Macquarie Group Limited

(ABN 94 122 169 279)

Disclosure Report (U.S. Version)
for the fiscal year ended March 31, 2015

Dated: May 22, 2015

TABLE OF CONTENTS

CERTAIN DEFINITIONS

In this Disclosure Report (U.S. Version) for the fiscal year ended March 31, 2015 (this "*Report*"), unless otherwise specified or the context otherwise requires:

- "*AASB*" means the Australian Accounting Standards Board;
- "*ABN*" means Australian Business Number;
- "*ACCC*" means the Australian Competition and Consumer Commission and its successors;
- "*ADI*" means an institution that is an authorized deposit-taking institution under the Australian Banking Act and regulated as such by APRA;
- "*alternative asset funds*" means specific asset class investor funds, which are listed or unlisted in different regions and span such sectors as: (i) infrastructure and related sectors (toll roads, airports, communications infrastructure, energy utilities and other asset classes); (ii) sector-specific real estate assets (retail, office, industrial and commercial); and (iii) private equity and development capital;
- "*AML-CTF Act*" means the Anti Money Laundering and Counter-Terrorism Financing Act 2006 of Australia;
- "*APRA*" means the Australian Prudential Regulation Authority and its successors;
- "*ASIC*" means the Australian Securities and Investments Commission and its successors;
- "*Asset and Liability Committee*" means the committee established by the Executive Committee with responsibility for oversight of asset and liability management, liquidity policy compliance, liquidity scenario analysis and contingency planning;
- "*Assets under Management*" is a non-GAAP financial measure we use that calculates the value of the proportional ownership interest in assets of funds managed by entities in MBL Group or the Non-Banking Group, as applicable, plus other assets managed on behalf of third parties, see "Financial information presentation — Non-GAAP financial measures";
- "*ASX*" means the Australian Securities Exchange operated by ASX Limited and its successors;
- "*Australian Accounting Standards*" means Australian Accounting Standards that also ensures compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board;
- "*Australian Banking Act*" means the Banking Act 1959 of Australia;
- "*Australian Corporations Act*" means the Corporations Act 2001 of Australia;
- "*A$*" or "*$*" means the Australian dollar and "*US$*" means the U.S. dollar;
- "*Bank*" and "*MBL*" each means Macquarie Bank Limited (ABN 46 008 583 542) (an ADI) and includes its predecessors and successors, and "*MBL Group*" means MBL and its controlled entities;
- "*Banking Group*" or "*Bank Group*" means Banking Holdco and the group of existing and future subsidiaries of that intermediate subsidiary, including the Bank, that constitutes the Banking Group as described herein;
- "*Banking Holdco*" means Macquarie B.H. Pty Ltd (ABN 86 124 071 432), the intermediate holding company established as a subsidiary of MGL and as the immediate parent of MBL as part of the Restructure;

- "*CMA*" means Cash Management Accounts;
- "*Commonwealth*" and "*Australia*" each means the Commonwealth of Australia;
- "*controlled entities*" means those entities (including special purpose entities) over which another party has the power to govern, directly or indirectly, decision making in relation to financial and operating policies, so as to require that entity to conform with such controlling party's objectives;
- "*CPS*" means Macquarie Convertible Preference Securities;
- "*ECS*" means Exchangeable Capital Securities;
- *"ELE"* means an Extended Licensed Entity (as defined in APRA prudential regulation) which is an ADI, such as the Bank, and any subsidiaries considered by APRA to be operating as a division of the ADI itself. In order to be part of the ELE, a subsidiary must, among other things: (i) not have liabilities to entities outside the ELE, including to third parties, where those liabilities exceed 5% of the subsidiary's assets; (ii) not undertake business that is not permitted by ADIs; (iii) be wholly-owned by the ADI itself or another ELE subsidiary; (iv) be entirely funded by the ADI; (v) face no regulatory or legal barriers to transferring assets back to the ADI; and (vi) have only the ADI's directors or senior managers on its board of directors;
- "*Equity under Management*" is a non-GAAP financial measure we use that aggregates the market capitalization of listed funds managed by entities in the Non-Banking Group, committed capital from investors in unlisted funds, the face value of hybrid instruments and invested capital in managed assets, see "Financial information presentation — Non-GAAP financial measures";
- "*Exchange Act*" means the U.S. Securities Exchange Act of 1934, as amended;
- "*Executive Committee*" means the committee established and chaired by the managing director of MGL focusing on a variety of business issues, including key risks faced across the organization;
- "*FCA*" means the United Kingdom Financial Conduct Authority;
- "*financial statements*" means our historical financial statements;
- *"FIRB"* means the foundation internal ratings-based approach under Basel III;
- "*GAAP*" means generally accepted accounting principles;
- "*historical financial statements*" means our 2015 annual financial statements, our 2014 annual financial statements and our 2013 annual financial statements;
- "*IASB*" means the International Accounting Standards Board;
- "*IFRS*" means International Financial Reporting Standards;
- "*international income*" is a non-GAAP financial measure we use that means net operating income (excluding earnings on capital and other corporate items) derived from our operations outside Australia, or in Australia for non-Australian clients and counterparties, see "Financial information presentation — Non-GAAP financial measures — International income";
- "*Macquarie Capital*" means, following the reorganizations of operating groups within MGL Group described below under "Macquarie Group Limited — Operating groups — Macquarie Capital", the Macquarie Capital Advisers division and certain activities of Commodities & Financial Markets that transferred to the Non-Banking Group as part of the Restructure;
- "*managed assets*" means third party equity invested in assets managed by Macquarie Infrastructure and Real Assets where management fees may be payable to us and assets held directly by us acquired with a

view that they may be sold into new or existing funds managed by Macquarie Infrastructure and Real Assets;

- "*MBIL*" means Macquarie Bank International Limited;
- "*MBL LB*" means the London branch of MBL;
- "*MCEL*" means Macquarie Capital (Europe) Limited;
- "*MEREP*" means Macquarie Group Employee Retained Equity Plan;
- "*MGL*" means Macquarie Group Limited (ABN 94 122 169 279), the authorized NOHC for the Banking Group and the Non-Banking Group, and includes its predecessors and its successors, as more fully described herein;
- "*MGL Group*", "*we*", "*our*" and "*us*" means MGL and its controlled entities, including MBL Group;
- "*MGL's U.S. Investors' Website*" means MGL's U.S. investors' website at http://www.macquarie.com/mgl/com/us/usinvestors/mgl;
- "*MIPS*" means Macquarie Income Preferred Securities;
- "*MIS*" means Macquarie Income Securities;
- "*net operating income*", an Australian Accounting Standards financial measure, includes net interest income (interest income less interest expense), trading income, fee and commission income, share of net profits of associates and joint ventures, net gains and losses from the sale of investments or the deconsolidation of controlled entities, dividends and distributions received/receivable, and other sundry income items, and is net of impairment charges and is reported in the income statement in our financial statements;
- "*NOHC*" means an authorized non-operating holding company of an ADI;
- "*NOHC Authority*" means the authority to be a non-operating holding company of an ADI granted to MGL by APRA on September 5, 2007 (as amended);
- "*Non-Banking Group*" or "*Non-Bank Group*" means Non-Banking Holdco and the group of existing and future subsidiaries of that intermediate subsidiary that constitute the Non-Banking Group as described herein;
- "*Non-Banking Holdco*" means Macquarie Financial Holdings Limited (ABN 63 124 071 398), the intermediate holding company established as a subsidiary of MGL and the parent of the Non-Banking Group as part of the Restructure;
- "*OFAC*" means the United States Office of Foreign Assets Control;
- "*operating expenses*", an Australian Accounting Standards financial measure, include employment expenses (including staff profit sharing expense), brokerage and commission expense, occupancy expenses (including premises rental expense), non-salary technology expenses, professional fees, travel and communication expense, and other sundry expenses and are reported in the income statement in our financial statements;
- "*PRA*" means the United Kingdom Prudential Regulation Authority;
- "*RBA*" means the Reserve Bank of Australia;

- "*Restructure*" means the reorganization of MBL Group that was completed on November 19, 2007 that resulted in the establishment of MGL as the ultimate holding company of MBL and the transfer by MBL Group of certain businesses, subsidiaries and assets, primarily the Macquarie Capital operating group, to the Non-Banking Group;

- "*Services Agreements*" means the Outsourcing Master Services Agreements between MBL and MGL dated November 15, 2007, and between the Non-Banking Holdco and MGL dated December 10, 2007, and any supplements or amendments thereto;

- "*shared services*" means the services to be performed by MGL or its subsidiaries for the Banking and Non-Banking Groups pursuant to the Services Agreements described under "Macquarie Group Limited — Organizational structure";

- "*2013 annual financial statements*" means our audited consolidated financial statements contained in our 2013 Annual Report;

- "*2013 Annual Report*" means our 2013 annual report, extracts of which are incorporated by reference and which have been posted on MGL's U.S. Investors' Website;

- "*2014 annual financial statements*" means our audited consolidated financial statements contained in our 2014 Annual Report;

- "*2014 Annual Report*" means our 2014 annual report, extracts of which are incorporated by reference and which have been posted on MGL's U.S. Investors' Website;

- "*2015 annual financial statements*" means our audited consolidated financial statements contained in our 2015 Annual Report;

- "*2015 Annual Report*" means our 2015 annual report, extracts of which are incorporated by reference and which have been posted on MGL's U.S. Investors' Website;

- "*2014 Fiscal Year Management Discussion and Analysis Report*" means our Management Discussion and Analysis Report dated May 2, 2014, which includes a comparative discussion and analysis of our results of operation and financial condition for the year ended March 31, 2014 compared to the year ended March 31, 2013, along with other balance sheet disclosures as at or for the year ended March 31, 2014, has been posted on MGL's U.S. Investors' Website and of which sections 1.0 to 4.0 have been incorporated by reference herein;

- "*2015 Fiscal Year Management Discussion and Analysis Report*" means our Management Discussion and Analysis Report dated May 8, 2015, which includes a comparative discussion and analysis of our results of operation and financial condition for the year ended March 31, 2015 compared to the year ended March 31, 2014, along with other balance sheet, capital and liquidity disclosures as at or for the year ended March 31, 2013, has been posted on MGL's U.S. Investors' Website and has been incorporated by reference herein; and

- "*2015 Fiscal Year"* means the fiscal year ended March 31, 2015.

Our fiscal year ends on March 31, so references to years such as "*2015*" or "*fiscal year*" and like references in the discussion of our financial statements, results of operation and financial condition are to the twelve months ending on March 31 of the applicable 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 Exchange Act. Examples of these forward-looking statements include, but are not limited to: (i) statements regarding our future results of operations and financial condition; (ii) statements of plans, objectives or goals, including those related to our products or services; and (iii) statements of assumptions underlying those statements. Words such as "*may*", "*will*", "*expect*", "*intend*", "*plan*", "*estimate*", "*anticipate*", "*believe*", "*continue*", "*probability*", "*risk*", and other similar words are intended to identify forward-looking statements but are not the exclusive means of identifying those statements.

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

- macroeconomic conditions in the global debt and equity markets;
- changes in market liquidity, volatility and investor confidence;
- inflation, and interest rate, exchange rate and other market fluctuations;
- our ability to deal effectively with an economic slowdown or other economic or market difficulties or disruptions;
- our ability to effectively manage our capital and liquidity and to adequately fund the operations of MGL and the Non-Banking Group;
- the effect of, and changes in, laws, regulations, taxation or accounting standards or practices, or government policy, including as a result of regulatory proposals for reform of the banking, life insurance and funds management industries in Australia and the other countries in which we conduct our operations or which we may enter in the future;
- our ability to complete, integrate or process acquisitions, disposals, mergers and other significant corporate transactions;
- our ability to effectively manage our growth;
- adverse impact on our reputation;
- the performance and financial condition of MGL;
- the effects of competition in the geographic and business areas in which we conduct our operations or which we may enter in the future;
- our ability to maintain or to increase market share and control expenses;
- the ability of MGL to attract and retain employees;
- changes in the credit quality of MGL's clients and counterparties;
- changes to the credit ratings assigned to each of MGL and MBL;
- the effectiveness of our risk management processes and strategies;
- the performance of funds and other assets we manage;

- the impact of asset sales on our long-term business prospects;
- the impact of catastrophic events on MGL and its operations;
- changes in political, social and economic conditions, including changes in consumer spending and saving and borrowing habits, in any of the major markets in which we conduct our operations or which we may enter in the future; and
- various other factors beyond our control.

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

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

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

Significant risk factors applicable to MGL Group are described under “Risk factors” and elsewhere in this Report.

EXCHANGE RATES

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

In providing these translations, we are not representing that the Australian dollar amounts actually represent these U.S. dollar amounts or that we could have converted those Australian dollars into U.S. dollars. Unless otherwise indicated, conversions of Australian dollars to U.S. dollars in this Report have been made at the noon buying rate on March 31, 2015, which was US$0.7625 per A$1.00. The noon buying rate on May 15, 2015 was US$0.8053 per A$1.00.

Fiscal year	Period End	Average Rate[1]	High	Low
2011	1.0358	0.9450	1.0358	0.8172
2012	1.0367	1.0456	1.1026	0.9453
2013	1.0409	1.0317	1.0591	0.9688
2014	0.9275	0.9339	1.0564	0.8715
2015	0.7625	0.8673	0.9488	0.7582

Month	Period End		High	Low
November 2014	0.8524		0.8737	0.8520
December 2014	0.8173		0.8521	0.8128
January 2015	0.7762		0.8212	0.7758
February 2015	0.7810		0.7898	0.7737
March 2015	0.7625		0.7869	0.7582
April 2015	0.7867		0.8065	0.7566
May 2015 (through May 15, 2015)	0.8053		0.8118	0.7813

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

AUSTRALIAN EXCHANGE CONTROL RESTRICTIONS

The Australian dollar is convertible into U.S. dollars at freely floating rates, subject to the sanctions described below. The Autonomous Sanctions Regulations 2011 promulgated under the Autonomous Sanctions Act 2011 of Australia, the Charter of the United Nations Act 1945 of Australia, and other laws and regulations in Australia restrict or prohibit payments, transactions and dealings with assets having a prescribed connection with certain countries or named individuals or entities subject to international sanctions or associated with terrorism or money laundering.

The Australian Department of Foreign Affairs and Trade maintains a list of all persons and entities having a prescribed connection with terrorism and a list of all persons and entities that are subject to autonomous sanctions (which include economic sanctions) which are available to the public at the department's website http://www.dfat.gov.au.

FINANCIAL INFORMATION PRESENTATION

Investors should read the following discussion regarding the presentation of our financial information together with the financial information presented elsewhere in this Report, our 2015 Fiscal Year Management Discussion and Analysis Report, sections 1.0 to 4.0 of our 2014 Fiscal Year Management Discussion and Analysis Report and our historical financial statements.

Our financial information

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

- the section of this Report under the heading "Macquarie Group Limited — Our business — Trading conditions and market update", which includes a discussion of operating conditions during the 2015 fiscal year and the impact of such operating conditions on MGL Group;
- the section of this Report under the heading "Management's Discussion and Analysis of Results of Operation and Financial Condition" in this Report, which incorporates by reference:
  - our 2015 Fiscal Year Management Discussion and Analysis Report, which includes a comparative discussion and analysis of our results of operation and financial condition for the year ended March 31, 2015 compared to the year ended March 31, 2014, and which has been posted on MGL's U.S. Investors' Website; and
  - sections 1.0 to 4.0 of our 2014 Fiscal Year Management Discussion and Analysis Report, which includes a comparative discussion and analysis of our results of operation and financial condition for the year ended March 31, 2014 compared to the year ended March 31, 2013, and which has been posted on MGL's U.S. Investors' Website;
- MBL's Pillar 3 Disclosure Document dated March 2014, the Pillar 3 Disclosure Document dated September 2014 and the Pillar 3 Disclosure Document dated December 2014, which describe the Bank's capital position, risk management policies and risk management framework and the measures adopted to monitor and report within this framework and which is posted on MGL's U.S. Investors' Website; and
- our historical financial statements, which are included in the extracts from our 2015 and 2014 Annual Reports posted on MGL's U.S. Investors' Website.

Application of new accounting standards

Please refer to Note 1 of the 2015 annual financial statements for a description of new Australian accounting standards and amendments to accounting standards that are effective in the 2015 fiscal year.

Our historical financial statements

Our 2015 annual financial statements include our audited financial statements as at, and for the years ended, March 31, 2015 and 2014. Our operating segments, as reported in accordance with Australian Accounting Standards, reflect our current operating groups and divisions. See our 2015 Fiscal Year Management Discussion and Analysis Report for further information.

MGL Group is divided into the following operating groups for internal reporting and risk management purposes: Macquarie Securities; Commodities & Financial Markets (formerly known as Fixed Income, Currencies & Commodities); Macquarie Asset Management (formerly known as Macquarie Funds); Banking & Financial Services; Macquarie Capital; and Corporate & Asset Finance. Transfers between segments are determined on an arm's-length basis and are eliminated on consolidation. Investors should note that on April 15, 2015, MGL transferred the Macquarie Investment Management division of Macquarie Asset Management to the Non-Banking Group. Accordingly, after April 15, 2015, results from the Macquarie Investment Management division will form part of the Non-Banking Group's results. For the purposes of the results presented in this Disclosure Report however, the Macquarie Investment Management division is discussed and presented as part of the Banking Group. See "Macquarie Group Limited—Overview—Recent developments" for a more detailed discussion of this transaction.

We report certain items in the Corporate segment, which includes the Group Treasury division, the Head Office and central support functions. Items of income and expense within the Corporate segment include the net impact of managing liquidity for MGL Group, earnings on capital, non-trading derivative volatility, unallocated head office costs and employment related costs of central support functions (service areas), income tax expense and distributions to holders of CPS, MIPS, MIS and ECS. 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. The items reported in the Corporate segment do not form part of the total profit contribution provided by our operating groups. The total contribution to profit by operating groups plus the contribution to profit included in the Corporate segment equate to our total profit attributable to ordinary equity holders.

Impact of acquisitions and disposals on the 2015, 2014 and 2013 fiscal years

During the 2015 fiscal year, MGL Group entered into an agreement to acquire an aircraft operating lease portfolio from AWAS Aviation Capital Limited for US$4 billion (subject to adjustments). The portfolio comprises 90 modern, current-generation commercial passenger aircraft leased to 40 airlines. The portfolio will be part of Macquarie AirFinance, the aircraft operating lease division of Corporate & Asset Finance. In addition, Corporate & Asset Finance sold its U.S.-based information technology equipment leasing business, consisting of US$0.9 billion in assets, to Huntington National Bank. Corporate & Asset Finance also sold its North American railcar operating lease portfolio, comprising of approximately US$0.4 billion in assets.

During the 2014 fiscal year, Banking & Financial Services acquired a 25% stake in Connective Broker Services Pty Ltd, an Australian mortgage aggregator. In addition, Banking & Financial Services sold Macquarie Private Wealth Canada, its 50% interest in the Religare-Macquarie Private Wealth joint venture in India and its 19.9% stake in OzForex. During the 2014 fiscal year, Macquarie Asset Management acquired ING Investment Management Korea and sold the Macquarie Investment Management Private Markets business.

During the 2013 fiscal year, MGL Group acquired a European rail leasing business. In addition, Banking & Financial Services acquired GE Capital's premium funding business and launched a white label Perpetual Wrap platform, which transferred Perpetual's A$7.6 billion platform business onto the Wrap platform on April 1, 2013.

In accordance with AASB 3 "*Business Combinations*", provisional amounts for the initial accounting of acquisitions made during each fiscal year were reported in MGL Group's 2015, 2014 and 2013 annual financial statements, respectively.

For further information on how these businesses have been integrated into MGL Group, see "Macquarie Group Limited — Operating groups" below, and for information on their impact on our results of operation and financial condition for the 2015 and 2014 fiscal years, see our segment analysis in section 3.0 of our 2015 Fiscal Year Management Discussion and Analysis Report and in section 3.0 of our 2014 Fiscal Year Management Discussion and Analysis Report.

For further information on acquisitions and disposals of subsidiaries and businesses during the 2015, 2014 and 2013 fiscal years, see Note 43 "Acquisitions and disposals of subsidiaries and businesses" to MGL Group's 2015 annual financial statements and Note 42 "Acquisitions and disposals of subsidiaries and businesses" to MGL Group's 2014 annual financial statements, respectively.

Certain differences between Australian Accounting Standards and U.S. GAAP

Investors should be aware that the financial information contained or incorporated by reference in this Report and in the additional information posted on MGL's U.S. Investors' Website have been prepared and presented in accordance with Australian Accounting Standards and the recognition and measurement principles prescribed in the current interpretations of the International Financial Reporting Standards, or Australian Accounting Standards. There are differences between Australian Accounting Standards and U.S. GAAP that may be material to the financial information contained or incorporated by reference in this Report and in the additional information posted on MGL's U.S. Investors' Website. MGL Group has not provided a quantitative reconciliation or narrative discussion of these differences in this Report. Investors should therefore consult their own professional advisors for an understanding of the differences between Australian Accounting Standards and U.S. GAAP and how those differences might affect the financial information included in this Report and, more generally, the financial results of MGL Group going forward.

The accounting policies adopted by entities within MGL Group are as reported in Note 1 to our 2015 annual financial statements.

Critical accounting policies and significant judgments

Note 1 to our 2015 annual financial statements provides a list of the critical accounting policies and significant judgments. Critical accounting policies and significant judgments for the 2015 fiscal year are otherwise consistent with those in the prior fiscal year.

Pending accounting standards changes

For a description of standards, interpretations and amendments to Australian Accounting Standards that are not yet effective but could have a significant impact on our accounting policies, see Note 1 to our 2015 annual financial statements.

Non-GAAP financial measures

We report our financial results in accordance with Australian Accounting Standards. However, we include certain financial measures and ratios that are not prepared in accordance with Australian Accounting Standards that we believe provide useful information to investors in measuring the financial performance and condition of our business for the reasons set out below. In addition, some of these non-GAAP financial measures are used by MGL Group in respect of our financial results. These non-GAAP financial measures do not have a standardized meaning prescribed by Australian Accounting Standards and, therefore, may not be comparable to similarly titled measures presented by other entities, nor should they be construed as an alternative to other financial measures determined in accordance with Australian Accounting Standards. You are cautioned, therefore, not to place undue reliance on any non-GAAP financial measures and ratios included or incorporated by reference into this Report and in the additional information posted on MGL's U.S. Investors' Website. These measures include:

Assets under Management

Assets under Management provides a consistent basis for measuring the scale of the funds management activities across our operating groups. Assets under Management is calculated as the proportional ownership interest in the underlying assets of funds and other assets managed by entities in MBL Group or the Non-Banking Group, as applicable, on behalf of third parties that are not funds managed by any MGL Group entity. This calculation is adjusted to exclude cross-holdings between funds managed by entities in MBL Group or the Non-Banking Group, as applicable, and is further adjusted to reflect the proportional ownership interest in the relevant fund manager.

Substantially all of MGL's Assets under Management is reported by Macquarie Asset Management with approximately 0.5% (as at March 31, 2015) reported by other operating groups.

Equity under Management

Equity under Management is a non-GAAP financial measure used by the Macquarie Infrastructure and Real Assets division, which is part of Macquarie Asset Management in the Non-Banking Group. Base management fees for that business, especially infrastructure and certain other alternative asset funds, are generally calculated with reference to Equity under Management. Equity under Management is considered an appropriate measure of the size of our funds as the calculation of Macquarie Infrastructure and Real Assets' base management fee income is based on a percentage of Equity under Management.

Equity under Management is the aggregate of listed funds (market capitalization at the measurement date plus underwritten or committed future capital raisings), unlisted funds (committed capital from investors at the measurement date less called capital subsequently returned to investors), hybrid instruments (face value of tickets and of exchangeable bonds), and managed assets (invested capital at measurement date).

Where a fund is managed through a joint venture with another party, the Equity under Management amount is then weighted based on our proportionate economic interest in the joint venture management entity.

International income

International income is a non-GAAP financial measure that we believe provides investors and analysts with a basis for determining the scale of our operations outside of Australia. Operating income is classified as "*international*" with reference to the geographic location in which the customer resides or services are provided. This may not be the same geographic location where the operating income is derived. For example, we classify operating income generated by work performed for clients based outside Australia and booked in Australia as "*international*". Income from funds management activities is allocated by reference to the location of the funds' assets.

International income as a percentage of net operating income (excluding earnings on capital and other corporate items)

International income as a percentage of net operating income (excluding earnings on capital and other corporate items) is a non-GAAP financial measure. To calculate this percentage, international income is divided by net operating income (excluding earnings on capital and other corporate items).

Earnings on capital and other corporate items

Earnings on capital and other corporate items is a non-GAAP financial measure. Net operating income, an Australian Accounting Standards financial measure, includes the income generated by our operating groups, income from the investment of our capital, and other items of operating income not attributed to our operating groups. Earnings on capital and other corporate items is net operating income *less* the operating income generated by our operating groups.

Funded loan assets and funded statutory statement of financial position

Funded loan assets is a non-GAAP financial measure. Funded loan assets is determined based on the funded statements of financial position of MGL Group and not the statutory statement of financial position classification. MGL Group's statutory statement of financial position is prepared based on Australian Accounting Standards and includes certain accounting gross-ups and non-recourse self-funded assets that do not represent a funding requirement of MGL Group. A reconciliation between the reported assets and the net funded loan assets at March 31, 2015 is presented in section 4.0 of our 2015 Fiscal Year Management Discussion and Analysis Report.

RISK FACTORS

We are subject to a variety of risks that arise out of our financial services and other businesses. We manage our ongoing business risks in accordance with our risk management policies and procedures, some of which are described in Note 38 to our 2015 annual financial statements. The following are some of the more significant risk factors that could affect our businesses, results of operation or financial condition.

Our business and financial condition has been and may be negatively impacted by adverse global credit and other market conditions. Economic conditions, particularly in the United States, Australia, Europe and Asia, may have a negative impact on MGL's financial condition and liquidity.

In recent years, global credit and equity markets have been characterized by uncertainty and volatility, with such markets continuing to demonstrate reduced liquidity, widened credit spreads and decreased price transparency. More recently, these challenging market conditions have resulted primarily from the ongoing sovereign debt concerns in Europe and concerns about Chinese and global economic growth, along with systemic reviews of the banking sector by rating agencies and regulators, imposing additional capital and other regulatory requirements. Our businesses operate in or depend on the operation of global markets, either directly or indirectly, including through exposures in securities, loans, derivatives and other activities. In particular, uncertainty in global credit markets, increased funding costs, constrained access to funding, and the decline in equity and capital market activity have impacted transaction flow in a range of industry sectors, all of which have adversely impacted our financial performance.

MGL may continue to endure similar or heightened adverse impacts from such conditions in the future. MGL may also face new costs and challenges as a result of general economic and geopolitical events and conditions. For instance, a European sovereign default, slowdown in the U.S. or Chinese economies, slowing growth in emerging economies or departure of a European country from the Euro zone or the market perception of such events could disrupt global funding markets and the global financial system more generally. MGL may also be impacted indirectly through its counterparties that may have direct exposure to European sovereigns and financial institutions. See "Macquarie Group Limited — Additional financial disclosures for the 2015 fiscal year — Euro-zone exposures" for a description of MGL's exposure in certain European countries as of March 31, 2015.

Since 2008, governments, regulators and central banks globally have taken numerous steps to increase liquidity and to restore investor and public confidence. There can be no assurance that the relief measures implemented by governments and central banks around the globe to restore confidence in financial systems and bolster economic growth will result in a sustained long-term stabilization of financial markets, or what impact the withdrawal of such relief measures or the consequential impacts of substantial fiscal stimulus on the budgets of sovereigns will have on global economic conditions or MGL's financial condition or prospects.

Our businesses including our advisory, transaction execution, funds management and lending businesses have been and may be adversely affected by market uncertainty, volatility or lack of confidence due to general declines in economic activity and other unfavorable economic, geopolitical or market conditions or by the impact of changes in foreign exchange rates.

Poor economic conditions and other adverse geopolitical conditions can adversely affect and have adversely affected investor and client confidence, resulting in significant industry-wide declines in the size and number of underwritings and of financial advisory transactions and increased market risk as a result of increased volatility, which could have and have had an adverse effect on our revenues and our profit margins. For example, our brokerage and commission and other fee income, M&A advisory and underwriting fee income and our client facilitation fee income may be, and have been, impacted by transaction volumes. In addition, in certain circumstances, market uncertainty or general declines in market or economic activity may affect our client execution businesses by decreasing levels of overall activity or by decreasing volatility, but at other times market uncertainty and even declining economic activity may result in higher trading volumes or higher spreads or both. Our trading income may be adversely impacted during times of subdued market conditions and client activity and increased market risk can lead to trading losses or cause us to reduce the size of our trading businesses in order to limit our risk exposure. Market conditions, as well as declines in asset values, may cause our clients to transfer their assets out of our funds or other products or their brokerage accounts and result in reduced net revenues, principally in our funds management business. Our funds management fee income, including base and performance fees, may be impacted by volatility in equity values and returns from our managed funds. Our loan portfolio may also be impacted by deteriorating economic conditions. We assess the credit quality of our loan portfolio and the value of our proprietary investments, including our investments in managed funds, for impairment at each reporting date. Our returns from asset sales are also subject to the current economic climate. In addition, if financial markets decline, revenues from our variable annuity products are likely to decrease. In addition, increases in volatility increase the level of our risk weighted assets and increase our capital requirements. Increased capital requirements may require us to raise additional capital at a time, and on terms, which may be less favorable than we would otherwise achieve during stable market conditions. If this occurs, then this may have an impact on our financial performance.

Our liquidity, profitability and businesses may be adversely affected by an inability to access international capital markets or by an increase in our cost of funding.

Liquidity is essential to our business, and we rely on credit and equity markets to fund our operations. Our liquidity may be impaired by an inability to access secured or unsecured debt markets, an inability to sell assets or unforeseen outflows of cash or collateral. Our liquidity may also be impaired due to circumstances that we may be unable to control, such as general market disruptions, which may occur suddenly and dramatically, an operational problem that affects our trading clients or ourselves, or changes in our credit spreads, which are continuous, market-driven, and subject at times to unpredictable and highly volatile movements. For a more detailed description of liquidity risk, refer to section 5.0 of our 2015 Fiscal Year Management's Discussion and Analysis Report.

General business and economic conditions are key considerations in determining our access to credit and equity capital markets, cost of funding and ability to meet our liquidity needs. The impact of these include, but are not limited to, changes in short-term and long-term interest rates, inflation, monetary supply, commodities volatility and results, fluctuations in both debt and equity capital markets, relative changes in foreign exchange rates, consumer confidence and changes in the strength of the economies in which we operate. Renewed turbulence or a worsening general economic climate could adversely impact any or all of these factors. Should conditions remain uncertain for a prolonged period, or deteriorate further, our funding costs may increase and may limit our ability to replace, in a timely manner, maturing liabilities, which could adversely affect our ability to fund and grow our business or otherwise have a material impact on us.

In the event that our current sources of funding prove to be insufficient, we may be forced to seek alternative financing, which could include selling liquid securities or other assets. The availability of alternative financing will depend on a variety of factors, including prevailing market conditions, the availability of credit, our credit ratings and credit capacity. The cost of these alternatives may be more expensive than our current sources of funding or include other unfavorable terms, or we may be unable to raise as much funding as we need to support our business activities. This could slow the growth rate of our businesses, cause us to reduce our term assets and increase our cost of funding, all of which could reduce our profitability. In the event that we are required to sell assets, there is no assurance that we will be able to obtain favorable prices on some or all of the assets we offer for sale or that we will be able to successfully complete asset sales at an acceptable price or in an acceptable timeframe. In addition, the sale of income earning assets may adversely impact our income in future periods.

Many of our businesses are highly regulated and we could be adversely affected by temporary and permanent changes in regulations and regulatory policy or unintended consequences from such changes and increased compliance requirements, particularly for financial institutions, in the markets in which we operate.

Many of our businesses are highly regulated in most jurisdictions in which we do business. We have businesses in multiple sectors, including as licensed brokers, investment advisers or other regulated financial services providers. We operate similar kinds of businesses across multiple jurisdictions, and some of our businesses operate across more than one jurisdiction or sector and are regulated by more than one regulator. Additionally, some members of MGL Group own or manage assets and businesses that are regulated. Our businesses include an ADI in Australia (regulated by APRA) and branches in the United Kingdom, the Dubai International Finance Centre, Singapore, Hong Kong and South Korea and representative offices in the United States, New Zealand and Switzerland. The regulations vary from country to country but generally are designed to protect depositors and the banking system as a whole, not holders of MGL's securities or creditors. In addition, as a diversified financial institution, many of our businesses are subject to financial services regulation other than prudential banking regulation in most jurisdictions in which we operate, including in the United States in respect of our broker-dealer, over-the-counter (OTC) derivatives and funds management businesses. Certain regulatory developments will significantly alter the regulatory framework and may adversely affect our competitive position and profitability. Some of the key regulators and regulatory frameworks applicable to our businesses are described below under "Regulation and Supervision".

Regulatory agencies and governments frequently review banking and financial services laws, regulations and policies, including fiscal policies, for possible changes. Changes to laws, regulations or policies, including changes in interpretation or implementation of laws, regulations or policies, could substantially affect us or our businesses, the products and services we offer or the value of our assets, or have unintended consequences or impacts across our business. These may include changing required levels of liquidity and capital adequacy, increasing tax burdens generally and on financial transactions, limiting the types of financial services and products that can be offered and/or increasing the ability of other providers to offer competing financial services and products, as well as changes to prudential regulatory requirements. Future changes in laws, regulations or policies as described above can be unpredictable, and beyond our control and could adversely affect our business.

MGL is regulated by APRA as a NOHC. APRA may introduce new prudential regulations or modify existing regulations, including those that apply to MGL as a NOHC. Any such event could result in changes to the organizational structure of MGL Group and adversely affect the business or financial performance of MGL Group.

Global economic conditions have led to increased supervision and regulation, as well as changes in regulation in markets in which we operate, particularly for financial institutions, and will lead to further significant changes of this kind. In addition, regulation is becoming increasingly extensive and complex and some areas of regulatory change involve multiple jurisdictions seeking to adopt a coordinated approach or certain jurisdictions seeking to expand the territorial reach of their regulation. Furthermore, the nature and impact of future changes are not predictable and beyond our control and there is operational and compliance risk associated with the implementation of any new laws and regulations that apply to us as a financial institution. In particular, changes in applicable laws, regulations or other governmental policies could adversely affect one or more of our businesses and could require us to incur substantial costs.

We are responsible for ensuring that we comply with all applicable legal and regulatory requirements (including accounting standards, where applicable, as well as rules and regulations relating to corrupt and illegal payments and money laundering) and industry codes of practice, as well as meeting our ethical standards. The failure to comply with applicable regulations could result in suspensions, restrictions of operating licenses, fines and penalties or limitations on our ability to do business. They could also have adverse reputational consequences. These costs, expenses and limitations could have an adverse effect on our business, results of operations, financial performance or financial condition. The legal and regulatory requirements described above could also adversely affect the profitability and prospects of us or our businesses to the extent that they limit our operations and flexibility of our businesses. The nature and impact of future changes in such policies are not predictable and are beyond our control.

We may be adversely affected by increased governmental and regulatory scrutiny or negative publicity.

Governmental scrutiny from regulators, legislative bodies and law enforcement agencies with respect to matters relating to the financial services sector generally and our business operations, capital, liquidity and risk management, compensation and other matters, has increased dramatically over the past several years. The financial crisis and the subsequent political and public sentiment regarding financial institutions has resulted in a significant amount of adverse press coverage, as well as adverse statements or charges by regulators or other government officials, and in some cases, to increased regulatory scrutiny, investigations and litigation. Responding to and addressing such matters, regardless of the ultimate outcome, is time-consuming and expensive and can divert the time and effort of our senior management from our business. Penalties and fines sought by regulatory authorities have increased substantially over the last several years, and regulators have become aggressive in commencing enforcement actions or with advancing or supporting legislation targeted at the financial services industry. Adverse publicity, governmental scrutiny and legal and enforcement proceedings can also have a negative impact on our reputation with clients and on the morale and performance of our employees, which could adversely affect our businesses and results of operations.

Changes and increased volatility in currency exchange rates may adversely impact our financial results and our financial and regulatory capital positions.

While our consolidated financial statements are presented in Australian dollars, a significant portion of our operating income is derived, and operating expenses are incurred, from our offshore business activities, which are conducted in a broad range of currencies and with counterparties around the world. Changes in the rate at which the Australian dollar is translated from other currencies can impact our financial statements and the economics of our business.

Although we seek to carefully manage our exposure to foreign currencies through matching of assets and liabilities in local currencies and through the use of foreign exchange forward contracts to hedge our exposure, we are still exposed to exchange risk. Insofar as we are unable to hedge or have not completely hedged our exposure to non-Australian currencies, our reported profit or foreign currency translation reserve would be affected.

Investors should be aware that exchange rate movements may adversely impact our future financial results. MGL Group's regulatory capital position may be adversely impacted by a depreciating Australian dollar, which increases the capital requirement for assets denominated in currencies other than Australian dollars.

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 the exiting or restructuring of existing businesses.

From time to time we may evaluate strategic opportunities and undertake acquisitions of businesses, some of which may be material to our operations. Certain acquisition opportunities may arise, for example, as competitors choose to exit what they consider non-core activities. Our completed and prospective acquisitions and growth initiatives may cause us to become subject to unknown liabilities of the acquired or new business and additional or different regulations.

We may over value the acquisition, we may not achieve expected synergies from the acquisition, we may achieve lower than expected cost savings or otherwise incur losses, we may lose customers and market share, we may face disruptions to our operations resulting from integrating the systems, processes and personnel (including in respect of risk management) of the acquired business into MGL Group, our management's time may be diverted to facilitate the integration of the acquired business into MGL Group, or the acquisition may have negative impacts on our results, financial condition or operations. We may also underestimate the costs associated with outsourcing, exiting or restructuring existing businesses. If these risks eventuate they may have a negative impact on our results, financial condition and prospects. Where our acquisitions are in foreign jurisdictions, or are in emerging economies in particular, we may be exposed to heightened levels of regulatory scrutiny and political, social or economic disruption and sovereign risk in emerging and growth markets.

In addition, there are current and prospective strategic risks associated with timely business decisions, proper implementation of decisions or responsiveness to changes in our current operating environment. From time to time, we may evaluate other strategic opportunities, the outcome of which is dependent upon the quality of our strategic planning process, the implications of the strategy on risk appetite and our ability to evaluate and, if determined to be worthwhile, implement such strategic opportunities.

Our business is substantially dependent on our brand and reputation.

We believe our reputation in the financial services markets and the recognition of the Macquarie brand by our customers are important contributors to our business. Many companies in MGL Group and many of the funds managed by entities owned, in whole or in part, by MGL use the Macquarie name. Our reputation and, as a result, our business and business prospects could be adversely affected if any of the entities using the Macquarie name take actions, or are publically accused of such actions, that bring negative publicity on MGL Group.

The financial condition and results of operation of MGL Group may be indirectly adversely affected by the negative performance, or negative publicity in relation to, any Macquarie-managed fund or funds that Macquarie has promoted or is associated with, as investors and lenders may associate such funds with the name, brand and reputation of MGL Group and other Macquarie-managed funds. In addition, if funds that use the Macquarie name or are otherwise associated with Macquarie-managed infrastructure assets, such as roads, airports, utilities and water distribution facilities that people view as community assets, are perceived to be managed inappropriately, those managing entities could be subject to criticism and negative publicity, harming our reputation and the reputation of other entities that use the Macquarie name.

Competitive pressure, both in the financial services industry as well as in the other industries in which we operate, could adversely impact our business and results of operation.

We face significant competition from local and international competitors, which compete vigorously for participation in the various markets and sectors across which we operate, including the financial services industry. We compete on the basis of a number of factors, including our products and services, depth of client relationships, innovation, reputation and price. We believe that we will continue to experience pricing pressures in the future as some of our competitors seek to obtain or increase market share. We compete, both in Australia and internationally, with asset managers, retail and commercial banks, private banking firms, investment banking firms, brokerage firms, internet based firms and other investment and service firms in connection with the various funds and assets we manage and services we provide. In addition, any trend toward consolidation in the global financial services industry may create stronger competitors with broader ranges of product and service offerings, increased access to capital, and greater efficiency and pricing power. In recent years, competition in the financial services industry has also increased as large insurance and banking industry participants have sought to establish themselves in markets that are perceived to offer higher growth potential and as local institutions have become more sophisticated and competitive and have sought alliances, mergers or strategic relationships. Many of our competitors are larger than we are and may have significantly greater financial resources than we do and/or may be able to offer a wider range of products which may enhance their competitive position. The effect of competitive market conditions, especially in our main markets, products and services, may lead to an erosion in our market share or margins and adversely impact our business and results of operation.

Our ability to retain and attract qualified employees is critical to the success of our business and the failure to do so may materially adversely affect our performance.

Our employees are our most important resource, and our performance is largely dependent on the talents and efforts of highly skilled individuals. As such, our continued ability to compete effectively in our businesses and to expand into new business areas and geographic regions depends on our ability to retain and motivate our existing employees and attract new employees. Competition from within the financial services industry and from businesses outside the financial services industry, such as professional service firms, hedge funds, private equity funds and venture capital funds, for qualified employees has historically been intense and is expected to increase during periods of economic growth.

In order to attract and retain qualified employees, we must compensate such employees at or above market levels. Typically, those levels have caused employee remuneration to be our greatest expense as our performance-based remuneration has historically been cash based and highly variable. Recent market events have resulted in increased regulatory and public scrutiny of corporate remuneration policies and the establishment of criteria against which industry remuneration policies may be assessed. As a NOHC regulated by APRA, we may be subject to limitations on remuneration practices (which may or may not affect our competitors). These limitations may require us to further alter our remuneration practices in ways that could adversely affect our ability to attract and retain qualified and talented employees. If we are unable to continue to attract and retain qualified employees, as a result of such changes or otherwise, or are required to pay higher remuneration in order to attract and retain qualified employees to maintain our competitive position, or if increased regulation requires us to further change our remuneration policies, our performance, including our competitive position, could be materially adversely affected.

In addition, current and future laws (including laws relating to immigration and outsourcing) may restrict our ability to move responsibilities or personnel from one jurisdiction to another. This may impact our ability to take advantage of business and growth opportunities or potential efficiencies, which could adversely affect our profitability.

Our business is subject to the risk of loss associated with falling prices in the equity and other markets in which we operate.

We are exposed to changes in the value of financial instruments and other financial assets that are carried at fair market value, as well as changes to the level of our advisory and other fees due to changes in interest rates, exchange rates, equity and commodity prices, credit spreads and other market risks. These changes may result from changes in economic conditions, monetary and fiscal policies, market liquidity, availability and cost of capital, international and regional political events, acts of war or terrorism, corporate, political or other scandals that reduce investor confidence in capital markets, natural disasters or pandemics or a combination of these or other factors. We trade in foreign exchange, interest rate, commodity, bullion, energy, securities and other markets and are an active price maker in the derivatives market. Certain financial instruments that we hold and contracts to which we are a party are increasingly complex, as we employ structured products to benefit our clients and ourselves, and these complex structured products often do not have readily available markets to access in times of liquidity stress. We may incur losses as a result of decreased market prices for products we trade, which decreases the valuation of our trading and investment positions, including our interest rate and credit products, currency, commodity and equity positions. In addition, reductions in the level of prices in the equity markets or increases in interest rates may reduce the value of our clients' portfolios, which in turn may reduce the fees we earn for managing assets in certain parts of our business. Increases in interest rates or attractive conditions in other investments could cause our clients to transfer their assets out of our funds or other products.

Defaults by one or more other large financial institutions or counterparties could adversely affect financial markets generally.

The commercial soundness of many financial institutions may be closely interrelated as a result of credit, trading, clearing or other relationships among financial institutions. As a result of, and in light of, recent significant volatility in the financial sector and the capital markets, concerns about, or a default by, one or more institutions or by a sovereign could lead to market-wide liquidity problems, losses or defaults by other institutions globally that may further affect us. This is sometimes referred to as "*systemic risk*" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms, hedge funds and exchanges that we interact with on a daily basis. These risks may impact the value of financial instruments and other financial assets that are carried at fair market value by MGL and MGL's ability to deal in those assets. If these risks eventuate, they may have an impact on our results, financial condition and prospects.

An increase in the failure of third parties to honor their commitments in connection with our trading, lending and other activities, including funds that we manage, may adversely impact our business.

We are exposed to the potential for credit-related losses that can occur as a result of an individual, counterparty or issuer being unable or unwilling to honor its contractual obligations. We are also exposed to potential concentration risk arising from large individual exposures or groups of exposures. Like any financial services organization, we assume counterparty risk in connection with our lending, trading, derivatives and other businesses where we rely on the ability of a third party to satisfy its financial obligations to us on a timely basis. The resulting credit exposure will depend on a number of factors, including declines in the financial condition of the counterparty, the value of property we hold as collateral and the market value of the counterparty instruments and obligations we hold. See Note 38 to our 2015 annual financial statements for a description of the most significant regional, business segment and individual credit exposures where we believe there is a significant risk of loss. Credit losses can and have resulted in financial services organizations realizing significant losses and in some cases failing altogether. To the extent our credit exposure increases, it could have an adverse effect on our business and profitability if material unexpected credit losses occur. We are also subject to the risk that our rights against third parties may not be enforceable in all circumstances, which may also adversely impact our business and profitability.

Credit constraints of purchasers of our investment assets or on our clients may impact our income.

Historically, a portion of our income has been generated from the sale of assets to third parties, including our funds. If buyers are unable to obtain financing to purchase assets that we currently hold or purchase with the intention to sell in the future, we may be required to hold investment assets for a longer period of time than we historically have or may sell these assets at lower prices than we historically would have expected to achieve, which may lower our rate of return on these investments and require funding for periods longer than we have anticipated.

In addition, we have historically derived a portion of our income from M&A advisory fees which are typically paid upon completion of a transaction. Our clients that engage in mergers and acquisitions often rely on access to the secured and unsecured credit markets to finance their transactions. The lack of available credit and the increased cost of credit may adversely affect the size, volume and timing of our clients' merger and acquisition transactions – particularly large transactions – and may also adversely affect our financial advisory and underwriting businesses.

Failure to maintain our credit ratings and those of our subsidiaries could adversely affect our cost of funds, liquidity, competitive position and access to capital markets.

The credit ratings assigned to us and certain of our subsidiaries by rating agencies are based on an evaluation of a number of factors, including our ability to maintain a stable and diverse earnings stream, strong capital ratios, strong credit quality and risk management controls, funding stability and security, disciplined liquidity management and our key operating environments, including the availability of systemic support in Australia. In addition, a credit rating downgrade could be driven by the occurrence of one or more of the other risks identified in this section or by other events that are not related to the MGL Group.

If we fail to maintain our current credit ratings, this could (i) adversely affect our cost of funds and related margins, liquidity, competitive position, the willingness of counterparties to transact with us and our ability to access capital markets or (ii) trigger our obligations under certain bilateral provisions in some of our trading and collateralized financing contracts. Under these provisions, counterparties could be permitted to terminate contracts with us or require us to post additional collateral. Termination of our trading and collateralized financing contracts could cause us to sustain losses and impair our liquidity by requiring us to find other sources of financing or to make significant cash payments or securities movements.

We may incur losses as a result of ineffective risk management processes and strategies.

While we employ a broad and diversified set of risk monitoring and risk mitigation techniques, those techniques and the judgments that accompany their application cannot anticipate every economic and financial outcome or the specifics and timing of such outcomes. As such, we may, in the course of our activities, incur losses. There can be no assurance that the risk management processes and strategies that we have developed will adequately anticipate or be effective in addressing market stress or unforeseen circumstances.

For a further discussion of our risk management policies and procedures, see our "Risk Management Report" in our 2015 Annual Report and Note 38 to our 2015 annual financial statements.

Future growth, including through acquisitions, mergers and other corporate transactions, may place significant demands on our managerial, legal, accounting, IT, risk management, operational and financial resources and may expose us to additional risks.

Future growth, including through acquisitions, mergers and other corporate transactions, may place significant demands on our legal, accounting, IT, risk management and operational infrastructure and result in increased expenses. Our future growth will depend, among other things, on our ability to integrate new businesses, maintain an operating platform and management system sufficient to address our growth, attract employees and other factors described herein. If we do not manage our expanding operations effectively, our ability to generate revenue and control our expenses could be adversely affected.

A number of our recent and planned business initiatives and further expansions of existing businesses are likely to bring us into contact, directly or indirectly, with individuals and entities that are new clients, with new asset classes and other new products or new markets. These business activities expose us to new and enhanced risks, including reputational concerns arising from dealing with a range of new counterparties and investors, actual or perceived conflicts of interest, regulatory scrutiny of these activities, potential political pressure, increased credit-related and operational risks, including risks arising from accidents or acts of terrorism, and reputational concerns with the manner in which these businesses are being operated or conducted. If these risks eventuate, they may have a negative impact on our results, financial condition or operations.

Poor performance of our funds would cause a decline in our revenue and results of operations and may adversely affect our ability to raise capital for future funds.

Our financial condition and results of operation are directly and indirectly affected by the results of the funds and the assets we manage, particularly our Macquarie-managed funds. Our revenue from Assets under Management is derived principally from three sources: (i) management fees, based on the size of our funds; (ii) incentive income, based on the performance of our funds; and (iii) investment income based on our investments in the funds, which we refer to as our "*principal investments*". If the value of the funds we manage declines, our Assets under Management would also decline, which would result in a decrease in our management fees from our funds. In the event that any of our funds perform poorly due to market conditions or our underperformance, our revenue and results of operations may decline. In addition, investors may withdraw their investments in our funds or may decline to invest in future funds we establish as a result of poor performance of our funds or otherwise.

Long-term underperformance can have negative implications for incentive income. If the return of a fund is negative in any period (quarterly, semi-annually or annually, depending on the fund), then the amount of the performance deficit must be carried forward until eliminated.

The business model of MGL Group includes revenue it generates from management of funds and transactions with the assets it manages.

As at March 31, 2015, MGL Group had A$486.3 billion in Assets under Management, and for the year ended March 31, 2015 derived A$1,388 million of base fee income from the funds that it managed. In addition to risks relating to fee income (as described above) and any credit exposure we may have to funds or assets owned by funds, MGL Group's funds model exposes it to such risks as:

- *Equity at risk*: MGL Group maintains an equity interest in a number of the funds that it manages. The market value of MGL Group's assets is directly affected by the value of the funds managed by MGL Group to the extent of its equity interest in those funds.

- *Reputation risk*: The Macquarie name is attached to many of the funds managed by MGL Group. Any adverse developments at any of the funds we manage or the assets managed by those funds could have an adverse impact on our reputation and public image which could adversely affect our business and financial condition.

- *Contingent liabilities*: In some instances entities in MGL Group have sold assets to funds managed by MGL Group mostly in circumstances when MGL Group is seeding a newly-formed fund with assets, or MGL Group has sold its interest in such assets to third parties. Under the terms of some of the agreements pursuant to which those assets have been sold we may have contingent liabilities as a result of the representations and warranties, covenants, indemnities or other provisions of those agreements.

- *Conflicts of interest*: MGL Group manages and advises a large number of funds, many of which compete for assets and investors. We have policies in place designed to manage conflicts of interest within MGL Group, but no assurance can be given that those policies will be adequate to prevent actual or perceived conflicts of interest.

If we are unable to effectively manage these risks, our funds management business and reputation could be materially harmed or we could be exposed to claims or other liabilities to investors in the funds.

We may experience writedowns of our funds management assets, investments, loans and other assets related to volatile market conditions.

MGL Group recorded A$823 million of impairment charges for the year ended March 31, 2015, including A$356 million of impairment charges on investment securities available-for-sale, investments in associates and joint ventures, and other non-financial assets, and A$467 million of loan impairments and provisions. Further impairments and provisions may be required in future periods if the market value of assets similar to those held were to decline.

Sudden declines and significant volatility in the prices of assets may substantially curtail or eliminate the trading markets for certain assets, which may make it very difficult to sell, hedge or value such assets. The inability to sell or effectively hedge assets reduces our ability to limit losses in such positions and the difficulty in valuing assets may negatively affect our capital, liquidity or leverage ratios, increase our funding costs and generally require us to maintain additional capital.

In addition, market volatility has in recent years impacted the value of our funds. Future valuations, in light of factors then prevailing, may result in further impairments to our investments in our funds. In addition, at the time of any sale of our investments in our funds, the price we ultimately realize will depend on the demand in the market at the time and may be materially lower than their current market value. Any of these factors could require us to make further writedowns on our investments in our funds management assets and other investments and assets, which may be significant and may have an adverse effect on our results of operations and financial condition in future periods.

Our business operations expose us to potential tax liabilities that could have an adverse impact on our results of operation and our reputation.

We are exposed to risks arising from the manner in which the Australian and international tax regimes may be applied and enforced, both in terms of our own tax compliance and the tax aspects of transactions on which we work with clients and other third parties. Our international, multi-jurisdictional platform increases our tax risks. In addition, as a result of increased funding needs by governments employing fiscal stimulus measures, revenue authorities in many of the jurisdictions in which we operate are known to have become more active in their tax collection activities. While we believe that we have in place controls and procedures that are designed to ensure that transactions involving third parties comply with applicable tax laws and regulations, any actual or alleged failure to comply with or any change in the interpretation, application or enforcement of applicable tax laws and regulations could adversely affect our reputation and affected business areas, significantly increase our own tax liability and expose us to legal, regulatory and other actions.

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.

Our businesses are highly dependent on our ability to process and monitor, on a daily basis, a very large number of transactions, many of which are highly complex, across numerous and diverse markets in many currencies. As our client base, business activities and geographical reach expands, developing and maintaining our operational systems and infrastructure becomes increasingly challenging. We must continuously update these systems to support our operations and growth, which may entail significant costs and risks of successful integration. Our financial, accounting, data processing or other operating systems and facilities may fail to operate properly or become disabled as a result of events that are wholly or partially beyond our control, such as a spike in transaction volume or disruption in internet services provided by third parties, adversely affecting our ability to process these transactions or provide these services.

We are exposed to the risk of loss resulting from human error, the failure of internal or external processes and systems, such as from the failure of our IT systems, or from external events. Such operational risks may include theft and fraud, improper business practices, mishandling of client monies or assets, client suitability and servicing risks, product complexity and pricing, and valuation risk or improper recording, evaluating or accounting for transactions or breaches of our internal policies and regulations. There is increasing regulatory and public scrutiny concerning outsourced and off-shore activities and their associated risks, including, for example, the appropriate management and control of confidential data. The failure to appropriately manage this risk, including where external service providers are used, may adversely impact our reputation, financial performance and position.

In addition, there have been a number of highly publicized cases around the world involving actual or alleged fraud or other misconduct by employees in the financial services industry in recent years, and we run the risk that employee misconduct could occur. It is not always possible to deter or prevent employee misconduct and the precautions we take to prevent and detect this activity may not be effective in all cases. In addition, we also face the risk of operational failure, termination or capacity constraints of any of the counterparties, clearing agents, exchanges, clearing houses or other financial intermediaries we use to facilitate our securities or derivatives transactions, and as our interconnectivity with our clients and counterparties grows, we increasingly face the risk of operational failure with respect to our clients' and counterparties' systems. Any such failure, termination or constraint could adversely affect our ability to effect or settle transactions, service our clients, manage our exposure to risk, meet our obligations to counterparties or expand our businesses or result in financial loss or liability to our clients and counterparties, impairment of our liquidity, disruption of our businesses, regulatory intervention or reputational damage.

We may face information security risks.

Our businesses are highly dependent on our information technology systems. We devote significant effort to protecting the confidentiality, integrity and availability of our computer systems, software and networks, including maintaining the confidentiality of information that may reside on those systems. However, there can be no assurances that our security measures will provide absolute security. Information security risks for financial institutions have increased in recent years, in part because of the proliferation of new technologies, the use of Internet and telecommunications technology and the increased sophistication and activities of organized criminals and hackers. Our computer systems, software and networks may be vulnerable to unauthorized access, misuse, denial-of-service attacks, phishing attacks, computer viruses or other malicious code and other events that could have a security impact. Information security threats may also occur as a result of our plans to continue to implement internet banking and mobile banking channel strategies and develop additional remote connectivity solutions, the outsourcing of some of our business operations and the threat of cyber terrorism. Third parties with which we do business, as well as other third parties with which our clients do business, can also be sources of operational risk to us, including with respect to security breaches affecting such parties, breakdowns or failures of the systems or misconduct by the employees of such parties and cyber attacks. Such incidents may require us to take steps to protect the integrity of our own operational systems or to safeguard our confidential information and that of our clients, thereby increasing our operational costs and potentially diminishing customer satisfaction. It is possible that we may not be able to anticipate or to implement effective measures to prevent or minimize damage that may be caused by all information security threats, because the techniques used can be highly sophisticated and can evolve rapidly, and those that would perpetrate attacks can be well resourced. An information security failure could have serious consequences for MGL Group including operational disruption, financial losses, reputational damage, theft of intellectual property and customer data, and could result in violations of applicable privacy laws, all of which could have a material impact on MGL Group.

Our businesses, including our commodities activities and particularly our physical commodities trading businesses, are subject us to the risk of unforeseen, hostile or potential catastrophic events, and environmental, reputational and other risks that may expose us to significant liabilities and costs.

Our businesses are subject to the risk of unforeseen, hostile or catastrophic events, many of which are outside of our control, including natural disasters, extreme weather events (such as persistent winter storms or protracted droughts) leaks, spills, explosions, release of toxic substances, fires, accidents on land or at sea, terrorist attacks or other hostile or catastrophic events. Additionally, rising climate change concerns may lead to additional regulation that could increase the operating costs and/or reduce the profitability of our investments. In addition, we rely on third party suppliers or service providers to perform their contractual obligations, and any failure on their part could adversely affect our business. We may also not be able to obtain insurance to cover some of these risks and the insurance that we have may be inadequate to cover our losses.

The occurrence of any such events may prevent us from performing under our agreements with clients, may impair our operations or financial results, and may result in litigation, regulatory action, negative publicity or other reputational harm.

Conflicts of interest could limit our current and future business opportunities.

As we expand our businesses and our client base, we increasingly have to address potential or perceived conflicts of interest, including situations where our services to a particular client conflict with, or are perceived to conflict with, our own proprietary investments or other interests or with the interests of another client, as well as situations where one or more of our businesses have access to material non-public information that may not be shared with other businesses within MGL Group. While we believe we have adequate procedures and controls in place to address conflicts of interest, including those designed to prevent the improper sharing of information among our businesses, appropriately dealing with conflicts of interest is complex and difficult, and our reputation could be damaged and the willingness of clients to enter into transactions may be adversely affected if we fail, or appear to fail, to deal appropriately with conflicts of interest. In addition, potential or perceived conflicts could materially adversely affect our reputation or business, including give rise to claims by and liabilities to clients, litigation or enforcement actions or discourage clients or counterparties to do business with us.

Litigation, regulatory actions and contingent liabilities may adversely impact our results of operations.

We may, from time to time, be subject to material litigation, regulatory actions and contingent liabilities, for example, as a result of inappropriate documentation of contractual relationships, class actions or regulatory violations, which, if they crystallize, may adversely impact upon our results of operation and financial condition in future periods or our reputation. We regularly obtain legal advice and make provisions, as deemed necessary. There is a risk that any losses may be larger than anticipated or provided for or that additional litigation, regulatory actions or other contingent liabilities may arise. Furthermore, even where monetary damages may be relatively small, an adverse finding in a regulatory or litigation matter could harm our reputation or brand, thereby adversely affecting our business.

In conducting our businesses around the world, we are subject to political, economic, legal, operational and other risks.

In conducting our businesses and maintaining and supporting our global operations, we are subject to risks of possible nationalization, expropriation, price controls, capital controls, exchange controls, economic sanctions and other restrictive governmental actions. We could also be affected by the occurrence of diseases. Geopolitical instability, such as threats of, potential for, or actual conflict, occurring around the world, may also adversely affect global financial markets, general economic and business conditions and MGL’s ability to continue operating or trading in a country, which in turn may adversely affect MGL’s business, operations and financial condition.

In addition, in some countries in which we do business or may in the future do business, in particular in emerging markets, the laws and regulations applicable to the financial services industry are uncertain and evolving, and it may be difficult for us to determine the exact requirements of local laws in every market. Our inability to remain in compliance with local laws in a particular market could have a significant and negative effect not only on our businesses in that market but also on our reputation generally. We are also subject to the enhanced risk that transactions we structure might not be legally enforceable in all cases.

We are also subject in our operations worldwide to rules and regulations relating to corrupt and illegal payments and money laundering, as well as laws, sanctions and economic trade restrictions relating to doing business with certain individuals, groups and countries. While we have invested and continue to invest in our anti-money laundering (“*AML*”), sanctions, and anti-bribery and anti-corruption compliance programs, the geographical diversity of our operations, employees, clients and customers, as well as the vendors and other third parties that we deal with, increases the risk that we may be found in violation of such rules or regulations and any such violation could subject us to significant penalties or adversely affect our reputation.

We are also subject to the risk that our agreements do not reflect the commercial intent of the parties, especially for complex transactions including those which involve derivatives.

There are restrictions on the ability of subsidiaries, such as MBL, to make payments to MGL.

MGL is a holding company and many of its subsidiaries, including its broker-dealer, bank and insurance subsidiaries, such as MBL, are subject to laws that authorize regulatory bodies to block or reduce the flow of funds from those subsidiaries to MGL. Restrictions or regulatory action of that kind could impede access to funds that MGL needs to make payments on its obligations, including debt obligations, or dividend payments. In particular, the availability of MBL’s funding to meet the obligations of MGL or the Non-Banking Group is subject to regulatory restrictions.

Failure of our insurance carriers or our failure to maintain adequate insurance cover could adversely impact our results of operations.

We maintain insurance that we consider to be prudent for the scope and scale of our activities. If our carriers fail to perform their obligations to us and/or our third party cover is insufficient for a particular matter or group of related matters, our net loss exposure could adversely impact our results of operations.

We are subject to risks in using custodians.

Certain funds we manage depend on the services of custodians to carry out certain securities transactions. In the event of the insolvency of a custodian, the funds might not be able to recover equivalent assets in full (including any cash held on its behalf) as they will rank among the custodian's unsecured creditors in relation to assets which the custodian borrows, lends or otherwise uses. In addition, the funds' cash held with a custodian will not be segregated from the custodian's own cash, and the funds will therefore rank as unsecured creditors in relation to the cash they have deposited.

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth our capitalization as at March 31, 2015.

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

	As at	
	Mar 15	**Mar 15**
	US$m[1]	**A$m**
CAPITALIZATION		
Borrowings[2]		
Debt issued — due greater than 12 months	25,317	33,203
Subordinated debt — due greater than 12 months	2,936	3,851
Total borrowings[3]	**28,253**	**37,054**
Equity		
Contributed equity		
Ordinary share capital	5,262	6,901
Treasury shares	(740)	(971)
Exchangeable shares	13	17
Reserves	1,263	1,656
Retained earnings	4,808	6,306
Macquarie Income Preferred Securities	63	82
Macquarie Income Securities	298	391
Other non-controlling interests	11	14
Total equity	**10,978**	**14,396**
TOTAL CAPITALIZATION	**39,231**	**51,450**

1 Conversions of Australian dollars to U.S. dollars have been made at the noon buying rate on March 31, 2015, which was US$0.7625 per A$1.00. See "Exchange rates" for further information on the historical rates of exchange between the Australian dollar and the U.S. dollar.

2 At March 31, 2015, we had A$0.6 billion of secured indebtedness due in greater than 12 months compared to A$3.8 billion at March 31, 2014.

3 Total borrowings do not include our short-term debt securities, including the current portion of long-term debt, or securitizations. Short-term debt totaled A$21.7 billion as at March 31, 2015 and securitizations totaled A$16.6 billion as at March 31, 2015 compared to A$17.3 billion and A$13.4 billion, respectively, as at March 31, 2014.

For details on our short-term debt position as at March 31, 2015, see section 5.3 of our 2015 Fiscal Year Management Discussion and Analysis Report.

MACQUARIE GROUP LIMITED

Overview

MGL is an ASX-listed diversified financial services holding company headquartered in Sydney, Australia and regulated as a NOHC by APRA. As a provider of banking, financial, advisory, investment and funds management services, MGL is primarily a client-driven business which generates income by providing a diversified range of products and services to clients. MGL Group acts on behalf of institutional, corporate, and retail clients and counterparties around the world. MGL's market capitalization as at the close of business on May 15, 2015 was A$27.5 billion (approximately US$22.2 billion based on the noon buying rate on May 15, 2015 of US$0.8053 per A$1.00).

At March 31, 2015, MGL employed over 14,085 staff, had total assets of A$188.0 billion and total equity of A$14.4 billion. For the 2015 fiscal year, our net operating income was A$9.3 billion and profit after tax attributable to ordinary equity holders was A$1,604 million. As at March 31, 2015, MGL conducted its operations in 28 countries, with 70% of our net operating income (excluding earnings on capital and other corporate items) being derived from international income. See "Macquarie Group Limited — Our business — Regional activity" below for further information. MGL was incorporated in the State of Victoria on October 12, 2006. Its principal place of business is Level 6, No. 50 Martin Place, Sydney, New South Wales 2000, Australia. The telephone number of its principal place of business is +612-8232-3333.

Board and management changes during the 2015 fiscal year

The following board and management changes occurred since the beginning of the 2015 fiscal year:

- Helen Nugent AO and Peter Kirby retired as Non-Executive Directors from the Boards of MGL and MBL, effective July 24, 2014.

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

Recent developments

MGL announced on February 17, 2015 that Macquarie Funds had changed its name to Macquarie Asset Management. Additionally, on April 15, 2015, the Macquarie Investment Management division was transferred from the Banking Group to the Non-Banking Group. This transfer is internal to MGL Group and, accordingly, is not expected to have any material impact on the operating results of MGL. For the 2015 fiscal year, the Macquarie Investment Management division earned profit after income tax of A$190 million, compared to the total MBL profit after income tax of A$1,096 million, a 46% increase in total MBL profit after income tax compared to the year ended March 31, 2014. For further information on these divisions, see "— Operating groups—Macquarie Asset Management".

Organizational structure

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

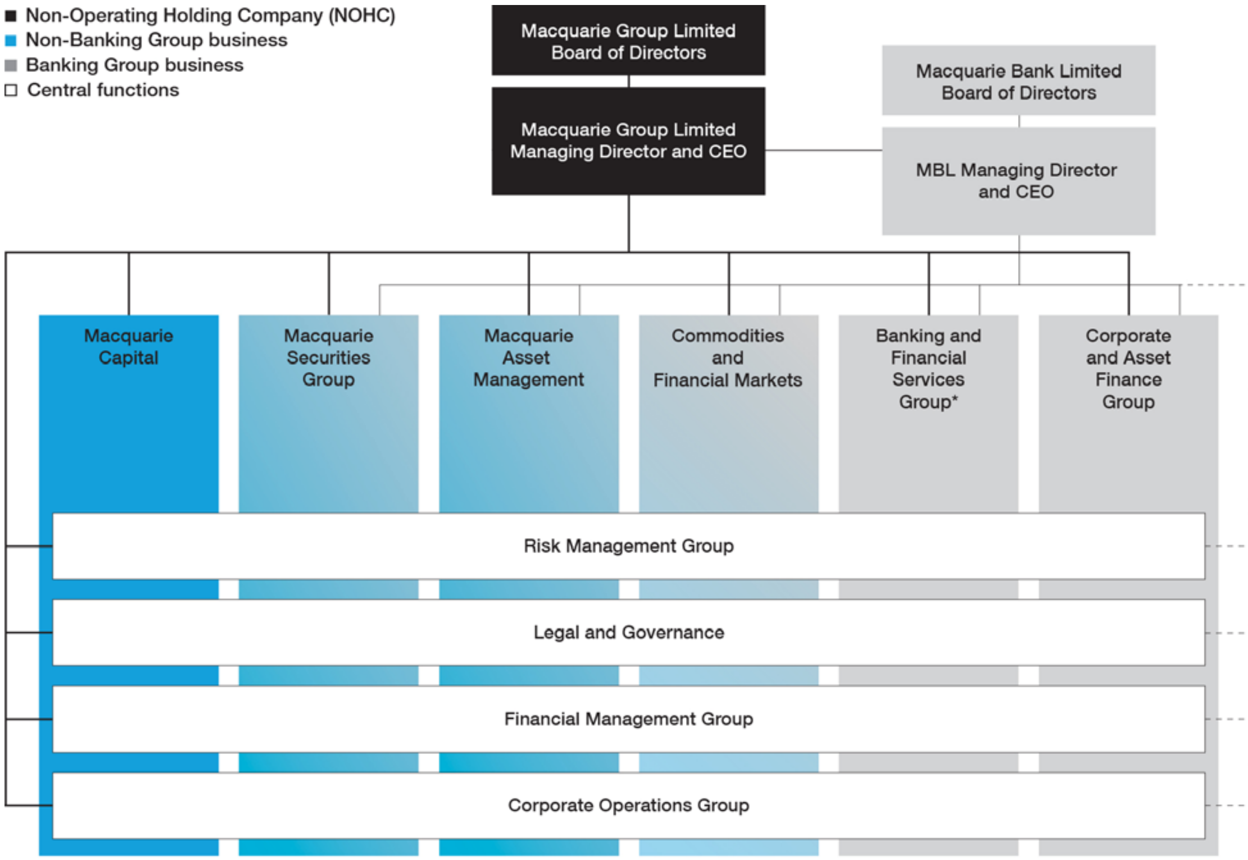
The Banking Group comprises MBL Group and has five operating groups: Corporate & Asset Finance; Banking & Financial Services; Macquarie Asset Management (excluding Macquarie Infrastructure and Real Assets division and, after April 15, 2015 the Macquarie Investment Management division); Commodities & Financial Markets (excluding certain assets of the Credit Markets business and some other less financially significant activities); and Macquarie Securities (excluding certain activities of the Cash division and certain activities of the Derivatives and Trading division, in each case, in certain jurisdictions). See “Macquarie Group Limited—Overview—Recent developments”.

The Non-Banking Group consists of Macquarie Capital; the Macquarie Infrastructure and Real Assets division and, after April 15, 2015, the Macquarie Investment Management division of Macquarie Asset Management; the Cash division and certain activities of the Derivatives and Trading division of Macquarie Securities, in each case, in certain jurisdictions; and certain assets of the Credit Markets business and some other less financially significant activities of Commodities & Financial Markets.

MGL Group provides shared services to both the Banking Group and the Non-Banking Group through the Corporate segment. The Corporate segment is not considered an operating group and comprises four central functions: Risk Management, Legal and Governance, Financial Management and Corporate Operations. Shared services include: Risk Management, Finance, Information Technology, Group Treasury, Settlement Services, Equity Markets Operations, Human Resources Services, Business Services, Company Secretarial, Media Relations, Corporate Communications and Investor Relations Services, Taxation Services, Business Improvement and Strategy Services, Central Executive Services, Other Group-wide Services, Business Shared Services, and other services as may be agreed from time to time. Items of income and expense within the Corporate segment include earnings on capital, group treasury operations, earnings from certain legacy assets and businesses, certain corporate costs not recharged to operating businesses, employment related costs, income tax expense, profits attributable to non-controlling interests and internal management accounting adjustments and charges.

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

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



As at 8 May 2015
**The current Group Head of BFS is also the Deputy Group CEO.*

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

Our key strengths

We believe our profitability, the diversification of our businesses and our geographic spread has been supported by the following key strengths:

- *Leading Australian and strong international franchise*. We are a leading Australian financial services firm that provides diverse financial services in Australia, with particular strengths in funds management, M&A, infrastructure advisory and management, securities origination, project advisory work and securities, foreign exchange and energy and commodities trading. This has created a strong base for our domestic and international growth and diversification. Over the last 10 years, we have significantly increased the amount of business we conduct outside of Australia and have transformed from a leading Australian financial services firm growing internationally into a global provider of diversified financial services headquartered in Australia. See "— Our history and evolution" below for further information.

- *Strong brand and reputation*. We believe our business successes have resulted in us achieving a level of recognition for quality, integrity and innovative products and services that has been an important element in our ability to maintain, grow and diversify our businesses.

- *Diversified earnings*. Our diversified earnings base has been an important factor in our successful growth. MGL Group's diverse sources of income include the following:
  - Fee and commission income, including:
    - Brokerage and commission income from institutional cash equities services provided to retail and institutional clients by Macquarie Securities, brokerage fee income from Banking & Financial Services, as well as brokerage revenues in futures execution and clearing markets from Commodities & Financial Markets;
    - Funds management fee income (including base fees, which are ongoing fees generated from funds management activities, and performance fees, which are earned when the funds outperform predetermined benchmarks) from Macquarie Asset Management;
    - Fee income from M&A, advisory and underwriting services provided by Macquarie Capital and Macquarie Securities as well as fee income from mortgage securitization vehicles, lending activities and transaction fees;
    - Other fee and commission income from the Wrap and other administration fee income from Banking & Financial Services, and structuring fee income from Macquarie Asset Management's structured financial products; and
    - Income from life investment contracts and other unitholder investment assets from the provision of life insurance by Macquarie Life and True Index income earned on funds managed by Macquarie Asset Management.
  - *Trading income* generated predominately through client trading activities and products issued by Macquarie Securities and Commodities & Financial Markets;
  - *Interest income* earned on residential mortgages, loans to Australian and Canadian businesses, loans on capital protected products and credit cards of Banking & Financial Services, interest income on trading assets from Commodities & Financial Markets and Macquarie Securities, and leasing, corporate lending and asset financing activities of Corporate & Asset Finance;
  - *Other income* from the sale of asset and equity investments, gains on the deconsolidation of controlled entities, operating lease income, dividends and distributions; and
  - *Equity accounted income* from principal investments in assets and businesses where significant influence is present.
- *Geographic diversity.* As at March 31, 2015, we employed 14,085 people in 28 countries. Of those staff, approximately 54% were located in offshore markets. As MGL Group has expanded, we have applied the resources and experience of a global organization to our understanding of the local environment in the countries in which we operate.
- *Ability to adapt to change.* Over time, we have demonstrated an ability to adapt to changing market conditions. We have sought to take advantage of new opportunities for acquisitions and organic growth in our areas of expertise and have also demonstrated a preparedness to exit businesses once profit opportunities have been exhausted. We believe our acquisitions have complemented our existing expertise in areas such as lending and leasing, energy, financial institutions and funds management and demonstrated our track record of successfully integrating new businesses. For further details of significant acquisitions, see "— Our history and evolution" below.
- *Selective approach to growth and diversification*. In addition to adapting our existing businesses and expanding organically, we actively seek to diversify and grow our businesses in selective areas of expertise. We believe that our strategy of expanding selectively, seeking only to enter markets where our particular

skills or expertise deliver added value to clients, maximizes our potential for success and is intended to minimize unexpected losses or reputational impacts as we seek to grow and diversify.

- *Experience managing growth and diversity*. The experience of our management team in managing our growth and diversification has been important to our success in realizing the benefits and controlling the risks associated with undertaking varying businesses, developing scale and growing in new and existing geographic regions.

- *Business focus on fee income.* Our main business focus is on providing services to our clients rather than engaging in principal activities. While several of our businesses have and expect to continue to undertake principal investments as part of their M&A and funds management strategies, respectively, our main focus is on generating management and advisory fees, not assuming significant principal exposure.

- *Strong capital position.* As at March 31, 2015, MGL had total regulatory capital of A$16.1 billion, including A$2.7 billion of capital in excess of MGL Group's minimum APRA regulatory requirement on a Basel III basis using the capital conservation buffer that will be required by APRA starting January 1, 2016. MGL Group continues to monitor regulatory and market developments in relation to liquidity and capital management, as discussed below under "Regulation and Supervision". For further information on our regulatory capital position as at March 31, 2015, see section 6.0 of our 2015 Fiscal Year Management Discussion and Analysis Report.

- *Risk management*. Managing risk is an integral part of our business, and we believe strong prudential management has been key to our success. Where we assume risk, we do so in what we believe to be a calculated and controlled framework. Our risk management framework is described in Note 38 to our 2015 annual financial statements and in the "Risk Management Report" in our 2015 Annual Report incorporated by reference herein. While our approach to risk is embedded across all business units, Risk Management manages the key risks applicable to the entire MGL Group along the following principles:

  - *Independence*. Risk Management assesses and monitors risks for the entire MGL Group, is independent of the operating groups and is required to approve all major risk acceptance decisions.

  - *Centralized risk management.* Risk Management's MGL Group-wide responsibilities enable it to assess risks from the perspective of the entire MGL Group and allow it to apply a consistent approach across all operating areas.

  - *Approval of new business activities.* Operating groups are required to consult with Risk Management before undertaking new businesses or activities, offering new products or entering new markets. Risk Management's responsibility is to identify, quantify and assess the likely risks and establish prudential limits that, where appropriate, are approved by our Executive Committee and Board.

  - *Continuous assessment.* Risk Management's responsibilities include the ongoing review of the risks that our businesses are exposed to in order to account for changes in market circumstances and to our operating groups.

  - *Frequent monitoring*. Risk Management uses centralized systems to monitor credit and market risks daily and liaise with operating groups and supporting divisions.

Our strategy

Our purpose is to realize opportunity for the benefit of our clients, shareholders and people. The goal of our business is to be profitable and to achieve an appropriate and resilient long-term return on capital. To achieve this, we employ a business strategy focused on the medium term with the following key aspects:

  - *Conducting a mix of capital markets facing and annuity-style businesses* that deliver strong returns in a range of market conditions. In recent years we have focused on developing our annuity-style businesses, providing steady returns to our business, shareholders and clients.

- *Operating a diversified set of businesses* across different locations and service offerings, including banking, financial, advisory, investment and funds management services. We offer a range of services to government, institutional, corporate and retail clients. We believe that this diversity mitigates concentration risk and provides resilience to the Group, as highlighted by our performance in recent years in the midst of challenging global market conditions.

- *Utilizing proven deep expertise* has allowed us to establish leading market positions as a global specialist in a wide range of sectors, including resources and commodities, energy, financial institutions, infrastructure and real estate. We maintain a particularly deep knowledge in respect of Asia-Pacific financial markets.

- *Expanding progressively by pursuing adjacencies* through new organic opportunities and selective acquisitions in products and geographies that are adjacent to its established areas of expertise, by building expertise in these disciplines and expanding into associated activities, resulting in sustainable evolutionary growth.

- *Pursuing growth opportunities* by recognizing the value of ideas and innovation, particularly from ideas generated in our operating groups. We seek to identify strategic opportunities and capitalize on them for our clients, community, shareholders and employees. Additionally, there are no specific businesses, markets, or regions in which our strategy demands that we operate. This means that we retain operational flexibility and can adapt the portfolio mix to changing market conditions within the boundaries of our risk management framework.

- *Employing a conservative approach to risk management* through our risk management framework. Our risk management framework is embedded across our operating groups. It helps to equip us for unanticipated disruptions and seeks to ensure that both impacted divisions and MGL can survive material adverse effects. An example of this approach is our long-standing liquidity risk framework where we must maintain cash and liquid assets that are sufficient to cover a twelve month stress scenario.

- *Maintaining a strong and conservative balance sheet* consistent with our long-standing policy of holding a level of capital which supports our business and managing our capital base ahead of ordinary business requirements. We remain relatively well funded, with a diversified set of funding sources. We seek to continue to diversify our funding sources by, for example, growing our deposit base and accessing different funding markets.

Our history and evolution

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. We obtained an Australian banking license as MBL in 1985 and in 1996, MBL was publicly listed on the ASX.

MBL’s ordinary shares were listed on ASX from July 29, 1996 until the Restructure in November 2007. Prior to the Restructure, MBL was a widely held ASX-listed public company and engaged in certain investment banking activities through Macquarie Capital. On November 19, 2007, when the Restructure was completed, MBL became an indirect subsidiary of MGL, a new ASX-listed company, and MBL Group transferred most of the assets and businesses of Macquarie Capital, and some less financially significant assets and businesses of the former Equity Markets group (now part of Macquarie Securities) and Treasury & Commodities (now part of Commodities & Financial Markets) to the Non-Banking Group. The activities not transferred to the Non-Banking Group upon the Restructure formed part of the Banking Group or MBL. As MGL is the successor to MBL Group’s businesses, the historical financial statements of MBL Group reflect the historical results of operation and financial condition of MGL Group’s businesses.

Since listing, MGL has diversified its operations by business line and geography through a mix of organic growth and strategic acquisitions, including but not limited to the acquisition of the Bankers’ Trust Australia Investment Banking business in the 1999 fiscal year and the acquisition of the cash equities business of ING Group (Asia) in the 2004 fiscal year.

In light of opportunities that emerged from the global financial crisis and ensuing market conditions, MGL made a number of strategic acquisitions which complemented existing operations and strengthened its global platform. These included, but were not limited to, the following:

- the acquisition of Constellation Energy in the 2009 fiscal year, which enhanced Commodities & Financial Markets' position within the North American natural gas market;
- the acquisition of Tristone in the 2010 fiscal year, which enhanced Macquarie Securities' and Macquarie Capital's global energy offering;
- the acquisition of FPK in the 2010 fiscal year, which enhanced Macquarie Capital's and Macquarie Securities' global financial institutions expertise and further increased MGL's presence in the United States;
- the acquisition of Blackmont in the 2010 fiscal year, which expanded Banking & Financial Services' wealth management business in Canada and provided Canadian retail distribution capabilities for MGL's existing equity markets business and other product offerings;
- the acquisition of Delaware Investments in the 2010 fiscal year, which enhanced Macquarie Asset Management's global asset management capability;
- the acquisition of the Ford Credit and GMAC portfolios in the 2010 and 2011 fiscal years, respectively, which enhanced Corporate & Asset Finance's motor vehicle leasing portfolio; and
- the acquisition of the ILFC aircraft operating lease portfolio in the 2011 fiscal year, which enhanced Corporate & Asset Finance's portfolio and the Macquarie Aviation Finance business.

For further information on the integration of these businesses into our existing operating groups, see the discussion below under "— Operating groups" and for further information on the impact of these acquisitions on our results of operation and financial performance in the 2015 and 2014 fiscal years, see "Financial information presentation — Impact of acquisitions and disposals on the 2015 and 2014 fiscal years" above.

In addition to these strategic acquisitions, organic growth initiatives, particularly in the 2010 and 2011 fiscal years, such as the hiring of individuals and teams with extensive experience in targeted industries, added greater regional depth to key businesses. This allowed many of our businesses to expand their product offerings internationally. For further information on regional growth, see "— Our business — Regional activity" below for further information.

Evolution has played an important role in the growth of MGL Group's businesses and the development of global expertise in key areas. MGL Group intends to continue to evolve its products and services to ensure that it has the appropriate business mix to suit prevailing market conditions and client needs.

Our business

Trading conditions and market update

During the year ended March 31, 2015, trading conditions across MGL Group improved and there was a weakening of the Australian dollar.

In MGL's annuity style businesses, Macquarie Asset Management's Assets under Management increased, predominantly driven by favorable foreign exchange and market valuation movements, and Corporate & Asset Finance experienced increased lending and leasing activity. Banking & Financial Services experienced continued volume growth across its mortgage business and wrap platform, as well as business lending and deposits.

In MGL's capital markets-facing businesses, Macquarie Capital benefited from the improved global activity in mergers and acquisitions and equity capital markets activity, particularly in the U.S. and Australia. In Macquarie Securities, equity capital markets activity in Australia remained strong but continued to be offset by subdued secondary equity and derivative market volumes across most regions. Commodities & Financial Markets experienced increased volatility in oil and gas prices which generated increased customer activity across the energy platform. The business also experienced stronger client flows in fixed income and foreign exchange due to increased market volatility, while the credit environment remained mixed.

For a discussion of the impact of trading and market conditions on our results of operation and financial condition for the 2015 fiscal year, see our 2015 Fiscal Year Management Discussion and Analysis Report for further information.

Overview of MGL Group

At March 31, 2015, MGL had total assets of A$188.0 billion and total equity of A$14.4 billion. For the 2015 fiscal year, our net operating income was A$9.3 billion and profit after tax attributable to ordinary equity holders was A$1,604 million, with 70% of our net operating income (excluding earnings on capital and other corporate items) derived from international income.

The tables below show the relative net operating income and profit contribution of each of our operating groups in the years ended March 31, 2015 and 2014.

Net operating income of MGL Group by operating group for the years ended March 31, 2015 and 2014[1]

	Year ended		
	Mar 15	**Mar 14**	**Movement**
	A$m	**A$m**	**%**
Macquarie Asset Management	2,447	1,928	27
Corporate & Asset Finance	1,594	1,207	32
Banking & Financial Services	1,345	1,320	2
Macquarie Securities	918	865	6
Macquarie Capital	1,054	817	29
Commodities & Financial Markets	1,831	1,682	9
Total net operating income from operating groups	**9,189**	**7,819**	18
Corporate[2]	104	313	(67)
Total net operating income	**9,293**	**8,132**	14

Profit contribution of MGL Group by operating group for the years ended March 31, 2015 and 2014[1]

	Year ended		
	Mar 15	**Mar 14**	**Movement**
	A$m	**A$m**	**%**
Macquarie Asset Management	1,450	1,051	38
Corporate & Asset Finance	1,112	826	35
Banking & Financial Services	285	260	10
Macquarie Securities	64	107	(40)
Macquarie Capital	430	280	54
Commodities & Financial Markets	835	726	15
Total contribution to profit by operating group	**4,176**	**3,250**	28
Corporate[2]	(2,572)	(1,985)	30
Net profit after tax	**1,604**	**1,265**	27

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

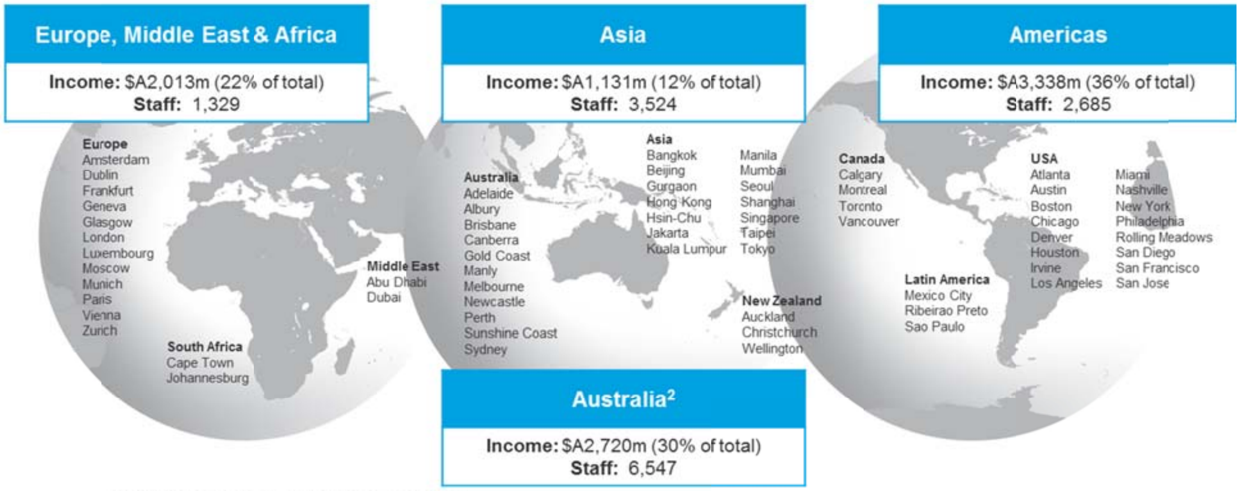
2 The Corporate segment includes earnings on capital, group treasury operations, earnings from certain legacy assets and businesses, certain corporate costs not recharged to operating businesses, employment related costs, income tax expense, profit attributable to non-controlling interests and internal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

Regional Activity

At March 31, 2015, MGL Group employed over 14,085 staff globally and conducted its operations in 28 countries.

The chart below shows MGL Group's international income by region in the 2015 fiscal year.

International income of MGL Group[1] by region for the 2015 fiscal year



1. Net operating income excluding earnings on capital and other corporate items.
2. Includes New Zealand.

Australia and New Zealand. MBL Group, the predecessor of MGL Group, has its origins as the merchant bank Hill Samuel Australia Limited, created in 1969 as a wholly-owned subsidiary of Hill Samuel & Co. Limited, London, and began operations in Sydney in January 1970 with only three staff. As at March 31, 2015, MGL Group employed over 6,500 staff across Australia and New Zealand. In the 2015 fiscal year, Australia and New Zealand contributed A$2.7 billion (30%) of our net operating income (excluding earnings on capital and other corporate items) as compared to A$2.5 billion (32%) in the 2014 fiscal year.

Americas. MGL Group has been active in the Americas for over 20 years, when we established our first office in New York in 1994, and has grown rapidly over the last several years, principally through acquisitions of Delaware Investments, FPK, Tristone, Blackmont and Constellation Energy, and the growth of our Energy Trading and Credit Markets businesses. As at March 31, 2015, MGL Group employed over 2,600 staff across the United States, Canada, Mexico and Brazil. In the 2015 fiscal year, the Americas contributed A$3.3 billion (36%) of our net operating income (excluding earnings on capital and other corporate items) as compared to A$2.7 billion (35%) in the 2014 fiscal year.

Asia. MGL Group has been active in Asia for more than 20 years, when we established our first office in Hong Kong in 1995. As at March 31, 2015, MGL Group employed over 3,500 staff across China, Hong Kong, India, Indonesia, Japan, South Korea, Malaysia, the Philippines, Singapore, Taiwan and Thailand. MGL has expanded the regional investment and product platforms of Macquarie Asset Management, Corporate & Asset Finance as well as Commodities & Financial Markets, which had established an Asian regional "*hub*" in Singapore in the 2011 fiscal year. In the 2015 fiscal year, Asia contributed A$1.1 billion (12%) of our net operating income (excluding earnings on capital and other corporate items) as compared to A$1.0 billion (13%) in the 2014 fiscal year.

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 March 31, 2015, MGL Group employed over 1,300 staff across the United Kingdom, Germany, France, Luxembourg, the Netherlands, Sweden, Austria, Switzerland, South Africa, Abu Dhabi and Dubai. In the 2015 fiscal year, Europe, Middle East & Africa contributed A$2.0 billion (22%) of our net operating income (excluding earnings on capital and other corporate items) as compared to A$1.6 billion (20%) in the 2014 fiscal year.

For further information on our segment reporting, see section 3.0 of our 2014 Fiscal Year Management Discussion and Analysis Report and Note 3 to our 2015 annual financial statements. For further information on our international income for the 2015 and 2014 fiscal years, see section 3.9 of our 2015 Fiscal Year Management Discussion and Analysis Report.

Operating groups

Macquarie Capital

Macquarie Capital is in the Non-Banking Group.

Macquarie Capital contributed A$430 million to MGL Group's net profit in the 2015 fiscal year and, as at March 31, 2015, had over 1,200 staff operating across 20 countries, including Australia, United States, United Kingdom, Canada, Hong Kong, South Korea, Singapore and China. For further information on Macquarie Capital's results of operation and financial condition for the year ended March 31, 2015, see section 3.6 of our 2015 Fiscal Year Management Discussion and Analysis Report.

Macquarie Capital initiates, structures and executes transactions for corporate, institutional and government clients. It provides advice in areas such as mergers and acquisitions, takeovers, corporate restructuring, equity capital markets, debt capital markets, equity and debt capital management, and raises capital for clients in private and public markets. It also undertakes principal investing activities. It operates in six core industry sectors:

- financial institutions;
- industrials;
- infrastructure, utilities and renewables;
- real estate;
- resources (mining and energy); and
- telecommunications, media, entertainment and technology (TMET).

Macquarie Capital also undertakes principal investments, including a range of controlling and non-controlling equity stakes, and debt investments. These investments are often made in connection with advisory mandates or in pursuit of future advisory assignments. The Principal Investments team within Macquarie Capital works with Risk Management to review the legal and commercial aspects of all principal transactions to ensure that the business' commercial and strategic objectives are satisfied. This team is also responsible for managing the ongoing performance of principal assets on Macquarie Capital's balance sheet.

In the 2015 fiscal year, Macquarie Capital was involved in 470 transactions with an aggregate deal value of A$141 billion. Significant transactions that Macquarie Capital was involved in during the 2015 fiscal year are described in section 3.6 of our 2015 Fiscal Year Management Discussion and Analysis Report.

Commodities & Financial Markets

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

Commodities & Financial Markets contributed A$835 million to MGL Group's net profit in the 2015 fiscal year and, as at March 31, 2015, had over 900 staff operating across 14 countries, with locations in Australia, Asia, the Middle East, North and South America, the United Kingdom and Europe. For further information on Commodities & Financial Markets ' results of operation and financial condition for the year ended March 31, 2015, see section 3.7 of our 2015 Fiscal Year Management Discussion and Analysis Report.

Commodities & Financial Markets provides clients with risk and capital solutions across physical and financial markets. Commodities & Financial Markets' diverse platform has evolved over more than 30 years and provides clients with access to markets, financing, financial hedging and physical execution.

Commodities & Financial Markets services its clients via regional hub offices located in New York, Houston, London, Singapore and Sydney. As a primarily client and counterparty driven business, Commodities & Financial Markets undertakes market making activities and in doing so, acts as principal in accordance with predetermined limits.

Commodities & Financial Markets comprises the following divisions:

Credit Markets. Credit Markets operates primarily in the United States via its team based in New York, but has an additional presence in Sydney. Credit Markets facilitates client transactions with institutional investors and makes secondary markets in corporate debt securities, syndicated bank loans and middle market loans, in addition to providing specialty lending for commercial mortgage finance, asset-backed and mortgage-backed securities. Credit Markets focuses on the high-yield and distressed sectors. The division's industry specializations include healthcare, consumer/retail, energy/utilities, gaming/leisure, commodities/metals, infrastructure/transportation, real estate and media/telecommunications.

Energy Markets. Energy Markets provides a full spectrum offering to clients with exposure to the energy sector. The division provides risk management, lending and financing, and physical execution and logistics across Global Oil, North American Gas and Power, EMEA Gas, Power and Emissions, Australian Power, and Coal. The division's deep market insights have been developed over more than 10 years, and is supported by in-house technical experts with backgrounds in scheduling, logistics, meteorology, structuring, geology and petroleum engineering. Macquarie Energy was ranked by Platts as the third largest physical gas marketer in North America, the highest ranked non-producer in the fourth quarter of 2014.

Fixed Income & Currencies. Fixed Income & Currencies provides currencies and fixed income trading and hedging services to a range of corporate and institutional clients globally. The division provides 24-hour price making in all major currency pairs as well as offers structured solutions and risk management hedging services. Additionally, the division offers retail and wholesale currency delivery and technology platforms. In fixed income markets, Fixed Income & Currencies arranges and places primary debt for clients and provides secondary market liquidity in Australian government, semi-government fixed income and inflation linked bond markets, as well as issuance activities and interest rate risk management services via structured solutions and derivative based products.

Futures. Futures provides a full range of execution, clearing and financing solutions to corporate and institutional clients, providing continuous 24-hour coverage of all major markets globally. Futures also provides services to other divisions within Commodities & Financial Markets and affiliates within MGL. The division has specialist expertise in energy, freight, grains and soft commodities as well as a market leading position in Australian interest rate products. It also makes use of leading-edge proprietary technology to provide clients with customized solutions for electronic market access, trade management, consolidated clearing and enhanced customer-specific reporting. The division is a leading provider of these services in Australia and a growing participant in North America, Europe and Asia.

Metals, Mining & Agriculture. Metals, Mining & Agriculture provides risk management, lending and financing, and physical execution and logistics services to producers and consumers across the metals, industrial minerals, bulk commodities and agricultural sectors globally. The division also offers commodity-based index products to institutional investors. MGL has been active in metals markets for more than 30 years and in agricultural markets for more than 20 years. It has also provided finance to junior miners for more than 25 years. This specialist knowledge is supported by in-house industry experts such as geologists and mining engineers. MGL is an Associate Broker Clearing Member of the London Metal Exchange, a Clearing Member of the London Clearing House and an Ordinary Member of the London Bullion Market Association.

Central. Central fosters and develops various non-division specific, early stage or cross-divisional initiatives as well as housing various Commodities & Financial Markets-wide services including:

- Structured Commodity Finance, which offers services across agriculture, energy and metals including revolving, working capital facilities secured by exchange traded commodities and also provides repurchase-style physical transactions. Additionally, Structured Commodity Finance provides mezzanine debt, structured facilities or transactions in conjunction with other Commodities & Financial Markets divisions;

- Cross-product sales teams, which cover Brazil and Latin America, Eastern Europe and the Commonwealth of Independent States, the Middle East, North Africa and South Korea. The teams specialize in a particular country or region and support all Commodities & Financial Markets product lines in that specific geography;

- Structured Global Markets, which covers cross-border activity, local market structuring, trade solutions and global secured financing;

- Private & Structured Finance in Asia and Australia;

- new jurisdictions and branch initiatives; and

- joint-venture and alliances.

Recent developments

On February 17, 2015, MGL announced that Fixed Income, Currencies & Commodities had changed its name to Commodities & Financial Markets, to better align the group's name to its business activities.

As part of these changes, MGL also announced that the Metals and Energy Capital division within Commodities & Financial Markets had been restructured to better align its commodities activities into two industry groups. The Energy Capital business within Metals and Energy Capital division merged with the Energy Markets division, and the Mining Finance business within Metals and Energy Capital merged with the Metals & Agricultures Sales and Trading division to form the Metals, Mining and Agriculture division. In addition, the Credit Trading division changed its name to the Credit Markets division.

Macquarie Securities

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

Macquarie Securities contributed A$64 million to MGL Group's net profit in the 2015 fiscal year and, as at March 31, 2015, had over 900 staff operating across 19 countries, including Australia, Canada, China, Germany, India, Indonesia, Japan, South Korea, Malaysia, New Zealand, the Philippines, Singapore, South Africa, Switzerland, Taiwan, Thailand, the United Kingdom and the United States. For further information on Macquarie Securities' results of operation and financial condition for the year ended March 31, 2015, see section 3.5 of our 2015 Fiscal Year Management Discussion and Analysis Report.

Macquarie Securities comprises the following divisions:

Cash. The Cash division is a full-service institutional cash equities broker in the Asia Pacific region, South Africa and Canada. In the rest of the world, it operates as a specialized institutional cash equities broker. It provides equity capital markets products and services through a joint venture with Macquarie Capital. The Cash division forms part of the Non-Banking Group (except in respect of the Cash division's activities in Hong Kong and its Australian based equity clearing and settlement activities, which form part of the Banking Group).

Derivatives and Trading. The Derivatives and Trading division combines MGL Group's derivatives and trading activities, including sales of retail derivatives, delta one products, equity finance and capital management. The divisions predominantly form part of the Banking Group.

Recent developments

During the year ended March 31, 2015, Macquarie Securities closed its retail equity structured products activities in Asia. In addition, Macquarie Securities has continued its investment in technology to support the ongoing additional regulatory compliance requirements of the business, including in particular, increased reporting requirements to various regulators in the changing financial services environment.

Banking & Financial Services

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

Banking & Financial Services contributed A$285 million to MGL Group's net profit in the 2015 fiscal year and, as at March 31, 2015, had over 2,500 staff operating predominantly in Australia.

Banking & Financial Services comprises the following three divisions:

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

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

Business Banking. Business Banking provides a full range of deposit, lending and payment solutions, as well as tailored services to business clients, ranging from sole practitioners to corporate professional firms, through a variety of channels including dedicated relationship managers.

Banking & Financial Services' Australian mortgages business has grown from A$17.0 billion at March 31, 2014 to A$24.5 billion at March 31, 2015, representing 1.7 percent of the Australian mortgage market. This includes A$2.5 billion in residential mortgage portfolios acquired during the year.

Banking & Financial Services' platform assets under administration has grown from A$40.3 billion at March 31, 2014 to $A48.0 billion at March 31, 2015, due to market movement and strong net inflows. In addition, Macquarie Life insurance inforce premiums have increased from A$190 million at March 31, 2014 to A$223 million at March 31, 2015.

Retail cash deposits have grown from A$33.3 billion at March 31, 2014 to A$37.3 billion at March 31, 2015. This was primarily due to increased Macquarie Cash Management Account deposits and at call deposits.

For further information on Banking & Financial Services' results of operation and financial condition for the year ended March 31, 2015, see section 3.4 of our 2015 Fiscal Year Management Discussion and Analysis Report.

Recent developments

During the year ended March 31, 2015, Banking & Financial Services signed an agreement as credit card issuing partner for the Woolworths Money Everyday and Woolworths Money Qantas Credit Cards in May 2014, and successfully completed the migration of accounts and data to internal systems in October 2014.

Banking & Financial Services has continued its investment in technology projects to improve client experience and the scalability of its operating model, and is currently in year two of its five year program to deliver a Core Banking platform with real time capability.

Macquarie Asset Management

Macquarie Asset Management operates businesses in both the Banking Group and the Non-Banking Group. In the Banking Group, Macquarie Asset Management offers a diverse range of tailored investment solutions over funds and listed equities. In the Non-Banking Group, Macquarie Asset Management offers a diverse range of securities investment management products and capabilities and manages alternative assets, specializing in infrastructure, energy, real estate and agriculture via public and private funds, co-investments, partnerships and separately managed accounts.

Macquarie Asset Management contributed A$1,450 million to MGL Group's profit in the 2015 fiscal year and, as at March 31, 2015, had over 1,400 staff operating across 22 countries across Australia, the Americas, Europe and Asia.

As at March 31, 2015, Macquarie Asset Management had Assets under Management of A$484 billion. For further information on Macquarie Asset Management's results of operation and financial condition for the year ended March 31, 2015, see section 3.2 of our 2015 Fiscal Year Management Discussion and Analysis Report. For further information on Macquarie Asset Management's Assets under Management, see " — Funds management business — Assets under Management" in this Report.

During the year ended March 31, 2015, Macquarie Asset Management operated across the following three divisions: Macquarie Investment Management and Macquarie Specialised Investment Solutions, which formed part of the Banking Group, and Macquarie Infrastructure and Real Assets, which formed part of the Non-Banking Group. On April 15, 2015, the Macquarie Investment Management division was transferred from the Banking Group to the Non-Banking Group.

Further details of each division are contained below:

Macquarie Investment Management. Macquarie Investment Management offers securities investment management capabilities across a number of asset classes including fixed interest, currencies, equities, infrastructure securities, hedge funds and multi-asset allocation solutions. It delivers a full-service offering to both retail and institutional clients in Australia and the United States, with selective offerings in other regions. Macquarie Investment Management also partners with select specialist investment managers through its Macquarie Professional Series range of funds.

Macquarie Specialised Investment Solutions. Macquarie Specialised Investment Solutions manufactures and distributes a range of tailored investment solutions over funds and listed equities including fund-linked products, principal protected investments, a hedge fund incubation platform, agricultural investment solutions, infrastructure debt funds management and restructuring solutions.

Macquarie Infrastructure and Real Assets. Macquarie Infrastructure and Real Assets manages alternative assets, specializing in infrastructure, real estate, agriculture, energy and other real asset classes via public and private funds, co-investments, partnerships and separately managed accounts. Its client base is primarily institutional investors, including global pension and superannuation funds, other institutions and governments.

Recent developments

MGL announced on February 17, 2015 that Macquarie Funds had changed its name to Macquarie Asset Management. Additionally, on April 15, 2015, Macquarie Asset Management's securities investment management business, Macquarie Investment Management, was transferred from the Banking Group to the Non-Banking Group. This reorganization will align the ownership of Macquarie Asset Management fund management activities under the Non-Banking Group. This transfer is internal to MGL Group and, accordingly, is not expected to have any material impact on MGL. See "—Overview—Recent Developments."

In the Non-Banking Group, Macquarie's infrastructure and real assets business, Macquarie Infrastructure and Real Assets, continued its focus on investing capital strategically across the globe, with over A$6.2 billion invested and A$8.3 billion raised during the year ended March 31, 2015. This included over US$1.0 billion of first round investor commitments to the Macquarie Asia Infrastructure Fund, a further US$841 million raised for the Macquarie

Infrastructure Partners III fund, which reached final close with US$3.0 billion of investor commitments, and US$1.5 billion of new equity raised for Macquarie Infrastructure Company through the New York Stock Exchange. Macquarie Infrastructure and Real Assets also completed divestments of over A$2.5 billion.

In the Banking Group during the year ended March 31, 2015, the Macquarie Investment Management division launched a number of new products, closed capacity in a number of hedge fund and Asian listed equities strategies, and continued to strengthen its global distribution platform. In addition, it created the Jackson Square Partners joint venture, which is jointly owned by Delaware Investments and its former Focus Growth investments team, and acts as a sub-adviser to Delaware Investments' mutual funds, other pooled vehicles and separately managed accounts. Macquarie Asset Management also completed the sale of the Macquarie Investment Management Private Markets business. Collectively, the creation of Jackson Square Partners and the sale of the Macquarie Investment Management Private Markets business reduced Macquarie Asset Management's Assets under Management by A$22 billion. Macquarie Specialised Investment Solutions continued to grow its infrastructure debt investment solutions business and secured its first mandate as sole underwriter for private equity secondaries fund financing.

Corporate & Asset Finance

Corporate & Asset Finance provides innovative and traditional capital, finance and related services to clients operating in selected international markets. Corporate & Asset Finance specializes in corporate debt and asset finance including aircraft, motor vehicles, technology, healthcare, manufacturing, industrial, energy, rail and mining equipment.

Corporate & Asset Finance contributed A$1,112 million to MGL Group's profit in the 2015 fiscal year and, as at March 31, 2015, had over 1,000 staff operating across 17 countries, including Australia, New Zealand, South Korea, the United States and the United Kingdom. For further information on Corporate & Asset Finance's results of operation and financial condition for the year ended March 31, 2015, see section 3.3 of our 2015 Fiscal Year Management Discussion and Analysis Report.

At March 31, 2015, Corporate & Asset Finance managed lease and loan assets of A$28.7 billion, which represents an increase of 13% from A$25.5 billion at March 31, 2014. The asset finance portfolio of A$17.5 billion increased 6% from A$16.5 billion at March 31, 2014, which was driven by the weaker Australia dollar. The loan portfolio of A$11.2 billion at March 31, 2015 increased 23% from A$9.1 billion at March 31, 2014, primarily due to net additions in the period as well as the weaker Australian dollar.

During the 2015 fiscal year, strong securitization activity continued with A$4.0 billion of motor vehicle and equipment leases and loans secured. Approximately A$20 billion of external funding from global securitization markets and warehouse facilities has been accessed since 2007.

Corporate & Asset Finance comprises the following eight businesses:

Macquarie AirFinance. Macquarie AirFinance provides operating leases of commercial jet aircrafts to airlines, helps clients increase fleet management capability and minimizes market and equipment obsolescence risk.

Macquarie Equipment Finance. Macquarie Equipment Finance provides specialist equipment finance and services solutions for a broad range of equipment types globally, including healthcare, technology, communications, materials handling, manufacturing and related equipment. Macquarie Equipment Finance provides these services directly to large customers through vendor finance solutions developed for equipment manufacturers and resellers, and with other financial services partners.

Macquarie Leasing. Macquarie Leasing provides finance leases to small to medium enterprises, corporate, government and retail clients in Australia. Macquarie Leasing offers products including finance leases, novated lease agreements and commercial hire purchases for motor vehicles and other income producing plant and equipment. The business provides floor plan finance to Australian motor vehicle manufacturers and also has a presence in the United Kingdom.

Macquarie Lending. Macquarie Lending provides customized capital solutions and financing certainty to its clients through primary and secondary transactions. It is differentiated by its bespoke offering and dedicated lending and investing professionals based in Sydney, London, New York and Chicago. The team has experience across a variety of industry groups including real estate, infrastructure, telecommunications, media, entertainment and technology, leisure and healthcare.

Macquarie Energy Leasing. Macquarie Energy Leasing owns an electricity and gas metering portfolio in the United Kingdom. The portfolio comprises 'traditional' meters and newer 'Smart' meters. Clients are major United Kingdom energy providers. Macquarie Energy Leasing also finances solar energy assets in Australia.

Macquarie European Rail. Macquarie European Rail offers operating lease financing for customers requiring passenger, locomotive and freight assets in Europe. In addition, Macquarie Rail offers portfolio sale and leaseback, and portfolio acquisition services.

Macquarie Global Mining Equipment Finance. Macquarie Global Mining Equipment Finance provides finance for mining equipment through finance and operating leases and secured lending. This covers a range of surface and underground mobile mining equipment such as haul trucks, excavators and diggers. The team operates globally and its clients include miners, contract miners and rental companies. This business also complements MGL's existing capabilities in resources mergers and acquisitions and commodity hedging and trading.

M*acquarie Rotorcraft Leasing*. Macquarie Rotorcraft Leasing is a full service helicopter leasing business focused on industries including offshore oil and gas, medical transport, search and rescue, utility and executive transport.

Recent developments

During March 2015, Corporate & Asset Finance sold its U.S.-based information technology equipment leasing business, consisting of US$0.9 billion in assets, to Huntington National Bank. Corporate & Asset Finance also sold its North American railcar operating lease portfolio during the 2015 fiscal year, comprising approximately US$0.4 billion in assets.

On March 4, 2015, MGL announced that a subsidiary of MBL had entered into an agreement to acquire an aircraft operating lease portfolio from AWAS Aviation Capital Limited (the "*Acquisition*"). The portfolio comprises 90 modern, current-generation commercial passenger aircraft leased to 40 airlines. The weighted average age of the fleet is approximately 2 years with an average remaining lease term of 6.5 years. Narrowbody Airbus A320-200 and Boeing 737-800 aircraft comprise more than 90 percent of the portfolio (by value). The remainder of the portfolio consists of Airbus A330 widebody aircraft. The purchase price for the 90 aircraft is approximately US$4 billion (subject to adjustments). The capital requirement for this transaction is expected to be A$0.6 billion. Settlements for the aircraft acquisitions are expected to occur progressively over the next 12 months and are subject to customary closing conditions. The acquisition is expected to be funded from existing funding sources combined with third-party financing arrangements and an institutional equity placement, which was completed by MGL on March 5, 2015. The aircrafts are expected to be acquired and delivered during the year ending March 31, 2016.

Notable transactions in the lending business included the re-leasing and exit of a rail-car logistics facility, the acquisition of two residential mortgage portfolios in the United Kingdom and Germany totaling £140m and €294m, respectively, and the provision of £104m bespoke financing across two U.K. care home portfolios.

Corporate & Asset Finance's motor vehicle leasing portfolio continued to grow, with total contracts in excess of 300,000. Both its motor vehicle and equipment finance channels continued to expand through dealer networks and ongoing expansion in the United Kingdom. The European Rail, Energy Leasing and Mining Equipment Finance leasing businesses continued to perform well.

Corporate

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

Corporate contributed a net loss of A$2.6 billion in the 2015 fiscal year and, as at March 31, 2015, had over 5,800 staff operating across all countries in which MGL operates.

For further information on Corporate's results of operation and financial condition for the year ended March 31, 2015, see section 3.8 of our 2014 Fiscal Year Management Discussion and Analysis Report.

Funds management business

MGL Group's funds management businesses are conducted by both the Non-Banking Group and the Banking Group.

In the Non-Banking Group, Macquarie Infrastructure and Real Assets is a manager of listed and unlisted funds and managed accounts specializing in infrastructure, real estate, agriculture, energy and other real asset classes. Macquarie Infrastructure and Real Assets has listed funds in Australia, the United States, South Korea, Mexico and Singapore and unlisted funds in Australia, South Korea, the Philippines, Hong Kong, China, India, the United States, Mexico, Europe, Russia, South Africa and the Middle East. See "— Operating groups — Macquarie Asset Management — Macquarie Infrastructure and Real Assets" for further information.

Additionally, on April 15, 2015, the Macquarie Investment Management division was transferred from the Banking Group to the Non-Banking Group. This transfer is internal to MGL Group and, accordingly, is not expected to have any material impact on the operating results of MGL.

In the Banking Group, Macquarie Asset Management, through Macquarie Specialised Investment Solutions, will continue to manufacture and distribute a range of tailored investment solutions over funds and listed equities, including fund-linked products, capital protected investments, a hedge fund incubation platform, infrastructure debt funds management, restructuring solutions and agricultural investment solutions. See "— Operating groups — Macquarie Asset Management" above for further information.

Assets under Management provides a consistent measure of the scale of MGL Group's funds management activities across our operating groups in the Banking Group and Non-Banking Group, which is discussed in "— Assets under Management" section below. The earning of base management fees is closely aligned with the Equity under Management measure for Macquarie Infrastructure and Real Assets, which is discussed in section 7.2 of our 2015 Fiscal Year Management Discussion and Analysis Report. For a further explanation of the distinction between Assets under Management and Equity under Management, see "Financial information presentation — Non-GAAP financial measures" in this Report.

Assets under Management

For further information on MGL Group's Assets under Management for the 2015 fiscal year, see section 7.1 of our 2015 Management's Discussion and Analysis Report.

MGL Group's income from funds management is mainly derived from funds management fees. Funds management fee income includes base fees, which are ongoing fees generated from funds management activities, and performance fees, which are earned when the funds outperform pre-determined benchmarks. For listed funds, incentive income is earned for outperformance of a benchmark rate of return. For Macquarie Infrastructure and Real Assets' funds, 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 the performance fee for subsequent periods. For unlisted funds, incentive income is earned for outperformance of a pre-determined internal rate of return. Unlisted performance fees are generally payable upon the occurrence of a "*liquidity event*", such as the conclusion of an unlisted fund's investment term where capital is returned to investors following completion of an asset sale or with a fund listing. The timing and quantum of these fees are therefore unpredictable.

For further detail on MGL Group's income from funds management, see section 2.2 of our 2015 Fiscal Year Management Discussion and Analysis Report.

For the Macquarie Infrastructure and Real Assets division, see section 7.2 of our 2015 Fiscal Year Management Discussion and Analysis Report for further information.

Equity under Management

For further information on MGL Group's Equity under Management for the 2015 fiscal year, see section 7.2 of our 2015 Management's Discussion and Analysis Report.

Senior credit facility

MGL maintains a multi-currency senior credit facility with a syndicate of lenders, under which MGL and its wholly-owned subsidiaries may borrow funds from time to time. As at March 31, 2015, the facility limit was drawn to US$1.95 billion. The senior credit facility now comprises term facilities totaling US$0.91 billion and revolving credit facilities totaling US$1.04 billion with each maturing in January 2019.

MGL is the guarantor of principal, interest and any other payments due under the senior credit facility in respect of its subsidiaries that are borrowers under the facility.

The senior credit facility includes a negative pledge that restricts MGL or any subsidiary from incurring, issuing or assuming any financial indebtedness if it is secured by a security interest over (i) any voting shares of Banking Holdco or Non-Banking Holdco or any other subsidiary that is a borrower, whether such voting shares are owned now or acquired in the future; or (ii) any right, entitlement or claim of MGL to be paid, repaid or reimbursed for any amount by a subsidiary in relation to any loan or other facility provided by MGL utilizing all or part of the proceeds of the senior credit facility; in each case, without providing that the lenders shall be secured equally and ratably with such financial indebtedness. The facility agreement also includes an undertaking that the consolidated net worth of MGL and its subsidiaries shall not at any time be less than A$7.0 billion.

Interest on outstanding amounts drawn under the senior credit facility is payable at the base rate plus a margin. For drawings in Australian dollars, the base rate is BBSY; for drawings in Euro, the base rate is EURIBOR; and for drawings in U.S. dollars, pounds sterling or Japanese yen, the base rate is LIBOR in the relevant currency. Funds drawn under the senior credit facility are used for MGL's general corporate purposes.

Legal proceedings and regulatory matters

Legal proceedings

During the year ended March 31, 2015, the proceedings commenced by ASIC against a number of banking institutions, including MBL, in relation to Storm Financial Limited, were resolved without any adverse findings against MBL.

On January 29, 2015, Macquarie Equities Limited ("*MEL*"), a subsidiary of MBL, concluded an Enforceable Undertaking ("*EU*") with ASIC after KPMG, the Independent Expert, submitted a final report to ASIC confirming all deliverables outlined in the Implementation Plan had been completed. MEL addressed ASIC's concerns about the effectiveness of compliance within Macquarie Private Wealth ("*MPW*") by investing approximately A$49 million to improve the record keeping, monitoring and supervision within MPW. MEL has agreed with ASIC to a 12 month program to build upon the completed EU implementation plan and to undergo third-party evaluations to test the operational effectiveness of the improved controls and ensure change is sustained. In addition, the client remediation program is ongoing based on the consistent application of the Financial Ombudsman Service principles and subject to continued oversight by Deloitte and ASIC. The current estimated remediation amount has been fully provided for.

During the year ended March 31, 2015, changes to the CFTC regulations in the United States were introduced. For more information on this and other regulatory changes, please refer to "Regulation and Supervision."

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

We have contingent liabilities in respect of actual and potential claims and proceedings that have not been determined. An assessment of likely losses is made on a case-by-case basis for the purposes of our financial statements and specific provisions that we consider appropriate are made, as described in Note 34 to our 2015 annual financial statements. We do not believe that the outcome of any such liabilities, either individually or in the aggregate, are likely to have a material effect on our operations or financial condition.

Competition

The financial services industry and all of our businesses are intensely competitive, and we expect them to remain so. See “Risk Factors — Competitive pressure, both in the financial services industry as well as in the other industries in which we operate, could adversely impact our business and results of operation”. We compete, both in Australia and internationally, with asset managers, retail and commercial banks, non-bank mortgage brokers, private banking firms, investment banking firms and brokerage firms. The Non-Banking Group also competes with industry focused competitors in connection with its infrastructure and real estate businesses.

In Australia, we face significant competition from the four major Australian commercial banks, international banks, regional commercial banks, building societies, brokerage firms, private equity firms, mortgage repackagers and other financial intermediaries. In recent years, competition has increased as international banks have established an Australian presence, large insurance and banking industry participants have sought to establish themselves in markets that are perceived to offer higher growth potential, and as local institutions have become more sophisticated and competitive and have sought alliances, mergers or strategic relationships.

The international trend towards consolidation and strategic alliances, has significantly increased the capital base and geographic reach of some of our competitors. This trend has also hastened the globalization of the securities and financial services markets. To take advantage of some of our recent strategic acquisitions and organic growth opportunities, we will need to compete successfully with financial institutions that are larger and that may have a stronger local presence and longer operating history outside of Australia.

In North America, Europe and Asia, the principal markets in which we operate outside Australia, we compete with commercial banks, investment banking and brokerage firms, private equity firms, large fund managers, integrated energy companies and other broad-based financial services firms that have historically offered a broad range of products to enhance their competitive position. See “Risk Factors — Competitive pressure, both in the financial services industry as well as in the other industries in which we operate, could adversely impact our business and results of operation”.

In other overseas markets where we offer limited products and services, we face the challenge of competing with firms that offer a broader range of services than we do, are better known or have a broader platform or more financial, capital, employee or other resources. In an attempt to overcome these barriers, MBL Group or MGL Group, where appropriate, has established alliances with local providers in a number of international markets in an attempt to benefit from the market strength of an existing player.

We also face intense competition in attracting and retaining qualified employees. Our ability to continue to compete effectively in our businesses will depend upon our ability to attract new employees and retain and motivate our existing employees and to continue to compensate employees competitively amid intense public and regulatory scrutiny on the employee remuneration practices of financial institutions. See “Risk Factors — Our ability to retain and attract qualified employees is critical to the success of our business and the failure to do so may materially adversely affect our performance” and “Regulation and Supervision — Australia” in this Report for more information on the regulation of our remuneration practices.

Additional financial disclosures for the 2015 fiscal year

Euro-zone exposures

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

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

	As at Mar 31, 2015			
		Non sovereign exposure		
Financial instrument	**Sovereign exposure**	**Financial institutions**	**Corporate**	**Total exposure**[3]
	A$m	**A$m**	**A$m**	**A$m**
Italy				
Loans, receivables & commitments[1]	-	0.16	11.69	11.85
Derivative assets[2]	-	-	28.78	28.78
Traded debt securities	-	-	1.85	1.85
Italy totals	**-**	**0.16**	**42.31**	**42.47**
Spain				
Loans, receivables & commitments[1]	-	0.45	199.60	200.06
Derivative assets[2]	1.84	-	6.89	8.73
Traded debt securities	-	-	-	-
Spain totals	**1.84**	**0.45**	**206.49**	**208.79**
Portugal				
Loans, receivables & commitments[1]	-	0.27	42.79	43.06
Derivative assets[2]	-	-	-	-
Traded debt securities	-	-	-	-
Portugal totals	**-**	**0.27**	**42.79**	**43.06**
Ireland				
Loans, receivables & commitments[1]	-	0.52	192.02	192.54
Derivative assets[2]	-	-	22.52	22.52
Traded debt securities	-	-	11.17	11.17
Ireland totals	**-**	**0.52**	**225.71**	**226.23**
Greece				
Loans, receivables & commitments[1]	-	-	39.41	39.41
Derivative assets[2]	-	-	0.12	0.12
Greece totals	**-**	**-**	**39.53**	**39.53**
Cyprus	-	-	-	-
Loans, receivables & commitments[1]	-	-	-	-
Derivative assets[2]	-	-	-	-
Cyprus totals	**-**	**-**	**-**	**-**
Total exposure	**1.84**	**1.59**	**580.29**	**583.72**

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

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

[3] Figures do not include our exposures to aircraft-related businesses due to the transient nature of these assets.

In addition, during the year ended March 31, 2015, the political situation in Russia and Ukraine negatively affected market sentiment toward those countries. As of March 31, 2015, MGL's total credit and market exposure to Russia and Ukraine was not material.

Lease commitments, contingent liabilities and assets

We do not expect our lease commitments to have a significant effect on our liquidity needs. See Note 35 "Lease commitments" to our 2015 annual financial statements for further information. Lease commitments are disclosed in our annual financial statements each year and are not required to be disclosed under Australian Accounting Standards in interim financial statements.

As at March 31, 2015, MGL Group had A$13.31 billion of contingent liabilities and commitments, including A$1,643 million of contingent liabilities and A$11.7 billion of commitments under undrawn credit facilities. See Note 34 "Contingent liabilities and commitments" to our 2015 annual financial statements which shows MGL Group's contingent liabilities and commitments at March 31, 2015.

Quantitative and qualitative disclosures about market risk

Each year we prepare a detailed analysis of market risk as it applies to MGL Group and a quantitative analysis of MGL Group's value at risk for equities, interest rates, foreign exchange and bullion, and commodities, individually and in the aggregate thereof. See Note 37 "Financial risk management" to MGL Group's 2015 annual financial statements for a quantitative and qualitative discussion of these risks.

REGULATION AND SUPERVISION

Australia

In Australia, the principal regulators that supervise and regulate our activities are the Australian Prudential Regulation Authority ("*APRA*"), the Reserve Bank of Australia ("*RBA*"), the Australian Securities and Investments Commission ("*ASIC*"), ASX Limited (as the operator of the Australian Securities Exchange ("*ASX*") market), Australian Securities Exchange Limited (as the operator of the ASX24 (formerly known as the Sydney Futures Exchange) market), the Australian Competition and Consumer Commission ("*ACCC*") and the Australian Transaction Reports and Analysis Centre ("*AUSTRAC*").

Set out below is a summary of certain key Australian legislative provisions that are applicable to our operations, and a summary of the functions of each of the principal regulators.

APRA

APRA is the prudential regulator of the Australian financial services industry. APRA establishes and enforces prudential standards and practices designed to ensure that, under all reasonable circumstances, financial promises made by institutions under APRA's supervision are met within a stable, efficient and competitive financial system. MBL is an ADI, and MGL is a NOHC, under the Australian Banking Act and, as such, each is subject to prudential regulation and supervision by APRA. MBL and MGL have corporate governance and policy frameworks designed to meet APRA's requirements for ADIs and NOHCs, respectively.

Under the Australian Banking Act, APRA has powers to issue directions to MBL and MGL and, in certain circumstances, to appoint an ADI statutory manager to take control of MBL's business. In addition, APRA may, in certain circumstances, require MBL to transfer all or part of its business to another entity under the Australian Financial Sector (Business Transfer and Group Restructure) Act 1999 (the "*Australian FSBT Act*"). A transfer under the Australian FSBT Act overrides anything in any contract or agreement to which MBL is a party to, including the terms of its debt securities. APRA's powers under the Australian Banking Act and Australian FSBT Act are discretionary and may be more likely to be exercised by it in circumstances where MBL or MGL is in material breach of applicable banking laws and/or regulations or is in financial distress, including where MBL or MGL has contravened the Australian Banking Act (or any related regulations or other instruments made, or conditions imposed, under that Act), or where MBL has informed APRA that it is unlikely to meet its obligations or that it is about to suspend its payments. In these circumstances, APRA is required to have regard to protecting the interests of MBL's depositors and to the stability of the Australian financial system, but not necessarily to the interests of other creditors of MBL and MGL.

In its supervision of ADIs, APRA focuses on capital adequacy, liquidity, market risk, credit risk, operational risk, associations with related entities, large exposures to unrelated entities and funds management, securitization and covered bonds activities and governance. APRA discharges its responsibilities by requiring ADIs to regularly provide it with reports which set forth a broad range of information, including financial and statistical information relating to their financial position and information in respect of prudential and other matters. This information is not generally available to investors. APRA may also exercise certain investigative powers if an ADI fails to provide information about its financial stability or becomes unable to meet its obligations. In carrying out its supervisory role, APRA supplements its analysis of statistical data collected from ADIs with selective "*on site*" visits and formal meetings with the ADIs' senior management and external auditors. The external auditors provide additional assurance to APRA that prudential standards applicable to ADIs are being observed, statistical and financial data provided by ADIs to APRA are reliable, and that statutory and other banking requirements are being met. External auditors are also required to undertake targeted reviews of specific risk management areas as requested by APRA. APRA may also exercise certain investigative powers if an ADI fails to provide information about its financial stability or becomes unable to meet its obligations.

APRA is also responsible for the prudential regulation and supervision of life and general insurance companies and superannuation funds ultimately for the benefit of policyholders and superannuation fund beneficiaries. MGL Group's life insurance and funds management businesses are subject to and impacted by those regulations which, among other things, regulate the operation and capital adequacy standards of statutory funds for the life insurance business and provide for the licensing of trustees of superannuation funds.

APRA's prudential supervision – Capital adequacy

APRA's approach to the assessment of an ADI's capital adequacy is based on the risk-based capital adequacy framework set out in the Basel Committee on Banking Supervisions' ("*Basel Committee*") publications, "*International Convergence of Capital Measurement and Capital Standards a Revised Framework*" ("*Basel II*"), revised in June 2006 and "*A global regulatory framework for more resilient banks and banking systems*" ("*Basel III*"), released in December 2010 and revised in June 2011. APRA's implementation of the Basel III capital framework began on January 1, 2013.

Consistent with Basel III, APRA's present approach provides for a quantitative measure of an ADI's capital adequacy and focuses on matters including: (i) the credit risk associated with an ADI's on-balance sheet and off-balance sheet exposures; (ii) the operational risk associated with an ADI's banking activities; (iii) the market risk arising from an ADI's trading activities where applicable, the interest rate risk arising from nominal financial intermediation, as distinct from trading activities; (iv) the risk associated with securitization; and (v) the amount, form and quality of capital held by an ADI to act as a buffer against these and other exposures.

Under its Prudential Standard *APS 111 – Capital Adequacy: Measurement of Capital* ("*APS 111*"), APRA requires that an ADI maintains a certain amount of regulatory capital. An ADI's regulatory capital is assessed by APRA in two tiers: (1) Tier 1 Capital (going concern capital), which comprises an ADI's Common Equity Tier 1 Capital and Additional Tier 1 Capital; and (2) Tier 2 Capital (gone concern capital), in each case, less any prescribed regulatory adjustments (where applicable). Common Equity Tier 1 Capital comprises the highest quality components of capital that: (i) provide a permanent and unrestricted commitment of funds; (ii) are freely available to absorb losses; (iii) do not impose any unavoidable servicing charge against earnings; and (iv) rank behind the claims of depositors and other creditors in the event of a winding-up of the ADI. Additional Tier 1 Capital comprises high quality components of capital that meet the requirements described in (i), (ii) and (iv) above, and also provide for fully discretionary capital distributions. Tier 2 Capital includes other components of capital that, to varying degrees, fall short of the quality of Tier 1 Capital but nonetheless contribute to the overall strength of an ADI and its capacity to absorb losses. An ADI's regulatory capital base (the numerator of the capital ratio) is defined for the purposes of APS 111 as the sum of eligible Tier 1 Capital and Tier 2 Capital ("*total capital*").

Under its Prudential Standard *APS 110 – Capital Adequacy* ("*APS 110*"), APRA requires all ADIs to, at all times, maintain the following minimum prudential capital ratios (as measured against total risk-weighted assets): (i) a Common Equity Tier 1 Capital ratio of 4.5%; (ii) a Tier 1 Capital ratio of 6.0%; and (iii) a Total Capital (being the sum of all Tier 1 Capital and Tier 2 Capital) ratio of 8.0%. APRA may also require an ADI to hold prudential capital above these levels if it so determines and may change these levels at any time. As at March 31, 2015, MBL and MGL are fully compliant with all prudential capital requirements that are applicable to them.

Pursuant to APS 110, APRA also requires ADIs to, from January 1, 2016, hold a capital conservation buffer above the prudential capital requirement for the Common Equity Tier 1 Capital. The capital conservation buffer is 2.5% of the ADI's total risk-weighted assets unless determined otherwise by APRA. APS 110 provides that the Common Equity Tier 1 Capital plus the capital conservation determined by APRA should be no less than 7.0% of the ADI's total risk-weighted assets. It is currently not possible to predict with absolute certainty whether MBL will meet this requirement and MBL continues to monitor its prudential capital to ensure that it will be well-positioned to meet these upcoming requirements when they come into effect. As at March 31, 2015, the Common Equity Tier 1 Capital ratio for MBL Group (on a Level 2 basis) was 9.7%, which is in compliance with the levels required by APS 110.

From January 1, 2016, APRA may, by notice in writing to all ADIs, require them to hold additional Common Equity Tier 1 Capital of between zero and 2.5% of total risk-weighted assets, as a countercyclical capital buffer. It is currently not possible to predict whether APRA will require ADIs to hold a countercyclical capital buffer but any such decision of APRA to do so must be notified by APRA to all ADIs up to 12 months prior to coming into effect.

APRA has stipulated a capital adequacy framework that applies to MBL as an ADI and MGL as a NOHC. In the case of MGL Group, this framework is set out in MGL's NOHC Authority. Pillar 3 Disclosure Documents setting out the qualitative and quantitative disclosures of risk management practices and capital adequacy required to be published by MBL Group in accordance with APRA's Prudential Standard *APS 330 Capital Adequacy: Public Disclosure of Prudential Information* ("*APS 330*") are posted on MGL's U.S. Investors' Website. Measurement of capital adequacy and MBL's economic capital model is more fully described in Section 4 of the MBL Pillar 3 Disclosure Document for the year ended March 31, 2014, Section 4 of the MBL Pillar 3 Disclosure Document for the half year ended September 30, 2014 and Section 2.0 of the MBL Pillar 3 Disclosure Document dated December 31, 2014, each posted on MGL's U.S. Investors' Website. APRA has advised that it will monitor the overall MGL Group and may increase the prudential requirements it applies to MBL if the activities of MGL Group place financial strain on MBL.

APRA's prudential supervision – Liquidity

Under APRA's Prudential Standard *APS 210: Liquidity* ("*APS 210*"), APRA requires ADIs to at all times maintain sufficient liquidity to meet their obligations as they fall due and hold a minimum level of high-quality liquidity assets ("*HQLA*") to survive a liquidity stress. APRA also requires ADIs to have a robust liquidity risk management framework to manage their liquidity risk. The ADI's liquidity risk management framework must include, at a minimum: a statement of the ADI's liquidity risk tolerance, a liquidity management strategy, policy statement and funding strategy which, in each case, must be approved by the ADI's board of directors. It must also include a system for identifying, measuring, monitoring and controlling its liquidity risk in accordance with its liquidity risk tolerance and a formal contingency plan for dealing with a liquidity crisis.

MGL models twelve month liquidity stress scenarios for the MGL Group, the MBL Group and the Non-Banking Group to ensure that sufficient liquidity is available in each part of its business. See section 5.1 of our 2015 Fiscal Year Management Discussion and Analysis Report for further information on our liquidity policies and principles.

APRA's prudential standards and practice guides implementing the global liquidity standards issued by the Basel Committee in the Basel III framework came into effect on January 1, 2014 (and were amended in November 2014). In line with the liquidity standards contained within the Basel III framework, APRA introduced the Liquidity Coverage Ratio ("*LCR*") as part of its liquidity framework, which became a minimum prudential requirement for ADIs on January 1, 2015.

The LCR requires HQLA to be held to cover net cash outflows under a combined 'idiosyncratic' and market-wide stress scenario lasting 30 calendar days and applies specifically to the MBL Group. In its implementation of the LCR, APRA adopted the Basel III rules text in full, with the exception of certain items where APRA has made use of the national discretion allowed by the rules or where APRA has departed from the rules text to reflect circumstances particular to Australia. Items under the first category include not expanding the definition of HQLA to include any 'level 2' HQLA, an additional cash outflow rate for high run off less stable retail deposits, certain contingent funding obligations and the method of calculating collateral flows related to the valuation of derivatives. Items under the second category include the treatment of self-managed superannuation fund deposits and recognition of head office liquidity to support Australian branches of foreign banks.

As a consequence of the Basel III definition of HQLA, the only assets that qualify as HQLA for the purposes of satisfying Australian dollar LCR requirements are cash, balances held with the RBA and Australian Government and semi-government securities. APRA has acknowledged that the supply of Australian Commonwealth Government and semi-government securities in Australia is relatively limited. In response, APRA and the RBA have agreed to allow ADIs, if approved by APRA, to establish a committed secured liquidity facility ("*CLF*") with the RBA (which is an Alternative Liquidity Approach (ALA) (defined in the Basel III liquidity rules) that expands the regulatory definition of HQLA in jurisdictions where there is a structural shortfall of otherwise Basel III-qualifying HQLA, as is the case in Australia). The commitment of the RBA under the CLF to each relevant participating ADI ("*CLF participant*") has been available since January 1, 2015.

Qualifying collateral for a CLF comprises all assets eligible for repurchase transactions with the RBA under normal market operations, as well as other assets the RBA deems appropriate (including certain related-party assets issued by bankruptcy remote vehicles like self-securitized residential mortgage-backed securities). Provided that sufficient qualifying collateral is held for the CLF allocation, that allocation is treated in the LCR as Australian dollar HQLA. In return for the CLF being made available to an ADI, a market based commitment fee of 0.15% is charged to the ADI on the face value of any CLF allocation, and an interest rate that is in line with current arrangements for RBA's overnight repurchase facility is charged in the event the CLF is drawn.

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

In September, 2014, the RBA released legal documentation for the CLF, including the terms and conditions of the CLF ("*CLF Terms and Conditions*"). Under the CLF Terms and Conditions, if there is any failure of, or breach by, the RBA in respect of a CLF, the liability of the RBA to the relevant CLF participant in respect of claims the CLF is expressly limited and, notwithstanding such limitations, is capped at A$50 million in aggregate. Amounts owing to the RBA in respect of a CLF by the relevant CLF participant (which may include, without limitation, fees due but unpaid and amounts owing under an indemnity provided by the CLF participant under the CLF Terms and Conditions) may, in a winding-up of the CLF Participant, be mandatorily preferred over other debts of the CLF participant (including, pursuant to section 13A(3)(d) of the Australian Banking Act and section 86 of the Reserve Bank Act 1959 of Australia).

In addition to implementing the LCR, APRA announced that it plans to introduce the Net Stable Funding Ratio ("*NSFR*") into its liquidity framework from January 1, 2018. The NSFR is a 12 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 12 months. In addition, APRA has also announced its proposal to introduce a specific required stable funding factor for assets held by ADIs as collateral for their CLF. This will approximate the factor that would apply if adequate supplies of HQLA were available in Australia. MGL currently expects that it will meet the requirements of the NSFR. However, final details of the NSFR have not yet been implemented by APRA under its prudential standards.

APRA's prudential supervision – Counterparty credit risk

APRA's prudential standards implementing the Basel III reforms to the capital framework for counterparty credit risk and other credit exposures came into effect on January 1, 2013. Under its prudential standard, APRA extended its existing capital framework for counterparty credit risk in bilateral transactions to be the sum of the existing counterparty credit default component that applies under its existing prudential standards and a risk capital Credit Value Adjustment ("*CVA*") risk capital charge introduced as part of the Basel III reforms. The CVA risk capital charge is intended to cover the risk of mark-to-market losses on the expected counterparty credit risk arising from bilateral OTC derivatives. In January 2013, APRA also adopted Basel III reforms on capital charges for exposure to central counterparties arising from over the counter derivatives, exchange traded derivatives and securities financing transactions. These prudential standards require MBL to hold more capital for its counterparty credit risk exposures and other credit exposures.

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

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

The proposed overarching requirements of the framework are as follows: (i) a Level 3 group must have a robust governance framework that is applied appropriately throughout the group; (ii) the intra-group exposures and external aggregate exposures of a Level 3 group must be transparent and prudently managed; (iii) a Level 3 group must have an effective group-wide risk management framework in place; and (iv) a Level 3 group must have sufficient capital to support the risks of the entire group, including material risks that arise from non-APRA-regulated activities.

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

APRA's prudential supervision – Loss absorbency at the point of non-viability

On January 13, 2011, the Basel Committee issued the minimum requirements to ensure loss absorbency at the point of non-viability. These requirements 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 and are in addition to the criteria detailed in the text of the Basel III framework that were published in December 2010.

Under the requirements, all non-common Tier 1 and Tier 2 instruments issued by a bank on or after January 1, 2013 must have a provision which allows a relevant authority to require the debt to be written off or converted into common equity upon the earlier of such authority determining that (1) a write-off is necessary; and (2) rescue funds from the public sector (or equivalent) are required, for the bank to continue to be viable. Instruments issued prior to January 1, 2013 that do not meet these criteria but otherwise met all of the criteria for Additional Tier 1 or Tier 2 Capital as set out in the text of the Basel III framework will be considered as an instrument that no longer qualifies as such and phased out from January 1, 2013.

APRA's implementation of these minimum requirements were included in its revised prudential standards relating to capital adequacy which came into effect on January 1, 2013. All additional Tier 1 and Tier 2 instruments currently issued by MBL meet the requirements of the revised prudential standard requirements for loss absorbency at the point of non-viability or are eligible for transitional relief that is available for qualifying instruments on a progressively decreasing basis from January 1, 2013 until January 1, 2022.

Crisis management

On September 28, 2012, the Australian Government released a consultation paper titled "*Strengthening APRA's Crisis Management Powers*" seeking comments on a range of options to enhance Australia's financial sector, particularly prudential regulation. The options canvassed in the paper aim to strengthen APRA's crisis management powers in relation to NOHCs, ADIs, superannuation entities and general and life insurers. Implementation of these options is intended to bring Australia's regulatory framework more closely into line with the G20 endorsed international standard for crisis management arrangements published by the Financial Stability Board in its paper "*Key Attributes of Effective Resolution Regimes for Financial Institutions*" dated October 2011. If implemented, the key implications for MGL and MBL are likely to be an increase in APRA's powers to intervene in the affairs of MGL and MBL during periods of stress.

RBA

In exercising its powers, APRA works closely with the RBA. The RBA is Australia's central bank and an active participant in the financial markets. It also manages Australia's foreign reserves, issues Australian currency notes, serves as banker to the Australian Government and, through the Payment Systems Board, supervises the payments system.

ASIC

ASIC is Australia's corporate, markets and financial services regulator, which regulates Australian companies, financial markets, financial services organizations and professionals who deal and advise in investments, superannuation, insurance, deposit taking and credit.

ASIC regulates each of the entities we operate in Australia as the corporate regulator and is responsible for enforcing appropriate standards of corporate governance and conduct by directors and officers. A number of MGL Group entities hold Australian financial services ("*AFS*") licenses. ASIC licenses and monitors AFS licensees and requires AFS licensees to ensure the financial services covered by their license are provided efficiently, honestly and fairly. A number of MGL Group entities also hold Australian Credit Licenses ("*ACL*"). ASIC regulates ACL holders as the consumer credit regulator, licensing and regulating those entities to ensure they meet standards set out in the National Consumer Credit Protection Act 2009 of Australia.

ASIC is Australia's market regulator and is responsible for the supervision of trading on Australia's domestic licensed equity, derivatives and future markets, including trading by MBL and other ASX and ASX24 market participants in the MGL Group.

ASX24

The ASX24 market provides exchange traded and over-the-counter services and regulates the cash and derivative trades that we execute through the ASX24 as a market participant in the ASX24. This business is conducted primarily within MBL Group.

As a licensed market operator, MBL Group is subject to the operating rules of ASX24 which contain comprehensive provisions for preventing conflicts and enforcing compliance with the operating rules. The rules cover all aspects of trading and of clearing and settling, including monitoring market conduct, disciplining of participants and suspension or termination of participation rights and market access.

ASX

ASX is Australia's primary securities market. The MIS, MCN and MGL's ordinary shares are listed on ASX. MBL and MGL each have a contractual obligation to comply with ASX's listing rules, which have the statutory backing of the Australian Corporations Act. The ASX listing rules govern requirements for listing on ASX and include provisions in relation to issues of securities, disclosure to the market, executive remuneration and related-party transactions. ASX and ASIC oversee our compliance with ASX's listing rules, including any funds we manage that are listed on the ASX.

ACCC

The ACCC is Australia's competition regulator. Its key responsibilities are to ensure that corporations do not act in a way that may have the effect of eliminating or reducing competition, and to oversee product safety and liability issues, pricing practices and third-party access to facilities of national significance. The ACCC's consumer protection activities complement those of Australia state and territory consumer affairs agencies that administer the unfair trading legislation of those jurisdictions.

AUSTRAC

AUSTRAC is Australia's anti-money laundering and counter-terrorism financing regulator and specialist financial intelligence unit. It works collaboratively with Australian industries and businesses (including certain entities of MGL Group) in their compliance with anti-money laundering and counter-terrorism financing legislation. As Australia's financial intelligence unit, AUSTRAC contributes to investigative and law enforcement work to combat financial crime and prosecute criminals in Australia and overseas.

The AML-CTF Act places obligations on providers of financial services and gaming services, and on bullion dealers. The AML-CTF Act affects entities who offer specific services which may be exploited to launder money or finance terrorism, for example, those relating to electronic fund transfers, designated remittance arrangements and correspondent banking relationships. The AML-CTF Act also has broad extra territorial application to overseas entities of Australian companies.

A number of entities in MGL Group are considered to be "*reporting entities*" for the purposes of the AML-CTF Act and are required to undertake certain obligations, including enhanced customer due diligence, establishing an AML-CTF program to identify, mitigate and manage the risk of money laundering and terrorism financing, enhanced record-keeping and reporting on suspicious matters, transactions above a set threshold and international funds transfer instructions to AUSTRAC.

Other Australian regulators

In addition to the foregoing regulators, MGL Group and MBL Group and the businesses and funds they manage are subject to supervision by various other regulators in Australia, including the Essential Services Commission, Economic Regulation Authority and the Department of Energy and Water in connection with activities and the management of funds in the utilities and energy sectors.

Financial System Inquiry

Over the course of 2014, the Australian Government undertook a review of the Australian financial system, called the Financial System Inquiry. The Financial System Inquiry released its final report on December 7, 2014, which included 44 recommendations. The Australian Federal Treasury is presently conducting a public consultation in relation to the recommendations generally, with submissions having closed on March 31, 2015. At this stage, it is not possible to predict with any certainty what recommendations may be adopted by the Australian Government and, in particular, how prudential standards adopted by APRA as a result of the Financial Services Inquiry or other international developments may impact the capital structure or businesses of MBL. See "Risk Factors — Many of our businesses are highly regulated and we could be adversely affected by temporary and permanent changes in regulations and regulatory policy or unintended consequences from such changes and increased compliance requirements, particularly for financial institutions, in the markets in which we operate".

International

Our businesses and the funds we manage outside of Australia are subject to various regulatory regimes.

United States

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

MGL Group is currently subject to regulation in the United States as a financial intermediary, which is described below.

Banking and derivatives regulations

In the United States, MBL operates solely through representative offices, which by law may only perform representational and administrative functions and therefore cannot engage in business or handle customer funds. These offices are limited to soliciting business on behalf of MBL, which must then be approved and booked offshore, and performing administrative tasks as directed by MBL. Our representative offices are licensed by individual states, in our case, the states of New York, Texas and Illinois, and are subject to periodic examination by the applicable state licensing authority and the Federal Reserve. These examinations primarily focus on whether the offices are compliant with the limits of representative office activities and on key areas of regulatory concern, such as anti-money laundering compliance.

On July 21, 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "*Dodd-Frank Act*"). Many of the provisions of the Dodd-Frank Act require rulemaking by the applicable U.S. regulatory agency, such as the Federal Reserve Board ("*FRB*"), the SEC and the Commodity Futures Trading Commission ("*CFTC*"), before the related provisions of the Dodd-Frank Act become effective. The Dodd-Frank Act has resulted in, and will continue to 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 will be affected by a variety of new regulations under the Dodd-Frank Act including, but not limited to: (i) greater regulation of over-the-counter derivatives, including stricter capital and margin requirements, the centralized execution and clearing of standardized over-the-counter derivatives, and registration and heightened supervision of all over-the-counter swap dealers and major swap participants; (ii) more stringent position limits on derivatives on physical commodities; and (iii) increased regulation of investment advisers. In addition, if MGL is determined by U.S. regulators to be a “*systemically important*” nonbank financial company, U.S. regulators may have increased regulatory authority over MGL and may impose stricter capital, leverage and risk management requirements. The Dodd-Frank Act will increase compliance and execution costs for derivative trading in the United States and have an impact on certain MGL Group businesses, such as on its U.S. derivatives business. For instance, two MGL affiliates have registered as swap dealers. The CFTC has issued Cross-Border Guidance, which permits non-U.S. swap dealers to rely on “*substituted compliance*” with approved local laws and regulations when dealing with non-U.S. counterparties, in lieu of compliance with certain of the CFTC’s rules. The CFTC has also issued an order approving certain Australian laws and regulations for substituted compliance. Therefore, one of MGL’s affiliates, MBL is able to comply only with Australian regulatory requirements in certain respects in connection with its swap dealing business with non-U.S. counterparties. It is possible that further cross-border relief will be granted in the future. However, MBL remains subject to many of the CFTC’s requirements and the other MGL affiliate that is registered as a swap dealer is fully subject to CFTC rules as well. Many of the rules under the Dodd-Frank Act have already been issued and made effective, such as those relating to swap dealer registration, the first phase of mandatory swap clearing and business conduct standards, and to which we or our affiliates are subject. However, because many of these rules have only recently become effective, it is not possible at this point in time to determine definitively the full extent of the impact of the Dodd-Frank Act because the markets have only recently begun to conform to the regulatory regime and the process of implementation is still expected to continue for several years. Nevertheless, it is clear that the regulatory changes will increase costs, which could cause some entities to reduce or eliminate their trading activity, thereby also potentially reducing liquidity and increasing volatility.

Anti-money laundering regulations

The MBL representative offices as well as MGL Group’s U.S. broker-dealer subsidiaries and mutual funds managed or sponsored by MGL Group’s subsidiaries are subject to anti-money laundering laws and regulations, including regulations issued by the U.S. Treasury Department to implement various anti-money laundering requirements of the Bank Secrecy Act (the “*Bank Secrecy Act*”) and Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the “*USA PATRIOT Act*”).

The Bank Secrecy Act, as amended by the USA PATRIOT Act, requires U.S. representative offices of foreign banks and U.S. broker-dealers and mutual funds to establish and maintain written anti-money laundering compliance programs that include the following components: (i) a system of internal controls to assure ongoing compliance with applicable anti-money laundering laws and regulations; (ii) independent testing of compliance by the institution’s personnel or by a qualified outside party; (iii) the designation of an individual or individuals responsible for coordinating and monitoring day-to-day compliance; and (iv) training for appropriate personnel. The compliance program must be approved by the board of directors, board of trustees or senior management depending on the institution. United States representative offices of foreign banks and U.S. broker-dealers and mutual funds are also required to establish and maintain a customer identification program and, as necessary, to file suspicious activity reports with appropriate federal law enforcement agencies and the U.S. Treasury Department.

The MBL representative offices and MGL Group’s other operations within the United States must also comply with the regulations and economic sanctions programs administered by OFAC, which enforces economic sanctions against targeted foreign countries, individuals and entities.

The MBL representative offices and MGL’s U.S. broker-dealer subsidiaries and other subsidiaries in the United States have adopted written anti-money laundering compliance programs designed to comply with the Bank Secrecy Act, as amended by the USA PATRIOT Act, and have implemented procedures to comply with OFAC.

Securities and commodities regulations

In the United States, certain members of MGL Group are regulated by the U.S. Securities and Exchange Commission (“*SEC*”) and by the Financial Industry Regulatory Authority (“*FINRA*”) with respect to certain securities and corporate finance related activities conducted through broker-dealers, or through investment advisors or investment companies registered under the U.S. Investment Advisers Act of 1940, as amended, or the U.S. Investment Company Act of 1940, as amended (the "*ICA*"). We will be subject to greater oversight and regulation by the SEC and FINRA as our business grows in the United States.

In addition, certain members of MGL Group are regulated by the Commodity Futures Trading Commission ("*CFTC*") and the CME Group with respect to the trading of futures and commodity options for customers and clearing activities. The CFTC continues to issue final and proposed regulations, statements of guidance and no-action letters that may affect certain members of the MGL Group. For example, on November 14, 2013, the CFTC issued a staff advisory (the "*Advisory*") relating to the cross-border application of transaction-level swap requirements. In the advisory, the CFTC took the view that a non-U.S. swap dealer registered with the CFTC (whether or not it is an affiliate of a U.S. person) must comply with transaction-level requirements under the Dodd-Frank Act when entering into a swap with a non-U.S. person if the swap is arranged, negotiated or executed by personnel of the non-U.S. swap dealer located in the United States. However, through a series of no-action letters, the CFTC has delayed the effectiveness of the Advisory until September 30, 2015. On December 20, 2013, the CFTC approved a series of substituted compliance determinations covering certain swap entity-level and transaction-level requirements in six jurisdictions, including entity-level requirements under Australian law. Further actions by the CFTC may affect swap transactions of certain members of the MGL Group.

As a non-U.S. swap dealer registered with the CFTC, MGL currently benefits from relief from an obligation to report to the CFTC swaps with non-U.S. persons. This relief is due to expire on December 1, 2015. We currently expect the CFTC to extend the relief granted, or to provide similar relief, with respect to reporting and with respect to compliance with the Advisory on cross-border transactions arranged, negotiated or executed from the U.S. This expectation is based on, among other factors, the fact that the CFTC is still in the process of conducting an assessment as to the equivalence of Australia's transaction reporting regime, and Australia's rules governing swap transactions, which are also still in the process of being developed and implemented. Despite this, the timing, likelihood and content of any potential extension or a substituted compliance determination, are uncertain. The expiration of this relief without an extension would require MBL to comply with rules that it might not be able to satisfy immediately. In addition, the CFTC is expected to finalize its proposed regulations on position limits and the CFTC and the Prudential Regulators are expected to finalize their respective regulations on margin on uncleared swaps. These actions will likely take place in 2015, although the effective date of the regulations is unclear. The imposition of these requirements could limit trading activities by MBL and its affiliates.

The Federal Energy Regulatory Commission ("*FERC*") also regulates wholesale natural gas and electricity markets in which we operate. As we continue to expand our U.S. energy trading business, our compliance with energy trading regulations will become increasingly important.

Other regulations

Other regulators that impact the funds and companies we manage include, but are not limited to, the Federal Communications Commission with respect to certain media-related investments, and various other applicable federal, state and local agencies. In addition, our entry into the physical commodities trading business has subjected us to further U.S. regulations, including, but not limited to, federal, state and local environmental laws.

United Kingdom

The FCA and PRA are responsible for the regulation of financial business in the United Kingdom, including banking, investment business, consumer credit and insurance. Deposit-taking institutions, insurers and significant investment firms are dual-regulated, with the PRA responsible for the authorization, prudential regulation and day-to-day supervision of such firms, and the FCA responsible for regulating conduct of business requirements.

MBL operates a branch, MBL LB, and a subsidiary, Macquarie Bank International Ltd ("*MBIL*"), in the United Kingdom. APRA remains the lead prudential regulator for MBL LB, with regulatory oversight by the FCA and PRA in their handbooks of rules and guidance in the United Kingdom. MBIL, a United Kingdom incorporated subsidiary is authorized and regulated by the FCA and PRA as a bank.

MGL also has two subsidiaries in the United Kingdom, Macquarie Infrastructure and Real Assets (Europe) Limited ("*MIRAEL*") and Macquarie Capital (Europe) Limited ("*MCEL*"), authorized and regulated solely by the FCA. MIRAEL is authorized and regulated by the FCA as a limited license firm, while MCEL is authorized and regulated by the FCA as a full scope investment firm. MIRAEL is also authorized as an alternative investment fund manager ("*AIFM*") pursuant to the Alternative Investment Fund Managers Regulations 2013 (SI 2013/1773), which implements the Alternative Investment Fund Managers Directive (Directive 2011/61/EU) in the United Kingdom, and is able to manage qualifying alternative investment funds and market such funds to professional investors in the United Kingdom.

As regulated entities, MBIL, MIRAEL, MCEL and MBL LB are required to comply with U.K. legislation and the rules set forth by the FCA and PRA (collectively, the "*Rules*"), as applicable. The Rules include requirements as to capital adequacy, liquidity adequacy, systems and controls, corporate governance, conduct of business and the treatment of customers, the application of which varies depending on whether it is a subsidiary or a branch of MBL.

In many cases, the Rules reflect the requirements set out in European Union Regulations and implement applicable European Union Directives (such as the new Capital Requirements Regulation and Capital Requirements Directive IV, which relate to regulatory capital requirements for banks and investment firms and came into force on January 1, 2014 and the Markets in Financial Instruments Directive, which relates to the carrying on of investment business). Under the Rules, regulated banks and certain investment firms, including MBIL, MIRAEL, MCEL and MBL LB, are required to have an adequate liquidity contingency plan in place to deal with a liquidity crisis. See section 5.1 of our 2015 Fiscal Year Management Discussion and Analysis Report.

On April 1, 2014, responsibility for the regulation of consumer credit business transferred from the Office of Fair Trading ("*OFT*") to the FCA. To ensure a smooth transition to the FCA's consumer credit regime, an interim permission regime was introduced. MBL operates two United Kingdom incorporated subsidiaries, Macquarie Asset Leasing (UK) Ltd ("*MALL*") and Macquarie Equipment Finance (UK) Ltd ("*MEFL*"), which have both obtained interim variations of permission from the FCA for their consumer credit business and, therefore, are authorized and regulated by the FCA as consumer credit firms. MALL and MEFL are required to apply for full consumer credit authorization between August 1, 2015 and October 31, 2015 as notified to them by the FCA. A full license will be required to continue our consumer credit activities.

The new FCA consumer credit regime, which came into force on April 1, 2014, is contained in the Consumer Credit sourcebook ("*CONC*") in the Rules. There are few significant changes to the regulatory requirements that consumer credit firms are required to comply with as a result of the transition to the FCA. There are some instances of new guidance and/or new rules created by the FCA including instances where the requirements in CONC go further than previous guidance issued by the OFT. There are also some areas where previous industry guidance has become regulatory rules in CONC.

The PRA and the FCA have announced major changes to be made to the way individuals working for PRA supervised firms, including MBIL and MBL LB, are assessed and held accountable for the roles they perform. The changes are in response to perceived shortcomings in behavior and culture within firms following the financial crisis and recent conduct scandals. The changes are significant and will introduce (i) a new Senior Managers Regime which will clarify the lines of responsibility at the top of banks, enhance the regulator's ability to hold senior individuals accountable and require banks to regularly evaluate their senior managers for fitness and propriety; (ii) a Certification Regime requiring firms to assess the fitness and propriety of certain employees who could pose a risk of significant harm to the firm or any of its customers; and (iii) a new set of "*conduct*" rules setting out high level principles and standards of behavior that will apply to all bank employees except those in ancillary service functions such as IT and catering. The initial FCA/PRA consultation period on such rules closed at the end of October 2014, and in February and March 2015, the FCA/PRA published further joint consultations. Near final rules were published by the FCA in March 2015 and are expected to be published by the PRA later in 2015. The UK government has announced that the new regime will take effect starting March 2016.

Effective January 1, 2011, the United Kingdom introduced a bank levy which provides for an annual charge on certain equity and liabilities of banks and certain other financial institutions. In respect of foreign banking groups with banking operations in the United Kingdom, the bank levy is calculated, broadly speaking, by reference to the aggregated equity and liabilities of the group's relevant UK sub-groups, UK subsidiaries, non-UK resident subsidiaries with a UK parent and UK branches (in each case as shown in appropriate balance sheets). The bank levy is charged at different rates for short-term chargeable liabilities on the one hand and long-term chargeable equity and liabilities on the other hand. From April 1, 2015, the applicable bank levy rates are 0.21% for short-term chargeable liabilities and 0.105% for long-term chargeable equity and liabilities. The bank levy is not applicable to the first £20 billion of chargeable equity and liabilities. Based on the March 31, 2015 balance sheet position, it is not anticipated that MGL Group will be impacted by the bank levy on the basis that its chargeable equity and liabilities are expected to be below £20 billion for each full period of account. MGL Group will continue to monitor its position on a regular basis.

Other United Kingdom regulators that impact our business include the Gas and Electricity Markets Authority (Ofgem), which regulates the United Kingdom gas and electricity industry. The Information Commissioner's Office is responsible for regulating compliance with legislation in the United Kingdom governing data protection, electronic communications, freedom of information and environmental information.

European Union

Alternative Investment Fund Managers Directive

The European Union Alternative Investment Fund Managers Directive (the "*AIFMD*") regulates alternative investment fund managers ("*AIFMs*") managing and/or marketing alternative investment funds ("*AIFs*") in the European Economic Area ("EEA").

The AIFMD applies both to AIFMs established in an EEA member state ("*EEA AIFM*") and to AIFMs established in a jurisdiction outside of the EEA ("*non-EEA AIFM*") which market their AIFs (whether established in the EEA or not) within the EEA.

MIRAEL is authorized as an AIFM and is subject to the provisions of the AIFMD as implemented in the United Kingdom.

Financial Transaction Tax

On February 14, 2013, the European Commission published a proposal for a Council Directive (the "*Draft Directive*") for a common financial transaction tax (the "*FTT*") in eleven Member States (Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Spain, Slovakia and Slovenia, together the "*Participating Member States*").

Pursuant to the Draft Directive, the FTT would be payable on "financial transactions" within its scope. Those transactions would broadly include derivatives and the purchase and sale of financial assets (bonds, equities, repos and stock lending), as well as material modifications of such transactions. It would exclude spot transactions in currency, commodities, etc., and insurance contracts, loan originations, credit cards, cash payments and the issuance of debt and equity instruments.

Under the Draft Directive, the FTT could apply in certain circumstances to persons both within and outside of the Participating Member States. Generally, it would be payable on a financial transaction where at least one party is a financial institution (acting as agent or principal) and at least one party is established in a Participating Member State. A party may be, or be deemed to be, "*established*" in a Participating Member State in a broad range of circumstances, including where it is (a) a party which has a branch in a Participating Member State, in respect of a financial transaction being carried out by that branch; (b) a financial institution that is a party (whether as agent or principal) to, or acting in the name of a party to, a financial transaction with a party deemed to be established in a Participating Member State; (c) a financial institution that is a party (whether as agent or principal) to, or acting in the name of a party to, a financial transaction in relevant financial instruments issued in a Participating Member State; or (d) a natural or legal person who is a party to a financial transaction in relevant financial instruments issued in a Participating Member State.

Joint statements issued by Participating Member States on January 30, 2015, indicate an intention to implement the FTT by January 1, 2016.

Implementation of the Draft Directive in its present form in any of the Participating Member States could result in increased transaction costs for:

(a) MGL in relation to certain transactions entered into by it (as principal or agent) in certain circumstances; and

(b) investors in the secondary market who in certain circumstances sell or purchase notes issued by MGL.

However, the FTT proposal remains subject to negotiation between the Participating Member States: the scope and coming into force of any such tax remains uncertain. Additional EU Member States may also decide to participate.

Other regulators

Outside Australia, the United States and the United Kingdom, MBL has branches in the Dubai International Finance Centre, Hong Kong, Seoul and Singapore that are regulated by the Dubai Financial Services Authority, the Hong Kong Monetary Authority, the Financial Supervisory Service and the Monetary Authority of Singapore, respectively. MBL also has a representative office in Auckland, regulated by the Reserve Bank of New Zealand, and in Switzerland, regulated by the Swiss Financial Markets Supervisory Authority, which gives MBL limited authorization to conduct marketing of its products and services to institutions (and, in Switzerland, high net worth individuals), subject to local license limitations. Bank regulation varies from country to country, but generally is designed to protect depositors and the banking system as a whole, not holders of a bank’s securities. Bank regulations may cover areas such as capital adequacy, minimum levels of liquidity, and the conduct and marketing of banking services.

Outside Australia, the United States and the United Kingdom, some of the other key financial regulators of our businesses include but are not limited to:

- the Securities and Futures Commission of Hong Kong, the Hong Kong Monetary Authority and the Hong Kong Exchanges and Clearing Limited;

- the Investment Industry Regulation Organization of Canada, the TMX and the various provincial and territorial securities regulatory authorities in Canada;

- in South Korea, the Financial Services Commission, the Financial Supervisory Service, the Bank of Korea, the Ministry of Strategy and Finance, the Korea Exchange, the Ministry of Land, Infrastructure and Transport, the Fair Trade Commission, the Korea Financial Investment Association and the Korean Financial Intelligence Unit;

- the Monetary Authority of Singapore, the Singapore Exchange Securities Trading Limited and the Competition Commission of Singapore;

- the Financial Services Board of South Africa; and

- the Reserve Bank of India and the Securities and Exchange Board of India, the Bombay Stock Exchange and the National Stock Exchange of India.

Financial regulation varies from country to country and may include the regulation of securities offerings, mergers and acquisitions activity, commodities and futures activities, anti-trust issues, investment advice, trading and brokerage, sales practices, and the offering of investment products and services.

In addition to the foregoing, certain businesses and assets owned or managed by MGL Group in international jurisdictions are subject to additional laws, regulations and oversight that are specific to the industries applicable to those businesses and assets.

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

In addition to the information included in this Report, investors should refer to our 2015 Fiscal Year Management Discussion and Analysis Report for a comparative discussion and analysis of our results of operation and financial condition for the 2015 fiscal year compared to the 2014 fiscal year, along with other balance sheet, capital and liquidity disclosures as at and for the year ended March 31, 2014, and sections 1.0 to 6.0 of our 2014 Fiscal Year Management Discussion and Analysis Report for a comparative discussion and analysis of our results of operation and financial condition for the 2014 fiscal year compared to the 2013 fiscal year, each of which is posted on MGL's U.S. Investors' Website.

Year ended March 31, 2015 compared to year ended March 31, 2014

See sections 1.0 – 6.0 of our 2015 Fiscal Year Management Discussion and Analysis Report for a discussion of our results of operation and financial condition for the 2015 and 2014 fiscal year, which has been incorporated by reference herein.

Year ended March 31, 2014 compared to year ended March 31, 2013

See sections 1.0 – 6.0 of our 2014 Fiscal Year Management Discussion and Analysis Report for a discussion of our results of operation and financial condition for the 2013 fiscal year, which has been incorporated by reference herein.

MACQUARIE