100
Total assets	**152,370**	**158,060**	**146,931**
LIABILITIES			
Due to banks	9,621	9,981	10,284
Cash collateral on securities lent and repurchase agreements	6,248	6,482	5,328
Trading portfolio liabilities	5,602	5,811	7,368
Derivative financial instruments – negative values	23,450	24,326	21,552
Deposits	33,785	35,047	20,692
Debt issued at amortized cost	38,517	39,955	44,896
Other financial liabilities at fair value through profit or loss	3,576	3,710	5,037
Other liabilities	12,506	12,973	12,871
Current tax liabilities	91	94	103
Life investment contracts and other unitholder liabilities	4,887	5,069	5,062
Provisions	213	221	184

	As at		
	Sep 10	**Sep 10**	**Sep 09**
	US$m[1]	**A$m**	**A$m**
Deferred income tax liabilities	227	235	210
Liabilities of disposal groups classified as held-for-sale	—	—	—
Total liabilities excluding loan capital	**138,723**	**143,904**	**133,587**
Loan capital			
Macquarie Convertible Preference Securities	572	593	591
Subordinated debt at amortized cost	1,430	1,483	1,011
Subordinated debt at fair value through profit or loss	469	487	522
Total liabilities	**141,194**	**146,467**	**135,711**
Net assets	**11,176**	**11,593**	**11,220**
EQUITY			
Contributed equity			
Ordinary share capital	6,809	7,063	6,267
Treasury shares	(693)	(719)	(2)
Exchangeable securities	124	129	159
Reserves	254	263	276
Retained earnings	4,169	4,325	3,984
Total capital and reserves attributable to equity holders of Macquarie Group Limited	10,663	11,061	10,684
Non-controlling interests	513	532	536
Total equity	**11,176**	**11,593**	**11,220**

[1] Conversions of Australian dollars to U.S. dollars have been made at the noon buying rate at the close of business on September 30, 2010, which is US$0.9640 per A$1.00. See "Exchange Rates" for further information on the historical rates of exchange between the Australian dollar and the U.S. dollar.

Other Financial Data

	As at / Half year ended		
	Sep 10	**Mar 10**	**Sep 09**
Per Share Information			
(Amounts in A$)			
Basic earnings per share (cents per share)	119.2	169.5	150.2
Diluted earnings per share (cents per share)	117.1	167.7	149.6
(Amounts in US$)[1]			
Basic earnings per share (cents per share)	114.9	155.4	132.5
Diluted earnings per share (cents per share)	112.9	153.8	132.0
Number of shares on issue (as at)	345,601,301	344,244,271	332,683,024
Ratios			
Net loan losses as a percentage of loan assets (annualized %)[2]	0.6	0.6	1.2
Ratio of earnings to fixed charges[3]	1.2	1.4	1.3
Expense/income ratio (%)[4]	86.5	78.4	82.9
Dividend payout ratio (%)	73.8	60.8	60.0
Annualized return on equity (%)[5]	7.1	10.3	9.6

1 Conversions of Australian dollars to U.S. dollars have been made at the noon buying rate at the close of business on September 30, 2010, which is US$0.9640 per A$1.00. See "Exchange Rates" for further information on the historical rates of exchange between the Australian dollar and the U.S. dollar.

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

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

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

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

RECENT DEVELOPMENTS

The following are significant recent developments for MGL Group that have occurred since the release of our 2010 Annual U.S. Disclosure Report on May 18, 2010. Investors should be aware that the information set forth in this Report is not complete and should be read in conjunction with the discussion under "Risk Factors" beginning on page 8 and under "Macquarie Group Limited" beginning on page 22 of our 2010 Annual U.S. Disclosure Report and other information posted on MGL's U.S. Investors' Website.

Internal Reorganizations of Operating Groups

During the half year ended September 30, 2010, the following changes were made to MGL's operating groups and divisions and their respective activities:

- Macquarie Capital Funds, formerly a part of Macquarie Capital and the Non-Banking Group, consolidated with and became an operating division of Macquarie Funds. The new operating division was initially renamed Macquarie Funds Direct and was subsequently renamed Macquarie Infrastructure & Real Assets. For further information see "— Recent Developments within MGL Group — Macquarie Funds";

- All real estate lending activities carried out by the Real Estate Banking division were transferred to and incorporated within Corporate & Asset Finance; and

- Corporate & Asset Finance became MGL's sixth operating group as a result of its recent growth.

Trading Conditions and Market Update

Operating conditions

The half year ended September 30, 2010 was characterized by substantially weaker global mergers and acquisitions and advisory activities, and increased competition in equity and debt markets compared to the prior corresponding period. During the half year ended September 30, 2010, mergers and acquisitions activity across the technology, industrials and financial institution sectors improved against the prior corresponding period, while equity capital markets activity in most regions and across most sectors was significantly lower than both the prior period and the prior corresponding period.

Trading conditions for cash equities weakened during the half year ended September 30, 2010, affecting market volumes and investor confidence in our key markets. Market turnover was generally higher than in the prior period, however, it remained below the level in the prior corresponding period, particularly in Asia, the United States and Canada.

Metal prices and, in particular, the price of gold, continued to rise during the half year ended September 30, 2010, with the weaker U.S. dollar putting pressure on U.S. bond yields, leading to a more speculative environment with money moving into real assets. Foreign exchange volumes remained subdued, with lower client term hedging activity resulting from the higher Australian dollar. While trading conditions in energy markets remained difficult, activity levels improved in agricultural commodity markets as a result of increased volatility and higher prices due to a series of globally significant weather events. However, activity levels still remained below levels in the prior corresponding period.

In Australia and the United States, margins on primary and secondary market corporate credits continued to contract, as increased liquidity continued to flow to credit markets. Acquisition opportunities in loan and lease portfolios continued to appear as competitors reduced participation, exited, retracted or realigned strategies, particularly in the United States and Europe, however an increased number of potential buyers started entering the market, particularly in the United States. Primary financing opportunities also emerged, as corporate activity increased during the period, particularly in Europe and Asia.

Impact on MGL Group

During the half year ended September 30, 2010, operating conditions affected activity across a number of our businesses, in particular, Fixed Income, Currencies & Commodities, Macquarie Securities and Macquarie Capital.

Despite lower mergers and acquisitions and advisory activities globally compared to the prior corresponding period, the volume of deals in which Macquarie Capital participated was slightly up on both the prior corresponding period and the prior period. Subdued activity in equity capital markets and lower demand for derivatives and structured products impacted Macquarie Securities' results, while lower foreign exchange and commodity trading volumes and reduced hedging activity affected Fixed Income, Currencies & Commodities. More favorable operating conditions and benefits from recent investment in domestic businesses and global platforms resulted in improved performances for Macquarie Funds, Corporate & Asset Finance and Banking & Financial Services. See "Management's Discussion and Analysis of Interim Results of Operation and Financial Condition — Half year ended September 30, 2010 compared to half year ended September 30, 2009" for a detailed analysis on MGL's financial performance for the half year ended September 30, 2010.

Since March 31, 2010, MGL Group has continued to grow its global platform by selectively deploying capital and funding to make strategic acquisitions across its operating groups and divisions. Acquisitions announced by MGL in the half year ended September 30, 2010 included:

- GMAC Australia's retail auto leases and loans portfolio. For further details of this acquisition, see "Macquarie Group Limited — Operating Groups — Corporate & Asset Finance" beginning on page 43 of our 2010 Annual U.S. Disclosure Report.

- International Lease Finance Corporation's (ILFC's) aircraft operating lease portfolio. For further details of this acquisition, see "Macquarie Group Limited — Operating Groups — Corporate & Asset Finance" beginning on page 43 of our 2010 Annual U.S. Disclosure Report.

- Presidio Partners, a U.S. based real estate private capital raising and advisory firm with operations in North America and Europe. For further details of this acquisition, see "— Recent Developments within MGL Group — Macquarie Capital" in this Report.

Subsequent to September 30, 2010, MGL Group has also announced the acquisition of INNOVEST Kapitalanlage AG, an Austrian asset manager that is expected to further enhance MGL Group's funds management business in Europe. For further details of this acquisition, see "— Recent Developments within MGL Group — Macquarie Funds" in this Report. For a description of certain risks faced by MGL Group when acquiring businesses, see "Risk Factors — Our business may be adversely affected by our failure to adequately manage the risks associated with certain strategic opportunities and new businesses, including acquisitions" and "Risk Factors — Future growth, including through acquisitions, may place significant demands on our managerial, administrative, IT, risk management, operational and financial resources and may expose us to additional risks" on pages 10 and 12, respectively, of the 2010 Annual U.S. Disclosure Report.

Despite improvement in wholesale and retail funding markets, MGL continued to maintain a conservative approach to funding and capital. During the half year ended September 30, 2010, MGL completed US$500 million (approximately A$500 million) of senior debt issuances and MBL completed €600 million (approximately A$900 million) of subordinated debt issuances and increased its retail deposits from March 31, 2010 by A$11 billion, largely due to the conversion of the CMT accounts to the CMA (see "— Recent Developments within MGL Group — Banking & Financial Services") and further organic growth in retail deposits. As at September 30, 2010, MGL had A$2.9 billion of capital in excess of its minimum regulatory requirement.

Organizational Structure

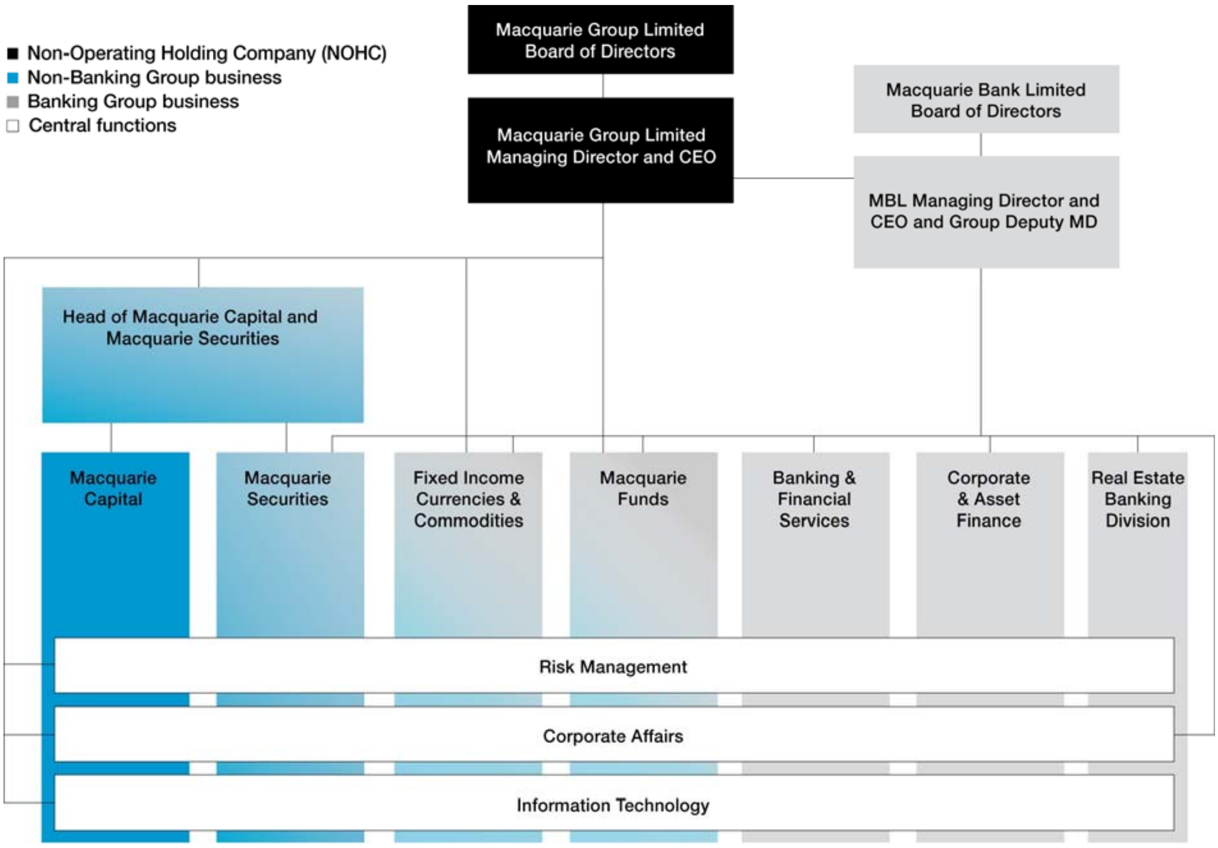
MGL Group's operations are conducted primarily through two groups: the Banking Group and the Non-Banking Group, which include six operating groups and one division, within which individual businesses operate.

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

The Non-Banking Group consists of Macquarie Capital; the Macquarie Infrastructure & Real Assets division of Macquarie Funds; the Cash division of Macquarie Securities and certain less financially significant assets and businesses of Fixed Income, Currencies & Commodities.

MGL Group provides shared services to both the Banking Group and the Non-Banking Group through the Corporate segment, which provides infrastructure, head office and central services support functions. The Corporate segment is not considered an operating group and comprises three central functions: Corporate Affairs, Risk Management and Information Technology. For a description of shared services, see "Macquarie Group Limited — Relationship between MBL and MGL — Shared Services" on page 47 of our 2010 Annual U.S. Disclosure Report.

The following diagram shows the organizational structure of MGL Group and reflects the composition of the Banking and Non-Banking Groups as at September 30, 2010, following the changes described in this Report under "— Internal Reorganizations of Operating Groups":



Our Strategy

Our strategy is set out under "Macquarie Group Limited — Our Strategy" on page 26 of our 2010 Annual U.S. Disclosure Report. We continually examine investment opportunities and have undertaken a number of strategic acquisitions in response to changing market conditions and opportunities that have been presented to us. These acquisitions include Constellation Energy in 2009 and Delaware Investments, Blackmont, Tristone, FPK, Ford Credit lease portfolio and Sal. Oppenheim's equity derivatives and structured products and cash equity sales and research business in 2010. Since March 31, 2010, MGL Group has acquired the GMAC loan and lease portfolio, ILFC's aircraft operating lease portfolio and Presidio Partners and has agreed to acquire INNOVEST Kapitalanlage, AG as further described under "— Recent Developments within MGL Group — Corporate & Asset Finance" and "— Recent Developments within MGL Group — Macquarie Capital" and "— Recent Developments within MGL Group — Macquarie Funds" respectively. As a consequence of the acquisitions, MGL Group's North American businesses have grown substantially, particularly in the asset management, asset finance, securities research and brokerage and oil and gas trading sectors. We expect to continue to assess strategic acquisition opportunities as they arise, along with exploring opportunities for further organic growth in our existing and related businesses as an avenue of growth and diversification for MGL Group in the medium term.

Our Key Strengths

For a description of our key strengths, see "Macquarie Group Limited — Our Key Strengths" on page 24 of our 2010 Annual U.S. Disclosure Report.

At September 30, 2010, MGL had total regulatory capital of A$11.6 billion, including A$2.9 billion of capital in excess of MGL Group's minimum regulatory requirement. For further information on our regulatory capital position as at September 30, 2010, see "Management's Discussion and Analysis of Interim Results of Operation and Financial Condition — Capital Analysis" in this Report.

Overview of MGL Group

At September 30, 2010, MGL had total assets of A$158.1 billion and total equity of A$11.6 billion. For the half year ended September 30, 2010, our net operating income was A$3.7 billion and profit after tax attributable to ordinary equity holders was A$403 million, with 43.4% of MGL Group's revenues from external customers derived from regions outside Australia.

The tables below show the relative revenues from external customers and profit contribution of each of our current operating groups in the half years ended September 30, 2010 and 2009. Our results for the half years ended September 30, 2010 and 2009 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, the 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, 2010 compared to half year ended September 30, 2009" in this Report.

Revenues from external customers of MGL Group by operating group for the half years ended September 30, 2010 and 2009[1]

	Half year ended		
	Sep 10	Sep 09	Movement
	A$m	A$m	%
Macquarie Capital	555	788	(30)
Fixed Income, Currencies & Commodities	803	937	(14)
Macquarie Securities	694	803	(14)
Banking & Financial Services	1,206	1,101	10
Macquarie Funds	961	1,528	(37)
Corporate & Asset Finance	761	505	51
Real Estate Banking	25	83	(70)
Total revenues from external customers by operating group	**5,005**	**5,745**	(13)
Corporate[2]	856	408	110
Total revenue from external customers	**5,861**	**6,153**	(5)

1 For further information on our segment reporting, see "Management's Discussion and Analysis of Interim Results of Operations and Financial Condition — Half year ended September 30, 2010 compared to half year ended September 30, 2009 — Segment Overview" and Note 3 to our 2011 interim financial statements.

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

Profit contribution of MGL Group by operating group for the half years ended September 30, 2010 and 2009[1]

	Half year ended		
	Sep 10	Sep 09	Movement
	A$m	A$m	%
Macquarie Capital	85	(123)	169
Fixed Income, Currencies & Commodities	167	368	(55)
Macquarie Securities	94	319	(71)
Banking & Financial Services	137	137	—
Macquarie Funds	335	492	(32)
Corporate & Asset Finance	233	129	81
Real Estate Banking	(25)	(58)	(57)
Total contribution to profit by operating group	**1,026**	**1,264**	(19)
Corporate[2]	(623)	(785)	(21)
Net profit after tax	**403**	**479**	(16)

1 For further information on our segment reporting, see "Management's Discussion and Analysis of Interim Results of Operations and Financial Condition — Half year ended September 30, 2010 compared to half year ended September 30, 2009 — Segment Overview" and Note 3 to our 2011 interim financial statements.

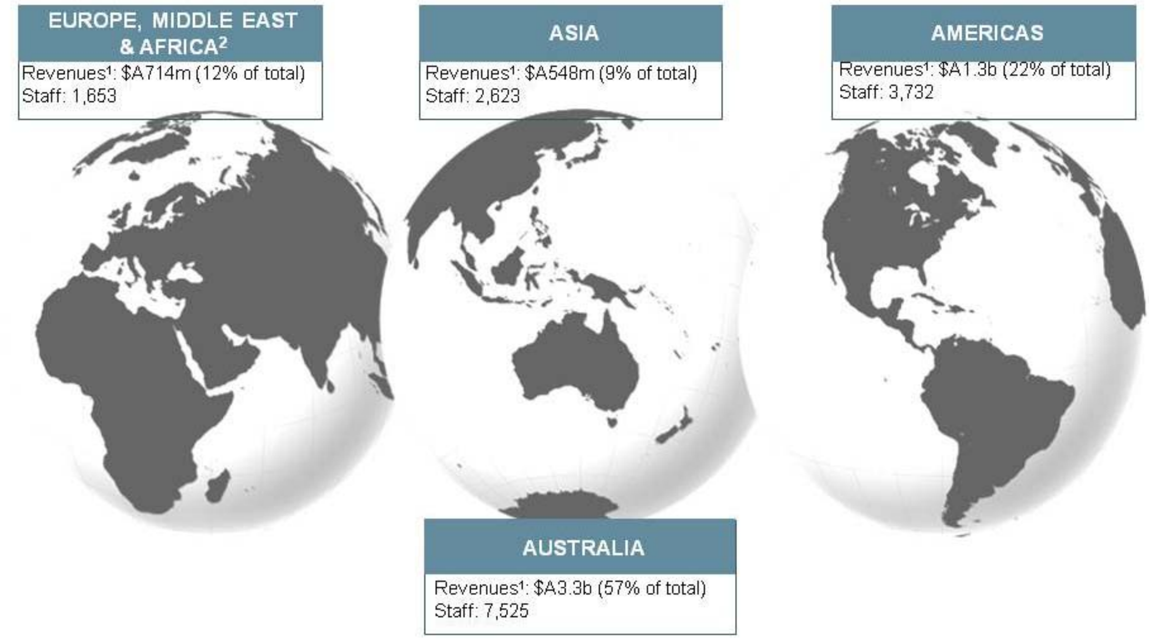
2 The Corporate segment includes earnings on capital, group treasury operations, certain corporate costs not recharged to operating businesses, employment related costs, options expense, income tax expense, profit attributable to non-controlling interests and internal management accounting adjustments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

Regional Activity

At September 30, 2010, MGL Group employed 15,533 staff globally and conducted its operations in more than 70 office locations in 28 countries.

The chart below shows MGL Group's revenues from external customers by region in the half years ended September 30, 2010 and 2009.

Revenues from external customers of MGL Group[1] by region for the half year ended September 30, 2010



1 For further information on our segment reporting, see "Management's Discussion and Analysis of Interim Results of Operations and Financial Condition — Half year ended September 30, 2010 compared to the half year ended September 30, 2009 — Segment Overview" and Note 3 to our 2011 interim financial statements.

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

Australia. MBL Group, the predecessor of MGL Group, has its origins as the merchant bank Hill Samuel Australia Limited, created in 1969 as a wholly-owned subsidiary of Hill Samuel & Co. Limited, London, and began operations in Sydney in January 1970 with only 3 staff. As at September 30, 2010, MGL Group employed 7,525 staff across Australia. In the half year ended September 30, 2010, Australia contributed A$3.3 billion (57%) of our revenues from external customers as compared to A$3.5 billion (57%) in the half year ended September 30, 2009.

The Americas. MGL Group has been active in the Americas for over a decade, since we established our first office in New York in 1994. As at September 30, 2010, MGL Group employed 3,732 staff across the United States, Canada, Mexico, Brazil and Argentina. In the half year ended September 30, 2010, the Americas contributed A$1.3 billion (22%) of revenues from external customers as compared to A$797 million (13%) in the half year ended September 30, 2009.

Asia. MGL Group has been active in Asia for more than 15 years, when we established our first office in Hong Kong. As at September 30, 2010, MGL Group employed 2,623 staff across China, Hong Kong, New Zealand, India, Indonesia, Japan, Korea, Malaysia, the Philippines, Singapore, Taiwan and Thailand. In the half year ended September 30, 2010, Asia contributed A$548 million (9%) of our revenues from external customers as compared to A$769 million (12%) in the half year ended September 30, 2009.

Europe, Middle East & Africa. MGL Group has been active in Europe since the late 1980s, in Africa since 2000 and the Middle East since 2005. As at September 30, 2010, MGL Group employed 1,653 staff across the United Kingdom, Germany, France, Luxembourg, the Netherlands, Sweden, Austria, Switzerland, South Africa, Abu Dhabi and Dubai. In the half year ended September 30, 2010, Europe, Middle East & Africa contributed A$714 million (12%) of revenues from external customers as compared to A$1.1 billion (18%) in the half year ended September 30, 2009.

For further information on our segment reporting, see "Management's Discussion and Analysis of Interim Results of Operations and Financial Condition — Half year ended September 30, 2010 compared to half year ended September 30, 2009 — Segment Overview" and Note 3 to our 2011 interim financial statements.

Recent Developments within MGL Group

Macquarie Capital

Macquarie Capital is the primary business in the Non-Banking Group. Macquarie Capital specializes in corporate advisory, equity and debt capital markets, debt structuring and distribution, private equity placements and principal investments.

Prior to July 2010, Macquarie Capital also included MGL Group's infrastructure and real estate funds management businesses that were included in the Macquarie Capital Funds business. In July 2010, MGL Group announced that Macquarie Capital Funds would consolidate with and become an operating division of the Macquarie Funds operating group. For further information, see "— Recent Developments within MGL Group — Macquarie Funds" in this Report.

Macquarie Capital contributed A$85 million to net profit for the half year ended September 30, 2010 and, as at September 30, 2010, had 1,471 staff operating across 22 countries. For further information on Macquarie Capital's results of operation and financial condition for the half year ended September 30, 2010, see "Management's Discussion and Analysis of Interim Results of Operation and Financial Condition — Half year ended September 30, 2010 compared to half year ended September 30, 2009 — Segment Overview — Macquarie Capital" in this Report.

Macquarie Capital advised on 219 transactions totaling approximately A$79 billion during the half year ended September 30, 2010.

Significant transactions during the half year ended September 30, 2010 included:

- Co-developer, financial adviser and equity underwriter for the US$2.1 billion Denver FasTracks Eagle P3 project, which is the first U.S. rail public-private partnership. This involves a 35 year concession to design, build, finance, operate and maintain two greenfield commuter rail lines and associated rolling stock for the Denver metro area;

- Financial adviser to Cintra Infraestructuras, S.A. and Meridiam Infrastructure Finance S.à.r.l. on the US$2.7 billion Interstate 635 Managed Lanes Project to develop, finance, construct and maintain 13 miles of managed lanes in Dallas County, Texas;

- Lead sponsor and sole financial adviser on the €100 million Irish Schools PPP Bundle 2 project, which will provide six new schools and subsequently 4,700 pupil places. This is the second MGL sponsored public private partnership to reach close in Ireland;

- Joint sponsor, joint bookrunner and joint lead manager for the US$22.1 billion dual listing of Agricultural bank of China Limited on the stock exchanges of Hong Kong and Shanghai;

- Joint lead manager and bookrunner on Sino-Ocean Land's US$900 million issue of perpetual subordinated convertible securities;

- Joint financial adviser to Lihir Gold on its A$24.5 billion merger with Newcrest Mining;

- Mandated by Transfield Services Infrastructure Fund to conduct a capital structure review, resulting in the sale of the 70 MW Mt Millar Wind Farm for A$191 million, an underwritten equity raising of A$110 million and a A$500 million refinancing of the fund's debt facility;

- Financial adviser to POSCO on its acquisition of a controlling stake in Daewoo International Corporation for US$2.8 billion;

- Adviser to the Ontario Teachers' Pension Plan on its £400 million acquisition of Camelot Group plc, the operator of the UK National Lottery;

- Joint adviser to RHC Healthcare, an affiliate of India's Fortis Healthcare, on its S$3.3 billion (US$2.5 billion) voluntary conditional general offer for Parkway Holdings Limited; and

- Adviser to Oando Plc, one of Nigeria's leading energy groups, on its N$21 billion rights issue (US$140 million) on the Nigerian Securities Exchange and on the Johannesburg Stock Exchange.

On September 15, 2010, MGL Group announced that it had entered into an agreement to acquire 100% of the membership interests in Presidio Partners, a U.S. based real estate private capital raising and advisory firm with operations in North America and Europe. Following integration of Presidio Partners into Macquarie Capital, MGL Group's real estate private capital markets business will comprise 19 private capital executives, servicing real estate fund sponsors, private operators and REITs from office locations primarily in Australia, Asia and North America. The transaction is subject to the receipt of regulatory approvals and is expected to close in the fourth quarter of calendar 2010.

For further information on Macquarie Capital, divisions and products, see "Macquarie Group Limited — Operating Groups — Macquarie Capital" beginning on page 30 of our 2010 Annual U.S. Disclosure Report.

Fixed Income, Currencies & Commodities

Fixed Income, Currencies & Commodities provides a variety of trading, research, sales and financing services across the globe with an underlying specialization in interest rate, commodity or foreign exchange related institutional trading, marketing, lending, clearing or platform provision.

Fixed Income, Currencies & Commodities contributed A$167 million to net profit for the half year ended September 30, 2010 and, as at September 30, 2010, had 953 staff operating across 11 countries, with locations in Australia, Asia Pacific, the Middle East, North and South America and the United Kingdom. For further information on Fixed Income, Currencies & Commodities' results of operation and financial condition for the half year ended September 30, 2010, see "Management's Discussion and Analysis of Interim Results of Operation and Financial Condition — Half year ended September 30, 2010 compared to half year ended September 30, 2009 — Segment Overview — Fixed Income, Currencies & Commodities" in this Report.

Since March 31, 2010, Fixed Income, Currencies & Commodities has established an Asian Markets business based in Singapore as part of its strategy of expanding its presence in Asian interest rate, credit and foreign exchange products. In addition, Fixed Income, Currencies & Commodities also operates from offices in Korea and Hong Kong.

Fixed Income, Currencies & Commodities' United States based credit trading business continues to expand its activities with the addition of a commercial mortgage finance and CMBS team in New York and the establishment of client sales and trading into Europe. Fixed Income, Currencies & Commodities' United States based Emerging Markets business has also expanded its offering into Europe.

For further information and a description of the divisions within Fixed Income, Currencies & Commodities and their respective activities, see "Macquarie Group Limited — Operating Groups — Fixed Income, Currencies & Commodities" beginning on page 36 of our 2010 Annual U.S. Disclosure Report.

Macquarie Securities

Macquarie Securities' activities include sales of institutional and retail derivatives, structured equity finance, arbitrage trading, development and sales of synthetic products, capital management, collateral management and securities borrowing and lending. It is a full-service institutional cash equities broker in the Asia-Pacific region and South Africa, and offers specialized service in other regions. It also provides an equity capital markets service through a joint venture with Macquarie Capital Advisers.

Macquarie Securities contributed A$94 million to net profit for the half year ended September 30, 2010 and as at September 30, 2010, had 1,734 staff operating across 18 countries. For further information on Macquarie Securities' results of operation and financial condition for the half year ended September 30, 2010, see "Management's Discussion and Analysis of Interim Results of Operation and Financial Condition — Half year ended September 30, 2010 compared to half year ended September 30, 2009 — Segment Overview — Macquarie Securities" in this Report.

On April 6, 2010, Macquarie Securities completed the acquisition of Sal. Oppenheim's equity derivatives and cash equities businesses. The combined acquisitions resulted in more than 150 people joining Macquarie Securities.

The acquisitions of Sal. Oppenheim's cash equities sales and research business has expanded Macquarie Securities' European equities research coverage to 400 companies, approximately 70% of the EuroStoxx 600 Index, and Macquarie Securities' global equity research coverage to over 2,400 companies.

The acquisitions of Sal. Oppenheim's Equity derivatives and structured products business has grown Macquarie Securities' derivatives coverage to include market making and issuance operations on exchanges in Germany, Switzerland and Italy. The business commenced issuing products in September 2010. For further information on these acquisitions, see "Macquarie Group Limited — Operating Groups — Macquarie Securities" beginning on page 39 of our 2010 Annual U.S. Disclosure Report.

For further information and a description of divisions within Macquarie Securities and their respective activities, see "Macquarie Group Limited — Operating Groups — Macquarie Securities" beginning on page 39 of our 2010 Annual U.S. Disclosure Report.

Banking & Financial Services

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

Banking & Financial Services contributed A$137 million to net profit for the half year ended September 30, 2010 and as at September 30, 2010, had 3,349 staff operating across 11 countries. For further information on Banking & Financial Services' results of operation and financial condition for the half year ended September 30, 2010, see "Management's Discussion and Analysis of Interim Results of Operation and Financial Condition — Half year ended September 30, 2010 compared to half year ended September 30, 2009 — Segment Overview — Banking & Financial Services" in this Report. For further information on Banking & Financial Services' Assets under

Management, see "— Funds Management Business — MBL Group and the Non-Banking Group — Assets under Management" in this Report.

Cash deposits continued to be a major focus of Banking & Financial Services, with retail cash deposits growing from A$13.9 billion as at September 30, 2009 to A$26.5 billion at September 30, 2010. This was primarily due to the conversion of the A$9.6 billion CMT accounts to the CMA in July 31, 2010 following a meeting of unitholders who voted to transition their holdings to take advantage of the security of a bank account, a higher interest rate, the Commonwealth Large Deposits and Wholesale Funding Guarantee Scheme and the convenience of maintaining their same account numbers. The CMA had a balance of A$14.6 billion at September 30, 2010.

The division also offers the Macquarie Wrap platform which had A$21.8 billion in funds under administration at September 30, 2010. See "— Funds Management Business — MBL Group and the Non-Banking Group — Banking & Financial Services."

In October 2009, Banking & Financial Services resumed substantial mortgage origination with the launch of the Macquarie Bank Mortgage Solution product in Australia. This is the first time mortgage origination in Australia has been offered publicly by MGL since origination was wound back in March 2008.

For further information and a description of divisions within Banking & Financial Services and their respective activities, see "Macquarie Group Limited — Operating Groups — Banking & Financial Services" beginning on page 40 of our 2010 Annual U.S. Disclosure Report.

Macquarie Funds

Macquarie Funds is MGL Group's funds management business. Macquarie Funds is a full service asset manager, providing clients with access to a broad suite of products including securities investment management, infrastructure and real asset management and fund and equity based structured products.

Macquarie Funds contributed A$335 million to net profit for the half year ended September 30, 2010 and, as at September 30, 2010, had 1,525 staff operating across 11 countries. For further information on Macquarie Funds' results of operation and financial condition for the half year ended September 30, 2010, see "Management's Discussion and Analysis of Interim Results of Operation and Financial Condition — Half year ended September 30, 2010 compared to half year ended September 30, 2009 — Segment Overview — Macquarie Funds" in this Report. For further information on Macquarie Funds' Assets under Management, see "— Funds Management Business — MBL Group and the Non-Banking Group — Assets under Management" in this Report.

In July 2010, MGL announced that Macquarie Capital Funds, formerly a part of Macquarie Capital, would consolidate with and become an operating division of Macquarie Funds. The consolidation created Australia's largest asset manager and placed Macquarie Funds in the top 40 asset managers globally. The combined operating group will allow clients to access a full suite of investment products through a single group.

As part of the consolidation, Macquarie Funds was restructured into the following three divisions: Macquarie Investment Management, Macquarie Infrastructure & Real Assets (formerly Macquarie Capital Funds), and Macquarie Specialised Investment Solutions. Macquarie Investment Management and Macquarie Specialised Investment Solutions form part of the Banking Group while Macquarie Infrastructure & Real Assets forms part of the Non-Banking Group. Further details of each division are contained below:

Macquarie Investment Management: Macquarie Investment Management comprises the following former divisions of Macquarie Funds: Listed Equities; Fixed Income, Currency and Commodities; Infrastructure Securities; Funds of Funds and Affiliated Managers. The division offers securities investment management across all major asset classes to retail and institutional clients in Australia and the United States, with selective offerings elsewhere.

Macquarie Infrastructure & Real Assets: Macquarie Infrastructure & Real Assets comprises the former Macquarie Capital Funds and continues to provide direct infrastructure, real estate and private equity asset management services to institutional investors globally.

Macquarie Specialised Investment Solutions: Macquarie Specialised Investment Solutions comprises the former Investment Solutions and Sales division of Macquarie Funds. The division continues to offer the full spectrum of funds and equities based structured solutions to retail, private bank and institutional clients.

Over the half year ended September 30, 2010, Macquarie Infrastructure & Real Assets continued its focus on investing capital strategically across the globe, with A$1.5 billion of capital invested. The division has remaining equity of A$6 billion to invest through its unlisted and listed funds at September 30, 2010.

In June 2010, Macquarie DDR Trust ("*MDT*"), a listed fund managed by Macquarie Infrastructure & Real Assets, announced the successful completion of its recapitalization with a new cornerstone investor, EPN GP, LLC ("*EPN*") and A$208 million raised through a placement and entitlement offer. In addition, MGL Group sold its 2.6% principal unitholding in MDT and sold its 50% interest in Macquarie DDR Management LLC, the owner of the responsible entity of the Trust, to EPN, following completion of the entitlement offer. MDT was renamed EDT Retail Trust and now trades on the Australian Securities Exchange under its new ticker EDT. MGL Group will continue to provide support services to the responsible entity for a transitional period until December 2010.

In October 2010, MGL Group announced that it had entered into an agreement with Siemens AG Australia to acquire INNOVEST Kapitalanlage AG ("*INNOVEST*"), an Austrian securities asset management firm serving institutional clients in Austria and Germany. INNOVEST manages over €3.5 billion, with a specialized focus towards risk-budgeting and asset allocation strategies for long term investors such as pension funds. MGL expects that following financial close of the acquisition in December 2010, INNOVEST will further enhance Macquarie Funds' securities asset management business in Europe.

For further information and a description of the former divisions of Macquarie Funds and the former Macquarie Capital Funds, see "Macquarie Group Limited — Operating Groups — Macquarie Funds" and "Macquarie Group Limited — Operating Groups — Macquarie Capital" beginning on page 42 and 30 of our 2010 Annual U.S. Disclosure Report, respectively.

Corporate & Asset Finance

Corporate & Asset Finance is MGL Group's balance sheet, lending and leasing business and became MGL's sixth operating group as a result of its recent growth.

Corporate & Asset Finance contributed A$233 million to net profit for the half year ended September 30, 2010 and as at September 30, 2010, had 844 staff operating across 12 countries. For further information on Corporate & Asset Finance's results of operation and financial condition for the half year ended September 30, 2010, see "Management's Discussion and Analysis of Interim Results of Operation and Financial Condition — Half year ended September 30, 2010 compared to half year ended September 30, 2009 — Segment Overview — Corporate & Asset Finance" in this Report.

In April 2010, Corporate & Asset Finance acquired GMAC's auto finance portfolio (approximately A$1 billion) and entered into an agreement to purchase a portion of ILFC's aircraft leasing portfolio (approximately A$1.7 billion). At September 30, 2010, Corporate & Asset Finance had purchased 24 of the aircraft in the ILFC portfolio, representing over 50% of the total, with the remaining aircraft likely to be acquired by the end of 2010. For further information on the GMAC and ILFC acquisitions, see "Macquarie Group Limited — Divisions within MBL Group — Corporate & Asset Finance" beginning on page 43 of our 2010 Annual U.S. Disclosure Report.

At September 30, 2010, Corporate & Asset Finance managed a funded lease and loan portfolio of A$16 billion representing a 12% increase since March 31, 2010. This growth was due to the acquisition of the motor vehicle portfolio from GMAC, the aircraft portfolio from ILFC as well as the expanded corporate lending activities.

The lending business specializes in bridging, term lending and asset backed finance to mid to large corporate clients and also invests in select debt assets trading in secondary debt markets. The funded loan portfolio amounted to A$7 billion at September 30, 2010, with a further A$3.1 billion of committed funding facilities acquired which, combined, shows a growth of 11% since March 31, 2010.

In July 2010, MGL announced that all real estate lending activities (formerly part of Real Estate Banking division) were consolidated within Corporate & Asset Finance.

For further information on Corporate & Asset Finance's businesses, see "Macquarie Group Limited — Divisions within MBL Group — Corporate & Asset Finance" beginning on page 43 of our 2010 Annual U.S. Disclosure Report.

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

Real Estate Banking

Real Estate Banking contributed a net loss of A$25 million for the half year ended September 30, 2010 and, as at September 30, 2010, had 63 staff operating across five countries. For further information on Real Estate Banking's results of operation and financial condition for the half year ended September 30, 2010, see "Management's Discussion and Analysis of Interim Results of Operation and Financial Condition — Half year ended September 30, 2010 compared to half year ended September 30, 2009 — Segment Overview — Real Estate Banking" in this Report. For further information on Real Estate Banking's Assets under Management, see "— Funds Management Business — MBL Group and the Non-Banking Group — Assets under Management" in this Report.

In July 2010, MGL announced the restructure of some of its operating businesses, including the Real Estate Banking division, which transferred the real estate lending and development finance business to Corporate & Asset Finance. As a result of these changes, Real Estate Banking now comprises the following activities:

Real Estate Investment. The Real Estate Banking portfolio includes investment in a number of specialist listed REITs. Real Estate Banking also provides services in the sponsorship, establishment and management of real estate platforms.

Development & Asset Management. Real Estate Banking is involved in real estate development projects around the world. In Australia, it owns the developer Urban Pacific Limited and participates in the Medallist joint venture with Great White Shark Enterprises. The Medallist joint venture also extends to operations in the U.S. and South Africa.

For further information on Real Estate Banking's activities, see "Macquarie Group Limited — Divisions within MBL Group — Real Estate Banking" beginning on page 45 of our 2010 Annual U.S. Disclosure Report.

Corporate

Corporate contributed a net loss of A$623 million for the half year ended September 30, 2010 and as at September 30, 2010, had 5,594 staff operating across 20 countries. For further information on Corporate's results of operation and financial condition for the half year ended September 30, 2010, see "Management's Discussion and Analysis of Interim Results of Operation and Financial Condition — Half year ended September 30, 2010 compared to half year ended September 30, 2009 — 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 non-controlling interests and internal management accounting adjustments and charges.

Funds Management Business — MBL Group and the Non-Banking Group

For a description of MGL Group's funds management businesses, see "Macquarie Group Limited — Funds Management Business — MBL Group and the Non-Banking Group" beginning on page 48 of our 2010 Annual U.S. Disclosure Report.

Assets under Management

MGL Group had an aggregate of A$317.0 billion of Assets under Management as at September 30, 2010, from which MGL Group derived an aggregate of A$496 million of funds management base fees for the half year ended September 30, 2010.

The table below illustrates MGL Group's aggregate Assets under Management by operating group, region and industry sector as at September 30, 2010, March 31, 2010 and September 30, 2009.

Assets under Management by operating group, region and industry sector for the half years ended September 30, 2010, March 31, 2010 and September 30, 2009

	As at			Movement[1]	
	Sep 10	Mar 10	Sep 09	Mar 10	Sep 09
	A$m	A$m	A$m	%	%
Assets under Management by operating group					
Macquarie Funds[2]	307,871	306,346	188,633	nm	63
Real Estate Banking	5,032	5,045	10,663	nm	(53)
Banking & Financial Services[3]	4,077	14,318	16,992	(72)	(76)
Total Assets under Management	**316,980**	**325,709**	**216,288**	(3)	47
Assets under Management by region					
Australia	76,017	68,522	85,719	11	(11)
Americas	159,267	176,818	45,791	(10)	248
Europe, Middle East and Africa	65,892	64,561	70,772	2	(7)
Asia	15,804	15,808	14,006	nm	13
Total Assets under Management	**316,980**	**325,709**	**216,288**	(3)	47
Assets under Management by industry sector					
Securities and specialized investment funds	215,431	224,213	74,948	(4)	187
Energy and utilities	40,118	39,396	41,119	2	(2)
Roads	19,891	18,936	26,492	5	(25)
Communications infrastructure	16,330	16,140	16,684	1	(2)
Transport and related services	7,772	8,107	9,303	(4)	(16)
Real Estate	6,237	6,313	16,832	(1)	(63)
Airports	3,961	3,908	18,535	1	(79)
Other	7,240	8,696	12,375	(17)	(41)
Total Assets under Management	**316,980**	**325,709**	**216,288**	(3)	47

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

2 Macquarie Capital Funds, formerly a part of Macquarie Capital, consolidated with and became an operating division of Macquarie Funds effective April 1, 2010.

3 The decrease in Assets under Management in Banking & Financial Services is principally the result of the conversion in July 2010 of the A$9.6 billion CMT (which was off-balance sheet) to the CMA (which are accounted as on-balance sheet deposits and not Assets under Management). See "— Recent Developments within MGL Group — Banking & Financial Services".

Assets under Management were A$317.0 billion at September 30, 2010, a 47% increase from A$216.3 billion at September 30, 2009. The overall net increase in Assets under Management was primarily due to the acquisition of Delaware Investments, which added A$151.1 billion to Assets under Management at March 31, 2010 (A$156.9 billion at September 30, 2010). The impact of this acquisition was partially offset by the sale or internalization of management rights of a number of MGL Group's listed funds, which decreased Assets under Management in Australia and in certain industry sectors, including, in particular, roads, airports and real estate, and the conversion of the A$9.6 billion CMT accounts to the CMA as described in footnote 3 to the table above. These listed fund initiatives and their impact on our operating groups are described in further detail below.

Macquarie Capital. Macquarie Capital's Assets under Management are now reported as part of Macquarie Funds, as the Macquarie Infrastructure & Real Assets division.

For further information on Macquarie Capital's results of operation and financial condition for the half year ended September 30, 2010, see "Management's Discussion and Analysis of Interim Results of Operation and Financial Condition — Half year ended September 30, 2010 compared to half year ended September 30, 2009 — Segment Overview — Macquarie Capital" in this Report.

Macquarie Funds. Assets under Management of A$307.9 billion of Macquarie Funds (including the Macquarie Infrastructure & Real Assets division) increased 63% at September 30, 2010 from A$188.6 billion at September 30, 2009. The increase in Assets under Management was primarily due to the acquisition of Delaware Investments, which added A$151.1 billion to Assets under Management at March 31, 2010 (A$156.9 billion at September 30, 2010). Excluding the impact of the Delaware Investments acquisition, Assets under Management decreased A$37.6 billion to A$151 billion at September 30, 2010. The decrease was predominantly driven by listed fund initiatives undertaken during the half year ended September 30, 2010 (including MAp Airports, MIG and the sale of the majority of our Australian listed real estate funds management platform to Charter Hall) and the strengthening of the Australian dollar against major currencies.

For further information on Macquarie Funds' results of operation and financial condition for the half year ended September 30, 2010, see "Management's Discussion and Analysis of Interim Results of Operation and Financial Condition — Half year ended September 30, 2010 compared to half year ended September 30, 2009 — Segment Overview — Macquarie Funds" in this Report.

Real Estate Banking. Real Estate Banking's Assets under Management decreased 53% to A$5.0 billion at September 30, 2010 from A$10.7 billion in the prior corresponding period. This was largely due to the sale of the management rights of the Macquarie Office Trust as part of the Charter Hall transaction noted above and the strengthening of the Australian dollar, which resulted in lower offshore asset values as well as write downs and disposals by some funds.

For further information on Real Estate Banking's results of operation and financial condition for the half year ended September 30, 2010, see "Management's Discussion and Analysis of Interim Results of Operation and Financial Condition — Half year ended September 30, 2010 compared to half year ended September 30, 2009 — Segment Overview — Real Estate Banking" in this Report.

Banking & Financial Services. Banking & Financial Services' Assets under Management decreased 76% to A$4.1 billion at September 30, 2010 from A$17.0 billion at September 30, 2009. The decrease was primarily due to the conversion of A$9.6 billion of CMT accounts to the CMA on July 31, 2010.

For further information on Banking & Financial Services' results of operation and financial condition for the half year ended September 30, 2010, see "Management's Discussion and Analysis of Interim Results of Operation and Financial Condition — Half year ended September 30, 2010 compared to half year ended September 30, 2009 — Segment Overview — Banking & Financial Services" in this Report.

MGL Group Assets under Management for the half years ended September 30, 2010, March 31, 2010 and September 30, 2009

	As at			Movement[1]	
	Sep 10	**Mar 10**	**Sep 09**	**Mar 10**	**Sep 09**
	A$m	**A$m**	**A$m**	**%**	**%**
Macquarie Funds[2]					
Macquarie Investment Management[3]	209,200	207,331	55,588	1	276
Macquarie Infrastructure & Real Assets	96,517	96,452	130,677	nm	(26)
Macquarie Specialised Investment Solutions	2,154	2,563	2,368	(16)	(9)
Total Macquarie Funds	**307,871**	**306,346**	**188,633**	nm	63
Real Estate Banking					
J-REP managed funds[4]	226	218	245	4	(8)
Macquarie Office Trust[5]	—	—	5,155	—	(100)
Macquarie Central Office Corporate Restructuring REIT	—	—	211	—	(100)
Unlisted Real Estate funds	4,806	4,827	5,052	nm	(5)
Total Real Estate Banking	**5,032**	**5,045**	**10,663**	nm	(53)
Banking & Financial Services					
Macquarie Cash Management Trust[6]	—	9,960	12,589	(100)	(100)
Macquarie Pastoral Fund	569	509	521	12	9
Other unlisted Banking & Financial Services	3,508	3,849	3,882	(9)	(10)
Total Banking & Financial Services	**4,077**	**14,318**	**16,992**	(72)	(76)
Total Assets under Management	**316,980**	**325,709**	**216,288**	(3)	47

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

2 Macquarie Capital Funds, formerly a part of Macquarie Capital, consolidated with and became an operating division of Macquarie Funds effective April 1, 2010.

3 Macquarie Investment Management division includes the Assets under Management of Delaware Investments which were A$156.9 billion at September 30, 2010 (March 31, 2010: A$151.1 billion; September 30, 2009: nil).

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

5 Macquarie Office Trust formed part of the Australian real estate management platform that was sold to Charter Hall effective March 1, 2010.

6 The balance of the CMT of A$9.6 billion was moved to the CMA effective July 31, 2010 following a meeting of unitholders who voted to transition their holdings.

The table below shows MGL Group's total performance and base fees for the half years ended September 30, 2010 and 2009.

MGL Group performance and base fees for 2010 and 2009

	Half year ended		
	Sep 10	Sep 09	Movement
	A$m	A$m	%
MGL Group			
MBL Group			
Base fees	315	199	58
Performance fees	7	40	(83)
Total MBL Group Funds Management Fees	**322**	**239**	35
Non-Banking Group			
Base fees	181	243	(26)
Performance fees	8	12	(33)
Total Non-Banking Group Funds Management Fees	**189**	**255**	(26)
Total MGL Group Funds Management Fees	**511**	**494**	3

MGL Group's income from funds management is mainly derived from funds management fees. Funds management fee income includes base fees, which are ongoing fees generated from funds management activities, and performance fees, which are earned when the funds outperform predetermined benchmarks. For listed funds, incentive income is earned for outperformance of a benchmark rate of return. This may be either a widely acknowledged market index, generally either S&P/ASX or MSCI indices, or a pre-determined rate of return, typically 8% per annum. For Macquarie Infrastructure & Real Assets funds which invest in infrastructure and other sectors, the incentive income is typically 20% of any outperformance. In general, if the return of a listed fund is less than the benchmark in any period, the amount of the deficit is carried forward in the calculation of performance fee. For unlisted funds, incentive income is earned for outperformance of a pre-determined internal rate of return typically 8%. 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, 2010 performance fees for MGL Group decreased 71% to A$15 million, from A$52 million in the prior corresponding period. The prior corresponding period included A$34 million from the sale of the Kukdong building by Macquarie Central Office CR-REIT.

For further detail on MGL Group's income from funds management, see "Management's Discussion and Analysis of Interim Results of Operation and Financial Condition — Half year ended September 30, 2010 compared to half year ended September 30, 2009 — Results Analysis — Fee and commission income — Base and performance fees" in this Report.

The tables below show total Assets under Management and total Equity under Management by fund type. For an explanation of the distinction between Assets under Management and Equity under Management, see "Financial Information Presentation — Non-GAAP financial measures" beginning on page xi of our 2010 Annual U.S. Disclosure Report.

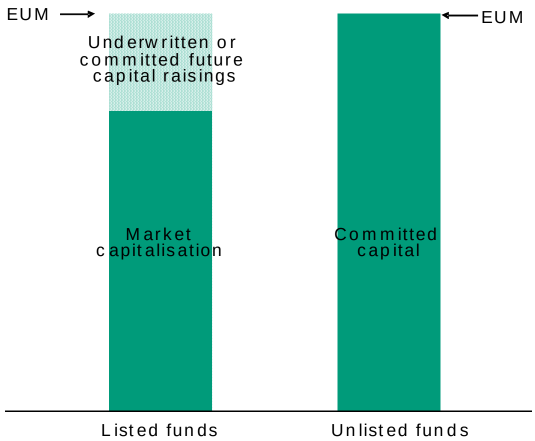
For the Macquarie Infrastructure & Real Assets division, see "— Equity under Management" in this Report for further information. The earning of base fees is closely aligned with the Assets under Management measure for funds in Real Estate Banking, Macquarie Funds and Banking & Financial Services.

Equity under Management

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

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

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



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

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

The table below shows Equity under Management by listed and unlisted equity and by region for the half years ended September 30, 2010, March 30, 2010 and September 30, 2009.

	As at[1, 2]			Movement	
	Sep 10	Mar 10	Sep 09	Mar 10	Sep 09
	A$m	A$m	A$m	%	%
Equity under Management by type					
Listed equity	3,836	3,577	11,186	7	(66)
Unlisted equity	33,986	35,000	38,839	(3)	(12)
Total Equity under Management	**37,822**	**38,577**	**50,025**	(2)	(24)
Equity under Management by region[3]					
Australia	4,662	4,319	14,822	8	(69)
International:					
Europe, Middle East and Africa	17,594	18,336	19,990	(4)	(12)
Americas	12,017	12,376	11,771	(3)	2
Asia	3,549	3,546	3,442	nm	3
Total – International	33,160	34,258	35,203	(3)	(6)
Total Equity under Management	**37,822**	**38,577**	**50,025**	(2)	(24)

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

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

3 By location of fund management team.

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 37 to our 2010 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 MGL Group's principal regulators and the regulatory regimes that MGL 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 56 of our 2010 Annual U.S. Disclosure Report. Our businesses are increasingly subject to greater regulatory scrutiny as we continue to grow our businesses both organically and through acquisitions. For a description of certain regulatory risks our businesses face, see "Risk Factors — We may incur losses as a result of ineffective risk management processes and strategies", "Risk Factors — We may incur financial loss, adverse regulatory consequences or reputational damage due to inadequate or failed internal or external operational systems, processes, people or systems or external events" and "Risk Factors — Many of our businesses are highly regulated and we could be adversely affected by temporary and permanent changes in regulations, regulatory policy and by compliance requirements, particularly for financial institutions, in markets in which we operate" on pages 12, 15 and 9, respectively, of our 2010 Annual U.S. Disclosure Report.

Significant regulatory changes that may affect our businesses are expected in various markets in which we operate. For example, in the United Kingdom, increased regulation is expected in such areas as liquidity requirements and remuneration. The U.K. government has also published draft legislation on a new bank levy tax, which will apply to certain U.K. banks and building societies and the U.K. operations of non-U.K. banks from January 1, 2011. As the draft provisions are subject to change, we are not presently able to determine how and to what extent the above changes, or the bank levy tax, may affect our businesses. The following is a summary of significant regulatory and supervision developments in Australia and the United States for MGL Group that have occurred since the release of our 2010 Annual U.S. Disclosure Report on May 18, 2010.

Australia

APRA

In August 2010, the Basel Committee on Banking Supervision ("*BCBS*" or "*Basel Committee*") released a further consultative document in respect of its proposals to revise capital requirements commonly referred to as "Basel III" entitled "Proposal to ensure the loss absorbency of regulatory capital at the point of non-viability". The document outlines a proposal to enhance the entry criteria of regulatory capital to ensure that all regulatory capital instruments issued by banks are capable of absorbing losses in the event that a bank is unable to support itself in the private market.

On September 12, 2010, the Group of Governors and Heads of Supervision ("*GHOS*"), the oversight body of the Basel Committee, released a further press release with respect to its recommendations on global minimum capital standards, reinforcing their commitment to a substantial strengthening of the existing capital requirements for banking institutions. The proposals are intended to be presented to the G20 Leaders Summit to be held in Seoul in November 2010, with the Basel Committee expected to publish its final package of reforms in December 2010. The recommendations relate only to capital requirements. Enhanced liquidity requirements are also expected to be released in the near term.

Subsequently, APRA has written to all ADIs in Australia:

- on September 17, 2010, stating it gave full support for the package of reforms announced by the GHOS. APRA informed ADIs that it has begun work on developing draft prudential standards, practice guides and reporting requirements to give effect to these reforms in Australia. APRA anticipates that it will begin consultation on the reforms in 2011, which are expected to continue into 2012, including with respect to appropriate transitional arrangements for ADIs;

- on October 7, 2010, seeking industry comments by November 5, 2010 on the two main adjustments to the market risk framework announced in "Revisions to the Basel II market risk framework" by the BCBS on June 18, 2010; and

- on November 4, 2010, requesting all locally incorporated ADIs that are currently subject to scenario analysis requirements under Australian Prudential Standard 210 (Liquidity), including MBL, to undertake a self-assessment against practice standards for liquidity risk management and supervision set out in the "Principles for Sound Liquidity Risk Management and Supervision" published by the BCBS in September 2008. The self-assessment results should be submitted to APRA by February 28, 2011.

MGL currently expects that if APRA implements the Basel III reforms as proposed, the key implications for MGL would be more conservative risk-weighting of assets and a stricter capital deduction regime, increased minimum capital ratios, additional capital conservation and countercyclical buffers and a revised definition of eligible capital. It is likely that MGL will operate with a reduced capital surplus over minimum requirements under Basel III, however, it is impossible to predict the final impact of the reforms that will be adopted by APRA and, in particular, their impact on the capital structure or businesses of MGL.

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

The Financial Sector Legislation Amendment (Prudential Refinements and Other Measures) Act 2010 of Australia, among other things, amended section 13A of the Australian Banking Act and section 86 of the Reserve Bank Act with effect from July 27, 2010. Under the amended section 13A of the Australian Banking Act, the priority under which the assets of an ADI (including MBL) are made available to meet certain obligations, was amended as follows:

- first, certain obligations of the ADI to APRA (if any) arising under the Financial Claims Scheme established by Division 2AA of Part II of the Australian Banking Act in respect of amounts payable by APRA to holders of protected accounts up to a maximum of A$1,000,000 per holder for all protected accounts held by the holder with the ADI. A "protected account" is either (i) an account where the ADI is required to pay the account-holder, on demand or at an agreed time, the net credit balance of the account, or (ii) another account or financial product prescribed by regulation;

- second, APRA's costs in exercising its powers and performing its functions relating to the ADI in connection with the Financial Claims Scheme;

- third, the ADI's liabilities (if any) in Australia in relation to protected accounts that account-holders keep with the ADI;

- fourth, the ADI's debts (if any) to the RBA;

- fifth, the ADI's liabilities (if any) under an industry support contract that is certified under section 11CB of the Australian Banking Act; and

- sixth, the ADI's other liabilities (if any) in the order of their priority apart from section 13A of the Australian Banking Act.

Under the amended section 16(2) of the Australian Banking Act, certain other debts due to APRA shall in a winding-up of an ADI have, subject to section 13A(3) of the Australian Banking Act, priority over all other unsecured debts of that ADI. Further, under section 86 of the Reserve Bank Act, debts due by a bank (which includes MBL) to the RBA shall, in a winding-up of that bank, have, subject to section 13A(3) of the Banking Act, priority over all other debts of that bank.

For further information on the Financial Claims Scheme and Commonwealth Large Deposits and Wholesale Funding Guarantee Scheme, see "Financial Claims Scheme and Commonwealth Large Deposits and Wholesale Funding Guarantee Scheme - Guarantee of deposits" on page 59 of our 2010 Annual U.S. Disclosure Report.

United States

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

Competition

For a description of the competition MGL Group faces in the markets in which it operates, see "Macquarie Group Limited — Competition" beginning on page 55 of our 2010 Annual U.S. Disclosure Report.

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

Investors should be aware that the discussion set forth in this Report is not complete and should be read in conjunction with the discussion under "Management's Discussion and Analysis of Results of Operations and Financial Condition" beginning on page 66 of our 2010 Annual U.S. Disclosure Report.

During the half year ended September 30, 2010, MGL Group implemented a number of changes to its internal operating groups. In particular, Macquarie Infrastructure & Real Assets (formerly Macquarie Capital Funds) was transferred from Macquarie Capital to Macquarie Funds and all real estate lending was consolidated into Corporate & Asset Finance. As a result of these changes, the businesses that comprised certain operating segments of MGL Group (including MBL Group) for financial reporting purposes were also changed. In this Report, the results of our operating groups for the half year ended September 30, 2010, are presented to give effect to these internal reorganizations effective April 1, 2010, with the comparative information for the half years ended March 31, 2010 and September 30, 2009 presented based on the results of the businesses that comprise our current operating groups and division.

Investors should note that while the financial information for the half year ended September 30, 2010 included in this Report presents our current operating segments in accordance with AASB 8 "Operating Segments" following these internal reorganizations, and while in our 2011 interim financial statements we restated the comparative information for the half year ended September 30, 2009 to reflect these internal reorganizations, we were not required to restate the operating segment presentation in the financial statements for earlier fiscal periods. As a result, the operating segments reported in our 2010 annual financial statements, our 2010 interim financial statements and our financial statements for prior fiscal years have not been restated to reflect our current reportable operating segments. Further, the audit reports on those historical financial statements report on historical financial statements that have not been re-presented on the same basis that our 2011 interim financial statements have been prepared. Investors are urged to use caution in analyzing the segment disclosures reported in our financial statements and the segment discussion presented in "Management's Discussion and Analysis of Results of Operation and Financial Condition" in our 2010 Annual U.S. Disclosure Report, since such historical financial statements include the disclosures of our previous operating segments and have not been restated to reflect our current reportable segments in accordance with AASB 8.

For further information on the preparation of our 2011 interim financial statements, see "Financial Information Presentation" in this Report and the discussion in this Report under "— Half year ended September 30, 2010 compared to half year ended September 30, 2009 — Segment Overview — Basis of Preparation".

Critical Accounting Policies and Significant Judgments

Note 1 to our 2010 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 66 of our 2010 Annual U.S. Disclosure Report.

Critical accounting policies and significant judgments for the half year ended September 30, 2010 are consistent with those referred to above. These critical accounting policies should be read in conjunction with the discussion set out in our 2010 Annual U.S. Disclosure Report and Note 1 to our 2010 annual financial statements.

Half year ended September 30, 2010 compared to half year ended September 30, 2009

Results Overview

	Half year ended			Movement[1]	
	Sep 10	Mar 10	Sep 09	Mar 10	Sep 09
Income statement	A$m	A$m	A$m	%	%
Net interest income/(expense)	605	655	425	(8)	42
Fee and commission income	1,995	1,839	1,882	8	6
Net trading income	606	666	633	(9)	(4)
Share of net profits/(losses) of associates and joint ventures accounted for using the equity method	85	(33)	(197)	large	(143)
Other operating income and charges[2]	370	406	362	(9)	2
Net operating income	**3,661**	**3,533**	**3,105**	4	18
Employment expenses	(1,896)	(1,592)	(1,509)	19	26
Brokerage and commission expenses	(441)	(316)	(329)	40	34
Occupancy expenses	(237)	(231)	(251)	3	(6)
Non-salary technology expenses	(159)	(158)	(125)	1	27
Other operating expenses	(432)	(474)	(359)	(9)	20
Total operating expenses	**(3,165)**	**(2,771)**	**(2,573)**	14	23
Operating profit before income tax	496	762	532	(35)	(7)
Income tax benefit/(expense)	(85)	(165)	(36)	(48)	136
Profit from ordinary activities after income tax	**411**	**597**	**496**	(31)	(17)
Profit attributable to non-controlling interests	**(8)**	**(26)**	**(17)**	(69)	(53)
Profit attributable to ordinary equity holders of MGL	**403**	**571**	**479**	(29)	(16)
Key Operating Metrics					
Expense to income ratio (%)	86.5	78.4	82.9		
Compensation ratio (%)	47.9	40.9	45.2		
Effective tax rate (%)	17.4	22.4	7.0		
Basic earnings per share (cents per share)	119.2	169.5	150.2		
Diluted earnings per share (cents per share)	117.1	167.7	149.6		
Dividends per share (cents per share)	86.0	100.0	86.0		
Dividend payout ratio (%)	73.8	60.8	60.0		
Return on equity (%)	7.1	10.3	9.6		

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

2 "Other operating income and charges" includes A$130 million in total impairment charges and provisions (Half year ended March 31, 2010: A$84 million; Half year ended September 30, 2009: A$602 million).

Consolidated net profit after income tax attributable to ordinary equity holders of A$403 million for the half year ended September 30, 2010 decreased 16% from A$479 million in the prior corresponding period, primarily due to increased costs arising from headcount growth, including staff in recently acquired businesses, as well as continued investment in MGL Group's global platform. In addition, consolidated net profit was adversely affected by the cost of excess liquidity on the balance sheet. This was offset by increased net interest income and reduced charges for impairments and writedowns.

Our results for the half year ended September 30, 2010 were affected by challenging trading and market conditions, which particularly affected Fixed Income, Currencies & Commodities, Macquarie Securities and Macquarie Capital. See "Recent Developments — Trading Conditions and Market Update" in this Report for further information.

Net operating income for the half year ended September 30, 2010 of A$3,661 million increased 18% from A$3,105 million in the prior corresponding period. This was largely driven by:

- a 42% increase in net interest income of A$605 million from A$425 million, which was primarily driven by growth in lending activities in higher yielding lending portfolios and the acquisitions of the Ford Credit and GMAC lease portfolios in Corporate & Asset Finance;

- a net gain from equity accounting of investments in associates and joint ventures of A$85 million, an improvement from a net loss of A$197 million, primarily due to an improvement in the underlying results of investments;

- a 6% increase in fee and commission income to A$1,995 million for the half year ended September 30, 2010 from A$1,882 million in the prior corresponding period, primarily due to the acquisition of Delaware Investments in January 2010, which was partially offset by a reduction in mergers and acquisitions, advisory and underwriting income; and

- a 2% increase in other operating income of A$370 million from A$362 million, primarily due to an overall reduction in the level of writedowns and impairment charges (net expenses of A$130 million decreased 79% from net expenses of A$602 million in the prior corresponding period, primarily due to lower impairment charges on investments held-for-sale, on investments in associates and joint ventures and specific provisions due to lower impairment charges on MGL Group's co-investments in MGL Group-managed funds during the period. This was partially offset by the absence in the half year ended September 30, 2010 of a A$345 million payment from the sale of management rights of MAp Airports, which was a non-recurring transaction undertaken in the half year ended September 30, 2009 and any base or performance fees from that fund after the transaction.

Total operating expenses for the half year ended September 30, 2010 of A$3,165 million increased 23% from A$2,573 million in the prior corresponding period. The main drivers of this increase were:

- a 26% increase in employment expenses to A$1,896 million in the half year ended September 30, 2010 from A$1,509 million in the prior corresponding period, primarily due to a 22% increase in headcount from recent acquisitions as well as continued investment in MGL Group's global platform;

- a 34% increase in brokerage and commission expenses to A$441 million in the half year ended September 30, 2010 from A$329 million in the prior corresponding period, primarily due to the acquisition of Delaware Investments and growth in futures execution and clearing volumes; and

- a 20% increase in other operating expenses to A$432 million in the half year ended September 30, 2010 from A$359 million in the prior corresponding period, primarily due to the contribution of recent acquisitions.

Income tax expense of A$85 million in the half year ended September 30, 2010 increased 136% from A$36 million in the prior corresponding period, as a result of lower levels of writedowns and impairment charges. As a result, the effective tax rate of 17% for the half year ended September 30, 2010 increased from 7% in the prior corresponding period. See "— Results Analysis — Income tax expense" in this Report for further information.

Results Analysis

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

Net Interest Income

	Half year ended			Movement	
	Sep 10	Mar 10	Sep 09	Mar 10	Sep 09
	A$m	A$m	A$m	%	%
Net interest income					
Interest revenue	2,637	2,436	2,155	8	22
Interest expense	(2,032)	(1,781)	(1,730)	14	17
Net interest income (as reported)	**605**	**655**	**425**	(8)	42
Adjustment for accounting for swaps[1]	(4)	(72)	(45)	(94)	(91)
Adjusted net interest income	**601**	**583**	**380**	3	58

1 Australian Accounting Standards require internal derivatives hedging interest rate risk 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.

Adjusted net interest income of A$601 million for the half year ended September 30, 2010 increased 58% from A$380 million in the prior corresponding period after adjusting for amounts relating to the accounting for swaps that are classified as trading income (losses) for statutory purposes. This result was driven by continued growth of the higher yielding lending and leasing portfolio, including the acquisitions of the Ford Credit and GMAC portfolios within Corporate & Asset Finance, combined with an increase in earnings on capital mainly due to higher interest rates.

Analysis of net interest margins

	Half year ended			Half year ended			Half year ended		
	Sep 10			Mar 10			Sep 09		
	Interest	Average volume	Average Spread	Interest	Average volume	Average Spread	Interest	Average volume	Average Spread
	A$m	A$m	%	A$m	A$m	%	A$m	A$m	%
Mortgages	97	22,128	0.88	83	21,688	0.77	100	23,110	0.87
Other lending areas	441	24,570	3.59	359	24,463	2.94	321	21,762	2.95
Total net interest margin from interest bearing assets	**538**	**46,698**	2.30	**442**	**46,151**	1.92	**421**	**44,872**	1.88
Other net interest income/(expense)	63			141			(41)		
Adjusted net interest income[1]	**601**			**583**			**380**		

1 Australian Accounting Standards require internal derivatives hedging interest rate risk 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. See the table in this Report under "— Net Interest Income".

Mortgages

Net interest income from mortgage assets of A$97 million decreased 3% from A$100 million in the prior corresponding period, primarily due to a 4% decrease in average mortgage volumes from A$23.1 billion at September 30, 2009 to A$22.1 billion at September 30, 2010, resulting from the continuing run-off of the Australian residential mortgage portfolio and the impact of the strengthening Australian dollar on the Canadian mortgage portfolio. Average margins of 88 basis points in the half year ended September 30, 2010 were in line with the average margins of 87 basis points in the prior corresponding period. The origination of Australian mortgages resumed in late 2009 as a result of a recovery in mortgage funding markets.

See "— Segment Overview — Banking & Financial Services" for further discussion on mortgages.

Other lending areas

Net interest income from other lending areas of A$441 million for the half year ended September 30, 2010 increased 37% from A$321 million in the prior corresponding period. Average margins increased from 295 basis points in the prior corresponding period to 359 basis points in the half year ended September 30, 2010, primarily due to a change in the product mix, including an increase in higher yielding loans and leases within Corporate & Asset Finance. Overall, average volumes have increased 13% to A$24.6 billion at September 30, 2010 from A$21.8 billion at September 30, 2009 primarily due to growth in the Corporate & Asset Finance loan and lease portfolio, as a result of, the acquisition of the GMAC and Ford Credit lease portfolios. This growth, was partially offset by a decrease in real estate loans and structured finance loans and the maturity of the retail loan book in Macquarie Funds' specialist investment offerings since September 2009.

Other net interest income/(expense)

Other net interest income/(expense) includes earnings on capital offset by costs associated with excess liquidity and the funding cost of non-interest bearing assets. The increase of A$104 million in other net interest income to an income of A$63 million for the half year ended September 30, 2010 from a A$41 million expense in the prior corresponding period was primarily due to increased earnings on capital resulting from higher interest rates, and a decrease in the government guarantee fee resulting from reduced deposits subject to the guarantee.

Fee and commission income

	Half year ended			Movement	
	Sep 10	Mar 10	Sep 09	Mar 10	Sep 09
	A$m	A$m	A$m	%	%
Fee and commission income					
Base fee income	496	484	442	2	12
Performance fee income	15	5	52	200	(71)
Mergers and acquisitions, advisory and underwriting fees	402	489	596	(18)	(33)
Brokerage and commissions	582	531	546	10	7
Income from life investment contracts and other unitholder investment assets	46	31	13	48	254
Other fee and commission income	454	299	233	52	95
Total fee and commission income	**1,995**	**1,839**	**1,882**	8	6

Fee and commission income of A$1,995 million for the half year ended September 30, 2010 increased 6% from A$1,882 million in the prior corresponding period, primarily due to a 95% increase in other fee and commission income and a 12% increase in base fees, which were partially offset by a 71% decrease in performance fees and a 33% decrease in mergers and acquisitions, advisory and underwriting fees due to reduced equity capital markets and mergers and acquisitions activity during the period.

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$496 million for the half year ended September 30, 2010 increased 12% from A$442 million of base fees earned in the prior corresponding period. This increase was primarily due to the acquisition of Delaware Investments, which contributed A$157 billion at September 30, 2010 (approximately 50% of total Assets under Management). This was offset by the termination of the management agreement between Macquarie Infrastructure & Real Assets and some of its managed funds, including MAp Airports in October 2009 (which contributed A$18.3 million of base fees in the half year ended September 30, 2009) and MIG in February 2010 (which contributed A$15.7 million of base fees in the half year ended September 30, 2009), as well as the conversion of CMT accounts into the CMA in the current period, which reduced Assets under Management by A$9.6 billion. For further details of Assets under Management, see "Recent Developments — Funds Management Business — MGL Group and the Non-Banking Group — Assets under Management".

Performance fees of A$15 million for the half year ended September 30, 2010, decreased 71% from A$52 million in the prior corresponding period. The reduction is largely as a result of one-off transactions in the prior corresponding period, including A$34 million from the sale of the Kukdong building by Macquarie Central Office CR-REIT. Performance fees from Macquarie Infrastructure & Real Assets were also lower due to the impact of listed fund initiatives in the half year ended March 31, 2010.

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

	Half year ended			Movement[1]	
	Sep 10	Mar 10	Sep 09	Mar 10	Sep 09
	A$m	A$m	A$m	%	%
Base Fees					
Macquarie Funds					
Macquarie Investment Management	250	151	59	66	large
Macquarie Infrastructure & Real Assets	181	220	243	(18)	(26)
Macquarie Specialist Investment Solutions	10	11	13	(9)	(23)
Banking & Financial Services	**54**	**97**	**102**	(44)	(47)
Real Estate Banking	**1**	**5**	**25**	(80)	(96)
Total base fee income	**496**	**484**	**442**	2	12
Performance Fees					
Macquarie Funds					
Macquarie Investment Management	7	5	4	40	75
Macquarie Infrastructure & Real Assets	8	—	12	—	(33)
Macquarie Specialist Investment Solutions	—	—	1	—	(100)
Total Macquarie Funds	**15**	**5**	**17**	200	(12)
Total Real Estate Banking	—	—	**35**	—	(100)
Total performance fee income	**15**	**5**	**52**	200	(71)

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

Mergers and acquisitions, advisory and underwriting fees

Mergers and acquisitions, advisory and underwriting fees of A$402 million for the half year ended September 30, 2010 decreased 33% from A$596 million in the prior corresponding period. The volume of deals in which Macquarie Capital participated for the half year ended September 30, 2010 (219 deals valued at A$79 billion) was greater than the prior corresponding period (182 deals valued at A$57 billion) with the decrease in fees reflecting lower equity capital markets deals and a more competitive advisory market. Significant advisory fees were received from Denver FasTracks, Cintra Infraestructuras, S.A. and Meridiam Infrastructure Finance S.à.r.l., Eiffarie and Agricultural Bank of China Limited. For further information on significant advisory deals completed by Macquarie Capital for the half year ended September 30, 2010, see "— Segment Overview — Macquarie Capital — Mergers and acquisitions, advisory and underwriting income" in this Report.

Brokerage and commissions

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

Brokerage and commission income of A$582 million for the half year ended September 30, 2010 increased 7% from A$546 million in the prior corresponding period, primarily driven by Banking & Financial Services' acquisition of Macquarie Private Wealth Canada in December 2009, which increased advisor numbers. Brokerage and commission income from Macquarie Securities was broadly in line with the prior corresponding period, primarily due to recent acquisitions, which was partially offset by lower transaction volumes in subdued equity markets.

Other fee and commission income

Other fee and commission income of A$454 million for the half year ended September 30, 2010, increased 95% from A$233 million in the prior corresponding period. This increase was largely due to newly acquired distribution service fee in Delaware Investments that is offset with associated expenses that, for accounting purposes, are recognized in brokerage and commission expenses. Platform fees also increased as a result of higher average Wrap Funds under Administration compared to the prior corresponding period. The average Australian Wrap platform volumes during the half year ended September 30, 2010 increased 10% from the prior corresponding period.

Income from life investment contracts and other unitholder investment assets

Income from life investment contracts and other unitholder 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$46 million for the half year ended September 30, 2010, which is a 254% increase from A$13 million in the prior corresponding period, due to improved returns from True Index products and growth in the insurance inforce book from A$42 million as at September 30, 2009 to A$76 million as at September 30, 2010. The inforce book is the aggregate annualized life insurance premium payable for policies issued by the life company, and still paying premiums, at the balance date.

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 expenses, and the operating costs of trading activities. To obtain a complete view of the performance of our trading activities, see "— Segment Overview — Fixed Income, Currencies & Commodities" and "— Segment Overview — Macquarie Securities".

	Half year ended			Movement	
	Sep 10	Mar 10	Sep 09	Mar 10	Sep 09
	A$m	A$m	A$m	%	%
Net trading income (as reported)	606	666	633	(9)	(4)
Adjustment for swaps[1]	4	72	45	(94)	(91)
Net trading income (adjusted)	**610**	**738**	**678**	(17)	(10)

1 Australian Accounting Standards require internal derivatives hedging interest rate risk 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.

	Half year ended			Movement[1]	
	Sep 10	Mar 10	Sep 09	Mar 10	Sep 09
	A$m	A$m	A$m	%	%
Net trading income					
Equities	178	183	407	(3)	(56)
Commodities					
Trading income	188	303	320	(38)	(41)
Fair value adjustments relating to leasing contracts[2]	(32)	9	33	large	(197)
Foreign exchange products	83	37	108	124	(23)
Interest rate products					
Trading income	187	209	62	(11)	202
Fair value adjustments on fixed rate issued debt	6	(3)	(252)	(300)	(102)
Net trading income (adjusted)[3]	**610**	**738**	**678**	(17)	(10)

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

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

3 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.

Adjusted net trading income of A$610 million for the half year ended September 30, 2010 decreased 10% from A$678 million in the prior corresponding period after adjusting for amounts relating to the accounting for swaps that are classified as trading income (loss) for statutory purposes. The prior corresponding period included fair value adjustments on fixed rate issued debt (recognized in interest rate products) and fair value adjustments relating to leasing contracts (recognized in commodities). Excluding these fair value adjustments, adjusted net trading income decreased 29% from A$897 million in the prior corresponding period to A$636 million in the half year ended September 30, 2010, primarily due to challenging market conditions which particularly impacted equities and commodities related trading income.

Equities

Trading income from equity products for the half year ended September 30, 2010 of A$178 million, decreased 56% from A$407 million in the prior corresponding period. The decrease was driven by challenging market conditions impacting revenue throughout the period.

Equity trading income in the non-trading businesses decreased significantly from A$102 million in the prior corresponding period to A$26 million in the half year ended September 30, 2010. The income in the prior corresponding period was mainly related to unrealized gains on options and warrants as a result of a one-off transaction in that period.

Derivative revenues were especially impacted by continued weak demand for retail and structured products in Asia, Europe and Australia as market conditions remained weak across most markets. Arbitrage Trading activities were impacted by low market volatility and volumes, in contrast with the higher levels of volatility experienced in the prior corresponding period. See "Recent Developments — Trading Conditions and Market Update" for further information.

Commodities

Commodity trading income for the half year ended September 30, 2010 of A$188 million decreased 41% from A$320 million in the prior corresponding period. The decrease in commodities trading income (including metals, energy and agricultural products) was primarily driven by challenging trading conditions and lower client term hedging activity in some commodity markets during the half year ended September 30, 2010, which impacted trading. In metals and agricultural markets, the propensity of clients to enter into term hedging was sporadic and freight market volatility fell, impacting income for the half year ended September 2010. Energy markets also experienced more difficult trading conditions with periods when the market moved away from fundamentals, resulting in a reduction of income compared to the prior corresponding period. See "Recent Developments — Trading Conditions and Market Update" for further information.

Foreign exchange products

Trading income on foreign exchange products of A$83 million for the half year ended September 30, 2010 decreased 23% from A$108 million in the prior corresponding period. The decrease was primarily due to the impact of suppressed volatility in global currency markets and the higher Australian dollar on the level of client term hedging combined with margin compression due to competition. See "Recent Developments — Trading Conditions and Market Update" for further information.

Interest rate products

Trading income from interest rate products of A$187 million for the half year ended September 30, 2010 increased 202% from A$62 million in the prior corresponding period. The increase in interest rate products income compared to the prior corresponding period reflected the development and substantial growth of the credit trading and emerging markets businesses since the prior corresponding period.

Share of net profits of associates and joint ventures

	Half year ended			Movement[1]	
	Sep 10	Mar 10	Sep 09	Mar 10	Sep 09
	A$m	A$m	A$m	%	%
Share of net profits/(losses) of associates and joint ventures using the equity method	**85**	**(33)**	**(197)**	large	143

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

Share of equity accounted profits/(losses) of associates and joint ventures was a net profit of A$85 million for the half year ended September 30, 2010, compared to a net loss of A$197 million in the prior corresponding period. The main change from the prior corresponding period was driven by improved underlying performance of associates and joint ventures reflecting the stabilization of relevant market conditions and lower impairment charges.

Other operating income and charges

	Half year ended			Movement[1]	
	Sep 10	Mar 10	Sep 09	Mar 10	Sep 09
	A$m	A$m	A$m	%	%
Net gains on sale of investment securities available-for-sale	105	61	35	72	200
Net gains on sale of associates (including associates held-for-sale) and joint ventures	9	1	49	large	(82)
Gain on acquiring, disposing and change in ownership interest in subsidiaries and businesses held-for-sale	33	133	260	(75)	(87)
Impairment charge on investment securities available-for-sale	(3)	(8)	(69)	(63)	(96)
Impairment (charge)/write-back on investments in associates (including associates held-for-sale) and joint ventures	(46)	2	(359)	large	(87)
Impairment (charge)/write-back on non-financial assets	(4)	7	(43)	(157)	(91)
Gain on reclassification of retained investments[2]	114	—	—	—	—
Sale of management rights	—	83	345	(100)	(100)
Gain on repurchase of subordinated debt	—	—	55	—	(100)
Net operating lease income	76	62	76	23	—
Dividends/distributions received/receivable from investment securities available-for-sale	66	1	21	large	214
Collective allowance for credit losses written-back/(provided for) during the period	9	(1)	3	large	200
Specific provisions	(86)	(84)	(134)	2	(36)
Other income	97	149	123	(35)	(21)
Total other operating income and charges	**370**	**406**	**362**	(9)	2

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

2 Includes gains from the re-measurement to fair value of retained investments when the loss of significant influence results in an investment in an associate being reclassified to available-for-sale.

Total other operating income and charges increased 2% to A$370 million for the half year ended September 30, 2010, compared to a gain of A$362 million in the prior corresponding period largely due to improving market conditions, which resulted in a significant decrease in impairment charges this period. See "— Operating expenses" for further detail on impairment charges, including specific provisions and collective allowance for credit losses.

Net gains on sale of equity investments (including available-for-sale, associates and joint venture investments) of A$114 million for the half year ended September 30, 2010, increased 36% from A$84 million in the prior corresponding period. Gains recognized in the half year ended September 30, 2010 included gains on the sale of liquid assets by Group Treasury and the sale of investments in energy and mining companies. The prior period included gains from sales of interests in Moto Hospitality and Puget Energy.

The gain on acquiring, disposing and change in ownership interest in subsidiaries and businesses held-for-sale of A$33 million decreased 87% from A$260 million in the prior corresponding period. The half year ended September 30, 2010 included no individually significant items. The prior corresponding period included one-off gains on disposal of Macquarie Communication Infrastructure Management Limited and on the financing of £157.5 million of Macquarie Income Preferred Securities.

A gain on reclassification of retained investments of A$114 million predominantly relates to the reclassification of an investment in MAp Airports from an associate to available-for-sale, due to the loss of MGL's influence and consequently MGL was required to remeasure the retained stake in MAp Airports to fair value.

The gain on the sale of management rights in the prior corresponding period of A$345 million related to MAp Airports which was a one-off event and was not repeated in the current period.

Dividends and distributions received of A$66 million for the half year ended September 30, 2010 increased 214% from A$21 million in the prior corresponding period, which was primarily due to the special distribution by MAp Airports of A$0.125 per security in September 2010.

Impairment charges on investment securities available-for-sale, associates and non-financial assets of A$53 million for the half year ended September 30, 2010 decreased 89% from A$471 million in the prior corresponding period. The decrease was driven by lower impairment charges on MGL Group's co-investments in MGL Group's managed funds during the period compared to the prior corresponding period. The prior corresponding period included writedowns in relation to equity investments held mainly in Macquarie Capital. The half year ended September 30, 2010 includes an impairment charge on equity investments in the real estate sector.

Specific and collective provisions of A$77 million for the half year ended September 30, 2010 decreased 41% from A$131 million in the prior corresponding period. The decrease reflects the improved condition of the loan portfolios compared to the prior corresponding period. The prior corresponding period included significant provisions on loans in the energy capital and agricultural commodities sectors. The charge in the half year ended September 30, 2010 was largely driven by provision on loans in the real estate sector.

A summary of our critical accounting policies relating to impairment charges and provisions is set forth under "— Critical Accounting Policies and Significant Judgments" beginning on page 66 of our 2010 Annual U.S. Disclosure Report.

Operating expenses

	Half year ended			Movement[1]	
	Sep 10	Mar 10	Sep 09	Mar 10	Sep 09
	A$m	A$m	A$m	%	%
Employment expenses					
Compensation expenses:					
Salary, commissions, superannuation and performance-related profit share	(1,596)	(1,262)	(1,333)	26	20
Share based payments	(125)	(166)	(58)	(25)	116
Provision for annual leave	(25)	(11)	(10)	127	150
Provision for long service leave	(8)	(7)	(1)	14	large
Total compensation expenses	**(1,754)**	**(1,446)**	**(1,402)**	21	25
Other employment expenses including on-costs, staff procurement and staff training	(142)	(146)	(107)	(3)	33
Total employment expenses	**(1,896)**	**(1,592)**	**(1,509)**	19	26
Brokerage and commission expenses	(441)	(316)	(329)	40	34
Occupancy expenses	(237)	(231)	(251)	3	(6)
Non-salary technology expenses	(159)	(158)	(125)	1	27
Professional fees	(133)	(159)	(128)	(16)	4
Travel and entertainment	(92)	(92)	(68)	—	35
Advertising and communication	(61)	(57)	(42)	7	45
Other expenses	(146)	(166)	(121)	(12)	21
Total operating expenses	**(3,165)**	**(2,771)**	**(2,573)**	14	23

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

Total operating expenses of A$3,165 million for the half year ended September 30, 2010 increased 23% from A$2,573 million in the prior corresponding period, primarily due to increased costs arising from headcount growth, including staff in recently acquired businesses as well as continued investment in MGL Group's global platform.

Employment expenses of A$1,896 million for the half year ended September 30, 2010 increased 26% from A$1,509 million in the prior corresponding period. The main driver was a 22% increase in headcount to 15,533 at September 30, 2010 from 12,758 at September 30, 2009 as a result of recent acquisitions combined with organic growth.

Brokerage and commission expenses for the half year ended September 30, 2010 of A$441 million increased 34% from A$329 million in the prior period, primarily due to the increased volumes as a result of the acquisition of Delaware Investments in January 2010. The brokerage and commission expenses for Delaware Investments largely offsets with related items that for accounting purposes are required to be recognized in other fee and commission income. For further information regarding brokerage and commission expenses, see "— Fee and commission income".

Occupancy expenses of A$237 million for the half year ended September 30, 2010 decreased 6% from A$251 million in the prior corresponding period, mainly due to the prior corresponding period including one-off costs relating to the transition to new buildings in a number of locations, including overlapping rental periods.

Non-salary technology expenses of A$159 million for the half year ended September 30, 2010 increased 27% from A$125 million in the prior corresponding period due to increased investment in new and upgraded systems.

Other expenses of A$146 million for the half year ended September 30, 2010 increased 21% from A$121 million in the prior corresponding period, largely due to recent acquisitions.

Headcount

Our total headcount of 15,533 at September 30, 2010 increased 22% from 12,758 at September 30, 2009, mainly in international headcount and was driven by acquisitions since September 30, 2009, including Delaware Investments (585 staff), Macquarie Private Wealth Canada (433 staff), FPK (234 staff) and Sal. Oppenheim (156 staff). Australian headcount of 7,525 at September 30, 2010 increased 7% from 7,026 as at September 30, 2009. The increase was primarily due to organic growth, particularly in Corporate & Asset Finance to service the asset portfolios acquired during the last twelve months and in Fixed Income, Currencies & Commodities as part of the growth experienced in those businesses, which was partially offset by a reduction of approximately 80 staff as part of the sale of the majority of the Australian real estate management platform to Charter Hall.

Total headcount in our Corporate segment of 5,594 as at September 30, 2010 increased 34% from 4,166 at September 30, 2009. The Corporate headcount growth is primarily due to IT staff increases as a result of the significant integration task related to the recently acquired businesses, as well as ongoing investment in systems and technology.

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

	Half year ended			Movement	
	Sep 10	Mar 10	Sep 09	Mar 10	Sep 09
				%	%
Headcount by operating group					
Macquarie Securities	1,734	1,673	1,512	4	15
Macquarie Capital	1,471	1,632	1,687	(10)	(13)
Macquarie Funds	1,525	1,610	1,277	(5)	19
Fixed Income, Currencies & Commodities	953	884	796	8	20
Corporate & Asset Finance	844	717	614	18	37
Banking & Financial Services	3,349	3,268	2,628	2	27
Real Estate Banking	63	73	78	(14)	(19)
Total headcount – operating groups	**9,939**	**9,857**	**8,592**	1	16
Total headcount – service areas	**5,594**	**4,800**	**4,166**	17	34
Total headcount	**15,533**	**14,657**	**12,758**	6	22
Headcount by region					
Australia	**7,525**	**7,296**	**7,026**	3	7
International:					
Americas	3,732	3,478	2,197	7	70
Asia Pacific	2,623	2,410	2,183	9	20
Europe, Middle East and Africa	1,653	1,473	1,352	12	22
Total headcount – International	**8,008**	**7,361**	**5,732**	9	40
Total headcount	**15,533**	**14,657**	**12,758**	6	22
International headcount ratio (%)	52	50	45	3	15

Income tax expense

	Half year ended		
	Sep 10	Mar 10	Sep 09
	A$m	A$m	A$m
Net profit before tax	**496**	**762**	**532**
Add back: write-downs, impairment charges and equity accounted gains/(losses)	45	96	758
Net profit before impairment and tax	**541**	**858**	**1,290**
Prima facie tax @ 30%	162	257	387
Income tax permanent differences	(63)	(63)	(124)
Income tax expense (before impact of write-downs, impairment charges and equity accounted gains/(losses))	**99**	**194**	**263**
Implied effective tax rate (%)[1]	19%	23%	21%
Prima facie tax of write-downs, impairment charges and equity accounted gains/(losses) @ 30%	(14)	(29)	(227)
Income tax benefit/(expense)	85	165	36
Actual effective tax rate (%)[1]	17%	22%	7%

[1] The effective tax rate is calculated on net profit before tax and after non-controlling interests. Non-controlling interests reduce net profit before tax by A$8 million, A$26 million and A$17 million for the half year ended September 30, 2010, March 31, 2010 and September 30, 2009, respectively.

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

The effective tax rate for the half year ended September 30, 2010 was 17%, up from 7% in the prior corresponding period. Overall, income tax expense increased 136% to A$85 million from A$36 million for the prior corresponding period. The effective tax rate was impacted by lower levels of income tax permanent differences when compared to the prior corresponding period. This was principally due to a reduction in the level of income tax permanent differences from tax rate differentials on offshore income.

Segment Overview

Basis of preparation

MGL Group segments

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

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

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

The division is:

- Real Estate Banking

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

MGL operating group restructures

Since March 31, 2010, there have been the following restructures of operating groups and divisions, effective from April 1, 2010. Macquarie Capital Funds, formerly a part of Macquarie Capital and the Non-Banking Group, consolidated with and became an operating division of Macquarie Funds. The new operating division was initially renamed Macquarie Funds Direct and was subsequently renamed Macquarie Infrastructure & Real Assets. All real estate lending activities carried out by the Real Estate Banking division were transferred to and incorporated within Corporate & Asset Finance. See "Financial Information Presentation" in this Report for further information and "Financial Information Presentation" beginning on page ix of our 2010 Annual U.S. Disclosure Report on restructures that have occurred in prior periods.

In this Report, the results of our operating groups for the half year ended September 30, 2010, are presented to give effect to these internal reorganizations effective April 1, 2010, with the comparative information for the half years ended March 31, 2010 and September 30, 2009 presented based on the results of the businesses that comprise our current operating groups and division. In order to illustrate the financial impact of these internal reorganizations on the results of operations, the table below under "— Reconciliation of segment results for half year ended September 30, 2010 to historical financial statements" reconciles the operating segment results for the half years ended March 31, 2010 and September 30, 2009 on a statutory basis prior to the reorganizations to the comparative information presented in the operating segment results in this Report.

Internal transactions

Any transfers or transactions between segments have been determined on what MGL 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 MGL Group, and operating groups obtain their funding from Group Treasury. The interest rates charged by Group Treasury are determined by the types of assets being funded and the term of the funding, and are fully costed. Operating groups may only source funding directly from external sources generally when there is recourse only to the assets being funded and not to MGL Group.

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.

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

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 that operating group's operating result. Conversely, a non-deductible expense results in a charge to the operating result. These management charges are offset by an equal and opposite amount recognized in the Corporate segment such that on aggregation the total nets to nil.

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

Summary of segment results

	Macquarie Securities	Macquarie Capital	Macquarie Funds	Fixed Income, Currencies & Commodities	Corporate & Asset Finance	Banking & Financial Services	Real Estate Banking	Corporate	Total
	A$m	A$m	A$m	A$m	A$m	A$m	A$m	A$m	A$m
Half year ended September 30, 2010									
Net interest income/(expense)	(18)	(65)	(64)	(39)	282	345	(9)	173	605
Fee and commission income	463	358	612	87	11	380	3	81	1,995
Trading income	167	28	—	367	(2)	(2)	(3)	51	606
Share of net profits/(losses) of associates and joint ventures using the equity method	—	30	35	15	6	—	(1)	—	85
Other operating income and charges	12	39	175	92	59	(7)	(3)	3	370
Internal revenue	(6)	17	24	27	12	2	2	(78)	—
Total operating income	618	407	782	549	368	718	(11)	230	3,661
Total operating expenses	(524)	(335)	(448)	(382)	(135)	(576)	(14)	(751)	(3,165)
Profit before tax	94	72	334	167	233	142	(25)	(521)	496
Tax expense	—	—	—	—	—	—	—	(85)	(85)
Profit attributable to non-controlling interests	—	13	1	—	—	(5)	—	(17)	(8)
Net profit/(loss) contribution	**94**	**85**	**335**	**167**	**233**	**137**	**(25)**	**(623)**	**403**
Half year ended March 31, 2010									
Net interest income/(expense)	(21)	(59)	(53)	70	222	297	(18)	217	655
Fee and commission income	475	364	498	87	1	367	5	42	1,839
Trading income	234	7	(1)	528	9	2	(5)	(108)	666
Share of net profits/(losses) of associates and joint ventures using the equity method	1	2	(33)	8	(6)	2	(4)	(3)	(33)
Other operating income and charges	(2)	144	246	51	(10)	(12)	(51)	40	406
Internal revenue	11	20	18	52	14	7	(5)	(127)	—
Total operating income	698	478	675	796	230	663	(68)	61	3,533

	Macquarie Securities	Macquarie Capital	Macquarie Funds	Fixed Income, Currencies & Commodities	Corporate & Asset Finance	Banking & Financial Services	Real Estate Banking	Corporate	Total
	A$m	**A$m**	**A$m**	**A$m**	**A$m**	**A$m**	**A$m**	**A$m**	**A$m**
Total operating expenses	(437)	(396)	(359)	(337)	(103)	(536)	(17)	(586)	(2,771)
Profit before tax	261	82	316	459	127	127	(85)	(525)	762
Tax expense	—	—	—	—	—	—	—	(165)	(165)
Profit attributable to non-controlling interests	—	(15)	—	—	(1)	(3)	—	(7)	(26)
Net profit/(loss) contribution	**261**	**67**	**316**	**459**	**126**	**124**	**(85)**	**(697)**	**571**
Half year ended September 30, 2009									
Net interest income/(expense)	(25)	(54)	(44)	46	160	254	(25)	113	425
Fee and commission income	502	473	413	68	7	360	62	(3)	1,882
Trading income	291	70	3	514	32	(1)	(1)	(275)	633
Share of net profits/(losses) of associates and joint ventures using the equity method	1	(24)	(153)	3	1	—	(21)	(4)	(197)
Other operating income and charges	2	(268)	494	(14)	17	(29)	(56)	216	362
Internal revenue	11	10	43	28	18	4	(13)	(114)	—
Total operating income	782	207	756	645	235	588	(41)	(67)	3,105
Total operating expenses	(463)	(332)	(265)	(277)	(105)	(448)	(17)	(666)	(2,573)
Profit before tax	319	(125)	491	368	130	140	(58)	(733)	532
Tax expense	—	—	—	—	—	—	—	(36)	(36)
Profit attributable to non-controlling interests	—	2	1	—	(1)	(3)	—	(16)	(17)
Net profit/(loss) contribution	**319**	**(123)**	**492**	**368**	**129**	**137**	**(58)**	**(785)**	**479**

Reconciliation of segment results for half year ended September 30, 2010 to historical financial statements

	Half year ended March 2010				
Operating groups as previously reported for the year ended March 31, 2010	**Operating group contribution**	**Transfer of Macquarie Infrastructure & Real Assets (formerly Macquarie Capital Funds) to Macquarie Funds**	**Transfer of real estate lending activities within Real Estate Banking to Corporate & Asset Finance**	**Operating group contribution**	**Operating groups as currently reported**
Macquarie Securities	261			261	Macquarie Securities
Macquarie Capital	326	(259)		67	Macquarie Capital
Macquarie Funds	57	259		316	Macquarie Funds
Fixed Income, Currencies & Commodities	459			459	Fixed Income, Currencies & Commodities
Corporate & Asset Finance	137		(11)	126	Corporate & Asset Finance
Banking & Financial Services	124			124	Banking & Financial Services
Real Estate Banking	(96)		11	(85)	Real Estate Banking
Corporate	(697)			(697)	Corporate
Total	571	—	—	571	**Total**

	Half year ended September 2009				
Operating groups as previously reported for the half year ended September 30, 2009	**Operating group contribution**	**Transfer of Macquarie Infrastructure & Real Assets (formerly Macquarie Capital Funds) to Macquarie Funds**	**Transfer of real estate lending activities within Real Estate Banking to Corporate & Asset Finance**	**Operating group contribution**	**Operating groups as currently reported**
Macquarie Securities	319			319	Macquarie Securities
Macquarie Capital	331	(454)		(123)	Macquarie Capital
Macquarie Funds	38	454		492	Macquarie Funds
Fixed Income, Currencies & Commodities	368			368	Fixed Income, Currencies & Commodities
Corporate & Asset Finance	127		2	129	Corporate & Asset Finance
Banking & Financial Services	137			137	Banking & Financial Services
Real Estate Banking	(56)		(2)	(58)	Real Estate Banking
Corporate	(785)			(785)	Corporate
Total	479	—	—	479	**Total**

Macquarie Capital

	Half year ended			Movement[1]	
	Sep 10	Mar 10	Sep 09	Mar 10	Sep 09
	A$m	A$m	A$m	%	%
Net interest expense	(65)	(59)	(54)	10	20
Fee and commission income/(expense)					
Mergers and acquisitions, advisory and underwriting fees	380	450	546	(16)	(30)
Brokerage and commissions	21	19	14	11	50
Other fee and commission income/(expenses)	(43)	(105)	(87)	(59)	(51)
Total fee and commission income	**358**	**364**	**473**	(2)	(24)
Net trading income/(expense)	**28**	**7**	**70**	300	(60)
Share of net profits/(losses) of associates and joint ventures accounted for using the equity method	**30**	**2**	**(24)**	large	(225)
Other operating income and charges					
Net gains on sale of equity investments	6	27	57	78	(89)
Gain on reclassification of retained investments	19	—	—	—	—
Impairment charge on equity investments	(8)	(19)	(368)	(58)	(98)
Impairment charge on non-financial assets	—	23	(29)	(100)	(100)
Gain on acquiring, disposing and change in ownership interest in subsidiaries and businesses held-for-sale	8	27	—	(70)	—
Net operating lease income	30	28	38	7	(21)
Specific provisions and collective allowance for credit losses	(10)	—	(4)	—	150
Other income	(6)	58	38	(110)	(116)
Total other operating income and charges	**39**	**144**	**(268)**	(73)	(115)
Internal revenue[2]	**17**	**20**	**10**	(15)	70
Total operating income	**407**	**478**	**207**	(15)	97
Operating expenses					
Employment expenses	(181)	(218)	(168)	(17)	8
Brokerage and commission expenses	(4)	(2)	(4)	100	—
Other operating expenses	(150)	(176)	(160)	(15)	(6)
Total operating expenses	**(335)**	**(396)**	**(332)**	(15)	1
Non-controlling interests[3]	13	(15)	2	(187)	large
Net profit /(loss) contribution	**85**	**67**	**(123)**	27	169
Non-GAAP metrics					
Headcount	1,471	1,632	1,687	(10)	(13)

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

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

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

Macquarie Capital's net profit contribution of A$85 million for the half year ended September 30, 2010, increased significantly from a A$123 million loss contribution in the prior corresponding period. This was primarily due to lower impairment charges, which was partially offset by reduced advisory income as a result of lower equity capital markets and mergers and acquisitions activity.

Net interest expense

Net interest expense of A$65 million for the half year ended September 30, 2010 increased 20% from A$54 million in the prior corresponding period. The expense mainly related to borrowings for principal investments which increased in line with higher interest rates during the period compared to the prior corresponding period.

Fee and commission income

Total fee and commission income of A$358 million for the half year ended September 30, 2010 decreased 24% from A$473 million in the prior corresponding period primarily due to lower mergers and acquisitions and advisory and underwriting fees.

Mergers and acquisitions, advisory and underwriting income

Mergers and acquisitions, advisory and underwriting income of A$380 million for the half year ended September 30, 2010 decreased 30% from A$546 million in the prior corresponding period, reflecting a lower number of equity capital markets deals and a more competitive advisory market. The volume of deals in which Macquarie Capital participated for the half year ended September 30, 2010 (219 deals valued at approximately A$79 billion, which included a large one-off deal of A$25 billion) was greater in value than the prior corresponding period (182 deals valued at approximately A$57 billion) with the decrease in fees reflecting a lower number of equity capital markets deals, which tend to generate higher fees than mergers and acquisitions fees, and a more competitive advisory market.

For details on significant advisory deals completed for the half year ended September 30, 2010, see "Recent Developments — Recent Developments within MGL Group — Macquarie Capital".

Brokerage and commission income

Brokerage and commission income of A$21 million for the half year ended September 30, 2010 increased 50% from A$14 million in the prior corresponding period.

Other fee and commission income/(expenses)

Other fee and commission expenses of A$43 million for the half year ended September 30, 2010 decreased 51% from A$87 million in the prior corresponding period. The decrease was primarily due to a decrease in payments to Macquarie Securities on equity underwriting deals, which were significantly down on the prior corresponding period.

Net trading income

Net trading income of A$28 million for the half year ended September 30, 2010 decreased 60% from a A$70 million in the prior corresponding period. The half year ended September 30, 2010 included realized and unrealized profit in relation to an Australian listed investment of A$19 million. The profit in the prior corresponding period included a realized profit in relation to a U.S. listed investment of A$8 million and an unrealized profit on warrants and options of A$49 million.

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

Net equity accounted profits of A$30 million for the half year ended September 30, 2010 increased 225% from a net loss of A$24 million in the prior corresponding period. This was driven by improvements in the underlying results of investments due to improved market conditions. Net equity accounted profits of A$10 million were booked for the half year ended September 30, 2010 for listed associates and A$20 million for unlisted associates, driven by improvements in the underlying results of investments due to improved market conditions.

Other operating income and charges

Net gains on sale of equity investments

Net gains on sale of equity investments of A$6 million for the half year ended September 30, 2010 decreased 89% from A$57 million in the prior corresponding period. The net gain for the half year ended September 30, 2010 included a gain on an unlisted investment. The prior corresponding period included significant gains from the sale of Moto Hospitality and Puget Energy.

Gain on reclassification of retained investments

Macquarie Capital lost significant influence over an equity investment in Ambow Education Holding Limited upon an initial public offering and was required to revalue its retained investment to fair value, recognizing a gain of A$19 million for the half year ended September 30, 2010.

Impairment charges on equity investments

Impairment charges on equity investments of A$8 million for the half year ended September 30, 2010 decreased 98% from A$368 million in the prior corresponding period as global markets stabilized and showed some signs of improvement. The prior corresponding period charges related to the writedown of equity investments of A$306 million and the writedown of a U.S. portfolio of asset backed securities held as available-for-sale of A$62 million.

Impairment charge on non-financial assets

The impairment charge on non-financial assets for the prior corresponding period of A$29 million related to the impairment of intangibles for a consolidated investment.

Operating expenses

Operating expenses of A$335 million for the half year ended September 30, 2010 were broadly in line with the prior corresponding period. Employment expenses of A$181 million for the half year ended September 30, 2010 increased 8% from A$168 million in the prior corresponding period, in line with the increase arising from the annual remuneration review, which was partially offset by lower headcount and a strengthening Australian dollar.

Other operating expenses of A$150 million for the half year ended September 30, 2010 decreased 6% from A$160 million in the prior corresponding period. The decrease was primarily due to expenses in the prior corresponding period associated with the acquisition of Tristone.

Fixed Income, Currencies & Commodities

	Half year ended			Movement[1]	
	Sep 10	Mar 10	Sep 09	Mar 10	Sep 09
	A$m	A$m	A$m	%	%
Net trading income (including net interest income)[2,3]					
Commodities[4]	197	325	346	(39)	(43)
Foreign exchange products	13	35	58	(63)	(78)
Interest rate products	150	229	123	(34)	22
Fair value adjustments relating to leasing contracts[4]	(32)	9	33	large	(197)
Net trading income/(expense) (including net interest income)	**328**	**598**	**560**	(45)	(41)
Fee and commission income					
Brokerage and commissions	42	34	35	24	20
Other fee and commission income	45	53	33	(15)	36
Total fee and commission income	**87**	**87**	**68**	—	28
Share of net profits of associates and joint ventures using the equity method	**15**	**8**	**3**	88	large
Other operating income and charges					
Net gains/(losses) on sale of equity investments	52	38	26	37	100
Impairment charge on equity investments	(2)	(1)	(2)	100	—
Specific provisions and collective allowance for credit losses	12	(3)	(50)	large	124
Other income	30	17	12	76	150
Total other operating income and charges	**92**	**51**	**(14)**	80	large
Internal revenue[5]	**27**	**52**	**28**	(48)	(4)
Total operating income	**549**	**796**	**645**	(31)	(15)
Operating expenses					
Employment expenses	(123)	(113)	(96)	9	28
Brokerage and commission expenses	(91)	(83)	(55)	10	65
Other operating expenses	(168)	(141)	(126)	19	33
Total operating expenses	**(382)**	**(337)**	**(277)**	13	38
Non-controlling interests[6]	—	—	—	—	—
Net profit/(loss) contribution	**167**	**459**	**368**	(64)	(55)
Non-GAAP metrics					
Headcount	953	884	796	8	20

1 "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 MGL Group and its clients. As such, to obtain a more complete view of Fixed Income, Currencies & Commodities' trading activities, net interest income has been combined with trading income above.

3 There were no impairments taken through trading income for the half year ended September 30, 2010 (Half year ended March 31, 2010: A$1 million write-back; Half year ended September 30, 2009: A$21 million impairment).

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

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

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

Fixed Income, Currencies & Commodities' net profit contribution of A$167 million for the half year ended September 30, 2010 decreased 55% from A$368 million in the prior corresponding period primarily due to challenging trading conditions and subdued client activity. In addition, increased operating expenses resulted in a lower net profit contribution, primarily due to investment over the past 12 months in new capabilities in credit sales and trading and emerging markets, the extension of these new platforms from the United States into Europe and the establishment of new capabilities in rates, currencies and credit sales and trading in Asia.

Net trading income

Commodities trading income

Commodities trading income of $A197 million for the half year ended September 30, 2010 decreased 43% from A$346 million in the prior corresponding period. In line with the broader market, Fixed Income, Currencies & Commodities experienced challenging trading conditions and lower client term hedging activity in some of its commodity markets during the half year ended September 30, 2010.

In metals and agricultural markets, clients' propensity to enter into term hedging was sporadic during the half year ended September 30, 2010 and freight market volatility fell, impacting income. Energy markets occasionally experienced more difficult trading conditions with periods when the market moved away from the fundamentals of supply and demand resulting in a reduction of income compared to the prior corresponding period. In addition, northern hemisphere energy revenues were down on the prior period reflecting the seasonal nature of the energy market.

Foreign exchange products trading income

Trading income on foreign exchange products of A$13 million for the half year ended September 30, 2010 decreased 78% from A$58 million in the prior corresponding period. The decrease was primarily due to the impact of suppressed volatility in global currency markets and the higher Australian dollar on the level of client term hedging, combined with margin compression due to competition.

Interest rate products trading income

Trading income on interest rate products of A$150 million for the half year ended September 30, 2010 increased 22% from A$123 million in the prior corresponding period, primarily due to the development and substantial growth of the credit trading and emerging markets businesses since the prior corresponding period.

Fee and commission income

Fee and commission income of A$87 million for the half year ended September 30, 2010 increased 28% from A$68 million in the prior corresponding period, primarily due to improved volumes in the futures execution and clearing markets.

Other fee and commission income of A$45 million for the half year ended September 30, 2010 increased 36% from A$33 million in the prior corresponding period. Other fee and commission income in all periods was primarily associated with the Futures division.

Other operating income and charges

Net gains/(losses) on sale of equity investments

Net gains on sale of equity investments of A$52 million for the half year ended September 30, 2010 increased significantly from A$26 million in the prior corresponding period due to stronger resource equity markets, particularly in the gold sector.

Specific provisions and collective allowance for credit losses

Net loan provision releases of A$12 million for the half year ended September 30, 2010 increased significantly compared to net loan provision charges of A$50 million in the prior corresponding period, primarily due to improved conditions in resource equity markets.

Other income

Other income of A$30 million for the half year ended September 30, 2010 increased significantly from A$12 million in the prior corresponding period. This increase reflected net profit interests and royalties from participations in the metals and energy sector.

Operating expenses

Total operating expenses of A$382 million for the half year ended September 30, 2010 increased 38% from A$277 million in the prior corresponding period.

Employment expenses

Employment expenses of A$123 million for the half year ended September 30, 2010 increased 28% from A$96 million in the prior corresponding period, which was driven by an increase in employment costs per head attributable to the continued expansion of the credit trading and emerging markets businesses in the United States and their expansion into Europe, as well as the establishment of the new Asian Markets business in Singapore.

Brokerage and commission expenses

Brokerage and commission expenses of A$91 million increased 65% from A$55 million in the prior corresponding period largely as a result of the growth in futures execution and clearing volumes in the Futures division.

Other operating expenses

Other operating expenses of A$168 million for the half year ended September 30, 2010 increased 33% from A$126 million in the prior corresponding period, mainly as a result of the cost of additional support headcount in risk, operations and information technology and the expansion of Fixed Income, Currencies & Commodities' business platforms.

Macquarie Securities

	Half year ended			Movement[1]	
	Sep 10	Mar 10	Sep 09	Mar 10	Sep 09
	A$m	A$m	A$m	%	%
Net trading income (including net interest income)[2]	**149**	**213**	**266**	(30)	(44)
Fee and commission income					
Brokerage and commissions	372	340	374	9	(1)
Other fee and commission income	91	135	128	(33)	(29)
Total fee and commission income	**463**	**475**	**502**	(3)	(8)
Share of net profits of associates and joint ventures using the equity method	**—**	**1**	**1**	(100)	(100)
Other operating income and charges	**12**	**(2)**	**2**	large	large
Internal revenue[3]	**(6)**	**11**	**11**	(155)	(155)
Total operating income	**618**	**698**	**782**	(11)	(21)
Operating expenses					
Employment expenses	(174)	(150)	(128)	16	36
Brokerage and commission expenses	(106)	(78)	(140)	36	(24)
Other operating expenses	(244)	(209)	(195)	17	25
Total operating expenses	(524)	(437)	(463)	20	13
Net profit/(loss) contribution	**94**	**261**	**319**	(64)	(71)
Non-GAAP metrics					
Headcount	1,734	1,673	1,512	4	15

1 "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 MGL Group and its clients. As such, to obtain a more complete view of Macquarie Securities trading activities, net interest income has been combined with trading income above.

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

Macquarie Securities' net profit contribution of A$94 million for the half year ended September 30, 2010 decreased 71% from A$319 million in the prior corresponding period primarily due to reduced equity capital market activity in Australia and reduced levels of both institutional and retail client activity globally.

Net trading income (including net interest income)

Net trading income from equity products (including net interest income) of A$149 million for the half year ended September 30, 2010 decreased 44% from A$266 million in the prior corresponding period. Derivatives revenues were down on the prior corresponding period, reflecting continued weak product demand for retail and structured products in Asia, Europe and Australia as market conditions remained weak across most markets. Arbitrage Trading activities were impacted by low market volatility and volumes, in contrast to the higher levels of volatility experienced in the prior corresponding period.

Fee and commission income

Fee and commission income of A$463 million for the half year ended September 30, 2010 decreased 8% from A$502 million in the prior corresponding period. This income category largely consists of brokerage and commission income, which predominantly includes transaction related fees from cash equities services provided to institutional clients, including internal clients.

Brokerage and commissions

Brokerage and commission income of A$372 million for the half year ended September 30, 2010 was comparable with A$374 million in the prior corresponding period. Brokerage and commission income predominantly includes transaction related fees from cash equities services provided to institutional clients, including internal clients. This result is primarily due to continued growth in the Americas and Europe, which benefited from the FPK acquisition in November 2009 and Sal. Oppenheim acquisition in April 2010. This was offset by lower commissions in Asia and Australia due to continued compression of brokerage rates as a result of increased competition and lower commissions as a result of the growth of electronic execution capabilities.

Other fee and commission income

Other fee and commission income of A$91 million for the half year ended September 30, 2010 decreased 29% from A$128 million in the prior corresponding period. Other fee and commission income consists primarily of equity capital markets fees. Capital raising activity was weak in Australia and Europe compared to the prior corresponding period, however increased activity in Asia resulted in increased revenues in the Asian region, with notable transactions for the period including US$22.1 billion dual listing of Agricultural Bank of China Limited on the Stock Exchanges of Hong Kong and Shanghai, in which Macquarie Securities acted as joint bookrunner and lead manager.

Operating expenses

Total operating expenses of A$524 million for the half year ended September 30, 2010 increased 13% from A$463 million in the prior corresponding period, primarily due to increased costs arising from headcount growth as a result of the recent acquisitions.

Employment expenses

Employment expenses of A$174 million for the half year ended September 30, 2010 increased 36% from A$128 million in the prior corresponding period. The increase was mainly driven by an increase in average headcount due to recent acquisitions as well as continued investment in MGL Group's global platform.

Brokerage and commission expenses

Brokerage and commission expenses of A$106 million for the half year ended September 30, 2010 decreased 24% from A$140 million in the prior corresponding period. The decrease in brokerage and commission expenses was driven by lower trading volumes and reduced brokerage rates that resulted in decreased trading income.

Other operating expenses

Other operating expenses of A$244 million for the half year ended September 30, 2010 increased 25% from A$195 million in the prior corresponding period. The increase was predominantly driven by increased headcount as a result of the recent acquisitions.

Banking & Financial Services

	Half year ended			Movement[1]	
	Sep 10	Mar 10	Sep 09	Mar 10	Sep 09
	A$m	A$m	A$m	%	%
Net interest income	**345**	**297**	**254**	16	36
Fee and commission income					
Base fees	54	97	102	(44)	(47)
Brokerage and commissions	130	119	105	9	24
Other fee and commission income	170	129	135	32	26
Income from life insurance business and other unitholder businesses	26	22	18	18	44
Total fee and commission income	**380**	**367**	**360**	4	6
Net trading income/(expense)	**(2)**	**2**	**(1)**	(200)	100
Share of net profits of associates and joint ventures using the equity method	**—**	**2**	**—**	(100)	—
Other operating income and charges					
Net gains on sale of equity investments	2	2	—	—	—
Impairment charge on equity investments and disposal groups held-for-sale[2]	(5)	(4)	(1)	25	large
Impairment charge on non-financial assets	(2)	(1)	(2)	100	—
Gain on acquiring, disposing and change in ownership interest in subsidiaries and businesses held-for-sale	1	4	—	(75)	—
Specific provisions and collective allowance for credit losses	(15)	(16)	(29)	(6)	(48)
Other income	12	3	3	300	300
Total other operating income and charges	**(7)**	**(12)**	**(29)**	(42)	(76)
Internal revenue[2]	**2**	**7**	**4**	(71)	(50)
Total operating income	**718**	**663**	**588**	8	22
Operating expenses					
Employment expenses	(251)	(226)	(182)	11	38
Brokerage and commission expenses	(74)	(56)	(65)	32	14
Other operating expenses	(251)	(254)	(201)	(1)	25
Total operating expenses	**(576)**	**(536)**	**(448)**	7	29
Non-controlling interests[3]	(5)	(3)	(3)	67	67
Net profit/(loss) contribution	**137**	**124**	**137**	10	—
Non-GAAP metrics					
Assets under Management (A$ billion)	4.1	14.3	17.0	(71)	(76)
Funds under management/advice/administration[4] (A$ billion)	119.2	120.0	106.5	nm	12
Loan portfolio[5] (A$ billion)	26.0	26.4	26.3	(2)	(1)
Deposits (A$ billion)	26.5	15.5	13.9	71	91
Headcount	3,349	3,268	2,628	2	27

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

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

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

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

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

Banking & Financial Services' net profit contribution of A$137 million for the half year ended September 30, 2010 was in line with A$137 million in the prior corresponding period.

Net interest income

Net interest income of A$345 million for the half year ended September 30, 2010 increased 36% from A$254 million in the prior corresponding period primarily due to increased retail deposits, which increased 91% to A$26.5 billion as at September 30, 2010 from A$13.9 billion as at September 30, 2009, predominately due to the conversion of A$9.6 billion of CMT accounts into the CMA on July 31, 2010. Banking & Financial Services receives a premium for providing internal funding to Group Treasury from these deposits.

The loan portfolio primarily comprises residential mortgages in Australia, Canada and the United States, loans to Australian and Canadian businesses, loans on capital protected products and credit cards. The loan portfolio of A$26 billion at September 30, 2010 was broadly in line with the balance at September 30, 2009.

The Canadian mortgages business continued to participate in the Canadian Mortgage Bond program. Canadian mortgage originations increased 42% during the half year ended September 30, 2010 compared to the prior corresponding period. The Canadian loan portfolio, which includes mortgages, insurance premium funding, margin loans and capital protected products, closed at A$8.2 billion as at September 30, 2010, an increase of 61% from A$5.1 billion as at September 30, 2009. The United States mortgages business has been closed and the book is being run down.

The size of the Australian mortgage portfolio of A$12.9 billion at September 30, 2010 remains lower compared to A$15.9 billion at September 30, 2009 as run off continued to exceed new mortgage origination. At September 30, 2010, A$10.3 billion of the Australian mortgage portfolio was funded by third parties through external securitizations.

Fee and commission income

Base fees

Base fee income of A$54 million for the half year ended September 30, 2010 decreased 47% from A$102 million in the prior corresponding period, as a result of a 76% decrease in Assets under Management to A$4.1 billion at September 30, 2010 from A$17.0 billion at September 30, 2010. The decrease was predominantly due to the conversion of A$9.6 billion of CMT accounts into the CMA. CMA do not form part of Assets under Management and income from these accounts is reported in net interest income.

Brokerage and commissions

Brokerage and commission income of A$130 million for the half year ended September 30, 2010 increased 24% from A$105 million in the prior corresponding period as a result of growth in the number of advisors from 420 at September 30, 2009 to 593 at September 30, 2010. The increase in advisor numbers was due to organic growth in Australia and Asia, as well as the acquisition of Macquarie Private Wealth Canada in December 2009.

Other fee and commission income

Other fee and commission income of A$170 million for the half year ended September 30, 2010 increased 26% from A$135 million in the prior corresponding period. The main contributor was an increase in platform and other administration fee income received. Funds under Administration on the Australian Wrap platform closed at A$21.8 billion at September 30, 2010, which was up 1% on September 30, 2009. Average volumes of Funds under Administration on the Australian Wrap platform increased 10% to A$21.6 billion in the half year ended September 30, 2010 from A$19.6 billion in the prior corresponding period primarily due to improved inflows and market movements.

Fees received for administering the Macquarie Professional Series of funds also increased. Funds under administration in the Macquarie Professional Series grew by 39%, from A$2.3 billion as at September 30, 2009 to A$3.2 billion as at September 30, 2010.

Income from life insurance business and other unitholder businesses

Income from life insurance business and other unitholder business of A$26 million increased 44% from A$18 million in the prior corresponding period, primarily due to growth in the insurance inforce book, which grew to A$76 million at September 30, 2010 from A$42 million at September 30, 2009. The inforce book is the aggregate annualized life insurance premium payable for policies issued by the life company and still paying premiums, at the balance date.

Other operating income and charges

Impairment charge on equity investments and disposal groups held-for-sale

Impairment charges on equity investments and disposal groups held-for-sale of A$5 million during the half year ended September 30, 2010 were higher than the impairment charge of A$1 million in the prior corresponding period. The A$5 million charge in the half year ended September 30, 2010 related to a writedown on an unlisted investment.

Specific provisions and collective allowance for credit losses

Specific provisions and collective allowance for credit losses of A$15 million for the half year ended September 30, 2010 decreased 48% from A$29 million in the prior corresponding period due to lower provisions charges required for the capital protected products in Australia as a result of improving equity markets, loans approaching maturity and product redemptions. Specific provisions and allowance for credit losses on the United States mortgage portfolio decreased 44% in the half year ended September 30, 2010 compared to the half year ended September 30, 2009.

Other income

Other income of A$12 million for the half year ended September 30, 2010 increased 300% from $3 million in the prior corresponding period, primarily due to payments made by Macquarie Securities in relation to trading products offered to retail clients.

Operating expenses

Total operating expenses of A$576 million for the half year ended September 30, 2010 increased 29% from A$448 million in the prior corresponding period.

Employment expenses

The increase was mainly in employment expenses, which increased 38% from the prior corresponding period to A$182 million as a result of growth in headcount, which grew by 27% from 2,628 as at September 30, 2009 to 3,349 at September 30, 2010, mainly as a result of the Macquarie Private Wealth Canada acquisition, which occurred on December 31, 2009. At September 30, 2010, there were 426 staff at Macquarie Private Wealth Canada. Headcount has also grown organically.

Other operating expenses

Other operating expenses for the half year ended September 30, 2010 of A$251 million increased 25% from $201 million in the prior corresponding period, as a result of increased other operating expenses associated with the integration of Macquarie Private Wealth Canada.

Macquarie Funds

	Half year ended			Movement	
	Sep 10	**Mar 10**	**Sep 09**	**Mar 10**	**Sep 09**
	A$m	**A$m**	**A$m**	**%**	**%**
Net interest expense	**(64)**	**(53)**	**(44)**	21	45
Fee and commission income					
Base fees	441	382	315	15	40
Performance fees	15	5	17	200	(12)
Mergers and acquisitions, advisory and underwriting fees	3	19	20	(84)	(85)
Brokerage and commissions	17	17	16	—	6
Other fee and commission income	136	75	45	81	202
Total fee and commission income	**612**	**498**	**413**	23	48
Net trading income/(expense)	—	**(1)**	**3**	(100)	(100)
Share of net profits/(losses) of associates and joint ventures using the equity method	**35**	**(33)**	**(153)**	(206)	(123)
Other operating income and charges					
Impairment (charge)/write-back on equity investments	4	41	(7)	(90)	(157)
Impairment charge on non-financial assets	—	(6)	—	(100)	—
Gain/(loss) on acquiring, disposing and change in ownership interest in subsidiaries and businesses held-for-sale	(1)	99	139	(101)	(101)
Gain on reclassification of retained investments	95	—	—	—	—
Sale of management rights	—	83	345	(100)	(100)
Specific provisions and collective allowance for credit losses	(6)	(2)	(7)	200	(14)
Other income	83	31	24	168	246
Total other operating income and charges	**175**	**246**	**494**	(29)	(65)
Internal revenue[1]	**24**	**18**	**43**	33	(44)
Total operating income	**782**	**675**	**756**	16	3
Operating expenses					
Employment expenses	(155)	(134)	(114)	16	36
Brokerage and commission expenses	(96)	(58)	(43)	66	123
Other operating expenses	(197)	(167)	(108)	18	82
Total operating expenses	**(448)**	**(359)**	**(265)**	25	69
Non-controlling interests[2]	1	—	1	—	—
Net profit/(loss) contribution	**335**	**316**	**492**	6	(32)
Non-GAAP metrics					
Assets under Management (A$ billion)	307.9	306.3	188.6	1	63
Headcount	1,525	1,610	1,277	(5)	19

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

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

Macquarie Funds' net profit contribution of A$335 million for the half year ended September 30, 2010 decreased 32% from A$492 million in the prior corresponding period. The prior corresponding period included significant gains from listed fund initiatives while the current period benefited from increased base fee income following the acquisition of Delaware Investments.

Net interest expense

Net interest expense of A$64 million for the half year ended September 30, 2010 increased 45% from A$44 million in the prior corresponding period. The increase was largely driven by lower interest income due to the maturity of part of the retail loan book in Macquarie Funds' specialist investment offerings and higher interest expense due to funding of the Delaware Investments acquisition.

Fee and commission income

Base fees

Base fee income of A$441 million for the half year ended September 30, 2010 increased 40% from A$315 million in the prior corresponding period. Base fee income was higher due to the 63% growth in Assets under Management from A$188.6 million in the prior corresponding period to $307.9 million for the half year ended September 30, 2010, principally due to the acquisition of Delaware Investments, which contributed A$151 billion (50% of the total Assets under Management) at March 31, 2010. The increases in Assets under Management were partially offset by decreases in Macquarie Infrastructure & Real Assets' base fee income due to listed fund initiatives undertaken (including MAp Airports, which contributed base fees of A$18.3 million for the half year ended September 30, 2009, MIG, which contributed base fees of A$15.7 million for the half year ended September 30, 2009, and the sale of the majority of the listed real estate funds management platform to Charter Hall), and the strengthening of the Australian dollar against major currencies.

Macquarie Funds' base fees (excluding Macquarie Infrastructure & Real Assets) were A$260 million for the half year ended September 30, 2010, a 261% increase from A$72 million in the prior corresponding period. This increase is broadly in line with the 264% increase in the corresponding Assets under Management from A$58 billion at September 30, 2009 to A$211.4 billion at September 30, 2010 primarily as a result of the acquisition of Delaware Investments.

Macquarie Infrastructure & Real Assets' base fees for the half year ended September 30, 2010 were A$181 million, a 26% decrease from A$243 million in the prior corresponding period. This is in line with the 24% decrease in Equity under Management from A$50 billion at September 30, 2009 to A$37.8 billion at September 30, 2010 due to listed fund initiatives.

Total Assets under Management of A$317 billion at September 30, 2010 increased 47% from A$216.3 billion at September 30, 2009. See "Recent Developments — Funds Management Business — MBL Group and the Non-Banking Group" for further information on Assets under Management and Equity under Management.

Performance fees

Performance fee income of A$15 million for the half year ended September 30, 2010 decreased 12% from A$17 million in the prior corresponding period largely due to lower performance fees from Macquarie Infrastructure & Real Assets funds.

Mergers and acquisitions, advisory and underwriting fees

Mergers and acquisitions, advisory and underwriting fees of A$3 million for the half year ended September 30, 2010 decreased 85% from A$20 million in the prior corresponding period primarily related to the listed real estate funds transactions, which occurred in the prior corresponding period. The majority of the Australian listed real estate funds management platform was sold to Charter Hall in March 2010.

Brokerage and commissions

Brokerage and commission income of A$17 million for the half year ended September 30, 2010 was in line with such fees earned in the prior corresponding period of A$16 million.

Other fee and commission income

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

Other fee and commission income of A$136 million for the half year ended September 30, 2010 increased 202% from A$45 million in the prior corresponding period, primarily as a result of the distribution service fee in Delaware Investments, as well as net True Index gains and fees in the structured finance business. The newly acquired distribution service fee in Delaware Investments offset with associated expenses that, for accounting purposes, are recognized in brokerage and commission expenses.

Net trading income

There was no net trading income for the half year ended September 30, 2010. Net trading income of A$3 million in the prior corresponding period related to the performance of seed capital positions and increased income from some derivate products offered by the Investment Solutions and Sales division.

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

Net equity accounted profits of A$35 million for the half year ended September 30, 2010 increased significantly compared to a A$153 million loss in the prior corresponding period, primarily due to improved economic conditions. The loss in the prior corresponding period was driven by the significant market disruption associated with the global financial crisis and the resulting deterioration of the underlying results of the investments held by Macquarie Infrastructure & Real Assets' funds and equity accounted losses of A$62 million arising from the fees paid by MAp Airports to MGL Group to terminate management arrangements.

Other operating income and charges

Impairment charge on equity investments

The impairment write-back on equity investments for the half year ended September 30, 2010 of A$4 million related to two unlisted funds. The net reversal of impairments of A$41 million in the prior period was primarily due to write-backs in relation to Macquarie Infrastructure Company and Southern Cross Media Group of A$23 million and A$20 million, respectively.

Gain/(loss) on acquiring, disposing and change in ownership interest in subsidiaries and businesses held-for-sale

The gain on acquiring, disposing and change in ownership interest in subsidiaries and businesses held-for-sale of A$139 million in the prior corresponding period was primarily related to income from the sale of Macquarie Communications Infrastructure Management Limited and income in relation to the internalization of management of Ardent Leisure Group.

Gain on reclassification of retained investments

In early September 2010, MGL Group lost significant influence over MAp Airports and consequently reclassified its retained investment in MAp Airports to available-for-sale. On reclassification, MGL Group was required to re-measure its retained stake in MAp Airports to fair value. The gain on reclassification of this investment was A$95 million.

Sale of management rights

There were no gains from sales of management rights for the half year ended September 30, 2010. Fees to terminate management arrangements of A$345 million in the prior corresponding period related to the sale of the management rights of MAp Airports, which was a non-recurring transaction.

Specific provisions and collective allowance for credit losses

Specific provisions and collective allowance for credit losses of A$6 million for the half year ended September 30, 2010 decreased 14% from A$7 million in the prior corresponding period. The charges in each period primarily related to specific provisions booked in Macquarie Infrastructure & Real Assets and Specialised Investment Solutions.

Other income

Other income of A$83 million for the half year ended September 30, 2010 increased 246% from A$24 million in the prior corresponding period. The other income for the half year ended September 30, 2010 included a special distribution of A$0.125 per security declared by MAp Airports on September 24, 2010.

Operating expenses

Total operating expenses of A$448 million for the half year ended September 30, 2010 increased 69% from A$265 million in the prior corresponding period, primarily due to additional employment, integration and distribution service fee expenses in the Delaware Investments business and, to a lesser extent, structured finance fee expenses related to that business.

Employment expenses

Employment expenses of A$155 million for the half year ended September 30, 2010 increased 36% from A$114 million in the prior corresponding period, in line with the increase in headcount from 1,277 at September 30, 2009 to 1,525 at September 30, 2010, primarily as a result of the acquisition of Delaware Investments in January 2010.

Brokerage and commission expenses

Brokerage and commission expenses increased 123% to A$96 million for the half year ended September 30, 2010 from A$43 million in the prior corresponding period. The increase in brokerage and commission expenses was primarily related to the acquisition of Delaware Investments and, to a lesser extent, structured finance fees.

Other operating expenses

Other operating expenses of A$197 million for the half year ended September 30, 2010 increased 82% from A$108 million in the prior corresponding period. The increase in other operating expenses was primarily due to the acquisition of Delaware Investments.

Corporate & Asset Finance

	Half year ended			Movement[1]	
	Sep 10	Mar 10	Sep 09	Mar 10	Sep 09
	A$m	A$m	A$m	%	%
Net interest income	**282**	**222**	**160**	27	76
Fee and commission income	**11**	**1**	**7**	large	57
Net trading income/(expense)	**(2)**	**9**	**32**	(122)	(106)
Share of net profits/(losses) of associates and joint ventures using the equity method	**6**	**(6)**	**1**	(200)	large
Other operating income and charges					
Impairment charge on non-financial assets	(1)	(4)	(12)	(75)	(92)
Impairment charge on equity investments	(4)	(1)	(12)	300	(67)
Net operating lease income	41	35	33	17	24
Specific provisions and collective allowance for credit losses	(19)	(62)	(24)	(69)	(21)
Other income	42	22	32	91	31
Total other operating income and charges	**59**	**(10)**	**17**	large	247
Internal revenue[2]	**12**	**14**	**18**	(14)	(33)
Total operating income	**368**	**230**	**235**	60	57
Operating expenses					
Employment expenses	(70)	(55)	(44)	27	59
Other operating expenses	(65)	(48)	(61)	35	7
Total operating expenses	**(135)**	**(103)**	**(105)**	31	29
Non-controlling interests[3]	—	**(1)**	**(1)**	(100)	(100)
Net profit/(loss) contribution	**233**	**126**	**129**	85	81
Non-GAAP metrics					
Loan and lease portfolio (A$ billion)	15.9	14.2	12.2	12	30
Headcount	844	717	614	18	37

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

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

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

Corporate & Asset Finance's net profit contribution of A$233 million for the half year ended September 30, 2010 increased 81% from A$129 million in the prior corresponding period, primarily due to growth of the loan and finance lease portfolio principally from the acquisitions of the A$1 billion Ford Credit portfolio in October 2009 and the A$1 billion GMAC portfolio in April 2010 driving increased net interest income.

Net interest income

Net interest income of A$282 million for the half year ended September 30, 2010 increased 76% from A$160 million in the prior corresponding period. The increase in net interest income was primarily due to higher margins resulting from the purchase of new portfolios at a discount and a 30% increase in the loan and finance lease portfolios to A$15.9 billion for the half year ended September 30, 2010 from A$12.2 billion in the prior corresponding period, mainly due to increased corporate lending and the acquisitions of the A$1 billion Ford Credit portfolio in October 2009 and the A$1 billion GMAC portfolio in April 2010. See "Recent Developments — Recent Developments within MGL Group" for more information.

Fee and commission income

Fee and commission income of A$11 million for the half year ended September 30, 2010 increased 57% from A$7 million for the prior corresponding period primarily due to other lending and leasing fees associated with the loan and lease portfolio.

Net trading income/(expense)

Net trading expense of A$2 million for the half year ended September 30, 2010 increased significantly from income of A$32 million in the prior corresponding period. The income in the prior corresponding period related to changes to the fair value of options and equity securities which were sold in the prior period.

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

Net equity accounted profits of A$6 million for the half year ended September 30, 2010 increased significantly compared to A$1 million in prior corresponding period, primarily due to equity accounted profits from an investment in a residential property development.

Other operating income and charges

Impairment charge on equity investments

The impairment charge on equity investments of A$4 million for the half year ended September 30, 2010 decreased 67% from A$12 million in the prior corresponding period. The impairment charge for both periods related to real estate investments.

Net operating lease income

Net operating lease income of A$41 million (net of depreciation) for the half year ended September 30, 2010 increased 24% from A$33 million in the prior corresponding period, primarily due to the acquisition of 24 aircraft assets and associated leases from ILFC.

Specific provisions and collective allowance for credit losses

Specific provisions and collective allowance for credit losses of A$19 million for the half year ended September 30, 2010 decreased 21% from A$24 million in the prior corresponding period, primarily as a result of a reduction in the collective allowance for credit losses as underlying loss rates reduced compared to the prior corresponding period.

Other income

Other income of A$42 million for the half year ended September 30, 2010 increased 31% from A$32 million in the prior corresponding period, primarily as a result of increased sales of assets that have come off lease and inventory largely from the Electronics business.

Operating expenses

Total operating expenses of A$135 million for the half year ended September 30, 2010 increased 29% from A$105 million in the prior corresponding period. This increase was driven by a 59% increase in employment expenses to A$70 million for the half year ended September 30, 2010 from A$44 million in the prior corresponding period due to an increase in headcount primarily as a result of the growth of existing businesses and as a result of portfolio acquisitions.

Real Estate Banking

	Half year ended			Movement	
	Sep 10	Mar 10	Sep 09	Mar 10	Sep 09
	A$m	A$m	A$m	%	%
Net interest expense	**(9)**	**(18)**	**(25)**	(50)	(64)
Fee and commission income					
Base fees	1	5	25	(80)	(96)
Performance fees	—	—	35	—	(100)
Other fee and commission income	2	—	2	—	—
Total fee and commission income	**3**	**5**	**62**	(40)	(95)
Net trading income/(expense)	**(3)**	**(5)**	**(1)**	(40)	200
Share of net profits/(losses) of associates and joint ventures using the equity method	**(1)**	**(4)**	**(21)**	(75)	(95)
Other operating income and charges					
Net gains/(losses) on sale of equity investments	3	(25)	(8)	(112)	(138)
Impairment charge on equity investments	(3)	(21)	(43)	(86)	(93)
Impairment charge on non-financial assets	—	(3)	—	(100)	—
Specific provisions and collective allowance for credit losses	(10)	(8)	(17)	25	(41)
Other income	7	6	12	17	(42)
Total other operating income and charges	**(3)**	**(51)**	**(56)**	(94)	(95)
Internal revenue[1]	2	5	—	(60)	—
Total operating income	**(11)**	**(68)**	**(41)**	(84)	(73)
Operating expenses					
Employment expenses	(5)	(5)	(6)	—	(17)
Other operating expenses	(9)	(12)	(11)	(25)	(18)
Total operating expenses	**(14)**	**(17)**	**(17)**	(18)	(18)
Net profit /(loss) contribution	**(25)**	**(85)**	**(58)**	(71)	(57)
Non-GAAP metrics					
Assets under Management (A$ billion)	5.0	5.0	10.7	—	(53)
Headcount	63	73	78	(14)	(19)

[1] See "— Basis of preparation — Internal transactions — Internal management revenue/(charges)".

Real Estate Banking's net loss contribution of A$25 million for the half year ended September 30, 2010 decreased 57% from a net loss contribution of A$58 million in the prior corresponding period, driven mainly by a 93% decrease in impairment charges on equity investments due to a reduction in its investment portfolio.

Net interest expense

Net interest expense of A$9 million for the half year ended September 30, 2010 decreased 64% from A$25 million in the prior corresponding period. The expense for the half year ended September 30, 2010 reflected a net reduction in the investment portfolio following disposals and writedowns, including the sale of Australian listed REIT unit holdings to Charter Hall in March 2010.

Fee and commission income

Base fees

Base fee income of A$1 million for the half year ended September 30, 2010 decreased 96% from A$25 million in the prior corresponding period. Base income for the prior corresponding period related to one-off transactions including A$16 million received from Macquarie Central Office CR-REIT on the sale of the Kukdong building and A$8 million from Macquarie Office Trust (renamed as Charter Hall Office REIT as at March 1, 2010). MGL's interest in the manager of Macquarie Office Trust was sold to Charter Hall in March 2010.

Performance fees

There were no performance fee income earned for the half year ended September 30, 2010. Performance fee income for the prior corresponding period included A$34 million of fees earned from the disposal of Macquarie Central Office CR-REIT's Kukdong building in Korea.

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

Equity accounted losses of A$1 million for the half year ended September 30, 2010 decreased 95% from an equity accounted loss of A$21 million in the prior corresponding period. The half year ended September 30, 2010 included equity accounted losses relating to the investment in Medallist, which was partially offset by equity accounted profits from an investment in MGPA (a real estate investment advisory company). The loss in the prior corresponding period was driven by losses in Real Estate Banking's associates, including investments in Medallist, Australian listed REIT holdings and Macquarie Goodman Japan, partially offset by profits from MGPA.

Other operating income and charges

Net gains/(losses) on sale of equity investments

A net gain on sale of equity investments of A$3 million for the half year ended September 30, 2010 increased significantly from a net loss of A$8 million in the prior corresponding period. The gain in the current period included profit on the disposal of the U.S. manager for MDT. Losses for the half year ended September 30, 2009 mainly related to the sale of offshore investments.

Impairment charge on equity investments

The impairment charge on equity investments of A$3 million for the half year ended September 30, 2010 related to Australian investments, a 93% decrease from A$43 million in the prior corresponding period. The prior corresponding period included impairments for offshore investments of A$16 million, Australian listed and unlisted REIT investments of A$11 million and Australian investments of A$16 million.

Specific provisions and collective allowance for credit losses

Specific provisions and collective allowance for credit losses of A$10 million for the half year ended September 30, 2010 decreased 41% from A$17 million in the prior corresponding period. Provisions for the half year ended September 30, 2010 were primarily attributable to amounts provided for loans extended to Medallist.

Other income

Other income of A$7 million for the half year ended in September 30, 2010 decreased 42% from A$12 million in the prior corresponding period. This mainly related to a reduction in sales from Australian residential projects.

Operating expenses

Total operating expenses of A$14 million for the half year ended September 30, 2010 decreased 18% from A$17 million in the prior corresponding period. The decrease reflected a net reduction in the investment portfolio following disposals and writedowns and therefore the cost of operating the business.

Corporate

	Half year ended			Movement[1]	
	Sep 10	Mar 10	Sep 09	Mar 10	Sep 09
	A$m	A$m	A$m	%	%
Net interest income	**173**	**217**	**113**	(20)	53
Fee and commission income/(expense)	**81**	**42**	**(3)**	93	large
Net trading income/(expense)	**51**	**(108)**	**(275)**	(147)	(119)
Share of net profits/(losses) of associates and joint ventures accounted for using the equity method	**—**	**(3)**	**(4)**	(100)	(100)
Other operating income and charges					
Net gains on sale of debt and equity investments	42	18	10	133	large
Impairment charge on equity investments	(30)	(1)	—	large	—
Gain on acquiring, disposing and change in ownership interest in subsidiaries and businesses held-for-sale	—	1	127	(100)	(100)
Gain on repurchase of debt	—	—	55	—	(100)
Specific provisions and collective allowance for credit losses	(29)	6	—	large	—
Other income	20	16	24	25	(17)
Total other operating income and charges	**3**	**40**	**216**	(93)	(99)
Internal revenue[2]	**(78)**	**(127)**	**(114)**	(39)	(32)
Total operating income/(expense)	**230**	**61**	**(67)**	277	large
Operating expenses					
Employment expenses	(936)	(692)	(771)	35	21
Brokerage and commission expenses	(65)	(35)	(14)	86	large
Other operating expenses	250	141	119	77	110
Total operating expenses	**(751)**	**(586)**	**(666)**	28	13
Tax expense	(85)	(165)	(36)	(48)	136
Macquarie Income Preferred Securities	(2)	(2)	(6)	—	(67)
Macquarie Income Securities	(13)	(11)	(10)	18	30
Other non-controlling interests[3]	(2)	6	—	(133)	—
Net profit/(loss) contribution	**(623)**	**(697)**	**(785)**	(11)	(21)
Non-GAAP metrics					
Headcount	5,594	4,800	4,166	17	34

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

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

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

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

Corporate's net loss contribution of A$623 million for the half year ended September 30, 2010 decreased 21% from a net loss contribution of A$785 million in the prior corresponding period. This was primarily due to negative fair value adjustments on fixed rate issued debt of A$252 million in the prior corresponding period compared to positive fair value adjustments on fixed rate issued debt for the half year ended September 30, 2010.

Net interest income

Net interest income for the half year ended September 30, 2010 of A$173 million increased 53% from A$113 million in the prior corresponding period primarily due to higher interest rates in the half year ended September 30, 2010 compared to the prior corresponding period. Net interest income was mainly generated through the investment of MGL's capital, offset by funding costs not passed on to businesses through Group Treasury.

Fee and commission income/(expenses)

Fee and commission income of A$81 million for the half year ended September 30, 2010 increased significantly from expenses of A$3 million in the prior corresponding period, offset with a related item that for accounting purposes is required to be recognized in brokerage and commission expenses described below.

Net trading income/(expense)

Net trading income of A$51 million for the half year ended September 30, 2010 increased significantly from net trading expense of A$275 million in the prior corresponding period, primarily related to negative fair value adjustments on fixed rate issued debt of A$252 million. This compared to negative fair value adjustments in the prior corresponding period of A$252 million.

Other operating income and charges

Net gains on sale of debt and equity securities

Net gains on sale of debt and equity securities of A$42 million for the half year ended September 30, 2010 increased significantly from A$10 million in the prior corresponding period due to profits from the sale of debt securities by Group Treasury.

Impairment charge on equity investments

The impairment charge on equity investments of A$30 million for the half year ended September 30, 2010 related to the real estate sector. There were no impairment charges or equity investments in the prior corresponding period.

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

The gain of A$127 million for the half year ended September 30, 2009 in the prior corresponding period related to gains from financing the acquisition of MIPS. No such transactions were undertaken in the half year ended September 30, 2010.

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. No such transactions were undertaken in the half year ended September 30, 2010.

Specific provisions and collective allowance for credit losses

The charge for specific provisions and collective allowance for losses of A$29 million for the half year ended September 30, 2010 primarily related to an asset in the residential property development sector and an increase in the collective allowance provision due to growth in MGL's loan and lease portfolios over the period. There were no specific provisions or collective allowances for credit losses in the prior corresponding period.

Other income

Other income of A$20 million for the half year ended September 30, 2010 decreased by 17% from $24 million in the prior corresponding period. No single material item drives this change.

Operating expenses

Employment expenses

For the half year ended September 30, 2010, employment expenses of A$936 million increased 21% from A$771 million in the prior corresponding period. The main driver of the increase was a 34% increase in support function headcount growth to 5,594 staff, up from 4,166 at September 30, 2009, due to the integration task relating to the recently acquired businesses as well as ongoing investment in systems and technology.

Brokerage and commission expenses

Brokerage and commission expenses of A$65 million for the half year ended September 30, 2010 increased significantly from A$14 million from the prior corresponding period due to amounts that offset with other fee and commission income, described above.

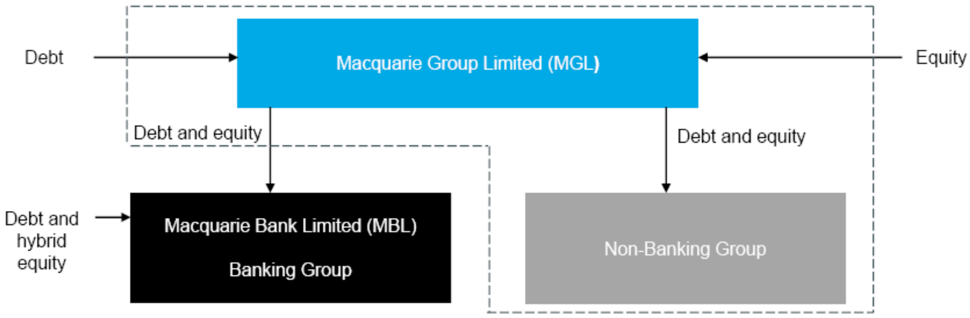
Other operating expenses

Other operating expenses were a net income item in the Corporate segment due to recoveries of service area costs out to operating groups. The 110% net increase in this category from income of A$119 million in the prior corresponding period to net income of A$250 million in the half year ended September 30, 2010 was largely due to the increase in employment costs of the support functions.

Liquidity

The two primary external funding vehicles for MGL Group are MGL and MBL. MGL provides funding principally to the Non-Banking Group and limited funding to some MBL Group subsidiaries. MBL provides funding to the Banking Group 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 and with only a limited impact on franchise businesses.

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

The MBL liquidity policy outlines the liquidity requirements for the Banking Group. The key requirement of the policy is that MBL 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 funding markets and with only a limited impact on franchise businesses. 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 "Recent Developments — Regulatory and

Supervision Developments — Australia — APRA” beginning on page 32 of this Report and “Regulation and Supervision — Australia — APRA” beginning on page 56 of our 2010 Annual U.S. Disclosure Report. As a result, MGL’s liquidity modeling and 12 month scenarios separately test MGL Group, MBL Group and the Non-Banking Group to ensure that sufficient liquidity is available in each part of its business.

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

Liquidity and Funding Management

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

Liquidity Limits

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

Scenario Analysis

Scenario analysis is central to MGL Group’s liquidity risk management framework. Group Treasury models a number of liquidity scenarios covering both market-wide crises and firm-specific crises. The objective of this modeling is to ensure MGL Group 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 and a range of conservative assumptions are used 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 remainder must be approved by Group Treasury and Risk Management before inclusion in the liquid asset portfolio. As at September 30, 2010, 97% 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 U.S. dollars or other currencies where appropriate.

MGL Group has A$26.5 billion cash and liquid assets at September 30, 2010 (September 30, 2009: A$26.7 billion), of which A$24.1 billion was held by MBL Group (September 30, 2008: A$23.7 billion).

Liquidity Contingency Plan

Group Treasury maintains a liquidity contingency plan. The liquidity contingency plan applies to the entire MGL Group and 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, 2010, the credit ratings for each of our funding vehicles 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 Service....	P-1	A2	Negative	P-1	A1	Negative
Standard & Poor's	A-2	A-	Stable	A-1	A	Stable

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

Funding Transactions

The table below sets out MGL Group's term funding transactions in the half year ended September 30, 2010:

Funding Source	Half year ended Sep 10 Banking Group	Non-Banking Group	Total
	A$bn	A$bn	A$bn
Secured finance			
Term secured finance	2.9	—	2.9
Issued paper			
Subordinated debt	0.9	—	0.9
Senior debt	—	0.5	0.5
Total	**3.8**	**0.5**	**4.3**

Since March 31, 2010 MGL and MBL have continued to raise term wholesale funding.

In the half year ended September 30, 2010, MBL Group raised $2.9 billion of term secured finance, A$1.7 billion through the Canadian Mortgage Bonds program, A$0.7 billion through issuance of PUMA Masterfund P-16 RMBS, which are used for the securitization of Australian residential housing loans, and A$0.5 billion through issuance of SMART 2010-2 bonds, which are used for the securitization of motor vehicle and equipment leases.

In addition, MBL issued A$0.9 billion of subordinated debt on September 14, 2010 and MGL issued A$0.5 billion of senior unguaranteed bonds on August 4, 2010.

Regulatory Developments

In response to the recent events of the global financial crisis, regulators worldwide are proposing to enhance their prudential standards for liquidity risk management relevant to banks. The proposed changes include more stringent qualitative and quantitative requirements to enhance the resilience of financial institutions under stressed market conditions. See "Recent Developments — Regulatory and Supervision Developments" beginning on page 31 of this Report and "Regulation and Supervision" on page 56 of our 2010 Annual U.S. Disclosure Report for further information.

The Basel Committee has proposed increased reporting requirements and two main liquidity metrics, the Liquidity Coverage Ratio ("*LCR*") and the Net Stable Funding Ratio ("*NSFR*").

Liquidity Coverage Ratio

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

MGL Group estimates that it comfortably meets the overall quantum of liquid assets required by the LCR. However, while MGL Group's liquid asset portfolio is comprised almost entirely of RBA eligible securities, as with other ADIs, this includes assets that do not meet the definition proposed by the Basel Committee; effectively lower yielding cash and government bonds. Australia has insufficient government bonds on issue to meet the combined liquid asset requirement for local banks. The Basel Committee has indicated that for countries in this position, it will provide scope within the proposals to facilitate compliance with the regulations.

Net Stable Funding Ratio

The NSFR is a twelve month structural funding metric, requiring that ‘available stable funding’ is sufficient to cover ‘required stable funding’, where ‘stable’ funding has an actual or assumed maturity of greater than twelve months. As with the LCR, the NSFR is subject to an observation period prior to being introduced as a minimum requirement by the Basel Committee in 2018.

MGL Group does not currently rely on short term funding and has sufficient cash and liquid assets to repay all short term wholesale funding. In addition, MGL Group’s internal liquidity policy requires that term assets are funded with term liabilities.

MGL Group continues to monitor developing liquidity regulations. See “Recent Developments — Regulatory and Supervision Developments — Australia — APRA” beginning on page 32 of this Report and “Regulation and Supervision — Australia — APRA” on page 56 of our 2010 Annual U.S. Disclosure Report for further information.

Explanation of Funded Balance Sheet

MGL and MBL's statutory balance sheets are prepared based on AGAAP and do not always represent 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 the net funded assets at September 30, 2010. This MGL Group funding requirement is then split between the Banking Group and Non-Banking Group to assist in the analysis of each of the separate funding profiles of MGL and MBL.

MGL Group	**As at Sep 10 A$b**
Total assets per MGL Statutory Balance Sheet	158.1
Accounting deductions:	
Self funded trading assets[1]	(16.6)
Derivative revaluation accounting gross-ups[2]	(21.8)
Life investment contracts and segregated assets[3]	(8.3)
Broker settlement balances[4]	(7.4)
Short term working capital assets[5]	(6.0)
Non-recourse funded assets:	
Securitized assets and non-recourse warehouses[6]	(13.0)
Net funded assets	85.0

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 and counterparties. They typically represent both sides of a transaction. The entries off-set each other as both the asset and liability positions are recorded separately. Where these entries are matched, they do not require funding.

2 *Derivative re-valuation accounting gross-ups.* MGL Group's derivative activities are mostly client driven with client positions hedged by 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, 2010:

	As at Sep 10 A$b
MGL Group	
Funding sources	
Wholesale issued paper:[1]	
Negotiable certificates of deposits	1.4
Commercial paper	1.0
Structured notes[2]	3.1
Secured funding[3]	9.6
Bonds[4]	17.5
Other loans[5]	0.3
Senior Credit Facility[6]	6.7
Deposits[7]	
Retail deposits	26.5
Corporate and wholesale deposits	4.7
Loan Capital[8]	2.6
Equity and hybrids[9]	11.6
Total	**85.0**
Funded assets	
Cash and liquid assets[10]	26.5
Net trading assets[11]	14.4
Loan assets less than one year[12]	7.9
Loan assets greater than one year[12]	24.2
Assets held-for-sale[13]	0.1
Debt investment securities[14]	3.4
Co-investment in MGL Group-managed funds and equity investments[15]	5.8
Property, plant and equipment and intangibles	2.1
Net trade debtors[16]	0.6
Total	**85.0**

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

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

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

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

5 *Other loans.* Unsecured loans provided by financial institutions.

6 *Senior Credit Facility.* MGL's Senior Credit Facility is provided by a syndicate of wholesale lenders. As at September 30, 2010, the facility limit was A$7.3 billion, of which A$0.6 billion was undrawn. For a description of the Senior Credit Facility, see "— Funding Profile for Non-Banking Group" in this Report and "Macquarie Group Limited — Senior Credit Facility" on page 48 of our 2010 Annual U.S. Disclosure Report.

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 includes the MIPS and MIS 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" in this Report for further information.

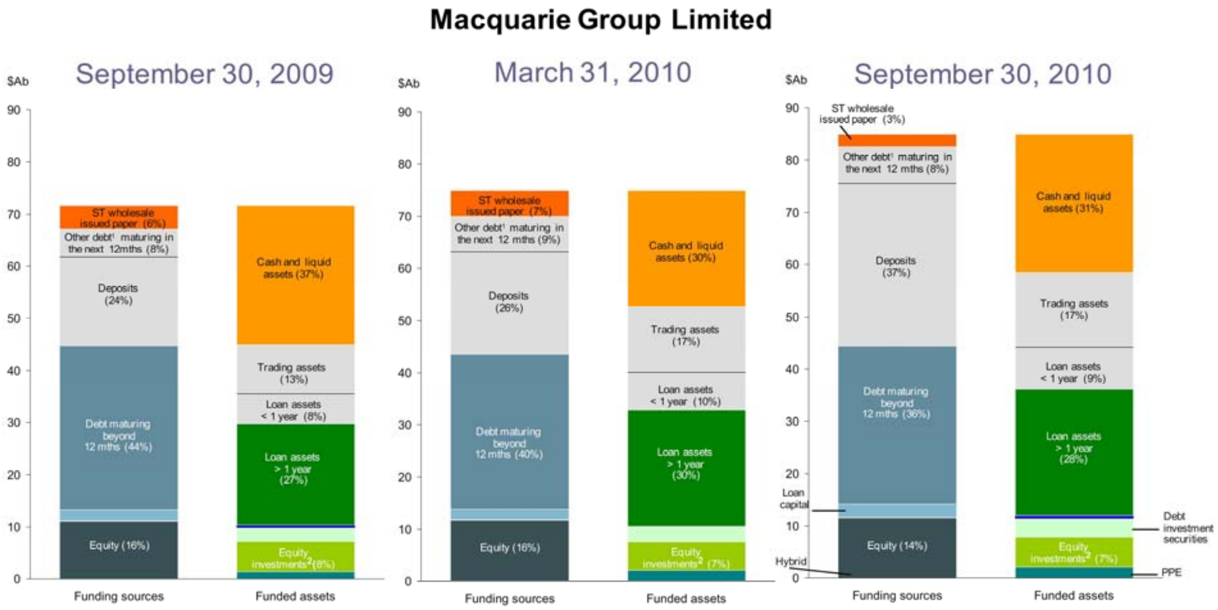
13 *Assets held-for-sale.* These are the net assets/liabilities of the held-for-sale categories on the balance sheet.

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 *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 Infrastructure & Real Assets-managed funds.

16 *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, 2010, as described in this Report under "— Funding Transactions". The graph below illustrates the change in composition of the funded balance sheet over this period, which primarily grew due to the conversion of CMT accounts into at-call deposits in the CMA. For a description of deposit growth over the period, see "— Deposit Strategy" in this Report.



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

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

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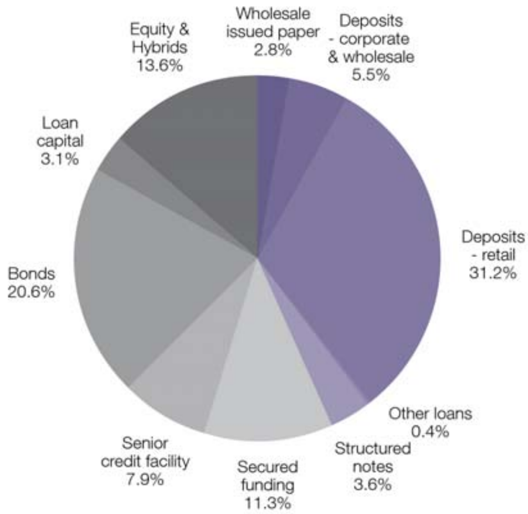
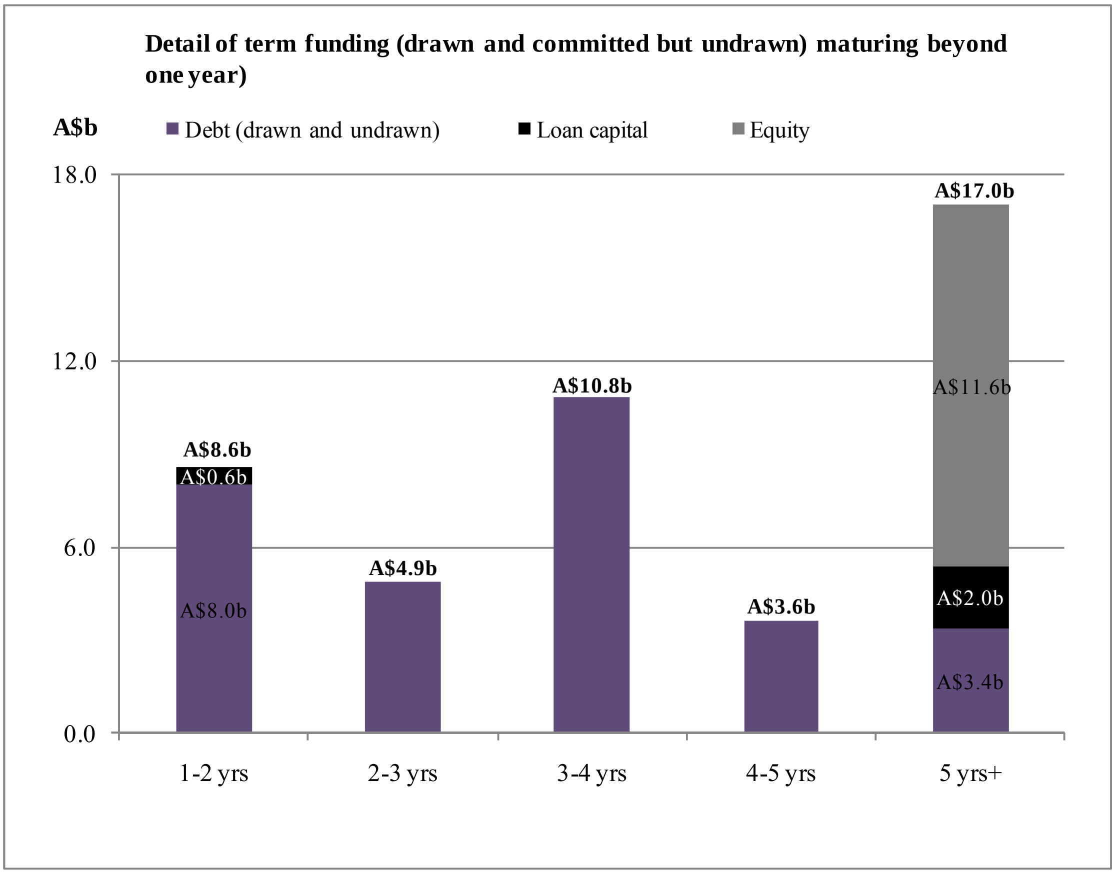
Diversity of funding sources of MGL Group, as at September 30, 2010



As at September 30, 2010, deposits represented A$31.2 billion, or 36.7% of total funding, short-term (maturing in less than 12 months) wholesale issued paper represented A$2.4 billion, or 3% of total funding and other debt funding maturing within twelve months represented A$7.1 billion or 8% 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, 2010:



MGL Group	As at Sep 10 1-2 yrs A$b	2-3 yrs A$b	3-4 yrs A$b	4-5 yrs A$b	5 yrs+ A$b
Structured notes	0.3	0.2	0.2	0.2	0.4
Secured funding	0.9	2.2	1.6	3.1	0.8
Bonds	4.4	0.1	9.0	0.1	2.1
Other loans	—	—	—	0.2	0.1
Senior Credit Facility[1]	2.2	2.1	—	—	—
Total debt	**7.8**	**4.6**	**10.8**	**3.6**	**3.4**
Loan capital	0.6	—	—	—	2.0
Equity and hybrid	—	—	—	—	11.6
Total funding sources drawn	**8.4**	**4.6**	**10.8**	**3.6**	**17.0**
Undrawn	0.2	0.3	—	—	—
Total funding sources drawn and undrawn	**8.6**	**4.9**	**10.8**	**3.6**	**17.0**

1 MGL's Senior Credit Facility is provided by a syndicate of wholesale lenders. As at September 30, 2010, the facility limit was A$7.3 billion, of which A$0.6 billion was undrawn. For a description of the Senior Credit Facility, see "— Funding Profile for Non-Banking Group" in this Report and "Macquarie Group Limited — Senior Credit Facility" on page 48 of our 2010 Annual U.S. Disclosure Report.

At September 30, 2010, MGL Group's term funding (including undrawn facilities) maturing beyond one year of A$44.9 billion, which comprised the funding sources described above, exceeded term assets. In addition, at September 30, 2010 our cash and liquid assets of A$26.5 billion exceeded short term wholesale issued paper of A$2.4 billion.

Excluding equity as a permanent source of funding, the weighted average term to maturity of term funding (excluding short term funding) decreased from 3.9 years at March 31, 2010 to 3.7 years at September 30, 2010.

Funding Profile for Non-Banking Group

The funded balance sheet of the Non-Banking Group as at September 30, 2010:

	As at Sep 10 A$b
Non-Banking Group	
Funding sources	
MBL Intra Group Loan to MGL[1]	1.2
Structured notes[2]	0.4
Secured funding[3]	0.6
Bonds[4]	3.5
Other loans[5]	0.3
Senior Credit Facility[6]	6.7
Deposits[7]	—
Loan capital[8]	0.6
Equity and hybrids[9]	2.9
Total	**16.2**
Funded assets	
Cash and liquid assets[10]	2.4
Non-Banking Group deposit with MBL	6.4
Net trading assets[11]	1.0
Loan assets less than one year[12]	0.2
Loan assets greater than one year[12]	0.9
Assets held-for-sale[13]	0.1
Debt investment securities[14]	0.2
Co-investment in MGL Group-managed funds and equity investments[15]	4.0
Property, plant and equipment and intangibles	0.9
Net trade debtors[16]	0.1
Total	**16.2**

1 *Intra Group Loan*. For a description of the Intra Group Loan, see "Macquarie Group Limited — Relationship between MBL and MGL — Intra Group Loan" on page 47 of our 2010 Annual U.S. Disclosure Report.

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

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

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

5 *Other loans.* Unsecured loans provided by financial institutions.

6 *Senior Credit Facility.* MGL's Senior Credit Facility is provided by a syndicate of wholesale lenders. As at September 30, 2010, the facility limit was A$7.3 billion, of which A$0.6 billion was undrawn. For a description of the Senior Credit Facility, see the description of MGL's debt funding below and "Macquarie Group Limited — Senior Credit Facility" on page 48 of our 2010 Annual U.S. Disclosure Report.

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.

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" in this Report for further information.

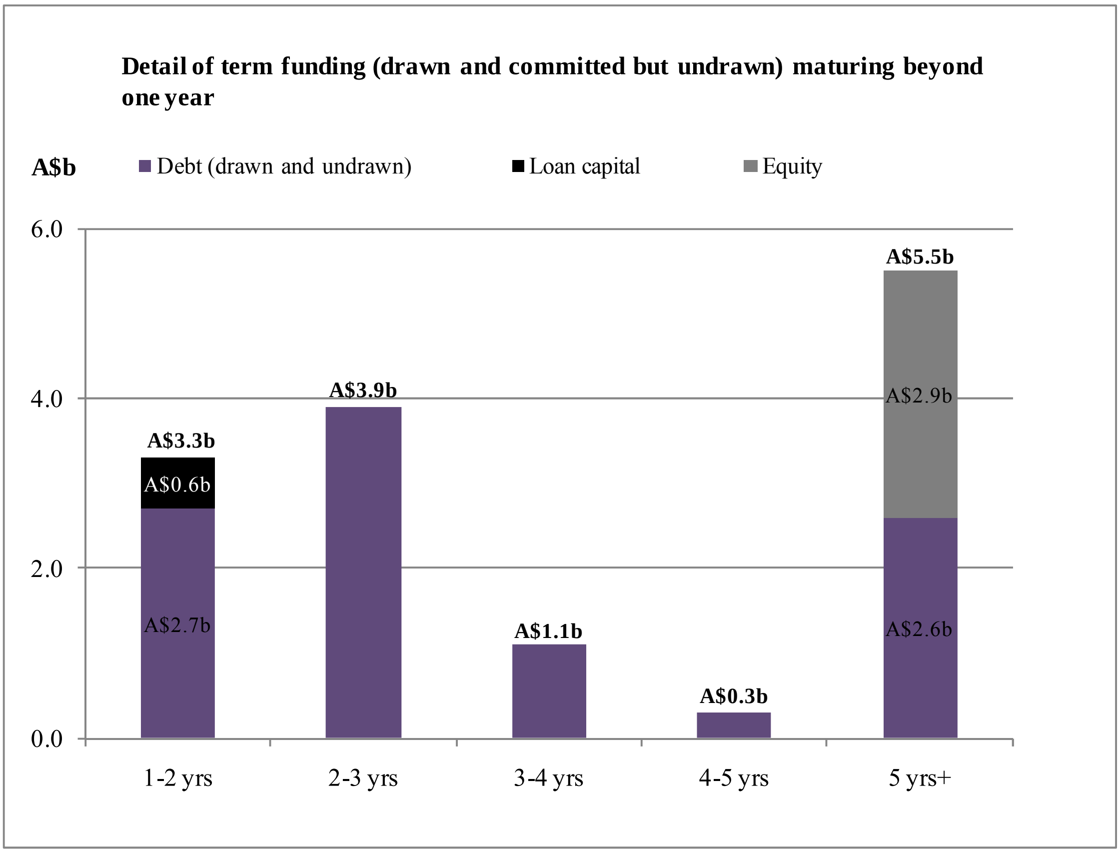
13 *Assets held-for-sale.* These are the net assets/liabilities of the held-for-sale categories on the balance sheet.

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] *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 Infrastructure & Real Assets-managed funds.

[16] *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, 2010:



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Non-Banking Group	As at Sep 10 1-2 yrs A$b	2-3 yrs A$b	3-4 yrs A$b	4-5 yrs A$b	5 yrs+ A$b
Structured notes	—	—	—	—	0.4
Secured funding	0.1	0.2	0.1	0.1	—
Bonds	0.2	0.1	1.0	—	2.1
Other bank loans	—	—	—	0.2	0.1
Senior Credit Facility[1]	2.2	2.1	—	—	—
Intra-group loan	—	1.2	—	—	—
Total debt	**2.5**	**3.6**	**1.1**	**0.3**	**2.6**
Loan capital	0.6	—	—	—	—
Equity	—	—	—	—	2.9
Total funding sources drawn	**3.1**	**3.6**	**1.1**	**0.3**	**5.5**
Undrawn[1]	0.2	0.3	—	—	—
Total funding sources drawn and undrawn	**3.3**	**3.9**	**1.1**	**0.3**	**5.5**

[1] MGL's Senior Credit Facility is provided by a syndicate of wholesale lenders. As at September 30, 2010, the facility limit was A$7.3 billion, of which A$0.6 billion was undrawn. For a description of the Senior Credit Facility, see the description of MGL's debt funding below and "Macquarie Group Limited — Senior Credit Facility" on page 48 of our 2010 Annual U.S. Disclosure Report.

Term funding beyond one year (excluding equity) has a weighted average term to maturity of 3.5 years.

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

- Senior Credit Facility, of which at September 30, 2010 was A$6.7 billion drawn and A$0.6 billion undrawn. Subsequent to September 30, 2010, as a result of a repayment of maturing tranches, the Senior Credit Facility was reduced to A$5.2 billion and now comprises two revolving credit facilities maturing November 2011 and November 2012, respectively, and three term facilities maturing May 2011, November 2011 and November 2012, respectively. For a description of the Senior Credit Facility entered into by MGL on November 13, 2007, see "Macquarie Group Limited — Senior Credit Facility" on page 48 of our 2010 Annual U.S. Disclosure Report.

- US$1.1 billion Intra Group Loan from MBL. This facility is an unsecured term loan to be repaid by December 2012. As at September 30, 2010, the balance outstanding was US$1.1 billion. This facility provided funding to MGL following the Restructure. For a description of the Intra Group Loan, see "Macquarie Group Limited — Relationship between MBL and MGL — Intra Group Loan" on page 47 of our 2010 Annual U.S. Disclosure Report.

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$3.0 billion was outstanding under the Rule 144A/Regulation S Medium Term Note Program at September 30, 2010; and

- US$10 billion multi-instrument Regulation S Debt Instrument Program, under which securities may be issued include Euro Commercial Paper, Euro Commercial Deposits, Euro-Medium Term Notes, senior and subordinated fixed/floating rate notes, and Transferable Deposits and MGL Wholesale Notes. The Debt Instrument Program had US$0.4 million debt securities outstanding at September 30, 2010.

Funding Profile for Banking Group

The funded balance sheet of the Banking Group as at September 30, 2010:

Banking Group	As at Sep 10 A$b
Funding sources	
Wholesale issued paper:[1]	
Negotiable certificates of deposit	1.4
Commercial paper	1.0
Structured notes[2]	2.7
Secured funding[3]	9.0
Bonds[4]	14.0
Other loans[5]	—
Deposits[6]	
Retail	26.5
Corporate and wholesale	4.7
Loan capital[7]	2.0
Equity and hybrids[8]	8.7
Total	**70.0**
Funded assets	
Cash and liquid assets[9]	24.1
Net trading assets[10]	13.4
Loan assets less than one year[11]	7.7
Loan assets greater than one year[11]	23.3
Assets held-for-sale[12]	—
Debt investment securities[13]	3.2
MBL Intra Group Loan to MGL[14]	1.2
Non-Banking Group deposit with MBL	(6.4)
Co-investment in MGL Group-managed funds and equity investments[15]	1.8
Property, plant and equipment and intangibles	1.2
Net trade debtors[16]	0.5
Total	**70.0**

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

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

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

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

5 *Other loans.* Unsecured loans provided by financial institutions.

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

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

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

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

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

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

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

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

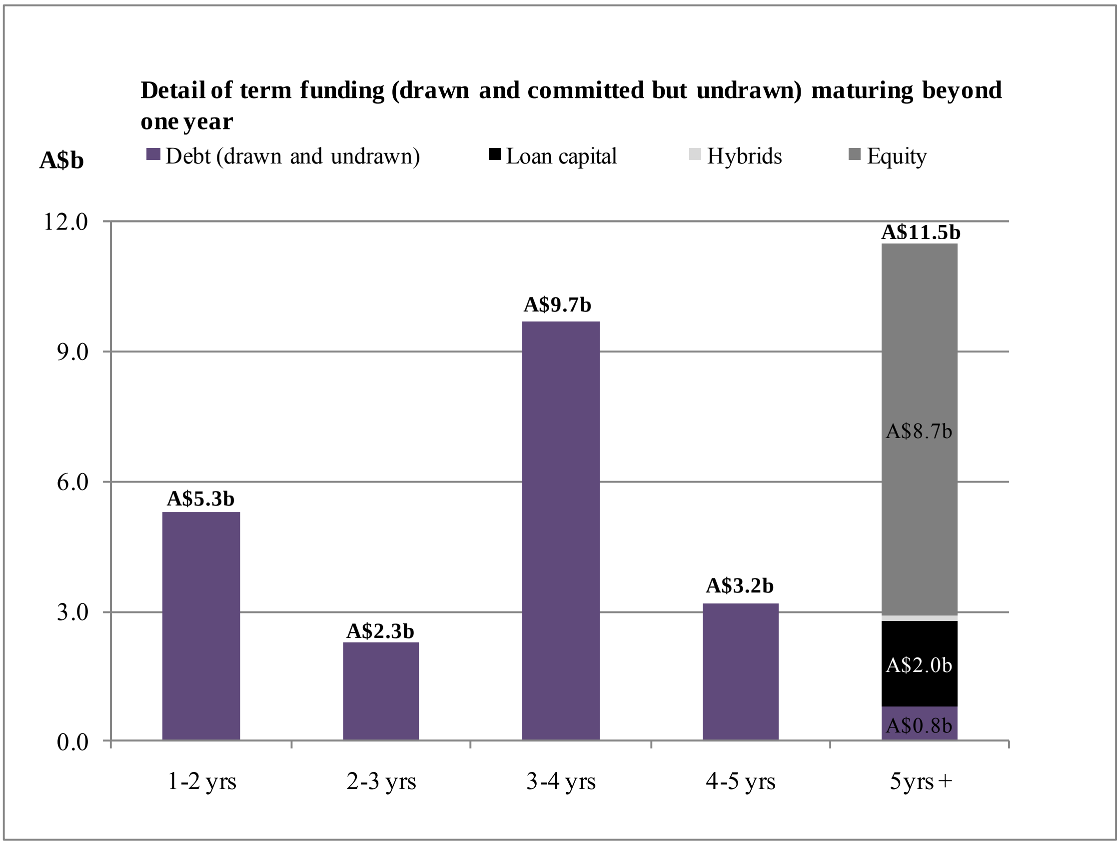
[14] *Intra Group Loan*. For a description of the Intra Group Loan, see "Macquarie Group Limited — Relationship between MBL and MGL — Intra Group Loan" on page 47 of our 2010 Annual U.S. Disclosure Report.

[15] *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.

[16] *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, 2010, deposits represented A$31.2 billion, or 44.6% of total funding, short-term wholesale funding represented A$2.4 billion, or 3.4% of total funding and other debt funding maturing within twelve months represented A$4.4 billion, or 6% 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, 2010:



	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	5 yrs+
	As at Sep 10				
Banking Group	**A$b**	**A$b**	**A$b**	**A$b**	**A$b**
Structured notes	0.3	0.2	0.2	0.2	—
Secured funding	0.8	2.0	1.5	3.0	0.8
Bonds	4.2	0.1	8.0	—	—
Total debt	**5.3**	**2.3**	**9.7**	**3.2**	**0.8**
Loan capital	—	—	—	—	2.0
Equity and hybrid	—	—	—	—	8.7
Total funding sources drawn	**5.3**	**2.3**	**9.7**	**3.2**	**11.5**
Undrawn	—	—	—	—	—
Total funding sources drawn and undrawn	**5.3**	**2.3**	**9.7**	**3.2**	**11.5**

The Banking Group has diversity of funding by both source and maturity. As at September 30, 2010, the Banking Group's term funding (including undrawn facilities) maturing beyond one year was A$32.0 billion, which comprised primarily of the funding sources described above . Term funding beyond one year (excluding equity) has a weighted average term to maturity of 3.7 years.

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

- US$25 billion multi-instrument Regulation S Debt Instrument Program, under which securities that may be issued include 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$8.0 billion of debt securities outstanding at September 30, 2010;

- US$10 billion Commercial Paper Program, under which US$0.8 billion of debt securities were outstanding at September 30, 2010; and

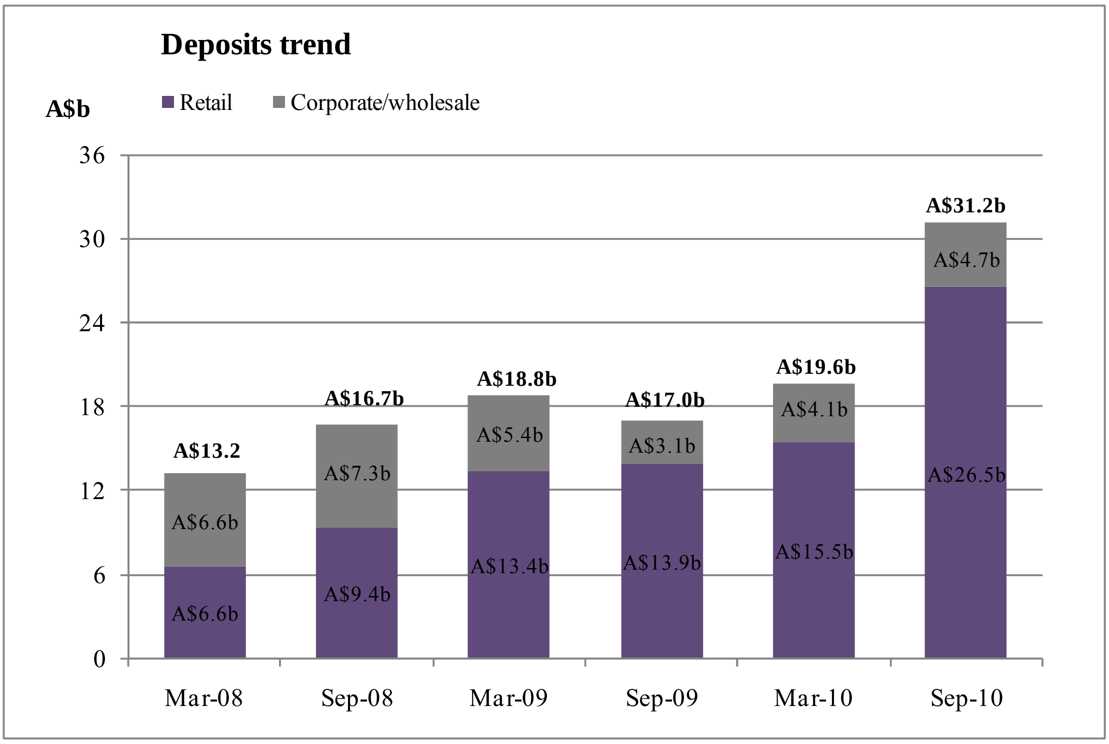
- US$20 billion Rule 144A/Regulation S Medium Term Note Program. At September 30, 2010, issuance amounted to US$7.5 billion under the Rule 144A/Regulation S Medium Term Note Program.

Furthermore, MBL Group accesses the Australian capital markets through the issuance of Negotiable Certificates of Deposits. At September 30, 2010, MBL Group had A$1.4 billion of these securities outstanding.

MBL Group, as an ADI, has access to liquidity from the RBA's daily market operations. At September 30, 2010, MBL Group had internally securitized A$1.8 billion of its own mortgages, which is a form of collateral on the RBA's list of eligible securities for repurchase agreements.

Deposit Strategy

The chart below illustrates MBL Group's strong retail deposit growth since March 2008.



	Mar 08	Sep 08	Mar 09	Sep 09	Mar 10	Sep 10
Deposits	**A$b**	**A$b**	**A$b**	**A$b**	**A$b**	**A$b**
Retail	6.6	9.4	13.4	13.9	15.5	26.5
Corporate/Wholesale	6.6	7.3	5.4	3.1	4.1	4.7

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

MBL is an ADI, and therefore the provisions of the financial claims scheme apply to MBL. See "Recent Developments — Regulatory and Supervision Developments — Australia — APRA" beginning on page 32 of this Report and "Regulation and Supervision" on page 56 of our 2010 Annual U.S. Disclosure Report for further information.

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

As detailed in Note 38 "Capital and other expenditure commitments" and Note 39 "Lease commitments" to our 2010 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, 2010, MGL Group had A$7.5 billion of contingent liabilities and commitments, including A$525 million of contingent liabilities and A$5.2 billion of commitments under undrawn credit facilities. See Note 19 "Contingent liabilities and commitments" to our 2011 interim financial statements which shows MGL Group's contingent liabilities and commitments at September 30, 2010.

Quantitative and Qualitative Disclosures about Market Risk

Each year we prepare a detailed analysis of market risk as it applied to MGL Group and a quantitative analysis of MGL Group's value at risk for equities, interest rates, foreign exchange, bullion, and commodities and in the aggregate thereof. See Note 41 "Financial risk management" to MGL Group's 2010 annual financial statements for a quantitative and qualitative discussion of these risks.

Capital Analysis

Overview

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

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

- The Banking Group's minimum Tier 1 capital requirement, based on a percentage of risk-weighted assets plus Tier 1 deductions (using prevailing APRA ADI Prudential Standards), and,

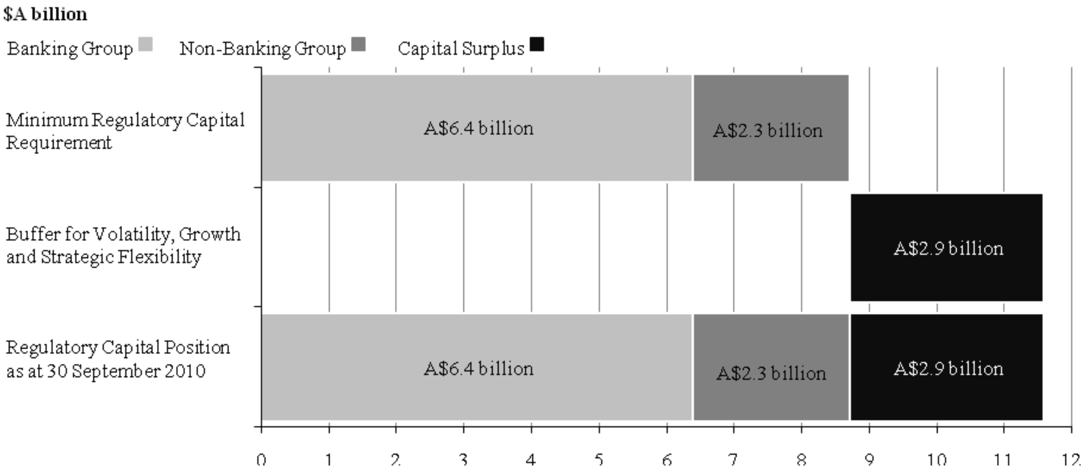
- The Non-Banking Group capital requirement, calculated using MGL Group's Economic Capital Adequacy Model.

Transactions internal to MGL Group are eliminated.

Eligible regulatory capital of MGL Group consists of ordinary share capital, retained earnings and certain reserves plus eligible hybrid instruments. Eligible hybrid instruments currently include the Convertible Preference Securities (CPS) issued by MGL in July 2008 as well as the Macquarie Income Securities (MIS) and Macquarie Income Preferred Securities (MIPS), described in further detail below.

The chart below depicts the regulatory capital position of MGL at September 30, 2010:

Macquarie Group Limited – Regulatory Capital Position (at September 30, 2010)



MGL Group regulatory capital surplus calculation

	As at		
	Sep 10	**Mar 10**	**Sep 09**
	A$m	**A$m**	**A$m**
MGL Group eligible capital			
Bank Gross Tier 1 capital	8,446	7,930	6,971
Non-Bank eligible capital	3,148	3,880	4,512
Eligible capital	11,594	11,810	11,483
MGL Group capital requirement			
Banking Group			
Risk Weighted Assets (excluding intra group exposures)[1]	53,363	46,940	42,560
Capital required to cover Risk Weighted Assets[2]	3,735	3,286	2,979
Tier 1 deductions (excluding intra group exposures)	2,664	2,466	1,925
Banking Group (excluding intra-group exposures)	6,399	5,752	4,904
Non-Banking Group	2,328	2,094	2,086
Total capital requirement	8,727	7,846	6,990
MGL Group regulatory capital surplus	2,867	3,964	4,493

1 In calculating MBL's contribution to MGL Group capital requirements, risk weighted assets associated with exposures to the Non-Banking Group are eliminated (A$330 million at September 30, 2010; A$393 million at March 31, 2010) and A$500 million at September 30, 2009.

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

Banking Group capital

In January 2008, the capital requirement guidelines developed by the Basel Committee on Banking Supervision, known as the Basel II Framework, was implemented in Australia by APRA.

MBL 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, which is the standard approach applied for specific risk on debt securities, 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 internal capital policy set by the Board requires capital floors above the minimum regulatory required levels.

Tier 1 capital

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

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

MIPS were issued when the London branch of MBL issued 7,000 reset subordinated convertible debentures, each with a face value of £50,000, to Macquarie Capital Funding LP, a controlled entity of MBL. The convertible debentures currently pay a fixed return of 6.177% until April 2020. As at September 30, 2010, MBL had £42.5 million of MIPS on issue which are held by parties not associated with MGL Group.

During the half year ended September 30, 2010 MGL recognized dividends and distribution of A$344 million (A$1.00 per share) and declared further dividends of A$0.86 per share to be paid on December 15, 2010.

During the half year ended September 30, 2010, we injected A$620 million of capital into MBL. Also, during the half year ended September 30, 2010, MGL recognized dividends and distribution of A$344 million (A$1.00 per share) and declared further dividends of A$0.86 per share to be paid on December 15, 2010.

Tier 2 capital

MBL Group Upper Tier 2 capital consists of a portion of certain equity reserves. MBL Group 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.

During the half-year ended September 30, 2010, MBL Group redeemed A$260 million, repurchased A$10 million and issued A$826 million of subordinated debt instruments.

Capital adequacy

MBL Group's regulatory capital supply and capital ratios as at September 30, 2010 are detailed in the tables on the following pages.

Pillar 3

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

Banking Group total capital base

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

	As at			Movement[1]	
	Sep 10	Mar 10	Sep 09	Mar 10	Sep 09
	A$m	A$m	A$m	%	%
Tier 1 capital					
Paid-up ordinary share capital	7,235	6,595	5,250	10	38
Reserves	(257)	(86)	186	199	238
Retained earnings	1,011	962	1,070	5	(6)
Innovative Tier 1 capital	457	459	465	nm	(2)
Gross Tier 1 capital	**8,446**	**7,930**	**6,971**	7	21
Deductions from Tier 1 capital:					
Goodwill	193	193	135	—	43
Deferred tax assets	381	434	426	(12)	(11)
Changes in the ADI's own creditworthiness on banking book liabilities	66	49	21	35	214
Intangible component of investments in non-consolidated subsidiaries and other non-Level 2 entities	610	621	139	(2)	large
Loan and lease origination fees and commissions paid to mortgage originators and brokers	131	132	142	(1)	(8)
Holdings of own Tier 1 capital instruments agreed with APRA	—	—	—	—	—
Other Tier 1 capital deductions	252	283	197	(11)	28
Deductions from Tier 1 capital only	**1,633**	**1,712**	**1,060**	(5)	54
Other 50/50 deductions from Tier 1 capital:					
Non-subsidiary entities exceeding prescribed limits (50%)	312	151	119	107	162
Non-consolidated subsidiaries (50%)	275	255	283	8	(3)
All other deductions relating to securitization (50%)	165	43	70	284	(136)
Shortfall in provisions for credit losses (50%)	155	171	256	(9)	(39)
Other 50/50 deductions from Tier 1 capital (50%)	124	134	137	(7)	(9)
Total 50/50 deductions from Tier 1 capital	**1,031**	**754**	**865**	37	19
Total Tier 1 capital deductions	**2,664**	**2,466**	**1,925**	8	38
Net Tier 1 capital	**5,782**	**5,464**	**5,046**	6	15
Tier 2 capital					
Upper Tier 2 capital:					
Excess Tier 1 capital instruments	—	—	—	—	—
Other Upper Tier 2 capital instruments	180	168	126	7	43
Lower Tier 2 capital:					
Term subordinated debt	**1,959**	**1,404**	**1,527**	40	28
Gross Tier 2 capital	**2,139**	**1,572**	**1,653**	36	29
Deductions from Tier 2 capital:					
Holdings of own Tier 2 capital instruments agreed with APRA	—	—	—	—	—
50/50 deductions from Tier 2 capital	1,031	754	865	37	19
Total Tier 2 capital deductions	**1,031**	**754**	**865**	37	19
Net Tier 2 capital	**1,108**	**818**	**788**	35	41
Total capital base	**6,890**	**6,282**	**5,834**	10	18

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

Risk Weighted Assets

	As at			Movement	
	Sep 10	Mar 10	Sep 09	Mar 10	Sep 09
	A$m	A$m	A$m	%	%
Credit risk – Risk-Weighted Assets (RWA)					
Subject to F-IRB approach:					
Corporate[1]	19,639	15,254	12,919	29	52
Sovereign	865	730	598	18	45
Bank	2,730	2,324	2,860	17	(5)
Residential mortgage	1,540	1,897	1,927	(19)	(20)
Other retail	1,285	1,006	869	28	48
Total RWA subject to F-IRB approach	**26,059**	**21,211**	**19,173**	23	36
Specialized lending exposures subject to slotting criteria[2]	**2,805**	**3,002**	**2,019**	(7)	39
Subject to standardized approach:					
Corporate	3,522	3,270	4,163	8	(15)
Residential mortgage	551	462	198	19	178
Other retail	3,487	3,376	2,640	3	32
Other	2,636	2,728	2,654	(3)	(1)
Total RWA subject to standardized approach	**10,276**	**9,885**	**9,655**	4	6
Credit risk RWA for securitization exposures	1,005	1,019	1,199	(1)	(16)
Total credit risk RWA	**40,145**	**35,117**	**32,046**	14	25
Equity risk exposures RWA	1,927	1,715	1,323	12	46
Market risk RWA	3,073	2,480	1,976	24	56
Operational risk RWA	6,984	6,748	6,565	3	6
Interest rate risk in banking book RWA	—	—	—	—	—
APRA scaling factor (6%) applied to IRB exposures	1,564	1,273	1,150	23	36
Total RWA	**53,693**	**47,333**	**43,060**	13	25
Capital ratios					
MBL Group Tier 1 capital ratio (%)	10.8	11.5	11.7	(6)	(8)
MBL Group Total capital ratio (%)	12.8	13.3	13.6	(4)	(6)

1 Includes A$330 million for exposures to the Non-Banking Group (A$393 million at March 31, 2010; A$500 million at September 30, 2009).

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

Non-Banking Group capital

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

Risk[1]	**Basel II**	**Economic Capital Adequacy Model**
Credit	Capital requirement determined by Basel II formula, with some parameters specified by the regulator (*e.g.,* loss given default)	Capital requirement determined by Basel II formula, but with internal estimates of some parameters
Equity	Simple risk-weight approach or deductions. Tier 1 capital requirement between 24% and 50% of face value[2]	Extension of Basel II credit model to cover equity exposures. Capital requirement between 36% and 82% of face value; average 51%
Market	3 times 10 day 99% Value at Risk plus a specific risk charge	Scenario-based approach.
Operational	Basel II Advanced Measurement Approach	Basel II Advanced Measurement Approach

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

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

Non-Banking Group regulatory capital requirement

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

	As at		
	Sep 10		
	Asset	Capital requirement	Equivalent risk weight
	A$b	A$m	%
Funded assets			
Cash and liquid assets	2.4	25	13
Loan assets[1]	1.1	88	97
Assets held-for-sale	0.1	42	697
Debt investment securities	0.2	10	51
Co-investments in Macquarie Capital-managed funds and equity investments – listed	3.9	1,811	582
Co-investments in Macquarie Capital-managed funds and equity investments – unlisted	0.1	—	—
Property, plant and equipment and intangibles[2]	0.9	242	329
Non Banking Group deposits with MBL	6.4	—	—
Net Trading Assets	1.0	—	—
Net Trade Debtors	0.1	—	—
Total funded assets	**16.2**	**2,218**	
Self-funded and non-recourse assets			
Self funded trading assets	2.8	—	
Broker settlement balances	4.4	—	
Derivative revaluation accounting gross-ups	(0.2)	—	
Working capital assets	2.5	—	
Total self-funded and non-recourse assets	9.5	—	
Total Non-Banking Group assets	**25.7**	—	
Off balance sheet exposures, operational, market and other risk and diversification offset[3]		110	
Non-Banking Group capital requirement		**2,328**	

[1] Includes leases.

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

[3] Includes capital associated with net trading assets (*e.g.*, market risk capital), net trade debtors and assets held-for-sale.

Statutory consolidated balance sheet

	As at			Movement[1]	
	Sep 10	Mar 10	Sep 09	Mar 10	Sep 09
	A$m	A$m	A$m	%	%
Assets					
Cash and balances with central banks	9	—	3	—	200
Due from banks	9,757	8,251	8,936	18	9
Cash collateral on securities borrowed and reverse repurchase agreements	9,266	7,149	4,493	30	106
Trading portfolio assets	15,938	12,138	14,502	31	10
Loan assets held at amortized cost	45,130	44,267	42,504	2	6
Other financial assets at fair value through profit or loss	11,025	9,172	5,249	20	110
Derivative financial instruments — positive values	23,430	21,561	21,441	9	9
Other assets	13,862	13,096	13,791	6	1
Investment securities available-for-sale	18,576	18,221	23,152	2	(20)
Intangible assets	1,411	1,456	715	(3)	97
Life investment contracts and other unitholder assets	5,047	4,846	5,066	4	nm
Interests in associates and joint ventures accounted for using the equity method	2,719	3,927	4,931	(31)	(45)
Property, plant and equipment	708	605	647	17	9
Deferred income tax assets	1,107	1,124	1,401	(2)	(21)
Non-current assets and assets of disposal groups classified as held-for-sale	75	127	100	(41)	(25)
Total assets	**158,060**	**145,940**	**146,931**	8	8
Liabilities					
Due to banks	9,981	9,927	10,284	1	(3)
Cash collateral on securities lent and repurchase agreements	6,482	7,490	5,328	(13)	22
Trading portfolio liabilities	5,811	5,432	7,368	7	(21)
Derivative financial instruments — negative values	24,326	21,706	21,552	12	13
Deposits	35,047	22,484	20,692	56	69
Debt issued at amortized cost	39,955	42,614	44,896	(6)	(11)
Other financial liabilities at fair value through profit or loss	3,710	4,413	5,037	(16)	(26)
Other liabilities	12,973	12,679	12,871	2	1
Current tax liabilities	94	119	103	(21)	(9)
Life investment contracts and other unitholder liabilities	5,069	4,864	5,062	4	nm
Provisions	221	191	184	16	20
Deferred income tax liabilities	235	235	210	—	12
Liabilities of disposal groups classified as held-for-sale	—	9	—	(100)	—
Total liabilities excluding loan capital	**143,904**	**132,163**	**133,587**	9	8
Loan capital					
Macquarie convertible preference securities	593	593	591	—	nm
Subordinated debt at amortized cost	1,483	916	1,011	62	47
Subordinated debt at fair value through profit or loss	487	499	522	(2)	(7)
Total loan capital	**2,563**	**2,008**	**2,124**	28	21
Total liabilities	**146,467**	**134,171**	**135,711**	9	8
Net assets	**11,593**	**11,769**	**11,220**	(1)	3
Equity					
Contributed equity:					
Ordinary share capital	7,063	6,990	6,267	1	13
Treasury shares	(719)	(443)	(2)	62	large
Exchangeable shares	129	137	159	(6)	(19)
Reserves	263	280	276	(6)	(5)
Retained earnings	4,325	4,268	3,984	1	9
Total capital and reserves attributable to ordinary equity holders of MGL Group	**11,061**	**11,232**	**10,684**	(2)	4

	As at			Movement[1]	
	Sep 10	Mar 10	Sep 09	Mar 10	Sep 09
	A$m	A$m	A$m	%	%
Non-controlling interests:					
Macquarie Income Preferred Securities	66	67	74	(1)	(11)
Macquarie Income Securities	391	391	391	—	—
Other non-controlling interests	75	79	71	(5)	6
Total equity	**11,593**	**11,769**	**11,220**	(1)	3

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

Total assets of A$158.1 billion at September 30, 2010 increased 8% from A$146.9 billion at September 30, 2009, an increase of A$11.2 billion as a result of the items listed below.

Cash collateral on securities borrowed and reverse repurchase agreements of A$9.3 billion at September 30, 2010 increased 106% from A$4.5 billion at September 30, 2009, primarily as a result of activities to manage the interest rate and liquidity requirements of MGL Group.

Loan assets of A$45.1 billion at September 30, 2010 increased 6% from A$42.5 billion at September 30, 2009, primarily due to an increase in loan and lease volumes in Corporate & Asset Finance, including the acquisition of the A$1 billion Ford Credit (October 2009) and A$1 billion GMAC (April 2010) lease portfolios, combined with growth in the Canadian Mortgages portfolio. These increases were partially offset by the impact of the strengthening Australian dollar since September 30, 2010. See "— Loan assets" in this Report for further information.

Other financial assets at fair value through profit or loss of A$11.0 billion at September 30, 2010 increased 110% from A$5.2 billion at September 30, 2009, primarily due to an increase in fixed rate securities that are classified as other financial assets at fair value through profit or loss.

Interests in associates and joint ventures using the equity method of A$2.7 billion at September 30, 2010 decreased 45% from A$4.9 billion at September 30, 2009, largely as a result of the reclassification of some interests in associates and joint ventures to equity investments available-for-sale when the sale of either the respective fund managers (in the case of MGL Group-managed funds) or units in the relevant investment since September 30, 2009 resulted in a loss of significant influence over the investment, including the investments in MAp Airports, Macquarie Atlas Roads Group and Intoll Group (together, formerly MIG) and the Charter Hall REITs (formerly Macquarie Office Trust and Macquarie CountryWide). The strengthening of the Australian dollar compared with major global currencies since September 30, 2009 also contributed to a reduction in the value of investments held in foreign currencies.

Investment securities available-for-sale of A$18.6 billion at September 30, 2010 decreased 20% from A$23.2 billion at September 30, 2009, primarily due to a reduction in debt securities held for liquidity purposes. The reduction in these securities is due to funding of the increase in the loan and lease portfolio, as well as an increase in fixed rate securities that are classified as other financial assets at fair value through profit or loss. The reduction of debt securities available-for-sale is partially offset by the above mentioned reclassification of some interests in associates and joint ventures to equity investments available-for-sale when MGL Group lost significant influence over the investments.

Intangible assets of A$1.4 billion at September 30, 2010 increased 97% from A$715 million at September 30, 2009, largely due to the acquisition of Delaware Investments in January 2010.

Total liabilities (excluding loan capital) of A$143.9 billion at September 30, 2010 increased 8% from A$133.6 billion at September 30, 2009. The main driver of the increase was the conversion of A$9.6 billion of CMT accounts to the CMA in July 2010.

Debt issued at amortized cost, decreased 11% to A$40.0 billion from A$44.9 billion in the prior corresponding period, primarily due to the maturity and buybacks of debt during the period.

In addition, the other notable change in the composition of liabilities was the 69% growth in deposits from A$20.7 billion at September 30, 2009 to A$35.0 billion at September 30, 2010, due to the conversion of A$9.6 billion of CMT accounts to the CMA in July 2010.

Total equity of A$11.6 billion at September 30, 2010 increased 3% from A$11.2 billion at September 30, 2009. The main driver of the change was growth in retained earnings of A$341 million since September 30, 2009.

Loan assets

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

	As at			Movement	
	Sep 10	**Mar 10**	**Sep 09**	**Mar 10**	**Sep 09**
	A$b	**A$b**	**A$b**	**%**	**%**
Loan assets at amortized cost per statutory balance sheet	45.1	44.3	42.5	2	6
Other loans held at fair value	2.3	2.9	1.8	(21)	28
Operating lease assets	2.2	1.2	1.2	83	83
Less: loans held by consolidated SPEs which are available as security to noteholders and debt providers	(13.5)	(15.2)	(17.0)	(11)	(21)
Less: segregated funds	(1.4)	(1.3)	(1.3)	8	8
Less: margin balances (reclassed to trading)	(2.3)	(2.4)	(1.9)	(4)	21
Less: other reclassification	(0.3)	—	—	—	—
Total per funded balance sheet	**32.1**	**29.5**	**25.3**	9	27

For the half years ended September 30, 2010, March 31, 2010 and September 30, 2009 funded loan assets of MGL Group and MBL Group consisted of:

	Half year ended			Movement	
	Sep 10	**Mar 10**	**Sep 09**	**Mar 10**	**Sep 09**
	A$b	**A$b**	**A$b**	**%**	**%**
Mortgages:					
Australia	1.9	2.2	1.8	(14)	6
United States	0.9	0.9	1.0	—	(10)
Canada	8.0	6.7	5.0	19	60
Margin lending		—	—		
Structured investments	3.4	4.0	4.0	(15)	(15)
Banking	3.6	3.6	3.3	—	9
Real estate	0.5	0.6	0.9	(17)	(44)
Debt markets warehouses	—	—	0.2	—	(100)
Resources and commodities	1.5	1.7	1.3	(12)	15
Corporate & Asset Finance leasing	5.9	3.7	2.8	59	111
Corporate & Asset Finance lending	5.2	5.1	3.8	2	37
Other lending	1.2	1.0	1.2	20	—
Total	**32.1**	**29.5**	**25.3**	9	27

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. • Italian Mortgages: portfolio sold in October 2008.
Margin lending ..	Conservative loan to value ratio is set on individual listed equity security; full recourse to listed equity securities.
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 assets, generally 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 and assets and disposal groups held-for-sale. The classification is driven by a combination of the level of influence MGL Group has over the investment and management's intention with respect to the holding of the asset in the short term.

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 MGL 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 MGL Group has significant influence, but not control. Investments in associates may be further classified as held-for-sale investments. 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. MGL 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 the analysis below, equity investments have been re-grouped into the following categories: investments in MGL Group-managed funds; other investments not held-for-sale or that are not investments in MGL Group-managed funds and held-for-sale investments.

Equity investments reconciliation

	As at		
	Sep 10	**Mar 10**	**Sep 09**
	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	2,144	1,254	1,183
Equity investments within investment securities available-for sale	2,737	1,345	721
Interests in associates and joint ventures accounted for using the equity method	2,719	3,927	4,931
Total equity investments per statutory balance sheet	**7,600**	**6,526**	**6,835**
Adjustment for funded balance sheet			
Equity hedge positions[1]	(1,830)	(1,030)	(1,000)
Total funded equity investments	**5,770**	**5,496**	**5,835**
Adjustments for equity investments analysis			
Available-for-sale reserves[2]	(228)	(36)	(172)
Associate reserves[3]	10	37	93
Total adjusted equity investments[4]	**5,552**	**5,497**	**5,756**
Held-for-sale investments			
Net assets of disposal groups classified as held-for-sale	75	118	100
Total equity investments including held-for-sale investments	**5,627**	**5,615**	**5,856**

1 These relate to assets held for the purposes of economically hedging MGL's fair valued liabilities to external parties arising from various equity linked instruments. These have been excluded from the analysis of investment exposure as MGL Group does not have an economic exposure to them.

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

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

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

Adjusted book value of equity investments by category

	As at		
	Sep 10	**Mar 10**	**Sep 09**
	A$m	**A$m**	**A$m**
Macquarie - managed funds[1]			
DUET Group	15	15	15
MDT	—	1	2
Macquarie Infrastructure Company	66	60	38
Macquarie Atlas Roads Limited	80	80	—
Macquarie International Infrastructure Fund	54	55	71
Macquarie Korea Infrastructure Fund	52	55	55
Total listed Macquarie Funds - managed funds	**267**	**266**	**181**
Unlisted Macquarie Funds - managed funds	542	521	772
Other Macquarie - managed funds	368	388	301
Total Macquarie - managed funds	**1,177**	**1,175**	**1,254**
Other investments			
Finance, investment, funds management and exchanges	749	748	702
Transport, industrial and infrastructure	2,202	2,242	2,302
Real estate	581	547	778
Debt investment entities	167	225	253
Energy and resources	362	289	230
Telecommunications, internet, media and entertainment	314	271	237
Total other investments	**4,375**	**4,322**	**4,502**
Held-for-sale investments	75	118	100
Total equity investments including held-for-sale investments	**5,627**	**5,615**	**5,856**

1 In July 2010, Macquarie Capital Funds, formerly a part of Macquarie Capital and the Non-Banking Group, consolidated with and became an operating division of Macquarie Funds and was renamed Macquarie Infrastructure & Real Assets. The activities of Macquarie Infrastructure & Real Assets have remained part of the Non-Banking Group.

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