Contents

Notice to readers

The purpose of this report is to provide information supplementary to the Macquarie Group Limited Financial Report for the half-year ended 30 September 2013, including further detail in relation to key elements of Macquarie Group Limited's ("MGL", "Macquarie", "the Group") financial performance and financial position. The report also outlines the funding and capital profile of the Group. Maintaining the structural integrity of the Group's balance sheet requires active management of both asset and liability portfolios and enables the Group to strengthen its liquidity and funding position.

Certain financial information in this report is prepared on a different basis to that contained in the Macquarie Group Limited Financial Report, which is prepared in accordance with Australian Accounting Standards. Where financial information presented within this report does not comply with Australian Accounting Standards, reconciliation to the statutory information is provided.

Date of this report

This report has been prepared for the half-year ended 30 September 2013 and is current as at 1 November 2013.

Comparative information and conventions

Where necessary, comparative figures have been restated to conform to changes in current year financial presentation and group restructures.

References to the prior corresponding period are to the six months ended 30 September 2012.

References to the prior period are to the six months ended 31 March 2013.

In the financial tables throughout this document "*" indicates that the absolute percentage change in the balance was greater than 300% or indicates the result was a gain in one period but a loss in another, or vice versa.

Independent auditor's review report

This document should be read in conjunction with the Macquarie Group Limited Financial Report for the half-year ended 30 September 2013, which was subject to independent review by PricewaterhouseCoopers.

PricewaterhouseCoopers' independent auditor's review report to the members of Macquarie Group Limited dated 1 November 2013 was unqualified.

Any additional financial information in this document which is not included in the Macquarie Group Limited Financial Report was not subject to independent review by PricewaterhouseCoopers.

Disclaimer

The material in this document has been prepared by Macquarie Group Limited ABN 94 122 169 279 (Macquarie) and is a description of Macquarie's activities current as at the date of this document. This information is given in summary form and does not purport to be complete. Information in this document, including any forward looking statements, should not be considered as advice or a recommendation to investors or potential investors in relation to holding, purchasing or selling securities or other financial products or instruments and does not take into account your particular investment objectives, financial situation or needs. Before acting on any information you should consider the appropriateness of the information having regard to these matters, any relevant offer document and in particular, you should seek independent financial advice. All securities and financial product or instrument transactions involve risks, which include (among others) the risk of adverse or unanticipated market, financial or political developments and, in international transactions, currency risk.

This document may contain forward looking statements including statements regarding our intent, belief or current expectations with respect to Macquarie's businesses and operations, market conditions, results of operation and financial condition, capital adequacy, specific provisions and risk management practices. Readers are cautioned not to place undue reliance on these forward looking statements.

Macquarie does not undertake any obligation to publicly release the result of any revisions to these forward looking statements to reflect events or circumstances after the date hereof to reflect the occurrence of unanticipated events. While due care has been used in the preparation of forecast information, actual results may vary in a materially positive or negative manner. Forecasts and hypothetical examples are subject to uncertainty and contingencies outside Macquarie's control. Past performance is not a reliable indication of future performance.

1.0 Result Overview

1.1 Executive summary

	Half-year to			Movement	
	Sep 13 $Am	Mar 13 $Am	Sep 12 $Am	Mar 13 %	Sep 12 %
Financial performance summary					
Net interest income	860	723	644	*19*	*34*
Fee and commission income	1,838	1,743	1,636	*5*	*12*
Net trading income	591	679	555	*(13)*	*6*
Share of net profits of associates and joint ventures accounted for using the equity method	70	17	75	*	*(7)*
Other operating income and charges	320	441	144	*(27)*	*122*
Net operating income	3,679	3,603	3,054	*2*	*20*
Employment expenses	(1,730)	(1,735)	(1,538)	*(<1)*	*12*
Brokerage, commission and trading-related expenses	(379)	(284)	(320)	*33*	*18*
Occupancy expenses	(195)	(202)	(188)	*(3)*	*4*
Non-salary technology expenses	(133)	(128)	(132)	*4*	*1*
Other operating expenses	(432)	(366)	(359)	*18*	*20*
Total operating expenses	(2,869)	(2,715)	(2,537)	*6*	*13*
Operating profit before income tax	810	888	517	*(9)*	*57*
Income tax expense	(307)	(377)	(156)	*(19)*	*97*
Profit after income tax	503	511	361	*(2)*	*39*
Loss attributable to non-controlling interests	(2)	(21)	–	*(90)*	*
Profit attributable to ordinary equity holders of Macquarie Group Limited	501	490	361	*2*	*39*
Key metrics					
Expense to income ratio (%)	78.0	75.4	83.1		
Compensation ratio (%)	44.1	45.2	47.2		
Effective tax rate (%)	38.0	43.5	30.2		
Basic earnings per share (cents per share)	149.7	146.1	105.5		
Diluted earnings per share (cents per share)	144.6	142.1	99.7		
Dividends per share (cents per share)	100.0	125.0	75.0		
Dividend payout ratio (%)	67.1	85.7	69.8		
Annualised return on equity (%)	8.7	8.9	6.6		

Profit attributable to ordinary equity holders was $A501 million for the half-year ended 30 September 2013, up 39% from $A361 million in the prior corresponding period.

Macquarie's annuity style businesses – Macquarie Funds, Corporate and Asset Finance and Banking and Financial Services – continued to perform well, generating a combined net profit contribution for the half-year ended 30 September 2013 of $A1,007 million, an increase of 24% on the prior corresponding period. The depreciation of the Australian dollar since 31 March 2013 was a major contributor to the improved performance of Macquarie Funds and Corporate and Asset Finance, driving increased assets under management and loan and lease volumes respectively. Whilst Banking and Financial Services experienced growth in loan and deposit volumes, the profit contribution was down on the prior corresponding period which included non-recurring profits on the sale of certain businesses.

1.0 Result Review
continued

Macquarie's capital markets facing businesses – Macquarie Securities, Macquarie Capital and Fixed Income, Currencies and Commodities – delivered a combined net profit contribution for the half-year ended 30 September 2013 of $A375 million, an increase of 127% on the prior corresponding period. For Macquarie Securities, the key drivers in the profit contribution turn-around from the prior corresponding period were improved global equity market conditions, especially in Asia and Australia, combined with the wind down of legacy activities. Macquarie Capital benefited from reduced equity impairments and improved equity capital markets compared to the prior corresponding period, while Fixed Income, Currencies and Commodities' profit contribution was down slightly on the prior corresponding period due to mixed market conditions experienced across its businesses.

Net operating income of $A3,679 million for the half-year ended 30 September 2013 increased 20% from $A3,054 million in the prior corresponding period, and total operating expenses increased 13% from $A2,537 million in the prior corresponding period to $A2,869 million for the half-year ended 30 September 2013. Key drivers of the changes from the prior corresponding period are:

- A 34% increase in net interest income to $A860 million for the half-year ended 30 September 2013 from $A644 million in the prior corresponding period primarily due to:
  - growth in the loan and finance lease portfolios in Corporate and Asset Finance driven by the impact of the depreciation of the Australian dollar;
  - higher loan and deposit volumes in Banking and Financial Services; and
  - an expanded debt investment portfolio in Macquarie Capital.
- A 12% increase in fee and commission income to $A1,838 million for the half-year ended 30 September 2013 from $A1,636 million in the prior corresponding period. Base fees of $A628 million for the half-year ended 30 September 2013 increased 26% from $A500 million in the prior corresponding period primarily due to an increase in assets and equity under management driven by favourable currency and market movements across Macquarie Funds, and fund raisings and investments in the infrastructure and real assets business, partially offset by asset disposals in the infrastructure and real assets business. Brokerage and commissions income of $A469 million for the half-year to 30 September 2013 increased 19% from $A393 million in the prior corresponding period reflecting improved client activity in cash equities across all regions, especially Asia and Australia that was further leveraged across Macquarie's global platform through gains in market share across many key markets.
- A 122% increase in other operating income and charges to $A320 million for the half-year ended 30 September 2013 from $A144 million in the prior corresponding period. The increase was due to a number of factors, most notably:
  - a reduction in aggregate impairment charges on investment securities available for sale and interests in associates and joint ventures of 63% to $A82 million for the half-year ended 30 September 2013 from $A220 million in the prior corresponding period, although weak investor sentiment and confidence in resource equity markets continued to adversely impact equity values of investments in Fixed Income, Currencies and Commodities; and
  - increased net operating lease income due to the Corporate and Asset Finance European Rail operating lease business acquired in January 2013 and the depreciation of the Australian dollar, which has favourably impacted earnings from the aircraft, rail and UK energy operating lease portfolios.
- A 13% increase in total operating expenses from $A2,537 million in the prior corresponding period to $A2,869 million for the half-year ended 30 September 2013 mainly reflecting the impact of the depreciation of the Australian dollar on offshore expenses and higher employment expenses driven by the improved performance of the Group. Headcount increased 3% from 13,463 at 30 September 2012 to 13,901 at 30 September 2013. The compensation ratio of 44.1% for the half-year ended 30 September 2013 decreased from 47.2% in the prior corresponding period.

Income tax expense for the half-year ended 30 September 2013 was $A307 million, up 97% from $A156 million in the prior corresponding period with an effective tax rate of 38.0%, which was consistent with the full year ended 31 March 2013. The effective tax rate was higher than the Australian corporate tax rate of 30% due to the geographic mix of income and tax uncertainties.

2.0 Financial performance analysis

2.1 Net interest and trading income

	Half-year to			Movement	
	Sep 13 $Am	Mar 13 $Am	Sep 12 $Am	Mar 13 %	Sep 12 %
Net interest income	860	723	644	19	34
Net trading income	591	679	555	(13)	6
Net interest and trading income	1,451	1,402	1,199	3	21

Net interest income and net trading income are recorded in accordance with Australian Accounting Standards, with net interest income brought to account using the effective interest method and net trading income predominantly comprising gains and losses relating to trading assets and liabilities.

For businesses that predominantly earn income from trading activities (Macquarie Securities and Fixed Income, Currencies and Commodities), the relative contribution of net interest income and trading income from trading activities can vary from period to period depending on the underlying trading strategies undertaken by Macquarie and its clients.

For businesses that predominantly earn income from lending activities (Corporate and Asset Finance and Banking and Financial Services), derivatives that economically hedge interest rate risk are required to be carried at fair value through net trading income unless they form part of a qualifying hedge relationship. Hedge relationships are generally only recognised at a total Group level; however for segment reporting, derivatives are accounted for on an accruals basis in the Operating Group segments and changes in fair value are recognised within the Corporate segment.

The presentation of net interest income and net trading income separately can distort the analysis of the underlying activities and drivers. For example, in Corporate and Asset Finance, interest rate swaps are entered into to hedge the interest rate risk associated with finance leases. The finance lease interest income and associated funding costs are recognised in net interest income; but the related swap is recognised in net trading income. Accordingly, net interest income and net trading income are presented and discussed below in aggregate for each Operating Segment, which management believes presents a more consistent overview of business performance and drivers.

	Half-year to			Movement	
	Sep 13 $Am	Mar 13 $Am	Sep 12 $Am	Mar 13 %	Sep 12 %
Macquarie Funds	(5)	(7)	7	(29)	*
Corporate and Asset Finance	277	328	251	(16)	10
Banking and Financial Services	366	331	311	11	18
Macquarie Securities	125	70	62	79	102
Macquarie Capital	(3)	(22)	(37)	(86)	(92)
Fixed Income, Currencies and Commodities					
Commodities[1]	393	366	347	7	13
Credit, interest rates and foreign exchange	223	271	190	(18)	17
Corporate	75	65	68	15	10
Net interest and trading income	1,451	1,402	1,199	3	21

(1) Includes fair value adjustments relating to various tolling agreements, capacity contracts and transportation agreements as part of its commodity trading and hedging strategies. The contracts and agreements, which are managed on a fair value basis for financial and risk management purposes, are required to be accounted for on an accruals basis for statutory reporting purposes.

2.0 Financial performance analysis
continued

Net interest and trading income of $A1,451 million for the half-year ended 30 September 2013 increased 21% from $A1,199 million in the prior corresponding period. Most Operating Groups contributed to the increased net income, with key drivers being the impact of the depreciation of the Australian dollar, improved trading conditions for certain businesses in Fixed Income, Currencies and Commodities and Macquarie Securities, growth in the loan and lease portfolios in Corporate and Asset Finance, higher loan and deposit volumes in Banking and Financial Services and an expanded debt investment portfolio in Macquarie Capital.

Macquarie Funds

Net interest and trading income in Macquarie Funds includes income on specialised retail products, interest income from the provision of financing facilities to external funds and their investors, and the funding cost of principal investments.

Net interest and trading expense of $A5 million for the half-year ended 30 September 2013 decreased from income of $A7 million in the prior corresponding period. The change was primarily due to higher funding costs associated with investments.

Corporate and Asset Finance

Net interest and trading income in Corporate and Asset Finance predominantly relates to income from the corporate lending and asset financing portfolios, offset by the funding costs associated with assets subject to operating leases.

Net interest and trading income of $A277 million for the half-year ended 30 September 2013 increased 10% from $A251 million in the prior corresponding period. The increase was mainly due to the favourable impact of the depreciation of the Australian dollar on income earned from non-Australian dollar denominated loan and finance lease portfolios, combined with growth of the motor vehicle finance lease portfolio. Partially offsetting this growth was the funding costs of the European Rail operating lease business acquired in January 2013. The 16% decrease in net interest and trading income compared to the prior period was predominantly due to a higher level of early loan realisations in the prior period.

Banking and Financial Services

Net interest and trading income in Banking and Financial Services relates to interest income earned from the loan portfolio that primarily comprises residential mortgages in Australia, Canada and the US; as well as loans to Australian and Canadian businesses, loans on capital protected products, insurance premium funding and credit cards. Banking and Financial Services also generates income from deposits by way of a deposit premium paid to Banking and Financial Services by Group Treasury which use the deposits as a source of funding for the Group.

Net interest and trading income of $A366 million for the half-year ended 30 September 2013 increased 18% from $A311 million in the prior corresponding period primarily due to higher loan and deposit volumes.

Retail deposits increased 7% to $A33.1 billion at 30 September 2013 from $A30.8 billion at 30 September 2012.

The total loan portfolio of $A25.7 billion at 30 September 2013 increased 11% from $A23.2 billion at 30 September 2012 primarily due to a 34% increase in the Australian mortgage portfolio to $A14.6 billion at 30 September 2013 from $A10.9 billion at 30 September 2012 that resulted from increased lending activity and the acquisition of a loan portfolio, partially offset by a reduction in the Canadian and US loan portfolios.

The Canadian loan portfolio, which includes mortgages, margin loans and capital protected products, closed at $A6.2 billion at 30 September 2013, down 22% from $A7.9 billion at 30 September 2012. This was mainly due to a decrease in mortgages as the portfolio is in run-off.

Macquarie Securities

Net interest and trading income in Macquarie Securities relates to trading income from institutional and retail equity derivative products and stock borrow and lending activities.

Net interest and trading income of $A125 million for the half-year ended 30 September 2013 increased 102% from $A62 million in the prior corresponding period mainly due to improved trading conditions and market sentiment, with higher product flow particularly across the Asia platform and reduced losses due to the wind down of legacy activities.

Macquarie Capital

Net interest and trading expense in Macquarie Capital relates to the interest income and funding costs associated with debt and equity investment portfolios, and fair value movements associated with derivative products typically held as part of debt or equity transactions in which Macquarie Capital is involved.

Net interest and trading expense was $A3 million for the half-year ended 30 September 2013, a decrease of 92% from $A37 million in the prior corresponding period. The change was primarily due to increased net interest income as a result of an expanded debt investment portfolio and lower net trading expense in the half-year ended 30 September 2013 that reflects Macquarie Capital's share of fair value movements in relation to equity investments and derivatives.

Fixed Income, Currencies and Commodities

Net interest and trading income in Fixed Income, Currencies and Commodities is earned from a broad range of financial markets activities including trading, financing and the provision of risk management solutions to clients.

Commodities

Commodities trading income of $A393 million for the half-year ended 30 September 2013 increased 13% from $A347 million in the prior corresponding period as precious metals markets saw increased volatility and falling prices during the period, resulting in increased client hedging activity and associated trading income.

In base metals markets, low levels of volatility dampened both trading results and client hedging activity; however growth of physical commodities financing activities resulted in higher overall trading income. The increased trading income was offset by associated storage costs that, for accounting purposes, are recognised in brokerage, commissions and trading-related expenses.

Revenues across the global energy markets platform, particularly in the US Gas and Global Oil energy businesses, remained a significant contributor to commodities trading income and continued to benefit from strong customer flow and trading opportunities.

Reduced market volatility in agricultural markets led to lower client activity and limited trading opportunities.

Credit, interest rates and foreign exchange

Net interest and trading income from credit, interest rates and foreign exchange of $A223 million for the half-year ended 30 September 2013 increased 17% from $A190 million in the prior corresponding period, which was adversely impacted by extreme volatility and concerns over the global outlook, however, decreased 18% on the strong prior period . The credit environment was mixed with lower confidence experienced in the higher yield markets, whilst volatility and volumes improved in foreign exchange and interest rate markets compared to the prior corresponding period.

Corporate

Net interest and trading income in the Corporate segment includes the net result of managing liquidity and funding for Macquarie, earnings on capital, non-trading derivative volatility, the funding costs associated with non-core investments held centrally and fair value movements on investments held to hedge liabilities under the Directors' Profit Share plan.

Net interest and trading income of $A75 million for the half-year ended 30 September 2013 increased 10% from $A68 million in the prior corresponding period, mainly due to positive changes in the fair value of assets held to hedge exposures to liabilities under the Directors' Profit Share plan. The benefits from these were partially offset by lower earnings on capital due to a reduction in interest rates.

2.0 Financial performance analysis
continued

2.2 Fee and commission income

	Half-year to			Movement	
	Sep 13 $Am	Mar 13 $Am	Sep 12 $Am	Mar 13 %	Sep 12 %
Base fees	628	519	500	21	26
Performance fees	76	88	76	(14)	–
Mergers and acquisitions, advisory and underwriting fees	357	332	327	8	9
Brokerage and commissions	469	418	393	12	19
Other fee and commission income	308	386	340	(20)	(9)
Total fee and commission income	1,838	1,743	1,636	5	12

Total fee and commission income of $A1,838 million for the half-year ended 30 September 2013 increased 12% from $A1,636 million in the prior corresponding period largely due to growth in base fee income resulting from higher AUM. Improved investor sentiment also led to increased levels of client activity and equity market turnover volumes resulting in increased brokerage and commissions income from the institutional equities business and higher fee income from equity capital markets activity compared to the prior corresponding period.

Base and performance fees

	Half-year to			Movement	
	Sep 13 $Am	Mar 13 $Am	Sep 12 $Am	Mar 13 %	Sep 12 %
Base fees					
Macquarie Funds					
Macquarie Investment Management	356	308	283	16	26
Macquarie Infrastructure and Real Assets	246	193	190	27	29
Macquarie Specialist Investment Solutions	8	8	7	–	14
Total Macquarie Funds	610	509	480	20	27
Other Operating Groups	18	10	20	80	(10)
Total base fee income	628	519	500	21	26
Performance fees					
Macquarie Funds					
Macquarie Investment Management	9	23	2	(61)	*
Macquarie Infrastructure and Real Assets	66	65	74	2	(11)
Total Macquarie Funds	75	88	76	(15)	(1)
Other Operating Groups	1	–	–	*	*
Total performance fee income	76	88	76	(14)	–

Base fees income of $A628 million for the half-year ended 30 September 2013 increased 26% from $A500 million in the prior corresponding period.

Base fees, which are typically generated from funds management activities, are mainly attributable to Macquarie Funds where base fees increased to $A610 million for the half-year ended 30 September 2013 from $A480 million in the prior corresponding period. This was primarily due to an increase in AUM that was driven by favourable currency and market movements, and fund raisings and investments in the infrastructure and real assets business. These were partially offset by asset disposals in the infrastructure and real assets business. Refer to Section 7.1 Assets under Management for further details.

Performance fees, which are typically generated from Macquarie-managed funds that have outperformed pre-defined benchmarks, of $A76 million for the half-year ended 30 September 2013, were in line with the prior corresponding period. The half-year ended 30 September 2013 included significant performance fees from Macquarie Infrastructure Company LLC (MIC) and Macquarie Atlas Roads (MQA). The prior corresponding period income related primarily to performance fees earned as a result of MIC, MQA and DUET Group outperforming their respective benchmarks, and performance fees earned upon the sale of investments in Wales & West Utilities by third party co-investors.

Mergers and acquisitions, advisory and underwriting fees

Mergers and acquisitions, advisory and underwriting fees of $A357 million for the half-year ended 30 September 2013 increased 9% from $A327 million in the prior corresponding period mainly due to improved equity and debt capital markets activity, partially offset by lower mergers and acquisitions income as mergers and acquisitions activity remained subdued. Refer to Section 3.6 Macquarie Capital for further information and details of significant transactions for the half-year ended 30 September 2013.

Brokerage and commissions

Brokerage and commissions income of $A469 million for the half-year ended 30 September 2013 increased 19% from $A393 million in the prior corresponding period. The increase was mainly driven by improved equity market conditions resulting in higher levels of client activity in institutional cash equities across all regions, especially Asia and Australia. Global markets continued to see inflows into equities during the half-year ended 30 September 2013 that was further leveraged across Macquarie's global platform through gains in market share across key markets. Within Banking and Financial Services, trading volumes were slightly up on the prior corresponding period, however retail equity market activity remained subdued.

Other fee and commission income

Other fee and commission income of $A308 million for the half-year ended 30 September 2013 decreased 9% from $A340 million in the prior corresponding period. Other fee and commission income includes fees earned on Funds under Administration, including the Australian Wrap platform, distribution service fees, structuring fees, capital protection fees and income from Macquarie's True Index products.

The decrease from the prior corresponding period was mostly due to lost fee income from the sale of the COIN institutional business in August 2012. This was partially offset by growth in Funds under Administration on the Australian Wrap platform, which closed at $A35.3 billion on 30 September 2013, an increase of 56% from $A22.6 billion at 30 September 2012. The increase was primarily due to the integration of Perpetual's Private Wealth Platform into Macquarie's Wrap platform in April 2013 combined with an increase in the market valuation of Funds under Administration.

2.0 Financial performance analysis
continued

2.3 Share of net profits of associates and joint ventures

	Half-year to			Movement	
	Sep 13 $Am	Mar 13 $Am	Sep 12 $Am	*Mar 13 %*	*Sep 12 %*
Share of net profits of associates and joint ventures accounted for using the equity method	70	17	75	*	*(7)*

Share of net profits of associates and joint ventures of $A70 million for the half-year ended 30 September 2013 decreased 7% from $A75 million in the prior corresponding period. The contribution of investments held by Macquarie Funds and Fixed Income, Currencies and Commodities was broadly in line with the corresponding period. The decrease was predominantly due to net losses in Macquarie Capital reflecting changes to the composition of principal investments within the portfolio. This was partially offset by income in the Corporate segment which primarily relates to non-core investments.

2.4 Other operating income and charges

	Half-year to			Movement	
	Sep 13 $Am	Mar 13 $Am	Sep 12 $Am	Mar 13 %	Sep 12 %
Net gains on sale of investment securities available for sale	75	99	15	(24)	*
Impairment charge on investment securities available for sale	(70)	(109)	(123)	(36)	(43)
Net gains on sale of associates (including associates held for sale) and joint ventures	36	99	109	(64)	(67)
Impairment charge on interest in associates and joint ventures	(12)	(59)	(97)	(80)	(88)
Net gain/(loss) on change of ownership interests	–	163	(42)	(100)	(100)
Impairment charge on non-financial assets	(24)	(40)	(3)	(40)	*
Net operating lease income	258	216	201	19	28
Dividends/distributions received/receivable	104	73	69	42	51
Collective allowance for credit losses (provided for)/written back during the financial year	(21)	(4)	1	*	*
Specific provisions	(74)	(97)	(89)	(24)	(17)
Other income	48	100	103	(52)	(53)
Total other operating income and charges	320	441	144	(27)	122

Total other operating income and charges of $A320 million for the half-year ended 30 September 2013 increased 122% from $A144 million in the prior corresponding period mainly due to reduced impairment charges and an increase in net operating lease income.

Net gains on sale of investments (including debt and equity investment securities available for sale and investments in associates and joint ventures) totalled $A111 million for the half-year ended 30 September 2013, a decrease of 10% from $A124 million in the prior corresponding period. The net gains in the half-year ended 30 September 2013 were driven by sales of principal investments in Macquarie Capital and resource sector investments in Fixed Income, Currencies and Commodities. In addition, Corporate and Asset Finance benefited from the realisation of equity exposures in the Lending business, and Macquarie Funds recognised gains from the partial sale of listed infrastructure investments, including MIC.

Impairment charges on investment securities available for sale, associates and joint ventures, and non-financial assets totalled $A106 million for the half-year ended 30 September 2013, a decrease of 52% from $A223 million in the prior corresponding period. Impairment charges in the half-year ended 30 September 2013 mainly resulted from sustained weak investor sentiment and confidence in resource equity markets that continued to adversely impact equity values of investments held by Fixed Income, Currencies and Commodities, as well as the underperformance of a small number of investments.

The loss on change of ownership interests in the prior corresponding period of $A42 million predominantly related to an equity accounted investment in Macquarie Capital where Macquarie lost significant influence on the IPO of the investment and was required to revalue its retained investment to fair value. The gain in the prior period of $A163 million included a gain in the Corporate segment on reclassification of a listed investment in an associate to an investment available for sale following the loss of significant influence.

Net operating lease income, which is predominantly earned by Corporate and Asset Finance, of $A258 million for the half-year ended 30 September 2013 increased 28% from $A201 million in the prior corresponding period. The increase was mainly driven by the contribution of the European Rail operating lease business acquired in January 2013 and the depreciation of the Australian dollar, which has favourably impacted earnings from the aircraft, rail and UK energy operating lease portfolios.

Dividends/distributions received/receivable of $A104 million for the half-year ended 30 September 2013 increased 51% from $A69 million in the prior corresponding period. The increase was mainly due to higher dividend income received by Macquarie Funds, Macquarie Capital and Fixed Income, Currencies and Commodities from their various investments.

Net charges for specific and collective provisions of $A95 million for the half-year ended 30 September 2013 increased 8% from $A88 million in the prior corresponding period primarily due to additional collective provisions in Corporate and Asset Finance in line with increased lending volumes and growth in the motor vehicle leasing portfolio.

Other income of $A48 million for the half-year ended 30 September 2013 decreased 53% from $A103 million in the prior corresponding period. The decrease was largely due to a loss on the partial repurchase of Macquarie's government guaranteed debt securities in the half-year ended 30 September 2013, while the prior corresponding period included gains on the sale of the Canadian Macquarie Premium Funding business in May 2012 and the COIN institutional business in August 2012. This was partly offset by income earned in the half-year ended 30 September 2013 from the sale of net profit interests in North American oil assets by Fixed Income, Currencies and Commodities.

2.5 Operating expenses

	Half-year to			Movement	
	Sep 13 $Am	Mar 13 $Am	Sep 12 $Am	*Mar 13 $Am*	*Sep 12 $Am*
Employment expenses					
Salary and salary related costs including commissions, superannuation and performance-related profit share	(1,464)	(1,500)	(1,306)	*(2)*	*12*
Share based payments	(153)	(139)	(134)	*10*	*14*
Provision for annual leave	(7)	9	(3)	*	*133*
Provision for long service leave	2	–	1	*	*100*
Total compensation expenses	(1,622)	(1,630)	(1,442)	*(<1)*	*12*
Other employment expenses including on-costs, staff procurement and staff training	(108)	(105)	(96)	*3*	*13*
Total employment expenses	(1,730)	(1,735)	(1,538)	*(<1)*	*12*
Brokerage, commission and trading-related expenses	(379)	(284)	(320)	*33*	*18*
Occupancy expenses	(195)	(202)	(188)	*(3)*	*4*
Non-salary technology expenses	(133)	(128)	(132)	*4*	*1*
Other operating expenses:					
Professional fees	(155)	(118)	(114)	*31*	*36*
Auditor's remuneration	(11)	(14)	(10)	*(21)*	*10*
Travel and entertainment expenses	(70)	(71)	(63)	*(1)*	*11*
Advertising and communication expenses	(46)	(46)	(45)	*–*	*2*
Amortisation of intangibles	(38)	(35)	(27)	*9*	*41*
Other expenses	(112)	(82)	(100)	*37*	*12*
Total other operating expenses	(432)	(366)	(359)	*18*	*20*
Total operating expenses	(2,869)	(2,715)	(2,537)	*6*	*13*

Total operating expenses of $A2,869 million for the half-year ended 30 September 2013 increased 13% from $A2,537 million in the prior corresponding period reflecting the impact of the depreciation of the Australian dollar and higher employment expenses.

Total employment expenses of $A1,730 million for the half-year ended 30 September 2013 increased 12% from $A1,538 million in the prior corresponding period mainly reflecting the impact of the depreciation of the Australian dollar on offshore expenses and higher staff compensation resulting from the improved performance of the Group. Refer to Section 2.6 Headcount for further information and details of Macquarie's headcount.

Brokerage, commission and trading-related expenses of $A379 million for the half-year ended 30 September 2013 increased 18% from $A320 million in the prior corresponding period. The increase was mainly in Fixed Income, Currencies and Commodities where the growth of physical commodities financing activities resulted in higher storage costs that, for accounting purposes, are reported within operating expenses whilst the associated income is included within net trading income.

Occupancy expenses of $A195 million for the half-year ended 30 September 2013 increased 4% from $A188 million in the prior corresponding period mainly due to costs associated with the early exit of excess office space in Sydney.

Total other operating expenses increased 20% from $A359 million in the prior corresponding period to $A432 million for the half-year ended 30 September 2013. The increase was mainly due to a 36% increase in professional fees, which includes fees paid to outsourced service providers, from $A114 million in the prior corresponding period to $A155 million for the half-year ended 30 September 2013. This resulted from an increase in fees paid to legal and professional advisers and the outsourcing of selected non-core support functions, including certain technology services and facilities management. Other drivers of the increase in other operating expenses included the amortisation of net profit interests in Fixed Income, Currencies and Commodities and the impact of the depreciation of the Australian dollar on non-Australian dollar denominated costs.

2.0 Financial performance analysis continued

2.6 Headcount

	As at			Movement	
				Mar 13	*Sep 12*
	Sep 13	Mar 13	Sep 12	%	%
Headcount by group					
Macquarie Funds	1,445	1,472	1,425	*(2)*	*1*
Corporate and Asset Finance	976	957	928	*2*	*5*
Banking and Financial Services	2,891	2,848	2,922	*2*	*(1)*
Macquarie Securities	1,038	1,020	1,037	*2*	*<1*
Macquarie Capital	1,117	1,105	1,114	*1*	*<1*
Fixed Income, Currencies and Commodities	932	946	949	*(1)*	*(2)*
Total headcount — Operating Groups	8,399	8,348	8,375	*1*	*<1*
Total headcount — Corporate	5,502	5,315	5,088	*4*	*8*
Total headcount	13,901	13,663	13,463	*2*	*3*
Headcount by region					
Australia	6,167	6,124	6,145	*1*	*<1*
International:					
Americas	3,255	3,253	3,276	*<1*	*(1)*
Asia	3,280	3,093	2,813	*6*	*17*
Europe, Middle East and Africa	1,199	1,193	1,229	*1*	*(2)*
Total headcount — International	7,734	7,539	7,318	*3*	*6*
Total headcount	13,901	13,663	13,463	*2*	*3*
International headcount ratio (%)	56	55	54		

Total headcount at 30 September 2013 was 13,901, an increase of 3% from 13,463 at 30 September 2012.

The total headcount of Operating Groups was 8,399 at 30 September 2013, broadly in line with 8,375 at 30 September 2012. Corporate and Asset Finance's headcount increased 5% to 976 as they continued to invest in capabilities to support growth of the business. Macquarie Funds' headcount increased 1% on the prior corresponding period to 1,445 predominantly driven by offshore growth including Mexico, Russia and the USA. These increases were partially offset by reduced headcount in Banking and Financial Services, which decreased 1% to 2,891 mainly due to internal restructures that consolidated support functions into the Corporate segment.

Total Corporate headcount of 5,502 at 30 September 2013 increased 8% from 5,088 at 30 September 2012 predominantly to support increased regulatory compliance requirements globally, combined with a number of support roles transferred into the Corporate segment from the Operating Groups. The increase in headcount has largely been in regional service hubs supporting Macquarie's global operating platform, particularly in Asia..

2.7 Income tax expense

	Half-year to		
	Sep 13 $Am	Mar 13 $Am	Sep 12 $Am
Operating profit before income tax	810	888	517
Prima facie tax @ 30%	243	267	155
Income tax permanent differences	64	110	1
Income tax expense	307	377	156
Effective tax rate[1]	38.0%	43.5%	30.2%

(1) The effective tax rate is calculated on net profit before income tax and after non-controlling interests. Non-controlling interests reduced net profit before income tax by $A2 million for the half-year ended 30 September 2013 (31 March 2013: $A21 million; 30 September 2012: $Anil). The effective tax rate differs from the Australian company tax rate due to permanent tax differences arising from the income tax treatment of certain income and expenses as well as tax rate differentials on some of the income earned outside of Australia.

Income tax expense for the half-year ended 30 September 2013 was $A307 million, up 97% from $A156 million in the prior corresponding period with an effective tax rate of 38.0%, which was consistent with the full year ended 31 March 2013. The effective tax rate was higher than the Australian corporate tax rate of 30% due to the geographic mix of income and tax uncertainties.

3.0 Segment analysis

3.1 Basis of preparation

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

For internal reporting, performance measurement and risk management purposes, Macquarie is divided into six Operating Groups.

Operating Groups:

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

In addition, there is a Corporate segment which includes Group Treasury, head office and central support functions, as well as certain legacy assets and businesses that are no longer core for strategic reasons.

Items of income and expense within the Corporate segment include the net impact of managing liquidity for Macquarie, earnings on capital, non-trading derivative volatility, earnings from non-core investments, costs of central support functions, staff profit share, income tax expense and distributions to holders of MIS, MIPS, PMI, ECS and MCN.

Central support functions recover their costs from Operating Groups on either a time and effort allocation basis or a fee for service basis. Central support functions include Corporate Operations, Financial Management, Risk Management, and Legal and Governance.

Internal transactions

All transactions and transfers between segments are determined on an arm's length basis and are included within the relevant categories of income. These transactions eliminate on aggregation/consolidation. Over the page is a selection of the key policies.

Internal funding arrangements

Group Treasury has the responsibility for maintaining funding for the Group, and Operating Groups obtain funding from Group Treasury. The interest rates charged by Group Treasury are determined by the currency and term of the funding and are fully costed.

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

Deposits are a funding source for Macquarie. Banking and Financial Services receives a deposit premium from Group Treasury on deposits they generate. This deposit premium is included within net interest and trading income for segment reporting purposes.

During the half-year ended 30 September 2013 Group Treasury revised internal funding transfer pricing arrangements relating to Banking and Financial Services' deposit and lending activities. Comparative information presented in this document has been restated to reflect the current methodology.

Transactions between Operating Groups

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

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

Internal management revenue/charges

Internal management revenue/charges are primarily used to recognise an Operating Group's contribution to income tax expense and benefits. Non-assessable income generated by an Operating Group results in management revenue added to that group's operating result. Conversely a non-deductible expense results in a management charge to the operating result. These internal management revenue/charges are offset by an equal and opposite amount recognised in the Corporate segment such that on aggregation the total nets to nil.

Presentation of segment income statements

The income statements in the following pages for each of the reported segments are in some cases summarised by grouping non-material balances together. Where appropriate, all material or key balances have been reported separately to provide users with information relevant to the understanding of Macquarie's financial performance.

3.0 Segment analysis
continued

	Macquarie Funds $Am	Corporate and Asset Finance $Am	Banking and Financial Services $Am
Half-year ended 30 September 2013			
Net interest and trading income/(expense)	(5)	277	366
Fee and commission income/(expense)	805	7	317
Share of net profits/(losses) of associates and joint ventures accounted for using the equity method	47	4	1
Other operating income/(charges)	54	282	(19)
Internal management revenue/(charge)	6	8	2
Net operating income	907	578	667
Total operating expenses	(407)	(182)	(556)
Profit/(loss) before tax	500	396	111
Tax expense	–	–	–
Profit/(loss) attributable to non-controlling interests	–	–	–
Net profit/(loss) contribution	500	396	111
Half-year ended 31 March 2013			
Net interest and trading income/(expense)	(7)	328	331
Fee and commission income	778	25	309
Share of net profits/(losses) of associates and joint ventures accounted for using the equity method	(12)	(4)	1
Other operating income/(charges)	23	192	(13)
Internal management revenue/(charge)	7	4	8
Net operating income	789	545	636
Total operating expenses	(390)	(186)	(517)
Profit/(loss) before tax	399	359	119
Tax expense	–	–	–
Profit/(loss) attributable to non-controlling interests	–	–	–
Net profit/(loss) contribution	399	359	119
Half-year ended 30 September 2012			
Net interest and trading income/(expense)	7	251	311
Fee and commission income	664	16	336
Share of net profits/(losses) of associates and joint ventures accounted for using the equity method	48	1	2
Other operating income/(charges)	(3)	235	5
Internal management revenue/(charge)	9	4	1
Net operating income	725	507	655
Total operating expenses	(370)	(172)	(531)
Profit/(loss) before tax	355	335	124
Tax expense	–	–	–
Profit/(loss) attributable to non-controlling interests	1	–	–
Net profit/(loss) contribution	356	335	124

Macquarie Securities $Am	Macquarie Capital $Am	Fixed Income, Currencies and Commodities $Am	Corporate $Am	Total $Am
125	(3)	616	75	1,451
315	321	81	(8)	1,838
–	(5)	15	8	70
(4)	59	(64)	12	320
–	–	5	(21)	–
436	372	653	66	3,679
(365)	(283)	(450)	(626)	(2,869)
71	89	203	(560)	810
–	–	–	(307)	(307)
–	12	–	(14)	(2)
71	101	203	(881)	501
70	(22)	637	65	1,402
260	286	91	(6)	1,743
–	7	13	12	17
23	139	(28)	105	441
2	3	12	(36)	–
355	413	725	140	3,603
(341)	(259)	(381)	(641)	(2,715)
14	154	344	(501)	888
–	–	–	(377)	(377)
–	(14)	–	(7)	(21)
14	140	344	(885)	490
62	(37)	537	68	1,199
242	300	80	(2)	1,636
–	6	15	3	75
–	(24)	(59)	(10)	144
4	7	5	(30)	–
308	252	578	29	3,054
(372)	(260)	(359)	(473)	(2,537)
(64)	(8)	219	(444)	517
–	–	–	(156)	(156)
–	18	–	(19)	–
(64)	10	219	(619)	361

3.0 Segment analysis continued

3.2 Macquarie Funds

	Half-year to			Movement	
	Sep 13 $Am	Mar 13 $Am	Sep 12 $Am	Mar 13 %	Sep 12 %
Net interest and trading (expense)/income	(5)	(7)	7	(29)	*
Fee and commission income					
Base fees	610	509	480	20	27
Performance fees	75	88	76	(15)	(1)
Brokerage and commissions	16	12	15	33	7
Other fee and commission income	104	169	93	(38)	12
Total fee and commission income	805	778	664	3	21
Share of net profits/(losses) of associates and joint ventures accounted for using the equity method	47	(12)	48	*	(2)
Other operating income and charges					
Net gains on sale of equity investments	23	8	10	188	130
Impairment write back/(charge) on equity investments and non-financial assets	1	(2)	(22)	*	*
Specific provisions and collective allowance for credit losses	4	(8)	(3)	*	*
Other income	26	25	12	4	117
Total other operating income and charges	54	23	(3)	135	*
Internal management revenue	6	7	9	(14)	(33)
Net operating income	907	789	725	15	25
Operating expenses					
Employment expenses	(143)	(137)	(130)	4	10
Brokerage, commission and trading-related expenses	(87)	(73)	(77)	19	13
Other operating expenses	(177)	(180)	(163)	(2)	9
Total operating expenses	(407)	(390)	(370)	4	10
Non-controlling interests[1]	–	–	1	–	(100)
Net profit contribution	500	399	356	25	40
Non-GAAP metrics					
MFG (including MIRA) assets under management[2] ($A billion)	380.7	343.5	336.8	11	13
MIRA equity under management ($A billion)	49.6	41.0	39.5	21	26
Headcount	1,445	1,472	1,425	(2)	1

(1) Non-controlling interests adjusts reported consolidated profit or loss for the share that is attributable to non-controlling interests, such that the net profit contribution represents the net profit attributable to ordinary equity holders.

(2) As at 30 September 2013. Excludes ING Investment Management Korea AUM of $A25 billion, which MFG entered into an agreement to acquire during the half-year ended 30 September 2013, subject to certain closing conditions, including regulatory approval.

Macquarie Funds' net profit contribution of $A500 million for the half-year ended 30 September 2013 increased 40% from $A356 million in the prior corresponding period. The result was primarily driven by growth in annuity base fee income, combined with lower impairment charges on equity investments and non-financial assets. These were partially offset by higher expenses, which were driven by additional headcount and foreign exchange movements.

Net interest and trading (expense)/income

Net interest and trading expense of $A5 million for the half-year ended 30 September 2013 decreased from income of $A7 million in the prior corresponding period. The decrease was primarily due to higher funding costs associated with investments.

Base fees

Base fee income of $A610 million for the half-year ended 30 September 2013 increased 27% from $A480 million in the prior corresponding period. This was primarily driven by an increase in AUM, up 13% on the prior corresponding period to $A380.7 billion at 30 September 2013, driven by favourable currency and market movements. Base fee growth also reflects fund raisings and investments in the infrastructure and real assets business and the transfer of Macquarie Professional Series product from Banking and Financial Services from 1 October 2012. These were partially offset by asset disposals in the infrastructure and real assets business.

Refer to Section 7 for a breakdown of Macquarie Funds' Assets under Management and Equity under Management.

Performance fees

Performance fee income of $A75 million for the half-year ended 30 September 2013 was broadly in line with the prior corresponding period. The half-year ended 30 September 2013 included significant performance fees from Macquarie Infrastructure Company LLC (MIC) and Macquarie Atlas Roads (MQA). The prior corresponding period income related primarily to performance fees earned as a result of MIC, MQA and DUET Group outperforming their respective benchmarks and performance fees earned upon the sale of investments in Wales & West Utilities by third party co-investors.

Other fee and commission income

Other fee and commission income includes distribution service fees, structuring fees, capital protection fees and income from True Index products. Distribution service fees are offset by associated expenses that, for accounting purposes, are recognised in brokerage, commission and trading-related expenses. Other fee and commission income of $A104 million for the half-year ended 30 September 2013 increased 12% from $A93 million in the prior corresponding period primarily due to the depreciation of the Australian dollar and a reduction in internal profit sharing relating to a joint venture with Banking and Financial Services.

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

Share of net profits/(losses) of associates and joint ventures of $A47 million for the half-year ended 30 September 2013 was broadly in line with the prior corresponding period. The half-year ended 30 September 2013 included equity accounted gains arising from an increase in the valuation of real estate assets held by funds in which Macquarie has investments. The prior corresponding period included equity accounted gains arising from the sale of assets by a number of unlisted infrastructure funds in which Macquarie has investments.

Net gains on sale of equity investments

Net gains on sale of equity investments of $A23 million for the half-year ended 30 September 2013 primarily related to the partial sale of listed infrastructure investments, including MIC.

Impairment write back/(charge) on equity investments and non-financial assets

Impairment write back on equity investments and non-financial assets of $A1 million for the half-year ended 30 September 2013 related to the reversal of prior period impairments in infrastructure fund investments. The $A22 million charge for the prior corresponding period primarily related to impairments of unlisted investments.

Other income

Other income of $A26 million for the half-year ended 30 September 2013 increased 117% from $A12 million in the prior corresponding period. The increase was primarily driven by higher dividend income from investments.

Operating expenses

Total operating expenses of $A407 million for the half-year ended 30 September 2013 increased 10% from $A370 million in the prior corresponding period. The increase was primarily driven by the depreciation of the Australian dollar, a 1% increase in headcount and higher brokerage, commission and trading-related expenses consistent with higher revenues.

3.0 Segment analysis
continued

3.3 Corporate and Asset Finance

	Half-year to			Movement	
	Sep 13 $Am	Mar 13 $Am	Sep 12 $Am	Mar 13 %	Sep 12 %
Net interest and trading income	277	328	251	(16)	10
Fee and commission income	7	25	16	(72)	(56)
Share of net profits/(losses) of associates and joint ventures accounted for using the equity method	4	(4)	1	*	300
Other operating income and charges					
Impairment charge on equity investments and non-financial assets	(2)	(10)	(1)	(80)	100
Net operating lease income	255	212	203	20	26
Specific provisions and collective allowance for credit losses	(27)	(29)	(18)	(7)	50
Other income	56	19	51	195	10
Total other operating income and charges	282	192	235	47	20
Internal management revenue	8	4	4	100	100
Net operating income	578	545	507	6	14
Operating expenses					
Employment expenses	(82)	(75)	(77)	9	6
Brokerage, commission and trading-related expenses	(6)	(10)	(4)	(40)	50
Other operating expenses	(94)	(101)	(91)	(7)	3
Total operating expenses	(182)	(186)	(172)	(2)	6
Non-controlling interests(1)	–	–	–	–	–
Net profit contribution	396	359	335	10	18
Non-GAAP metrics					
Loan and finance lease portfolio ($A billion)	18.9	17.3	16.9	9	12
Operating lease portfolio ($A billion)	5.7	5.1	4.5	12	27
Headcount	976	957	928	2	5

(1) Non-controlling interests adjusts reported consolidated profit or loss for the share that is attributable to non-controlling interests, such that the net profit contribution represents the net profit attributable to ordinary equity holders.

Corporate and Asset Finance's net profit contribution of $A396 million for the half-year ended 30 September 2013 increased 18% from $A335 million in the prior corresponding period. The improved result was largely driven by growth in key portfolios, the favourable impact of the depreciation of the Australian dollar on earnings from offshore businesses and the contribution of the European Rail operating lease business acquired in January 2013.

Net interest and trading income

Net interest and trading income of $A277 million for the half-year ended 30 September 2013 increased 10% from $A251 million in the prior corresponding period. The increase was mainly due to the favourable impact of the depreciation of the Australian dollar on income earned from non-Australian dollar denominated loan and finance lease portfolios, combined with organic growth of the motor vehicle lease portfolio. Partially offsetting this growth were the funding costs of the European Rail operating lease business acquired in January 2013. The 16% decrease in net interest and trading income compared to the prior period was predominantly due to a higher level of early loan realisations in the prior period.

Net operating lease income

Net operating lease income of $A255 million for the half-year ended 30 September 2013 increased 26% from $A203 million in the prior corresponding period. The increase was mainly driven by the contribution of the European Rail operating lease business acquired in January 2013 and the depreciation of the Australian dollar, which has favourably impacted earnings from the aircraft, rail and UK Energy Leasing operating lease portfolios.

Specific provisions and collective allowance for credit losses

Specific provisions and collective allowance for credit losses of $A27 million for the half-year ended 30 September 2013 increased 50% from $A18 million in the prior corresponding period mainly reflecting additional collective provisions in line with growth of the lending and motor vehicle leasing portfolios. The prior corresponding period included the recovery of some previously written-off loans.

Other income

Other income of $A56 million for the half-year ended 30 September 2013 increased 10% from $A51 million in the prior corresponding period, which included the sale of an aircraft. The half-year ended 30 September 2013 included the favourable settlement of a claim and additional lease termination income in relation to the UK Energy Leasing business, and the realisation of equity exposures in the Lending business.

Operating expenses

Total operating expenses of $A182 million for the half year ended 30 September 2013 increased 6% from $A172 million in the prior corresponding period, primarily as a result of a 5% increase in headcount and the impact of the depreciation of the Australian dollar on non-Australian dollar denominated operating expenses.

3.0 Segment analysis
continued

3.4 Banking and Financial Services

	Half-year to			Movement	
	Sep 13 $Am	Mar 13 $Am	Sep 12 $Am	*Mar 13 %*	*Sep 12 %*
Net interest and trading income	366	331	311	*11*	*18*
Fee and commission income					
Base fees	16	9	19	*78*	*(16)*
Brokerage and commissions	106	111	103	*(5)*	*3*
Other fee and commission income	195	189	214	*3*	*(9)*
Total fee and commission income	317	309	336	*3*	*(6)*
Share of net profits of associates and joint ventures accounted for using the equity method	1	1	2	*–*	*(50)*
Other operating income and charges					
Net gains/(losses) on sale of equity investments	1	(2)	4	*	*(75)*
Impairment charge on equity investments	–	(2)	(4)	*(100)*	*(100)*
Specific provisions and collective allowance for credit losses	(23)	(15)	(22)	*53*	*5*
Other income	3	6	27	*(50)*	*(89)*
Total other operating income and charges	(19)	(13)	5	*46*	*
Internal management revenue	2	8	1	*(75)*	*100*
Net operating income	667	636	655	*5*	*2*
Operating expenses					
Employment expenses	(218)	(212)	(221)	*3*	*(1)*
Brokerage, commission and trading-related expenses	(88)	(68)	(90)	*29*	*(2)*
Other operating expenses	(250)	(237)	(220)	*5*	*14*
Total operating expenses	(556)	(517)	(531)	*8*	*5*
Net profit contribution	111	119	124	*(7)*	*(10)*
Non-GAAP metrics					
Funds under management/advice/administration[1] ($A billion)	136.8	123.0	120.1	*11*	*14*
Loan portfolio[2] ($A billion)	25.7	22.9	23.2	*12*	*11*
Retail deposits ($A billion)	33.1	31.0	30.8	*7*	*7*
Headcount	2,891	2,848	2,922	*2*	*(1)*

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

(2) The loan portfolio primarily comprises residential mortgages in Australia, Canada and the US, as well as loans to Australian and Canadian businesses, loans on capital protected products, insurance premium funding and credit cards.

Banking and Financial Services' net profit contribution of $A111 million for the half-year ended 30 September 2013 decreased 10% from $A124 million in the prior corresponding period, which included gains from the sale of the Canadian Macquarie Premium Funding business in May 2012 and the COIN institutional business in August 2012, and income from the Macquarie Professional Series product that was transferred to Macquarie Funds from 1 October 2012.

Net interest and trading income

Net interest and trading income of $A366 million for the half-year ended 30 September 2013 increased 18% from $A311 million in the prior corresponding period primarily due to higher loan and deposit volumes.

Retail deposits increased 7% to $A33.1 billion at 30 September 2013 from $A30.8 billion at 30 September 2012.

The loan portfolio primarily comprises residential mortgages in Australia, Canada and the US, as well as loans to Australian and Canadian businesses, loans on capital protected products, insurance premium funding and credit cards. The total loan portfolio of $A25.7 billion at 30 September 2013 increased 11% from $A23.2 billion at 30 September 2012 primarily due to a 34% increase in the Australian mortgage portfolio to $A14.6 billion at 30 September 2013 from $A10.9 billion at 30 September 2012 that resulted from increased lending activity and the acquisition of a loan portfolio, partially offset by a reduction in the Canadian and US loan portfolios.

The Canadian loan portfolio, which includes mortgages, margin loans and capital protected products, closed at $A6.2 billion at 30 September 2013, down 22% from $A7.9 billion at 30 September 2012. This was mainly due to a decrease in mortgages as the portfolio is in run-off.

Brokerage and commissions

Brokerage and commissions income of $A106 million for the half-year ended 30 September 2013 increased 3% from $A103 million in the prior corresponding period. Trading volumes, although slightly up from the prior corresponding period, continued to be impacted by subdued retail equity market conditions.

Other fee and commission income

Other fee and commission income of $A195 million for the half-year ended 30 September 2013 decreased 9% from $A214 million in the prior corresponding period. Other fee and commission income relates to fees earned on a range of Banking and Financial Services' products including the Australian Wrap platform, mortgages, insurance and financial planning software. The decrease from the prior corresponding period was mostly due to the sale of the COIN institutional business in August 2012 and the transfer of the Macquarie Professional Series product to Macquarie Funds from 1 October 2012, partially offset by growth of administration fees from the Wrap platform.

Funds under Administration on the Australian Wrap platform closed at $A35.3 billion on 30 September 2013, an increase of 56% from $A22.6 billion at 30 September 2012. This increase was primarily due to the integration of Perpetual's Private Wealth Platform into Macquarie's Wrap platform in April 2013 combined with an increase in the market value of Funds under Administration.

Other income

Other income of $A3 million for the half-year ended 30 September 2013 decreased 89% from $A27 million in the prior corresponding period. The prior corresponding period included gains on the sale of the Canadian Macquarie Premium Funding business in May 2012 and the COIN institutional business in August 2012.

3.0 Segment analysis
continued

Operating expenses

Total operating expenses of $A556 million for the half-year ended 30 September 2013 increased 5% from $A531 million in the prior corresponding period.

Employment expenses of $A218 million for the half-year ended 30 September 2013 decreased 1% from $A221 million in the prior corresponding period largely due to reduced headcount resulting from internal restructures that consolidated support functions into the Corporate segment, partially offset by increased contractor staff and commissions paid to internal advisers.

Brokerage, commission and trading-related expenses, which are mainly paid to external advisers for product distribution, of $A88 million for the half-year ended 30 September 2013 decreased 2% from $A90 million in the prior corresponding period. This was mainly driven by the transfer of the Macquarie Professional Series product to Macquarie Funds from 1 October 2012, partially offset by increased volumes due to the acquisition by the Macquarie Premium Funding JV of the Pacific Premium Funding business in March 2013.

Other operating expenses of $A250 million for the half-year ended 30 September 2013 increased 14% from $A220 million in the prior corresponding period mainly due to increased project expenditure, professional fees and recoveries from central support functions resulting from internal restructures.

3.5 Macquarie Securities

	Half-year to			Movement	
	Sep 13 $Am	Mar 13 $Am	Sep 12 $Am	Mar 13 %	Sep 12 %
Net interest and trading income	125	70	62	79	102
Fee and commission income					
Brokerage and commissions	272	234	216	16	26
Other fee and commission income	43	26	26	65	65
Total fee and commission income	315	260	242	21	30
Share of net profits of associates and joint ventures accounted for using the equity method	–	–	–	–	–
Other operating income and charges	(4)	23	–	*	*
Internal management revenue	–	2	4	(100)	(100)
Net operating income	436	355	308	23	42
Operating expenses					
Employment expenses	(117)	(105)	(117)	11	–
Brokerage, commission and trading-related expenses	(66)	(59)	(72)	12	(8)
Other operating expenses	(182)	(177)	(183)	3	(1)
Total operating expenses	(365)	(341)	(372)	7	(2)
Net profit/(loss) contribution	71	14	(64)	*	*
Non-GAAP metrics					
Headcount	1,038	1,020	1,037	2	<1

Macquarie Securities' net profit contribution of $A71 million for the half-year ended 30 September 2013 improved from a net loss of $A64 million in the prior corresponding period.

Net operating income of $A436 million for the half-year ended 30 September 2013 increased 42% from $A308 million in the prior corresponding period as global equity market conditions benefited from improved macro-economic conditions and investor sentiment. Net operating income increased 23% in the half-year ended 30 September 2013 compared to the prior period reflecting further inflows into equities and an increase in equity capital markets activity that continued to positively impact the institutional cash equities business. Macquarie Securities' derivatives business benefited from improved trading conditions, reduced costs in legacy businesses, and lower operating expenses.

Net interest and trading income

Net interest and trading income of $A125 million for the half-year ended 30 September 2013 increased 102% from $A62 million in the prior corresponding period mainly due to improved trading conditions and market sentiment, with higher product flow particularly across the Asia platform and reduced losses in legacy businesses.

Brokerage and commissions

Brokerage and commissions income of $A272 million for the half-year ended 30 September 2013 increased 26% from $A216 million in the prior corresponding period reflecting improved client activity in cash equities across all regions, especially Asia and Australia. Global markets continued to see inflows into equities during the half-year to 30 September 2013 that was further leveraged across Macquarie's global platform through gains in market share across key markets.

3.0 Segment analysis
continued

Other fee and commission income

Other fee and commission income mainly consists of equity capital markets fees and fees earned on stock borrow and lending transactions.

Other fee and commission income of $A43 million for the half-year ended 30 September 2013 increased 65% from $A26 million in the prior corresponding period as improved investor sentiment led to an increase in equity capital markets activity.

Other operating income and charges

Other operating income of $A23 million in the prior period represents the profit made on the sale of an investment in an exchange.

Operating expenses

Total operating expenses of $A365 million for the half-year ended 30 September 2013 decreased 2% from $A372 million in the prior corresponding period due to further benefits from cost reduction initiatives undertaken in previous periods and the wind down of legacy activities. This was partly offset by higher transaction costs from increased volumes in the institutional cash equities and derivatives businesses and the impact of the depreciation of the Australian dollar on the offshore cost base.

Employment expenses of $A117 million for the half-year ended 30 September 2013 were in line with the prior corresponding period. Lower average headcount was offset by the impact of the depreciation of the Australian dollar on offshore employment expenses.

Brokerage, commission and trading-related expenses of $A66 million for the half-year ended 30 September 2013 decreased 8% from $A72 million in the prior corresponding period primarily relating to the wind down of legacy trading activities partially offset by increased volumes in the institutional cash equities and derivatives businesses as market conditions improved.

Other operating expenses of $A182 million for the half-year ended 30 September 2013 were broadly in line with the prior corresponding period. The impact of the depreciation of the Australian dollar on offshore expenses was offset by the impact of cost reduction initiatives and the wind down of legacy businesses.

3.6 Macquarie Capital

	Half-year to			Movement	
	Sep 13 $Am	Mar 13 $Am	Sep 12 $Am	Mar 13 %	Sep 12 %
Net interest expense	–	(15)	(30)	(100)	(100)
Fee and commission income					
Mergers and acquisitions, advisory and underwriting fees	288	267	273	8	5
Brokerage and commissions	24	18	16	33	50
Other fee and commission income	9	1	11	*	(18)
Total fee and commission income	321	286	300	12	7
Net trading expense	(3)	(7)	(7)	(57)	(57)
Share of net (losses)/profits of associates and joint ventures accounted for using the equity method	(5)	7	6	*	*
Other operating income and charges					
Net gains on sale of debt and equity investments	50	86	56	(42)	(11)
Impairment write back/(charge) on equity investments	–	14	(34)	(100)	(100)
Loss on change of ownership interest	–	–	(40)	–	(100)
Impairment charge on non-financial assets	–	(11)	(2)	(100)	(100)
Specific provisions and collective allowance for credit losses	(13)	(23)	(7)	(43)	86
Other income	22	73	3	(70)	*
Total other operating income and charges	59	139	(24)	(58)	*
Internal management revenue	–	3	7	(100)	(100)
Net operating income	372	413	252	(10)	48
Operating expenses					
Employment expenses	(132)	(122)	(125)	8	6
Brokerage, commission and trading-related expenses	(5)	(3)	(3)	67	67
Other operating expenses	(146)	(134)	(132)	9	11
Total operating expenses	(283)	(259)	(260)	9	9
Non-controlling interests[1]	12	(14)	18	*	(33)
Net profit contribution	101	140	10	(28)	*
Non-GAAP metrics					
Headcount	1,117	1,105	1,114	1	<1

(1) Non-controlling interests adjusts reported consolidated profit or loss for the share that is attributable to non-controlling interests, such that the net profit contribution represents the net profit attributable to ordinary equity holders.

Macquarie Capital's net profit contribution of $A101 million for the half-year ended 30 September 2013 increased significantly from $A10 million in the prior corresponding period primarily due to increased net income from principal investments.

Net interest expense

Net interest expense was $Anil for the half-year ended 30 September 2013, down from $A30 million in the prior corresponding period. Compared to the prior corresponding period, interest income increased 52% to $A76 million from $A50 million as a result of an expanded debt investment portfolio. Interest expense decreased 5% to $A76 million from $A80 million in the prior corresponding period mainly due to a reduction in the principal equity investment portfolio.

3.0 Segment analysis
continued

Mergers and acquisitions, advisory and underwriting fees

Mergers and acquisitions, advisory and underwriting fees (net of sharing with other Operating Groups) of $A288 million for the half-year ended 30 September 2013 increased 5% from $A273 million in the prior corresponding period. The number of transactions in which Macquarie participated for the half-year ended 30 September 2013 (204 transactions valued at approximately $A26 billion) was broadly in line with the prior corresponding period (205 transactions valued at approximately $A35 billion).

Significant advisory transactions completed for the half-year ended 30 September 2013 included:

- Joint lead manager on Mighty River Power's $NZ1.7 billion partial IPO
- Joint bookrunner and joint lead arranger on Alinta Energy's $A1.5 billion senior debt refinancing
- Adviser to Leighton Holdings on the divestment of 70% of its telecommunications assets at a sale price valuing 100% of the businesses at $A885 million
- Joint issue manager, global coordinator, bookrunner and underwriter on APTT's $US1.1 billion IPO on the SGX
- Sole global coordinator and bookrunner, and lead manager on Alliance Global's $US371 million secondary offering in Emperador
- Joint book running lead manager on Adani Ports' $US182 million institutional placement in India
- Adviser, arranger and sponsor on Blue Transmission's acquisition of the offshore transmission assets of Sheringham Shoal wind farm
- Adviser to Aquiline on the acquisition of Equity Red Star, a Lloyd's of London niche motor insurer and subsidiary of IAG
- Adviser to Mainstream Renewable Power on Marubeni's equity investment of €100 million
- Adviser to WMS Industries on its $US1.5 billion sale to Scientific Games(1)
- Adviser to Trinity Industries on its $US2.1 billion railcar leasing JV with Napier Park Railcar Leasing Fund
- Lead underwriter and sole bookrunner on Surge Energy's $C248 million prospectus offering and adviser on its $C240 million asset acquisition

Net trading expense

Net trading expense of $A3 million for the half-year ended 30 September 2013 decreased 57% from $A7 million in the prior corresponding period. The net trading expense predominantly reflects Macquarie Capital's share of fair value movements in relation to certain equity investments and derivatives.

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

Share of net losses of associates and joint ventures of $A5 million for the half-year ended 30 September 2013 decreased from a profit of $A6 million in the prior corresponding period. The movement reflected changes in the composition and underlying performance of principal investments within the portfolio.

Net gains on sale of debt and equity investments

Net gains on sale of debt and equity investments of $A50 million for the half-year ended 30 September 2013 decreased 11% from $A56 million in the prior corresponding period. The net gains in the half-year ended 30 September 2013 were in respect of both listed and unlisted investments.

Impairment write back/(charge) on equity investments

The impairment charge on equity investments in the prior corresponding period related to underperforming principal investments.

(1) Completion occurred in October 2013

Loss on change of ownership interest

Loss on change of ownership interest in the prior corresponding period related to an investment where Macquarie lost significant influence on the IPO of the investment and was required to revalue its retained investment to fair value.

Specific provisions and collective allowance for credit losses

Specific provisions and collective allowance for credit losses of $A13 million in the half-year ended 30 September 2013 increased 86% from $A7 million in the prior corresponding period reflecting increased collective provisioning as a result of an expanded debt investment portfolio.

Other income

Other income of $A22 million for the half-year ended 30 September 2013 increased from $A3 million in the prior corresponding period reflecting improved net operating results from consolidated principal investments and increased dividend income from principal investments.

Operating expenses

Total operating expenses of $A283 million for the half-year ended 30 September 2013 increased 9% from $A260 million in the prior corresponding period. The increase was predominantly due to the impact of the depreciation of the Australian dollar on offshore costs, which was a key driver of a 6% increase in employment expenses to $A132 million for the half-year ended 30 September 2013 from $A125 million in the prior corresponding period and an 11% increase in other operating expenses to $A146 million for the half-year ended 30 September 2013 from $A132 million in the prior corresponding period.

3.0 Segment analysis
continued

3.7 Fixed Income, Currencies and Commodities

	Half-year to			Movement	
	Sep 13 $Am	Mar 13 $Am	Sep 12 $Am	Mar 13 %	Sep 12 %
Net interest and trading income					
Commodities[1]	393	366	347	7	13
Credit, interest rates and foreign exchange	223	271	190	(18)	17
Net interest and trading income	616	637	537	(3)	15
Fee and commission income					
Brokerage and commissions	51	42	44	21	16
Other fee and commission income	30	49	36	(39)	(17)
Total fee and commission income	81	91	80	(11)	1
Share of net profits of associates and joint ventures accounted for using the equity method	15	13	15	15	–
Other operating income and charges					
Net gains on sale of equity investments	18	65	49	(72)	(63)
Impairment charge on equity investments	(83)	(81)	(90)	2	(8)
Specific provisions and collective allowance for credit losses	(29)	(23)	(34)	26	(15)
Other income	30	11	16	173	88
Total other operating income and charges	(64)	(28)	(59)	129	8
Internal management revenue	5	12	5	(58)	–
Net operating income	653	725	578	(10)	13
Operating expenses					
Employment expenses	(122)	(125)	(115)	(2)	6
Brokerage, commission and trading-related expenses	(124)	(68)	(74)	82	68
Amortisation of intangibles	(15)	(16)	(4)	(6)	275
Other operating expenses	(189)	(172)	(166)	10	14
Total operating expenses	(450)	(381)	(359)	18	25
Net profit contribution	203	344	219	(41)	(7)
Non-GAAP metrics					
Headcount	932	946	949	(1)	(2)

(1) Includes fair value adjustments relating to various tolling agreements, capacity contracts and transportation agreements as part of its commodity trading and hedging strategies. The contracts and agreements, which are managed on a fair value basis for financial and risk management purposes, are required to be accounted for on an accruals basis for statutory reporting purposes.

Fixed Income, Currencies and Commodities' net profit contribution of $A203 million for the half-year ended 30 September 2013 decreased 7% from $A219 million in the prior corresponding period. Net operating income of $A653 million increased 13% from $A578 million in the prior corresponding period, whilst total operating expenses of $A450 million increased 25% from $A359 million in the prior corresponding period.

The result for Fixed Income, Currencies and Commodities reflected mixed market conditions experienced across its businesses.

Commodities trading income was up on both the prior corresponding period and prior period due to stronger producer hedging and trading opportunities generated by increased volatility and falling precious metals prices, and growth in physical commodities financing activities. However, ongoing weak investor sentiment and confidence in resource equity markets continued to impact the value of listed equities, resulting in impairments on a number of equity holdings, and reduced volatility in agricultural and base metals markets dampened both client hedging and trading.

Volatility and volumes improved in foreign exchange and interest rate markets compared to the prior corresponding period, and futures markets experienced increased transaction volumes in all key regions. The credit environment was mixed with lower confidence experienced in higher yield markets, whilst the level of debt origination and issuances continued to increase.

Commodities trading income

Commodities trading income of $A393 million for the half-year ended 30 September 2013 increased 13% from $A347 million in the prior corresponding period as precious metals markets saw increased volatility and falling prices during the period, resulting in increased client hedging activity and associated trading income.

In base metals markets, low levels of volatility dampened both trading results and client hedging activity; however growth of physical commodities financing activities resulted in higher overall trading income. The increased trading income was offset by associated storage costs that, for accounting purposes, are recognised in brokerage, commissions and trading-related expenses.

Revenues across the global energy markets platform, particularly in the US Gas and Global Oil energy businesses, remained a significant contributor to commodities trading income and continued to benefit from strong customer flow and trading opportunities.

Reduced market volatility in agricultural markets led to lower client activity and limited trading opportunities.

Credit, interest rates and foreign exchange trading income

Net interest and trading income from credit, interest rates and foreign exchange of $A223 million for the half-year ended 30 September 2013 increased 17% from $A190 million in the prior corresponding period, which was adversely impacted by extreme volatility and concerns over the global outlook. The credit environment was mixed with lower confidence experienced in the higher yield markets, whilst volatility and volumes improved in foreign exchange and interest rate markets compared to the prior corresponding period.

Total fee and commission income

Total fee and commission income of $A81 million for the half-year ended 30 September 2013 was broadly in line with the prior corresponding period. Futures brokerage income increased with volumes up across all key regions, partially offset by reduced fee income from US credit markets.

Net gains on sale of equity investments

Net gains on sale of equity investments of $A18 million for the half-year ended 30 September 2013 decreased 63% from $A49 million in the prior corresponding period. Subdued resource equity markets continued to impact the timing and number of asset realisations.

3.0 Segment analysis
continued

Impairment charge on equity investments

Impairment charges on equity investments of $A83 million for the half-year ended 30 September 2013 decreased 8% from $A90 million in the prior corresponding period. Impairment charges in the half-year ended 30 September 2013 mainly resulted from sustained weak investor sentiment and confidence in resource equity markets that continued to adversely impact equity values of investments held by Fixed Income, Currencies and Commodities, as well as the underperformance of a small number of investments.

Specific provisions and collective allowance for credit losses

A net charge for specific provisions and collective allowance for credit losses of $A29 million for the half-year ended 30 September 2013 decreased 15% from $A34 million in the prior corresponding period. The charges in the half-year ended 30 September 2013 predominantly relate to loan assets in the resource and energy sectors.

Other income

Other income of $A30 million for the half-year ended 30 September 2013 increased 88% from $A16 million in the prior corresponding period, primarily due to the income earned from the sale of net profit interests in North American oil assets.

Operating expenses

Total operating expenses of $A450 million for the half-year ended 30 September 2013 increased 25% from $A359 million in the prior corresponding period.

Employment expenses were $A122 million for the half-year ended 30 September 2013, an increase of 6% from $A115 million in the prior corresponding period largely due to the impact of the depreciation of the Australian dollar on the costs associated with a significant non-Australian based work force within Fixed Income, Currencies and Commodities.

Brokerage, commission and trading-related expenses of $A124 million for the half-year ended 30 September 2013 increased 68% from $A74 million in the prior corresponding period. This was mainly driven by growth of physical commodities financing activities that resulted in higher storage costs that, for accounting purposes, are reported within brokerage, commissions and trading-related expenses, whilst the associated income is included within commodities trading income.

Amortisation of intangibles relate to investments in net profit interests, which are amortised based on the production output of the investment. The expense of $A15 million for the half-year ended 30 September 2013 was up 275% from $A4 million in the prior corresponding period consistent with increased investments in net profit interests.

Other operating expenses of $A189 million for the half-year ended 30 September 2013 increased 14% from $A166 million in the prior corresponding period mainly due to increased investment in technology to meet increasing regulatory compliance requirements globally combined with the impact of the depreciation of the Australian dollar.

3.8 Corporate

	Half-year to			Movement	
	Sep 13 $Am	Mar 13 $Am	Sep 12 $Am	Mar 13 %	Sep 12 %
Net interest and trading income	75	65	68	15	10
Fee and commission expense	(8)	(6)	(2)	33	300
Share of net profits of associates and joint ventures accounted for using the equity method	8	12	3	(33)	167
Other operating income and charges					
Net gains on sale of debt and equity securities	7	13	5	(46)	40
Impairment write back/(charge) on debt and equity securities	1	(95)	(70)	*	*
Gain on change of ownership interests	–	161	–	(100)	–
Dividends and distributions received	52	39	42	33	24
Specific provisions and collective allowance for credit losses	(2)	(1)	(5)	100	(60)
Other income	(46)	(12)	18	283	*
Total other operating income and charges	12	105	(10)	(89)	*
Internal management charge	(21)	(36)	(30)	(42)	(30)
Net operating income	66	140	29	(53)	128
Operating expenses					
Employment expenses	(916)	(959)	(753)	(4)	22
Brokerage, commission and trading-related expenses	(3)	(3)	–	–	*
Other operating expenses	293	321	280	(9)	5
Total operating expenses	(626)	(641)	(473)	(2)	32
Tax expense	(307)	(377)	(156)	(19)	97
Macquarie Income Preferred Securities	(2)	(2)	(2)	–	–
Macquarie Income Securities	(9)	(10)	(11)	(10)	(18)
Non-controlling interests[1]	(3)	5	(6)	*	(50)
Net loss contribution	(881)	(885)	(619)	(<1)	42
Non-GAAP metrics					
Headcount	5,502	5,315	5,088	4	8

(1) Non-controlling interests adjusts reported consolidated profit or loss for the share that is attributable to non-controlling interests, such that the net profit contribution represents the net profit attributable to ordinary equity holders.

3.0 Segment analysis
continued

The Corporate segment includes Group Treasury, head office and central support functions, as well as certain legacy assets and businesses that are no longer core for strategic reasons.

The Corporate segment's result for the half-year ended 30 September 2013 was a net loss of $A881 million, an increase of 42% from a net loss of $A619 million in the prior corresponding period, mainly driven by increases in income tax expense (refer Section 2.7), and employment expenses.

Net interest and trading income

Net interest and trading income in the Corporate segment includes the net result of managing liquidity and funding for Macquarie, earnings on capital, non-trading derivative volatility, the funding costs associated with non-core investments held centrally and fair value movements on investments held to hedge liabilities under the Directors' Profit Share plan.

Net interest and trading income of $A75 million for the half-year ended 30 September 2013 increased 10% from $A68 million in the prior corresponding period, mainly due to positive changes in the fair value of assets held to hedge exposures to liabilities under the Directors' Profit Share plan. The benefits from these were partially offset by lower earnings on capital due to a reduction in interest rates.

Share of net profits of associates and joint ventures

Share of net profits of associates and joint ventures for the half-year ended 30 September 2013 was $A8 million, an increase of 167% from $A3 million in the prior corresponding period, mainly due to equity accounted income from a non-core investment.

Impairment write back/(charge) on debt and equity securities

Impairment write back on debt and equity securities of $A1 million for the half-year ended 30 September 2013 compared to a charge of $A70 million in the prior corresponding period. The impairment charges for the half-year ended 30 September 2012 related to a number of legacy investments that are no longer strategic holdings.

Gain on change of ownership interests

The gain on change of ownership interests in the prior period of $A161 million related to a gain recognised when Macquarie lost significant influence over an investment and was required to revalue its retained investment to fair value on reclassification of the investment from an investment in an associate to an investment available for sale.

Dividends and distributions received

Dividends and distributions received of $A52 million in the half-year ended 30 September 2013 increased 24% from $A42 million in the prior corresponding period. Dividends are primarily received from non-core investments, including the investment in Sydney Airport and investments held to hedge Directors' Profit Share liabilities. The increase from the prior corresponding period related to dividends from non-core investments.

Specific provisions and collective allowance for credit losses

Specific provisions and collective allowance for credit losses of $A2 million for the half-year ended 30 September 2013 decreased 60% from $A5 million in the prior corresponding period and primarily related to investments in the real estate sector in both periods.

Other income

Other income was a loss of $A46 million for the half-year ended 30 September 2013, a decrease from income of $A18 million in the prior corresponding period. Other income includes losses on the partial repurchase of Macquarie's government guaranteed debt securities in both the current and prior periods. These losses will be offset over time through lower net funding costs. The loss for the half-year ended 30 September 2013 was also impacted by reduced income from non-core real estate activities.

Employment expenses

Employment expenses in the Corporate segment relate to employment costs associated with the Group's central support functions; including Corporate Operations, Financial Management, Risk Management, Legal and Governance, and Central Executive; as well as staff profit share, share based payments expense and the impact of fair value adjustments of Directors' Profit Share liabilities.

For the half-year ended 30 September 2013 employment expenses were $A916 million, up 22% from $A753 million in the prior corresponding period. The increase was mainly due to the impact of the depreciation of the Australian dollar on offshore costs and higher staff compensation resulting from the improved performance of the Group.

Other operating expenses

Other operating expenses in the Corporate segment includes non-employment related operating costs of central support functions, offset by the recovery of central support function costs from the Operating Groups. Net recoveries from the Operating Groups increased 5% from $A280 million in the prior corresponding period to $A293 million for the half-year ended 30 September 2013, which reflected growth of the regional service hubs supporting Macquarie's global operating platform, combined with internal restructures where a number of support roles were transferred into the Corporate segment from the Operating Groups.

3.0 Segment analysis continued

3.9 International income

International income by region

	Half-year to			Movement	
	Sep 13 $Am	Mar 13 $Am	Sep 12 $Am	Mar 13 %	Sep 12 %
Americas	1,162	1,200	1,003	(3)	16
Asia	485	381	347	27	40
Europe, Middle East and Africa	741	583	620	27	20
Total international income	2,388	2,164	1,970	10	21
Australia	1,204	1,263	1,025	(5)	17
Total income (excluding earnings on capital and other corporate items)	3,592	3,427	2,995	5	20
Earnings on capital and other corporate items	87	176	59	(51)	47
Net operating income (as reported)	3,679	3,603	3,054	2	20
International income (excluding earnings on capital and other corporate items) ratio (%)	66	63	66		

International income by group and region

	Half-year to Sep 13						
	Americas $Am	Asia $Am	Europe, Middle East and Africa $Am	Total International $Am	Australia $Am	Total Income $Am	Total International %
Macquarie Funds	468	92	172	732	169	901	81
Corporate and Asset Finance	116	6	281	403	167	570	71
Banking and Financial Services	90	–	2	92	573	665	14
Macquarie Securities	58	257	39	354	82	436	81
Macquarie Capital	140	54	57	251	121	372	67
Fixed Income, Currencies and Commodities	290	76	190	556	92	648	86
Total	1,162	485	741	2,388	1,204	3,592	66

Total international income was $A2,388 million for the half-year ended 30 September 2013, up 21% from $A1,970 million in the prior corresponding period, with the depreciation of the Australian dollar being a significant contributor to the increase. Total international income represented 66% of total income (excluding earnings on capital and other corporate items), in line with the prior corresponding period.

Income from the Americas of $A1,162 million for the half-year ended 30 September 2013 increased 16% from $A1,003 million in the prior corresponding period, mainly from an increased contribution by Macquarie Funds, primarily due to increased AUM driving higher base fee income and gains on the partial sale of MIC; and an increased contribution from Macquarie Capital due partly to a loss on change of ownership interest on an investment in the prior corresponding period, and gain on the partial sale of an investment in the half-year ended 30 September 2013.

In Asia, income of $A485 million for the half-year ended 30 September 2013 increased 40% from $A347 million in the prior corresponding period. This increase was mainly in Macquarie Securities due to improved client activity in cash equities as global markets continued to see inflows into equities during the half-year ended 30 September 2013.

Income from Europe, Middle East and Africa increased 20% from $A620 million in the prior corresponding period to $A741 million in the half-year ended 30 September 2013, mainly driven by the full period contribution from the European Rail operating lease business acquired in January 2013 by Corporate and Asset Finance.

In Australia, all Operating Groups contributed to the 17% increase in income from $A1,025 million in the prior corresponding period to $A1,204 million for the half-year ended 30 September 2013. Key drivers included growth of the Australian mortgages and motor vehicle leasing portfolios, and improved market conditions for the institutional cash equities and foreign exchange trading businesses.

4.0 Balance sheet

4.1 Statement of financial position

	As at			Movement	
	Sep 13 $Am	Mar 13 $Am	Sep 12 $Am	Mar 13 %	Sep 12 %
Assets					
Receivables from financial institutions	20,001	16,516	18,226	21	10
Trading portfolio assets	22,489	19,776	15,546	14	45
Derivative assets	14,647	14,704	21,691	(<1)	(32)
Investment securities available for sale	16,578	17,057	20,506	(3)	(19)
Other assets	12,335	12,397	13,354	(1)	(8)
Loan assets held at amortised cost	54,476	49,083	47,559	11	15
Other financial assets at fair value through profit or loss	3,116	5,033	5,327	(38)	(42)
Property, plant and equipment	6,175	5,643	5,134	9	20
Interests in associates and joint ventures accounted for using the equity method	2,497	2,048	2,285	22	9
Intangible assets	1,276	1,221	1,304	5	(2)
Deferred tax assets	1,010	1,270	1,248	(20)	(19)
Total assets	154,600	144,748	152,180	7	2
Liabilities					
Trading portfolio liabilities	3,485	1,497	3,641	133	(4)
Derivative liabilities	14,149	14,853	21,047	(5)	(33)
Deposits	42,694	41,103	39,959	4	7
Other liabilities	12,638	13,572	13,284	(7)	(5)
Payables to financial institutions	19,625	18,075	16,703	9	17
Other financial liabilities at fair value through profit or loss	1,205	1,704	1,593	(29)	(24)
Debt issued at amortised cost	43,755	38,014	40,714	15	7
Provisions	225	213	228	6	(1)
Deferred tax liabilities	667	542	514	23	30
Total liabilities excluding loan capital	138,443	129,573	137,683	7	1
Loan capital					
Macquarie Convertible Preference Securities	–	616	615	(100)	(100)
Subordinated debt at amortised cost	3,438	2,604	2,378	32	45
Total loan capital	3,438	3,220	2,993	7	15
Total liabilities	141,881	132,793	140,676	7	1
Net assets	12,719	11,955	11,504	6	11

	As at			Movement	
	Sep 13 $Am	Mar 13 $Am	Sep 12 $Am	*Mar 13 $Am*	*Sep 12 $Am*
Equity					
Contributed equity	5,893	5,907	5,887	*(<1)*	*<1*
Reserves	726	57	(50)	*	*
Retained earnings	5,610	5,439	5,155	*3*	*9*
Total capital and reserves attributable to ordinary equity holders of Macquarie Group Limited	12,229	11,403	10,992	*7*	*11*
Non-controlling interests	490	552	512	*(11)*	*(4)*
Total equity	12,719	11,955	11,504	*6*	*11*

Total assets of $A154.6 billion at 30 September 2013 increased 7% from $A144.7 billion at 31 March 2013. The depreciation of the Australian dollar since 31 March 2013 resulted in growth of both assets and liabilities denominated in foreign currencies. Other key drivers of the increase in assets included:

– Receivables from financial institutions increased 21% from $A16.5 billion at 31 March 2013 to $A20.0 billion at 30 September 2013 predominantly due to an increase in reverse repurchase balances reflecting an increase in surplus liquidity combined with an increase in holdings required to cover short positions due to higher stock borrowing activity within Macquarie Securities.

– Trading portfolio assets increased 14% from $A19.8 billion at 31 March 2013 to $A22.5 billion at 30 September 2013 primarily as a result of increased trading activity in Macquarie Securities and Fixed Income, Currencies and Commodities.

– Loan assets increased 11% from $A49.1 billion at 31 March 2013 to $A54.5 billion at 30 September 2013 primarily due to growth in the lending and finance lease portfolios in Corporate and Asset Finance, growth of the Australian mortgage portfolio in Banking and Financial Services due to organic growth and the acquisition of a loan portfolio, and increased asset backed lending by Macquarie Funds.

– Other financial assets at fair value through profit or loss decreased 38% from $A5.0 billion at 31 March 2013 to $A3.1 billion at 30 September 2013 largely due to redemptions and maturities within Macquarie Funds' Macquarie Specialised Investment Solutions.

4.0 Balance sheet
continued

Total liabilities (excluding loan capital) increased 7% from $A129.6 billion at 31 March 2013 to $A138.4 billion at 30 September 2013. Key drivers of the growth included:

- Trading portfolio liabilities increased 133% from $A1.5 billion at 31 March 2013 to $A3.5 billion at 30 September 2013 largely due to an increase in short positions held by Macquarie Securities.
- Deposits increased 4% from $A41.1 billion at 31 March 2013 to $A42.7 billion at 30 September 2013 primarily due to growth in cash deposits and interest related products in Banking and Financial Services.
- Other liabilities decreased 7% from $A13.6 billion at 31 March 2013 to $A12.6 billion at 30 September 2013 predominantly due to a reduction in unsettled positions and trades in Fixed Income, Currencies and Commodities and Macquarie Securities.
- Payables to financial institutions increased 9% from $A18.1 billion at 31 March 2013 to $A19.6 billion at 30 September 2013 largely due to increased stock lending activity in Asia for Macquarie Securities.
- Debt issued at amortised cost increased 15% from $A38.0 billion at 31 March 2013 to $A43.8 billion at 30 September 2013 largely due to new debt issuances by Group Treasury and the issuance of bonds by securitisation vehicles for the Australian mortgages business. These new issuances were partly offset by the buyback of Government guaranteed securities.

Total equity increased $A764 million from $A12.0 billion at 31 March 2013 to $A12.7 billion at 30 September 2013. This was largely driven by a net increase in reserves of $A669 million due to an increase in the available for sale (AVS) reserve arising from positive valuation movements on AVS securities, and a reduction in the foreign currency translation reserve from the impact of the depreciation of the Australian dollar on unhedged net investments in foreign operations.

4.2 Loan assets

Reconciliation between loan assets per statement of financial position and funded balance sheet

	As at			Movement	
	Sep 13 $Ab	Mar 13 $Ab	Sep 12 $Ab	*Mar 13 %*	*Sep 12 %*
Loan assets at amortised cost per statement of financial position	54.5	49.1	47.6	*11*	*14*
Other loans held at fair value[(1)]	1.1	1.5	1.6	*(27)*	*(31)*
Operating lease assets	5.7	5.1	4.6	*12*	*24*
Other reclassifications[(2)]	0.2	0.2	0.2	*–*	*–*
Less: loans held by consolidated SPEs which are available as security to noteholders and debt providers[(3)]	(12.7)	(10.5)	(11.9)	*21*	*7*
Less: segregated funds[(4)]	(1.2)	(1.1)	(0.8)	*9*	*50*
Less: margin balances (reclassed to trading)[(5)]	(1.7)	(1.4)	(1.2)	*21*	*42*
Total loan assets per funded balance sheet[(6)]	45.9	42.9	40.1	*7*	*14*

(1) Excludes other loans held at fair value that are self-funded.

(2) Reclassification between loan assets and other funded balance sheet categories.

(3) Excludes notes held by Macquarie in consolidated Special Purpose Entities (SPE).

(4) These represent the assets and liabilities that are recognised where Macquarie provides products such as investment-linked policy contracts. The policy (contract) liability will be matched by assets held to the same amount and hence does not require funding.

(5) For the purposes of the funded balance sheet, margin balances are treated as trading assets rather than loan assets.

(6) Total loan assets per funded balance sheet includes self securitisation assets.

4.0 Balance sheet
continued

Loan assets per the funded balance sheet are shown below in further detail

	Notes	As at Sep 13 $Ab	As at Mar 13 $Ab	As at Sep 12 $Ab	Movement Mar 13 %	Movement Sep 12 %
Mortgages:	1					
Australia		8.0	6.8	4.5	18	78
United States		0.5	0.7	0.7	(29)	(29)
Canada		6.1	6.7	7.8	(9)	(22)
Other		0.2	0.2	0.1	–	100
Total mortgages		14.8	14.4	13.1	3	13
Structured investments	2	4.3	3.6	3.4	19	26
Banking	3	4.5	4.0	3.8	13	18
Real estate	4	2.6	2.3	1.9	13	37
Resources and commodities	5	2.1	2.3	2.4	(9)	(13)
Leasing (finance and operating)	6	10.6	9.3	8.1	14	31
Corporate lending	7	5.5	5.6	6.3	(2)	(13)
Other lending	8	1.5	1.4	1.1	7	36
Total		45.9	42.9	40.1	7	14

Explanatory notes concerning asset security of funded loan asset portfolio

1. Mortgages

Secured by residential property and supported by mortgage insurance:

- Australia: most loans are fully mortgage insured
- United States: majority of loans where loan to value ratio is greater than 80% are mortgage insured
- Canada: most loans are fully insured with underlying government support.

2. Structured investments

Loans to retail and wholesale counterparties that are secured against equities, investment funds or cash, or are protected by capital guarantees at maturity.

3. Banking

Secured relationship managed loan portfolio to professional and financial services firms, real estate industry clients, insurance premium funding and other small business clients. Secured largely by real estate, working capital, business cash flows and credit insurance. The portfolio also includes other retail lending including credit cards.

4. Real estate

Loans secured against real estate assets, generally subject to regular independent valuations.

5. Resources and commodities

Diversified loan portfolio primarily to the resources sector that are secured by the underlying assets. Secured by gold, base metals and oil resources and supported by price hedging.

6. Leasing (finance and operating)

Secured by underlying leased assets (aircraft, motor vehicles and specialised equipment), diversified portfolio by geography and security asset class.

7. Corporate lending

Diversified secured corporate lending, subject to regular recoverability review. Secured by a diverse range of corporate assets and other securities.

8. Other lending

Includes deposits with financial institutions held as collateral for trading positions.

4.3 Equity investments

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

- Other financial assets at fair value through profit or loss
- Investment securities available for sale
- Interests in associates and joint ventures.

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

- Investments in Macquarie-managed funds
- Other investments which are not investments in Macquarie-managed funds.

Equity investments reconciliation

	As at			Movement	
	Sep 13 $Am	Mar 13 $Am	Sep 12 $Am	*Mar 13 %*	*Sep 12 %*
Equity investments					
Statement of financial position					
Equity investments within other financial assets at fair value through profit or loss	1,369	2,378	2,415	*(42)*	*(43)*
Equity investments within investment securities available for sale	3,367	3,156	2,642	*7*	*27*
Interests in associates and joint ventures accounted for using the equity method	2,497	2,048	2,285	*22*	*9*
Total equity investments per statement of financial position	7,233	7,582	7,342	*(5)*	*(1)*
Adjustment for funded balance sheet					
Equity hedge positions[1]	(1,111)	(2,114)	(2,193)	*(47)*	*(49)*
Total funded equity investments	6,122	5,468	5,149	*12*	*19*
Adjustments for equity investments analysis					
Other assets[2]	85	122	77	*(30)*	*10*
Available for sale reserves[3]	(689)	(365)	(244)	*89*	*182*
Associates reserves[4]	(16)	–	3	*	*
Total adjusted equity investments[5]	5,502	5,225	4,985	*5*	*10*

(1) These relate to assets held for the purposes of economically hedging Macquarie's fair valued liabilities to external parties arising from various equity linked instruments. Consequently, these have been excluded from the analysis of equity investment exposures.

(2) Other assets include equity investments which do not fall within the categories per the statement of financial position.

(3) Available for sale reserves on equity investments (gross of tax) that will be released to income upon realisation of the investment, excluding investments in which Macquarie has no economic exposure.

(4) Associates reserves (gross of tax) that will be released to income upon realisation of the investment.

(5) The adjusted book value represents the total net exposure to Macquarie.

4.0 Balance sheet
continued

Equity investments by category

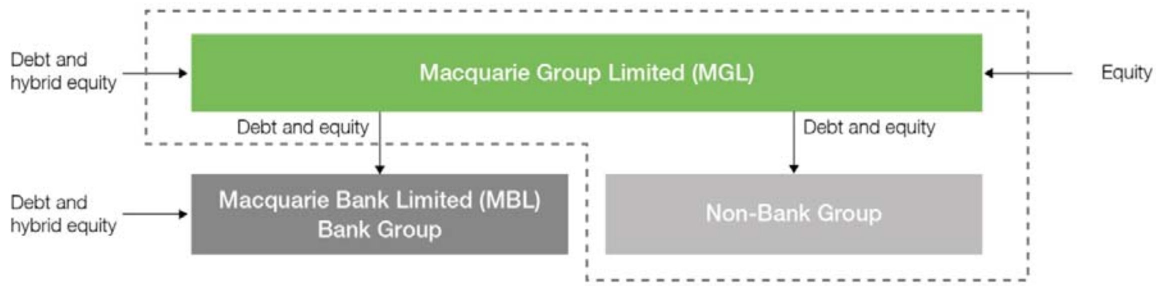
	As at			Movement	
	Sep 13 $Am	Mar 13 $Am	Sep 12 $Am	Mar 13 %	Sep 12 %
Macquarie-managed funds					
Listed MIRA managed funds	522	579	338	(10)	54
Unlisted MIRA managed funds	696	579	615	20	13
Other Macquarie-managed funds	302	302	256	–	18
Total Macquarie-managed funds	1,520	1,460	1,209	4	26
Other investments					
Transport, industrial and infrastructure	1,771	1,558	1,500	14	18
Telecommunications, information technology, media and entertainment	610	646	660	(6)	(8)
Energy, resources and commodities	573	588	555	(3)	3
Real estate investment, property and funds management	574	621	689	(8)	(17)
Finance, wealth management and exchanges	454	352	372	29	22
Total other investments	3,982	3,765	3,776	6	5
Total equity investments	5,502	5,225	4,985	5	10

5.0 Funding and liquidity

5.1 Overview

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

The high level funding structure of the Group is shown below:



Liquidity management

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

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

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

Liquidity policy and principles

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

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

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

5.0 Funding and liquidity
continued

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

Liquidity and funding management

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

Liquidity limits

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

Scenario analysis

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

The scenarios separately consider the requirements of the Bank Group, Non-Bank Group and the consolidated Group. They are run over a number of timeframes and a range of conservative assumptions are used including access to capital markets, deposit outflows, contingent funding requirements and asset sales.

Liquid asset holdings

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

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

The liquid asset portfolio contains only unencumbered assets that can be relied on to maintain their liquidity in a crisis scenario. At least 90% of the liquid asset portfolio held to meet the minimum liquid asset requirement must be eligible for repurchase with a central bank. The remainder must be approved by Group Treasury and RMG before inclusion in the liquid asset portfolio. As at 30 September 2013, 96% of the liquid asset portfolio was eligible for repurchase with central banks.

The liquid asset portfolio typically includes unencumbered cash and central bank repo eligible government, semi-government, supranational, government guaranteed, other bank securities and AAA rated Australian residential mortgage backed securities. In addition, the portfolio includes other very short dated, high quality liquid assets such as A-1+ rated Australian residential mortgage backed commercial paper.

The liquid asset portfolio is largely denominated and held in Australian Dollars although liquid assets denominated in US Dollars or other currencies are held where appropriate.MGL Group had $A21.5 billion cash and liquid assets as at 30 September 2013 (31 March 2013: $A19.8 billion), of which $A19.4 billion was held by the MBL Group (31 March 2013: $A18.0 billion).

Liquidity contingency plan

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

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

Macquarie is a global financial institution, with bank branches and subsidiaries in a variety of countries. Regulations in certain countries may require some branches or subsidiaries to have specific local contingency plans. Where that is the case, the liquidity contingency plan contains a supplement providing the specific information required for those branches or subsidiaries.

Funding transfer pricing

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

Credit ratings

Credit ratings[1] at 30 September 2013 are detailed below.

	Macquarie Group Limited			Macquarie Bank Limited		
	Short-term rating	Long-term rating	Long-term rating outlook	Short-term rating	Long-term rating	Long-term rating outlook
Moody's Investors Service	P-2	A3	Stable	P-1	A2	Stable
Standard and Poor's	A-2	BBB	Stable	A-1	A	Stable
Fitch Ratings	F-2	A-	Stable	F-1	A	Stable

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

5.0 Funding and liquidity
continued

Regulatory developments

In November 2011, APRA released its draft liquidity standard (APS 210) and discussion paper detailing the local implementation of the Basel III liquidity framework. APRA's proposals incorporate the two quantitative metrics put forward by the Basel Committee: the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR). In January 2013, the Basel Committee released its final requirements for the LCR and subsequently a second discussion paper and draft regulatory standards were released by APRA in May 2013. At the time of writing, final APRA standards are expected in the last quarter of 2013. Other regulators in jurisdictions where Macquarie operates are yet to release final Basel III liquidity standards.

Liquidity Coverage Ratio

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

Macquarie expects that it will meet the overall requirements of the LCR. However, the APRA standards have not yet been finalised and the ratio may therefore be subject to change prior to local implementation.

Net Stable Funding Ratio

The NSFR is a 12 month structural funding metric, requiring that 'available stable funding' be sufficient to cover 'required stable funding', where 'stable' funding has an actual or assumed maturity of greater than 12 months. The NSFR is currently subject to an observation period prior to being introduced as a minimum requirement by APRA in 2018.

Macquarie has minimal reliance on short-term funding and has sufficient cash and liquid assets to repay all short-term wholesale funding. In addition, Macquarie's internal liquidity policy requires that term assets are funded with term liabilities. Macquarie expects that it will meet the overall requirements of the NSFR. However, the APRA standards have not yet been finalised and the ratio may be subject to change over the consultation period.

Macquarie continues to monitor developing liquidity regulations.

5.2 Funded balance sheet

The Group's 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 the Group.

The table below reconciles the reported assets of the consolidated Group to the net funded assets as at 30 September 2013. The following pages split this between the Bank Group and Non-Bank Group to assist in the analysis of each of the separate funding profiles of MBL and MGL.

		As at		
		Sep 13	Mar 13	Sep 12
	Notes	$Ab	$Ab	$Ab
Total assets per MGL statement of financial position		154.6	144.7	152.2
Accounting deductions:				
Self funded trading assets	1	(16.7)	(13.6)	(13.9)
Derivative revaluation accounting gross-ups	2	(13.9)	(14.4)	(20.4)
Life investment contracts and other segregated assets	3	(5.2)	(5.4)	(5.0)
Outstanding trade settlement balances	4	(7.0)	(7.7)	(7.4)
Short-term working capital assets	5	(5.3)	(5.2)	(4.9)
Non-recourse funded assets:				
Securitised assets and non-recourse warehouses	6	(12.7)	(10.8)	(12.2)
Net funded assets		93.8	87.6	88.4

Explanatory notes concerning net funded assets

1. Self funded trading assets

Macquarie enters into stock borrowing and lending as well as repurchase agreements and reverse repurchase agreements in the normal course of trading activity that it conducts with its clients and counterparties. Also as part of its trading activities, Macquarie pays and receives margin collateral on its outstanding derivative positions. These trading related asset and liability positions are presented gross on the statement of financial position but are viewed as being self funded to the extent that they offset one another and, therefore, are netted as part of this adjustment.

2. Derivative revaluation accounting gross-ups

Macquarie's derivative activities are mostly client driven with client positions hedged by offsetting positions. The derivatives are largely matched and this adjustment reflects that the matched positions do not require funding.

3. Life investment contracts and other segregated assets

These represent the assets and liabilities that are recognised where Macquarie provides products such as investment-linked policy contracts. The policy (contract) liability will be matched by assets held to the same amount and hence does not require funding.

4. Outstanding trade settlement balances

At any particular time Macquarie will have outstanding trades to be settled as part of its brokering business and trading activities. These amounts (payables) can be offset in terms of funding by amounts that Macquarie is owed on other trades (receivables).

5. Short-term working capital assets

As with the outstanding trade settlement balances above, Macquarie through its day-to-day operations generates working capital assets (e.g. receivables and prepayments) and working capital liabilities (e.g. creditors and accruals) that produce a 'net balance' that either requires or provides funding.

6. Securitised and non-recourse assets

These represent assets that are funded by third parties with no recourse to Macquarie including lending assets (mortgages and leasing) sold down into external securitisation entities or transferred to external funding warehouses.

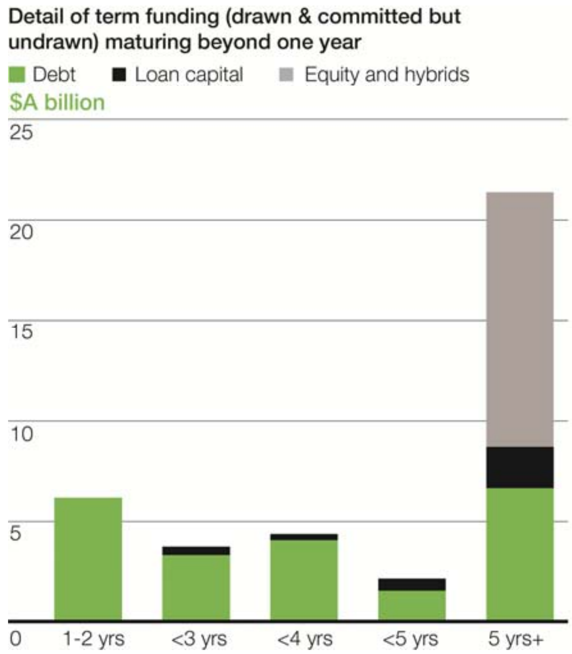
5.0 Funding and liquidity
continued

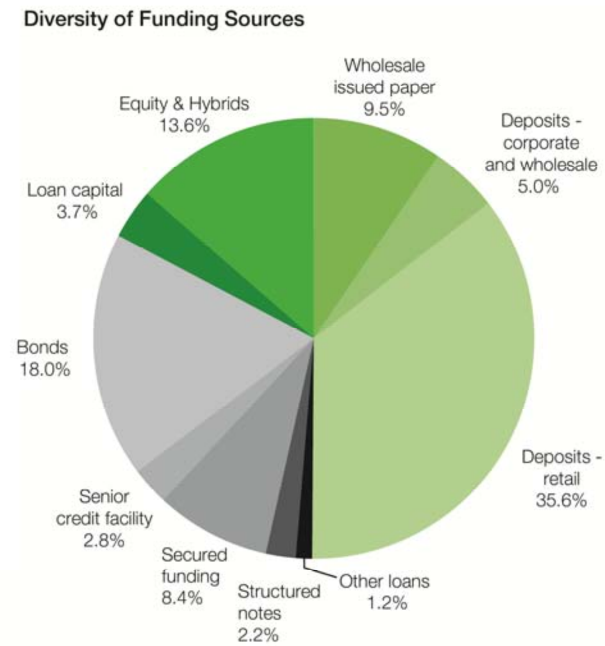
5.3 Funding profile for consolidated MGL Group

Funded balance sheet

	Notes	Sep 13 $Ab	Mar 13 $Ab	Sep 12 $Ab
		As at		
Funding sources				
Wholesale issued paper:	1			
Negotiable certificates of deposits		2.2	1.4	1.3
Commercial paper		6.7	3.5	4.4
Structured notes	2	2.1	2.4	2.2
Secured funding	3	8.0	9.4	10.0
Bonds	4	16.9	16.5	16.2
Other loans	5	1.2	0.7	0.4
Senior credit facility	6	2.6	2.4	3.2
Deposits:	7			
Retail deposits		33.1	31.0	30.8
Corporate and wholesale deposits		4.9	5.2	5.4
Loan capital	8	3.4	3.2	3.0
Equity and hybrid	9	12.7	11.9	11.5
Total		93.8	87.6	88.4
Funded assets				
Cash and liquid assets	10	21.5	19.8	22.6
Self securitisation	11	6.2	6.2	4.5
Net trading assets	12	15.1	15.1	16.1
Loan assets less than one year	13	12.0	9.9	9.2
Loan assets greater than one year	13	27.7	26.8	26.5
Debt investment securities	14	2.9	2.3	2.0
Co-investment in Macquarie-managed funds and other equity investments	15	6.1	5.5	5.1
Property, plant and equipment and intangibles		1.8	1.7	1.9
Net trade debtors	16	0.5	0.3	0.5
Total		93.8	87.6	88.4

See Section 5.6 for notes 1-16.





	As at Sep 13					
	1-2yrs	2-3yrs	3-4yrs	4-5yrs	5yrs+	Total
	$Ab	$Ab	$Ab	$Ab	$Ab	$Ab
Structured notes	0.1	0.2	0.1	0.3	0.6	1.3
Secured Funding	3.0	1.5	-	0.3	0.3	5.1
Bonds	1.4	1.3	2.8	0.9	5.7	12.1
Other loans	0.2	0.3	–	–	–	0.5
Senior credit facility	1.5	–	1.1	–	-	2.6
Total debt	6.2	3.3	4.0	1.5	6.6	21.6
Loan capital	–	0.4	0.3	0.6	2.1	3.4
Equity	–	–	–	–	12.7	12.7
Total funding sources drawn	6.2	3.7	4.3	2.1	21.4	37.7
Undrawn	0.3	–	–	–	–	0.3
Total funding sources drawn and undrawn	6.5	3.7	4.3	2.1	21.4	38.0

Macquarie has a stable funding base with minimal reliance on short-term wholesale funding markets. At 30 September 2013, MGL Group's term assets were covered by term funding maturing beyond one year, stable deposits and equity.

The weighted average term to maturity of term funding maturing beyond one year (excluding equity which is a permanent source of funding) increased from 4.4 years at 31 March 2013 to 4.6 years at 30 September 2013.

As at 30 September 2013, total deposits represented $A38.0 billion, or 41% of MGL Group's total funding, short-term (maturing in less than 12 months) wholesale issued paper represented $A8.9 billion, or 9% of total funding, and other debt funding maturing within 12 months represented $A9.0 billion, or 9% of total funding.

5.0 Funding and liquidity
continued

Term funding initiatives

Macquarie has a liability driven approach to balance sheet management, where funding is put in place before assets are taken on to the balance sheet. Since 31 March 2013, MGL and MBL have continued to raise term wholesale funding.

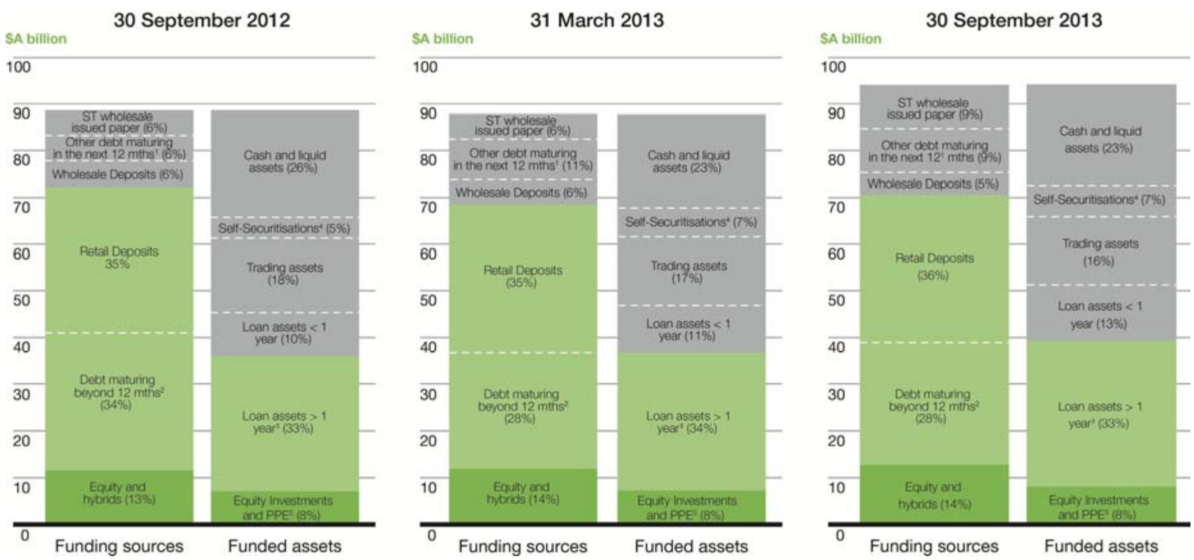
Details of term funding raised between 1 April and 30 September 2013:

			Bank Group $Ab	Non-Bank Group $Ab	Total $Ab
Securitised assets	–	Term securitisation and other secured finance	4.5	—	4.5
Issued paper	–	Senior	2.8	—	2.8
MCN	–	Subordinated notes	—	0.6	0.6
Total			7.3	0.6	7.9

Macquarie has continued to diversify its funding base and develop new markets including issuances in the United States, Europe, Australia and Korea.

Since 31 March 2013, MGL Group raised $A7.9 billion of term funding, including $A2.8 billion of term wholesale funding, $A4.5 billion of term secured finance and $A0.6 billion subordinated notes. Wholesale term issuance of $A2.8 billion includes $A1.1 billion in USD senior unsecured debt issuance, $A1.0 billion in private placements and structured notes and $A0.7 billion in senior unsecured issuance in the Euro market. Term secured finance of $A4.5 billion includes $A1.1 billion of PUMA RMBS, $A0.8 billion of SMART auto & equipment ABS and a total of A$2.6 billion of warehouse funding for PUMA and SMART.

The change in composition of the funded balance sheet is illustrated in the chart below.



(1) 'Other debt maturing in the next 12 mths' includes Structured Notes, Secured Funding, Bonds, Other Bank Loans maturing within the next 12 months and Net Trade Debtors.

(2) 'Debt maturing beyond 12 mths' includes Loan Capital.

(3) 'Loan Assets > 1 yr' includes Debt Investment Securities, Net working capital, and Operating Lease Assets.

(4) 'Self-Securitisations' includes repo eligible Australian mortgages originated by Macquarie.

(5) 'Equity Investments and PPE' includes the Group's co-investment in Macquarie-managed funds and equity investments.

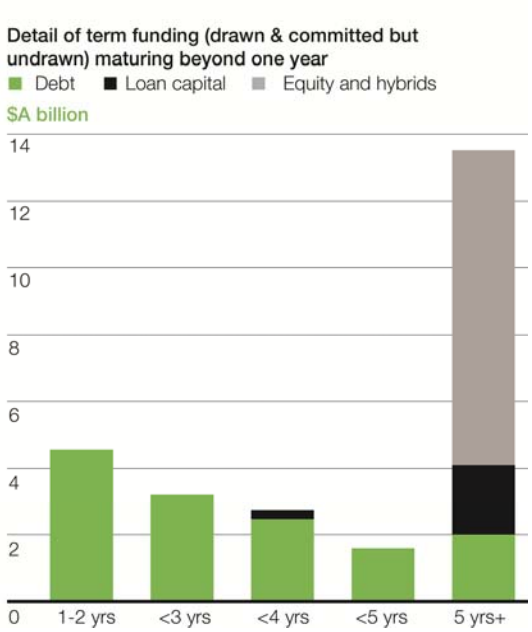
5.4 Funding profile for Bank Group

Funded balance sheet

	Notes	As at Sep 13 $Ab	Mar 13 $Ab	Sep 12 $Ab
Funding sources				
Wholesale issued paper:	1			
Negotiable certificates of deposits		2.2	1.4	1.3
Commercial paper		6.7	3.5	4.4
Structured notes	2	1.4	1.4	1.4
Secured funding	3	7.7	9.3	9.9
Bonds	4	10.5	10.7	11.8
Other loans	5	0.9	0.5	0.2
Deposits:	7			
Retail deposits		33.1	31.0	30.8
Corporate and wholesale deposits		4.9	5.2	5.4
Loan capital	8	2.4	2.2	2.0
Equity and hybrid	9	9.4	8.7	8.7
Total		79.2	73.9	75.9
Funded assets				
Cash and liquid assets	10	19.4	18.0	20.8
Self securitisation	11	6.2	6.2	4.5
Net trading assets	12	13.9	14.5	15.0
Loan assets less than one year	13	11.6	9.6	8.9
Loan assets greater than one year	13	26.7	25.7	25.5
Debt investment securities	14	2.8	2.1	1.8
Non-Bank Group deposit with MBL		(3.6)	(4.2)	(2.5)
Co-investment in Macquarie-managed funds and other equity investments	15	1.1	1.1	1.2
Property, plant and equipment and intangibles		1.2	1.0	1.1
Net trade debtors	16	(0.1)	(0.1)	(0.4)
Total		79.2	73.9	75.9

See Section 5.6 for notes 1-16.

5.0 Funding and liquidity
continued



	As at Sep 13					
	1-2yrs $Ab	2-3yrs $Ab	3-4yrs $Ab	4-5yrs $Ab	5yrs+ $Ab	Total $Ab
Structured notes	0.2	–	0.1	0.3	0.4	1.0
Secured funding	3.0	1.5	–	0.3	0.3	5.1
Bonds	1.2	1.3	2.2	0.8	1.3	6.8
Other bank loans	-	0.2	-	-	-	0.2
Total debt	4.4	3.0	2.3	1.4	2.0	13.1
Loan capital	–	–	0.3	–	2.1	2.4
Equity and hybrid	–	–	–	–	9.4	9.4
Total funding sources drawn	4.4	3.0	2.6	1.4	13.5	24.9
Undrawn	0.3	–	–	–	–	0.3
Total funding sources drawn and undrawn	4.7	3.0	2.6	1.4	13.5	25.2

The Bank Group has diversity of funding by both source and maturity. Term funding beyond one year (excluding equity) has a weighted average term to maturity of 3.8 years.

As at 30 September 2013, total deposits represented $A38.0 billion, or 48% of the Bank Group's total funding, short-term (maturing in less than 12 months) wholesale issued paper represented $A8.9 billion, or 11% of total funding, and other debt funding maturing within 12 months represented $A7.6 billion, or 9% of total funding.

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

- $US25 billion Regulation S Debt Instrument Program, incorporating both Government Guaranteed and unguaranteed securities including Euro Commercial Paper, Euro Commercial Deposits, Euro-Medium Term Notes, senior and subordinated fixed/floating rate notes, and Transferable Deposits. The Debt Instrument Program had $US7.8 billion debt securities outstanding at 30 September 2013
- $US10 billion Commercial Paper Program under which $US4.3 billion of debt securities were outstanding at 30 September 2013
- $US20 billion US Rule 144A/Regulation S Medium Term Note Program incorporating both Government Guaranteed and unguaranteed securities. At 30 September 2013 issuances outstanding amounted to $US5.3 billion under the Rule 144A/Regulation S Medium Term Note Program.
- $US5 billion Structured Note Program under which $US1.1 billion of funding from structured notes was outstanding at 30 September 2013.

MBL Group accesses the Australian capital markets through the issuance of Negotiable Certificates of Deposits. At 30 September 2013, MBL Group had $A2.2 billion of these securities outstanding.

At 30 September 2013, MBL Group had internally securitised $A6.2 billion of its own mortgages.

MBL, as an ADI, has access to liquidity from the Reserve Bank of Australia's (RBA) daily market operations.

5.0 Funding and liquidity
continued

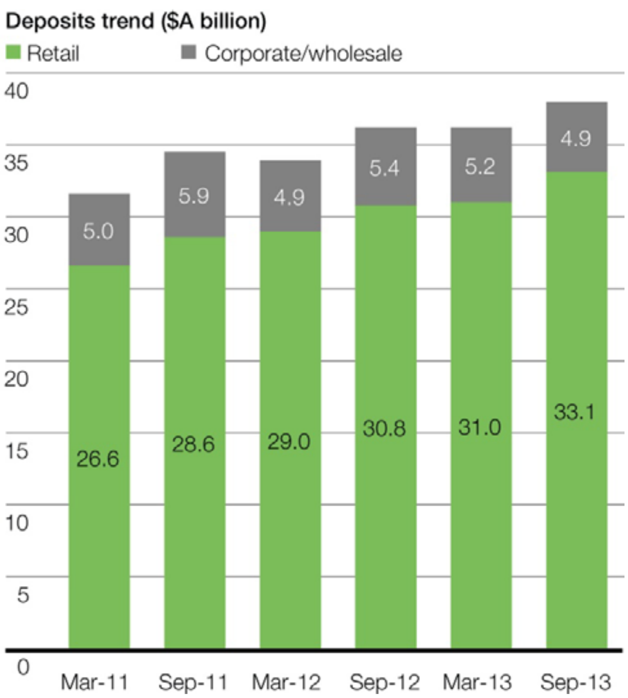
Deposit strategy

MBL continues to pursue a deposit strategy that is consistent with the core liquidity management principle of achieving diversity and stability of funding sources. The strategy is focused on growing the retail deposit base which represents a stable and reliable source of funding and reduces Macquarie's reliance on wholesale funding markets.

In particular, Macquarie has focused on the quality and composition of the retail deposit base, targeting transactional and relationship based deposits such as the Cash Management Account (CMA).

The majority of Macquarie's deposits continue to be covered by the Financial Claims Scheme. The value cap on the deposits is set at $A250,000.

The chart below illustrates the retail deposit growth since 31 March 2011.



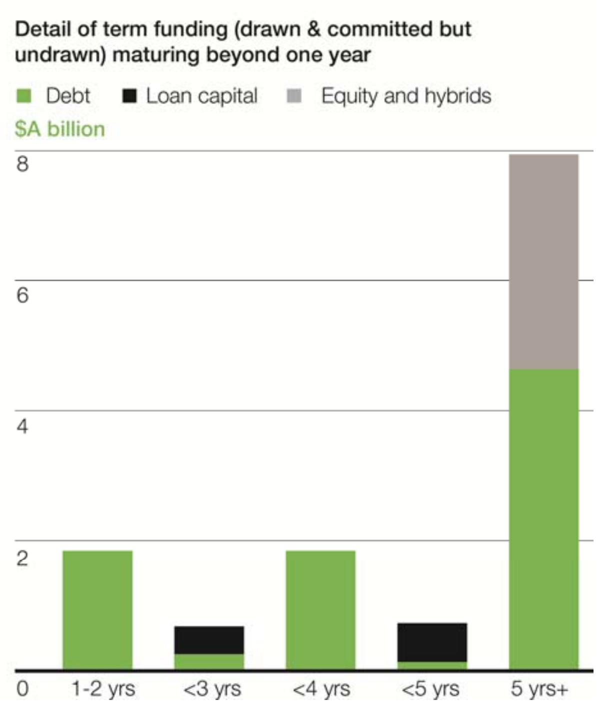
5.5 Funding profile for Non-Bank Group

Funded balance sheet

	Notes	As at Sep 13 $Ab	Mar 13 $Ab	Sep 12 $Ab
Funding sources				
Structured notes	2	0.7	1.0	0.8
Secured funding	3	0.3	0.1	0.1
Bonds	4	6.4	5.8	4.4
Other loans	5	0.3	0.2	0.2
Senior credit facility	6	2.6	2.4	3.2
Loan capital	8	1.0	1.0	1.0
Equity	9	3.3	3.2	2.8
Total		14.6	13.7	12.5
Funded assets				
Cash and liquid assets	10	2.1	1.8	1.8
Non-Bank Group deposit with MBL		3.6	4.2	2.5
Net trading assets	12	1.2	0.6	1.1
Loan assets less than one year	13	0.4	0.3	0.3
Loan assets greater than one year	13	1.0	1.1	1.0
Debt investment securities	14	0.1	0.2	0.2
Co-investment in Macquarie-managed funds and other equity investments	15	5.0	4.4	3.9
Property, plant and equipment and intangibles		0.6	0.7	0.8
Net trade debtors	16	0.6	0.4	0.9
Total		14.6	13.7	12.5

See Section 5.6 for notes 2-16.

5.0 Funding and liquidity
continued



	As at Sep 13					
	1-2yrs $Ab	2-3yrs $Ab	3-4yrs $Ab	4-5yrs $Ab	5yrs+ $Ab	Total $Ab
Structured notes	-	0.1	-	-	0.2	0.3
Bonds	0.2	-	0.6	0.1	4.4	5.3
Other loans	0.2	0.1	-	-	-	0.3
Senior credit facility	1.4	-	1.2	-	-	2.6
Total debt	1.8	0.2	1.8	0.1	4.6	8.5
Loan capital	-	0.4	-	0.6	-	1.0
Equity	-	-	-	-	3.3	3.3
Total funding sources drawn	1.8	0.6	1.8	0.7	7.9	12.8
Undrawn	-	-	-	-	-	-
Total funding sources drawn and undrawn	1.8	0.6	1.8	0.7	7.9	12.8

Term funding beyond one year (excluding equity) has a weighted average term to maturity of 6.0 years.

The key tools used for debt funding of MGL, which primarily funds the activities of the Non-Bank Group, include:

– Senior Credit Facility, which was $A2.6 billion drawn at 30 September 2013
– $US10 billion US Rule 144A/Regulation S Medium Term Note Program, of which $US3.8 billion was outstanding at 30 September 2013
– $US10 billion Regulation S Debt Instrument Program, incorporating Euro Commercial Paper, Euro Commercial Deposits, Euro-Medium Term Notes, senior and subordinated fixed/floating rate notes, Transferable Deposits, and MGL Wholesale Notes. The Debt Instrument Program had $US0.6 billion debt securities outstanding at 30 September 2013.

5.6 Explanatory notes concerning funding sources and funded assets

1. Wholesale issued paper

Unsecured short-term wholesale funding comprised of both Negotiable Certificates of Deposit and Commercial Paper.

2. Structured notes

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

3. Secured funding

Certain funding arrangements secured against an asset (or pool of assets).

4. Bonds

Unsecured long-term wholesale funding.

5. Other loans

Unsecured loans provided by financial institutions and other counterparties.

6. Senior Credit Facility

MGL's Senior Credit Facility provided by a syndicate of wholesale lenders.

7. Deposits

Unsecured funding from retail, corporate and wholesale depositors. The Australian Government Financial Claims Scheme covers eligible deposits in MBL.

8. Loan capital

Long-term subordinated debt, CPS, MCN, PMI and ECS.

9. Equity and hybrids

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

10. Cash and liquid assets

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

11. Self securitisation

This represents Australian mortgages which have been internally securitised and is a form of collateral on the RBA's list of eligible securities for repurchase agreements.

12. Net trading assets

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

13. Loan assets

This represents loans provided to retail and wholesale borrowers, as well as assets held under operating leases. See section 4.2 for further information.

14. Debt investment securities

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

15. Co-investment in Macquarie-managed funds and other equity investments

These equity securities include co-investments in Macquarie managed funds.

16. Net trade debtors

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

6.0 Capital

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6.1 Overview

As an Australian Prudential Regulation Authority (APRA) authorised and regulated Non-Operating Holding Company, MGL is required to hold adequate regulatory capital to cover the risks for the whole Macquarie Group, including the Non-Bank Group. Macquarie and APRA have agreed a capital adequacy framework for MGL, based on Macquarie's Board-approved Economic Capital Adequacy Model (ECAM) and APRA's capital standards for ADIs.

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

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

– The Non-Bank Group capital requirement, calculated using Macquarie's ECAM. Transactions internal to the Macquarie Group are eliminated.

Eligible regulatory capital of MGL consists of ordinary share capital, retained earnings and certain reserves plus eligible hybrid instruments. Eligible hybrid instruments currently include the Macquarie Income Securities (MIS), Macquarie Income Preferred Securities (MIPS), Exchangeable Capital Securities (ECS), Macquarie Group Capital Notes (MCN) and Preferred Membership Interests (PMI).

Capital disclosures in this section include Harmonised Basel III[(1)] and APRA Basel III[(2)]. The former is relevant for comparison with banks regulated by regulators other than APRA, whereas the latter reflects Macquarie's regulatory requirements under APRA Basel III rules.

Pillar 3

The APRA Prudential Standard APS 330 Capital Adequacy: Public Disclosure of Prudential Information (Pillar 3) details the market disclosure requirements for Australian domiciled banks. APS 330 requires qualitative and quantitative disclosure of risk management practices and capital adequacy.

These disclosures are required to be published by MBL within 40 business days of the reporting date. Pillar 3 documents are available on MGL's U.S. Investors' Website at http://www.macquarie.com/mgl/com/us/usinvestors/mgl.

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(1) Harmonised Basel III relates to the Basel III guidelines defined by the Basel Committee on Banking Supervision, documented in the following: 'Basel III: a global regulatory framework for more resilient banks and banking systems', published December 2010 (revised June 2011) by the Bank for International Settlements (BIS).

(2) APRA Basel III relates to the Prudential Standards released by APRA for the period effective 1 January 2013.

6.0 Capital

Macquarie Group Basel III regulatory capital surplus calculation

	As at Sep 13		As at Mar 13		Movement	
	Harmonised Basel III $Am	APRA Basel III $Am	Harmonised Basel III $Am	APRA Basel III $Am	*Harmonised Basel III %*	*APRA Basel III %*
Macquarie Group eligible capital:						
Bank Group Gross Tier 1 capital	9,629	9,629	8,955	8,955	*8*	*8*
Non-Bank Group eligible capital	4,061	4,061	3,993	3,993	*2*	*2*
Eligible capital	13,690	13,690	12,948	12,948	*6*	*6*
Macquarie Group capital requirement:						
Bank Group						
Risk-Weighted Assets (RWA)	66,897	62,844	62,470	58,373	*7*	*8*
Capital required to cover RWA at 7%[1]	4,683	4,399	4,373	4,086	*7*	*8*
Tier 1 deductions	1,058	2,806	1,042	2,636	*2*	*6*
Total Bank Group capital requirement	5,741	7,205	5,415	6,722	*6*	*7*
Total Non-Bank Group capital requirement	3,428	3,428	3,134	3,134	*9*	*9*
Total capital requirement	9,169	10,633	8,549	9,856	*7*	*8*
Macquarie Group regulatory capital surplus (at 7%[1] of Bank Group RWA)	4,521	3,057	4,399	3,092	*3*	*(1)*
Additional capital requirement required to maintain 8.5%[2] of Tier 1 ratio in Bank Group	1,003	943	937	876	*7*	*8*
Macquarie Group regulatory capital surplus (at 8.5%[2] of Bank Group RWA)	3,518	2,114	3,462	2,216	*2*	*(5)*

(1) Calculated at the internal minimum Tier 1 ratio of the Bank Group, which is 7%.

(2) Calculated at 8.5% of the Bank Group's RWAs. The 8.5% represents the Basel III minimum Tier 1 ratio of 6% plus 2.5% of capital conservation buffer (CCB). The 2.5% CCB is not required by APRA until 2016.

6.2 Bank Group capital

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

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

Common Equity Tier 1 capital

The Macquarie Bank Group's Common Equity Tier 1 capital under Basel III consists of ordinary share capital, retained earnings and certain reserves.

Tier 1 capital

Tier 1 capital consists of Common Equity Tier 1 capital and Additional Tier 1 capital (hybrids). Additional Tier 1 capital consists of MIS, MIPS and ECS. MBL periodically pays dividends to MGL, and is recapitalised by MGL as required to support projected business growth.

MIS are a perpetual instrument with no conversion rights. MIS were listed for trading on the Australian Stock Exchange (now known as the Australian Securities Exchange) in 1999. MIS distributions are paid quarterly at a floating rate of BBSW plus 1.7% per annum and payment is subject to certain conditions including profitability of the Bank. MIS are eligible for transitional arrangements under Basel III rules.

MIPS were issued when the London Branch of the Bank issued reset subordinated convertible debentures to Macquarie Capital Funding LP, a controlled entity of the Bank. The convertible debentures currently pay a fixed return of 6.177% per annum until April 2020. As at 30 September 2013, Macquarie Bank had £42.5 million of MIPS on issue which are held by parties not associated with Macquarie. MIPS are eligible for transitional arrangements under Basel III rules.

ECS were issued by MBL acting through its London Branch (Issuer) in March 2012 and are quoted on the Singapore Stock Exchange. Subject to certain conditions, ECS will be exchanged for a variable number of fully paid MGL ordinary shares on 20 June 2017 (or earlier in certain circumstances). ECS pay interest of 10.25% per annum, paid semi-annually, with the rate to be reset on 20 June 2017 (and each fifth anniversary thereafter) if ECS remain outstanding after this time. The interest payments are subject to payment tests, including the discretion of the Issuer. APRA has approved ECS to be fully included in Additional Tier 1 until its first mandatory exchange date.

6.0 Capital
continued

Bank Group Basel III Tier 1 Capital

	As at Sep 13		As at Mar 13		Movement	
	Harmonised Basel III $Am	APRA Basel III $Am	Harmonised Basel III $Am	APRA Basel III $Am	*Harmonised Basel III %*	*APRA Basel III %*
Common Equity Tier 1 capital						
Paid-up ordinary share capital	7,681	7,681	7,680	7,680	*<1*	*<1*
Retained earnings	1,389	1,389	1,202	1,202	*16*	*16*
Reserves	(129)	(129)	(574)	(574)	*(78)*	*(78)*
Gross Common Equity Tier 1 capital	8,941	8,941	8,308	8,308	*8*	*8*
Regulatory adjustments to Common Equity Tier 1 capital:						
Goodwill	185	185	136	136	*36*	*36*
Deferred tax assets	135	249	169	200	*(20)*	*25*
Net other fair value adjustments	(20)	(20)	(21)	(21)	*(5)*	*(5)*
Intangible component of investments in subsidiaries and other entities	410	410	380	380	*8*	*8*
Loan and lease origination fees and commissions paid to mortgage originators and brokers	—	117	—	86	*—*	*36*
Other Common Equity Tier 1 capital deductions	196	223	238	260	*(18)*	*(14)*
Equity exposures	—	1,490	—	1,455	*—*	*2*
Shortfall in provisions for credit losses	152	152	140	140	*9*	*9*
Total Common Equity Tier 1 capital deductions	1,058	2,806	1,042	2,636	*2*	*6*
Net Common Equity Tier 1 capital	7,883	6,135	7,266	5,672	*8*	*8*
Additional Tier 1 Capital						
Additional Tier 1 capital instruments	688	688	647	647	*6*	*6*
Gross Additional Tier 1 capital	688	688	647	647	*6*	*6*
Deduction from Additional Tier 1 capital	—	—	—	—	*—*	*—*
Net Additional Tier 1 capital	688	688	647	647	*6*	*6*
Total Tier 1 capital	8,571	6,823	7,913	6,319	*8*	*8*

6.0 Capital
continued

Bank Group Basel III Risk-Weighted Assets (RWA)

	As at Sep 13		As at Mar 13		Movement	
	Harmonised Basel III $Am	APRA Basel III $Am	Harmonised Basel III $Am	APRA Basel III $Am	*Harmonised Basel III %*	*APRA Basel III %*
Credit risk						
Subject to IRB approach:						
Corporate	16,545	16,545	15,546	15,546	*6*	*6*
SME Corporate	1,613	1,613	1,597	1,597	*1*	*1*
Sovereign	650	650	734	734	*(11)*	*(11)*
Bank	1,748	1,748	1,636	1,636	*7*	*7*
Residential mortgage	1,429	2,334	1,496	2,179	*(4)*	*7*
Other Retail	4,491	4,491	4,613	4,613	*(3)*	*(3)*
Total RWA subject to IRB approach	26,476	27,381	25,622	26,305	*3*	*4*
Specialised lending exposures subject to slotting criteria	5,192	5,192	4,683	4,683	*11*	*11*
Subject to Standardised approach:						
Corporate	1,388	1,388	1,013	1,013	*37*	*37*
Residential mortgage	1,453	1,453	482	482	*201*	*201*
Other Retail	1,036	1,036	1,272	1,272	*(19)*	*(19)*
Total RWA subject to Standardised approach	3,877	3,877	2,767	2,767	*40*	*40*
Credit risk RWA for securitisation exposures	1,090	1,090	945	945	*15*	*15*
Credit Valuation Adjustment RWA	2,637	2,637	2,730	2,730	*(3)*	*(3)*
Exposures to Central Counterparties RWA	1,510	1,510	1,087	1,087	*39*	*39*
RWA for Other Assets	6,509	6,253	5,820	5,617	*12*	*11*
Total Credit risk RWA	47,291	47,940	43,654	44,134	*8*	*9*
Equity risk exposures RWA	4,756	—	4,618	—	*3*	—
Market risk RWA	4,818	4,818	4,536	4,536	*6*	*6*
Operational risk RWA	8,443	8,443	8,125	8,125	*4*	*4*
Interest rate risk in banking book RWA	—	—	—	—	—	—
Scaling factor (6%) applied to IRB exposures	1,589	1,643	1,537	1,578	*3*	*4*
Total Bank Group RWA	66,897	62,844	62,470	58,373	*7*	*8*
Capital ratios						
Macquarie Bank Group Common Equity Tier 1 capital ratio (%)	11.8	9.8	11.6	9.7		
Macquarie Bank Group Tier 1 capital ratio (%)	12.8	10.9	12.7	10.8		

6.0 Capital
continued

6.3 Non-Bank Group capital

APRA has approved Macquarie's ECAM for use in calculating the regulatory capital requirement of the Non-Bank Group. The ECAM is based on similar principles and models as the Basel III regulatory capital framework for ADIs, with both calculating capital at a one year 99.9% confidence level. The key features are:

Risk[1]	Basel III	ECAM
Credit	Capital requirement generally determined by Basel III IRB formula, with some parameters specified by the regulator (e.g. loss given default)	Capital requirement generally determined by Basel III IRB formula, but with internal estimates of some parameters
Equity	Harmonised Basel III: 250%, 300% or 400% risk weight, depending on the type of investment[2] Deduction from Common Equity Tier 1 above a threshold APRA Basel III: 100% Common Equity Tier 1 deduction	Extension of Basel III credit model to cover equity exposures. Capital requirement between 36% and 79% of face value; average 51%
Market	3 times 10 day 99% Value at Risk (VaR) plus 3 times 10 day 99% Stressed VaR plus a specific risk charge	Scenario-based approach
Operational	Advanced Measurement Approach	Advanced Measurement Approach

(1) The ECAM also covers insurance underwriting risk, non-traded interest rate risk and the risk on assets held as part of business operations, e.g. fixed assets, goodwill, intangible assets, capitalised expenses and certain minority stakes in associated companies or stakes in joint ventures.

(2) Includes all Banking Book equity investments, plus net long Trading Book holdings in financial institutions.

Non-Bank Group capital requirement

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

	As at Sep 13		
	Asset $Ab	Capital requirement $Am	Equivalent risk weight
Funded assets			
Cash and liquid assets	2.0	21	13%
Loan assets[1]	1.3	192	185%
Debt investment securities	0.1	11	139%
Co-investments in Macquarie-managed funds and equity investments	4.8	2,293	596%
Co-investments in Macquarie-managed funds and equity investments (relating to investments that hedge DPS plan liabilities)	0.2		
Property, plant and equipment and intangibles[2]	0.6	293	609%
Non Bank Group deposit with MBL	3.6		
Net trading assets	1.2		
Net trade debtors	0.6		
Total funded assets	**14.4**	**2,810**	
Self-funded and non-recourse assets			
Self funded trading assets	2.1		
Broker settlement balances	3.6		
Derivative revaluation accounting gross-ups	0.2		
Working capital assets	2.3		
Total self-funded and non-recourse assets	**8.2**		
Total Non-Bank Group assets	**22.6**		
Off balance sheets exposures, operational, market and other risk and diversification offset[3]		618	
Non-Bank Group capital requirement		**3,428**	

(1) Includes leases.

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

(3) Capital associated with net trading assets (eg. market risk capital) and net trade debtors has been included here.

7.0 Funds management

7.1 Assets under Management

	As at			Movement	
	Sep 13 $Ab	Mar 13 $Ab	Sep 12 $Ab	Mar 13 %	Sep 12 %
Assets under Management					
Macquarie Investment Management[(1)]	264.7	239.3	229.1	11	16
Macquarie Infrastructure and Real Assets[(2)]	114.3	102.3	105.7	12	8
Macquarie Specialised Investment Solutions	1.7	1.9	2.0	(11)	(15)
Total Macquarie Funds	380.7	343.5	336.8	11	13
Other Operating Groups	4.1	3.9	3.7	5	11
Total Assets under Management	384.8	347.4	340.5	11	13
Assets under Management by region					
Americas	226.2	205.0	200.7	10	13
Europe, Middle East and Africa	78.9	67.8	69.3	16	14
Australia	62.1	60.2	55.3	3	12
Asia	17.6	14.4	15.2	22	16
Total Assets under Management	384.8	347.4	340.5	11	13
Assets under Management by type					
Fixed income	147.0	138.7	138.9	6	6
Direct infrastructure	101.9	90.8	96.5	12	6
Equities	89.4	75.2	65.7	19	36
Cash	16.7	17.5	17.6	(5)	(5)
Direct real estate	10.2	9.2	7.2	11	42
Alternatives	7.1	5.3	3.9	34	82
Currency	5.8	4.6	4.5	26	29
Multi-asset allocation solutions	4.5	3.9	4.2	15	7
Specialist investments	2.2	2.2	2.0	–	10
Total Assets under Management	384.8	347.4	340.5	11	13

(1) As at 30 September 2013. Excludes ING Investment Management Korea AUM of $A25 billion, which MFG entered into an agreement to acquire during the half-year ended 30 September 2013, subject to certain closing conditions, including regulatory approval.

(2) Included within this balance is $A6.6 billion (March 2013: $A5.8 billion; September 2012: $A5.6 billion) of MFG Central AUM.

AUM of $A384.8 billion at 30 September 2013 increased 11% from $A347.4 billion at 31 March 2013. The increase in AUM was mainly due to favourable currency and market movements across Macquarie Funds and fund raisings and investments in the infrastructure and real assets business, partially offset by asset disposals in the infrastructure and real assets business.

Macquarie Investment Management

Macquarie Investment Management's AUM of $A264.7 billion at 30 September 2013 increased 11% from $A239.3 billion at 31 March 2013. This was primarily due to favourable currency and market movements.

Macquarie Infrastructure and Real Assets

Macquarie Infrastructure and Real Assets' AUM of $A114.3 billion at 30 September 2013 increased 12% from $A102.3 billion at 31 March 2013. This was largely due to favourable currency and market movements, and fund raisings and investments in the infrastructure and real assets business, partially offset by asset disposals.

7.0 Funds management
continued

7.2 Equity under Management

The Macquarie Infrastructure and Real Assets division of Macquarie Funds tracks its funds under management using an Equity under Management (EUM) measure as base management fee income is typically aligned with EUM.

Type of equity investment	Basis of EUM calculation
Listed equity	– Market capitalisation at the measurement date plus underwritten or committed future capital raisings for listed funds
Unlisted equity	– Committed capital from investors at the measurement date less called capital subsequently returned to investors for unlisted funds – Invested capital at measurement date for managed businesses[1]

(1) Managed businesses includes third party equity invested in MIRA managed businesses where management arrangements exist with Macquarie.

If a fund is managed through a joint venture with another party, the EUM amount is weighted based on Macquarie's proportionate economic interest in the joint venture management entity.

Equity under Management by type and region

	As at[1][2]			Movement	
	Sep 13 $Ab	Mar 13 $Ab	Sep 12 $Ab	Mar 13 %	Sep 12 %
Equity under Management by type					
Listed equity	8.6	6.9	6.1	25	41
Unlisted equity	41.0	34.1	33.4	20	23
Total EUM	49.6	41.0	39.5	21	26
Equity under Management by region[3]					
Australia	4.2	3.8	4.8	11	(13)
Europe, Middle East and Africa	22.3	16.8	16.5	33	35
Americas	14.4	13.2	11.4	9	26
Asia	8.7	7.2	6.8	21	28
Total EUM	49.6	41.0	39.5	21	26

(1) Excludes equity invested by Macquarie Group in businesses managed by MIRA.

(2) Where a fund's EUM is denominated in a foreign currency, amounts are translated to Australian Dollars at the exchange rate prevailing at the measurement date.

(3) By location of fund management team.

EUM of $A49.6 billion at 30 September 2013 increased 21% from $A41.0 billion at 31 March 2013. The increase was primarily driven by the impact of the depreciation of the Australian dollar and equity raisings, partially offset by returns of capital.

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AASB	Australian Accounting Standards Board.
ABS	Asset Backed Securities
ADI	Authorised Deposit-taking Institution.
Additional Tier 1 Capital	A capital measure defined by APRA comprising high quality components of capital that satisfy the following essential characteristics: – provide a permanent and unrestricted commitment of funds; – are freely available to absorb losses; – rank behind the claims of depositors and other more senior creditors in the event of winding up of the issuer; and – provide for fully discretionary capital distributions. Additional Tier 1 Capital consists of MIS, MIPS and ECS.
Additional Tier 1 deductions	An amount deducted in determining Additional Tier 1 Capital, as defined in Prudential Standard APS 111 Capital Adequacy: Measurement of Capital.
AGAAP	Australian Generally Accepted Accounting Principles.
AMA	Advanced Measurement Approach (for determining operational risk).
APRA	Australian Prudential Regulation Authority.
Assets under Management (AUM)	AUM is a metric that provides a consistent basis for measuring Macquarie's funds management activities. AUM is calculated as the proportional ownership interest in the underlying assets of funds and mandated assets that Macquarie actively manages for the purpose of wealth creation, adjusted to exclude cross-holdings in funds and reflect Macquarie's proportional ownership interest of the fund manager.
Assets under Management by region	AUM by region is defined by the location of the underlying assets for funds managed by MIRA, and the location of the investor for all other funds.
Associates	Associates are entities over which Macquarie has significant influence, but not control. Macquarie's share of the investment's post-acquisition profits or losses is recognised in the income statement and its share of post-acquisition movements in reserves is recognised within equity.
ASX	Australian Securities Exchange (formerly Australian Stock Exchange).
AVS	Available for sale. AVS assets are investments where Macquarie does not have significant influence or control and are intended to be held for an indefinite period. AVS investments are initially recognised at cost and revalued in subsequent periods to recognise changes in the assets' fair value with these revaluations included in the AVS reserve in equity. If and when the AVS asset is sold or impaired, the cumulative unrealised gain or loss will be recognised in the income statement.
BBSW	Bank Bill Swap Rate.
CMA	Cash Management Account.
Collective allowance for credit losses	The provision relating to loan losses inherent in a loan portfolio that have not yet been specifically identified.

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Common Equity Tier 1 Capital	A capital measure defined by APRA, comprising the highest quality components of capital that fully satisfy all the following essential characteristics: – provide a permanent and unrestricted commitment of funds; – are freely available to absorb losses; – do not impose any unavoidable servicing charge against earnings; and – rank behind the claims of depositors and other creditors in the event of winding up. Common equity tier 1 capital comprises Paid Up Capital, Retained Earnings, and certain reserves.
Common Equity Tier 1 deductions	An amount deducted in determining Common Equity Tier 1 Capital, as defined in Prudential Standard APS 111 Capital Adequacy: Measurement of Capital.
Common Equity Tier 1 Capital Ratio	Common Equity Tier 1 Capital net of Common Equity Tier 1 deductions expressed as a percentage of RWA.
Contingent liabilities	Defined in AASB 137 '*Provisions, Contingent Liabilities and Contingent Assets*' as a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or a present obligation that arises from past events but is not recognised because it is not probable to occur or the amount cannot be reliably measured.
CPS	In July 2008, Macquarie CPS Trust, a subsidiary of MGL issued six million Macquarie Convertible Preference Securities (CPS) at face value of $A100 each. The instruments were fully redeemed on 1 July 2013.
Deconsolidated entities	Entities involved in conducting insurance, funds management and non financial operations including special purpose vehicles (SPV) that are not consolidated for the APRA regulatory reporting group.
Directors' Profit Share (DPS)	The pre-2009 remuneration agreement in which 20 per cent of each Executive Director's annual gross profit share allocation is withheld and is subject to restrictions through the DPS Plan. The DPS Plan is a tool in Macquarie's retention and alignment strategies, encompassing both long-term retention arrangements and equity holding requirements. The amounts retained under the DPS Plan begin to vest after five years of service as an Executive Director and fully vest after ten years. Vested amounts are then released to an Executive Director at the earliest of the Executive Director's ceasing employment or at the end of a ten year period.
Dividend reinvestment plan (DRP)	The plan that provides shareholders with the opportunity to reinvest part or all of their dividends as additional shares in Macquarie, with no transaction costs.
Earnings on capital and certain corporate income items	Net operating income includes the income generated by Macquarie's Operating Groups, income from the investment of Macquarie's capital, and certain items of operating income not attributed to Macquarie's Operating Groups. Earnings on capital and certain corporate income items is net operating income less the net operating income generated by Macquarie's Operating Groups.
Earnings per share	A performance measure that measures earnings attributable to each ordinary share, defined in AASB 133 '*Earnings Per Share*'.
ECAI	External Credit Assessment Institution.

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continued

ECAM	Economic Capital Adequacy Model.
ECS	On 26 March 2012, MBL, acting through its London Branch, issued $US250 million of Exchangeable Capital Securities (ECS). Subject to certain conditions being met, the ECS will be exchanged for a variable number of fully paid MGL ordinary shares on 20 June 2017, or on any interest payment date thereafter, with exchange to occur no later than 20 June 2057. The ECS may also be exchanged earlier on an acquisition event (where a person acquires control of MBL or MGL), where MBL's common equity Tier 1 capital ratio falls below 5.125 per cent, or where APRA determines MBL would be non-viable without an exchange or a public sector injection of capital (or equivalent support).
Effective tax rate	The income tax expense as a percentage of the profit before income tax adjusted for amounts attributable to non-controlling interests. The effective tax rate differs from the Australian company tax rate due to permanent differences arising from the income tax treatment of certain income and expenses as well as tax rate differentials on some of the income earned offshore.
Equity under management (EUM)	Refer definition in Section 7.2.
ERL	Equity Risk Limit – Board imposed limit by which equity risk positions are managed.
Expense/Income ratio	Total operating expenses expressed as a percentage of net operating income.
Fair value through profit or loss	Other financial assets at fair value through profit or loss include those financial assets that contain embedded derivatives which must be otherwise separated and carried at fair value if it is part of a group of financial assets managed and evaluated on a fair value basis.
FIRB	Foundation Internal Ratings Based Approach whereby PD and Maturity are internally estimated by the ADI and LGD is set by APRA.
FX	Foreign exchange.
Headcount	Headcount includes both permanent staff (full time, part time and fixed term hires), casual staff and contractors (including consultants and secondees). It excludes staff on leave without pay and staff on parental leave.
International income	International income provides a consistent basis for determining the size of Macquarie's operations outside of Australia and New Zealand. Operating income is classified as 'international' with reference to the geographic location from which the operating income is generated. This may not be the same geographic location where the operating income is recognised. For example, operating income generated by work performed for clients based overseas but recognised in Australia for reporting purposes would be classified as 'international' income. Income earned in the Corporate segment is excluded from the analysis of international income.
IPO	Initial public offering.

Level 2 MBL Regulatory Group	MBL, its parent Macquarie B.H. Pty Limited and MBL's subsidiaries but excluding deconsolidated entities for APRA reporting purposes.
Level 3 Regulatory Group	MGL and its subsidiaries but excluding entities required to be deconsolidated for regulatory reporting purposes.
LGD	Loss given default is defined as the economic loss which arises upon default of the obligor.
Macquarie Income Preferred Securities (MIPS)	MIPS were issued when the London branch of MBL issued 7,000 reset subordinated convertible debentures, each with a face value of £50,000, to Macquarie Capital Funding LP, a controlled entity of MBL. The convertible debentures currently pay a fixed return of 6.177% until April 2020. Following the cancellation of £307.5 million MIPS in September 2009, £42.5 million MIPS remain on issue.
Macquarie Income Securities (MIS)	The Macquarie Income Securities (MIS) are perpetual and carry no conversion rights. Distributions are paid quarterly, based on a floating rate of BBSW plus 1.7%. Subject to limitations on the amount of hybrids eligible for inclusion as Tier 1 Capital, they qualify as Tier 1 Capital. They are treated as equity in the statement of financial positon. There are four million $A100 face value MIS on issue.
MBI	Macquarie Bank International Limited.
MBL	Macquarie Bank Limited.
MCN	On June 7, 2013, MGL issued six million Macquarie Group Capital Notes ("MCN") at a face value of $A100 each. The MCNs are fully paid, subordinated, non-cumulative, unsecured notes that mandatorily convert into the ordinary shares of MGL in June 2021 (subject to certain conditions), unless earlier redeemed, exchanged or written off in accordance with its terms.
MGL	Macquarie Group Limited.
Net loan losses	The impact on the income statement of loan amounts provided for or written off during the period, net of the recovery of any such amounts which were previously written-off or provided for out of the income statement.
Net Profit Interests	A share of production or proceeds from production derived from rights to various commodity assets (without the obligation to pay any of the costs of explorations and development).
Net tangible assets per ordinary share	(Total equity less Macquarie Income Securities less non-controlling interest less the Future Income Tax Benefit plus the Deferred Tax Liability less Intangible assets) divided by the number of ordinary shares on issue at the end of the period.
Non-GAAP metrics	Non-GAAP metrics include financial measures, ratios and other information that are either not required or defined under Australian Accounting Standards.
PMI	Preferred Membership Interests. On 2 December 2010, Macquarie PMI LLC, a subsidiary of MGL, issued $US400 million of US Dollar denominated Preferred Membership Interests (Macquarie PMI). These instruments are non-cumulative and unsecured equity interests in the issuer. They are redeemable at MGL's option on any distribution date from 2 December 2015, and are non-dilutive, as they will only exchange to MGL preference shares in specified circumstances, and mandatorily on 26 November 2035. The PMI bears fixed-rate coupons at 8.375 per cent per annum, paid semi-annually.
REIT	Real Estate Investment Trust.
Retail deposits	Retail deposits are those placed with the Banking and Financial Services Group and includes products such as the Cash Management Account, Term Deposits and Relationship Banking deposits. Retail counterparties primarily consist of individuals, self-managed super funds and small-medium enterprises.

8.0 Glossary
continued

Return on equity	The profit after income tax attributable to Macquarie's ordinary shareholders expressed as an annualised percentage of the average ordinary equity over the relevant period, less the average balances of AVS and cash flow hedging reserves.
Risk-weighted assets (RWA)	A risk-based measure of an entity's exposures, which is used in assessing its overall capital adequacy.
RMBS	Residential Mortgage-Backed Securities
SPEs	Special purpose entities.
Subordinated debt	Debt issued by Macquarie for which agreements between Macquarie and the lenders provide, in the event of liquidation, that the entitlement of such lenders to repayment of the principal sum and interest thereon is and shall at all times be and remain subordinated to the rights of all other present and future creditors of Macquarie. Subordinated debt is classified as liabilities in the Macquarie financial statements and may be included in Tier 2 Capital.
Tier 1 Capital	Tier 1 capital comprises of (i) Common Equity Tier 1 Capital; and (ii) Additional Tier 1 Capital.
Tier 1 Capital Deductions	Tier 1 capital deductions comprises of (i) Common Equity Tier 1 Capital deductions; and (ii) Additional Tier 1 Capital deductions.
Tier 1 Capital Ratio	Tier 1 Capital net of Tier 1 Capital Deductions expressed as a percentage of RWA.
Net Trading Income	Income that represents realised or unrealised gains and losses that relate to financial markets products. This income does not necessarily relate to 'trading' in such products and may arise through the manufacturing of new financial products by bringing together existing financial instruments.
True Index products	True Index products deliver clients pre-tax index returns (before buy/sell spreads on transactions). Any under-performance is compensated by Macquarie and conversely, any out-performance is retained by Macquarie.

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