# Macquarie Group Limited

**(ABN 94 122 169 279)**

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

Dated: November 16, 2009

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## CERTAIN DEFINITIONS

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

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

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

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

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

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

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

Our fiscal year ends on March 31, so references to years such as 2009 and like references in the discussion of our financial statements, results of operation and financial condition are to the twelve months ending on March 31 of each such year; or, in connection with our interim financial statements, results of operation and financial condition, such references are to the six months ending on September 30 of the preceding year.

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

## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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

- macroeconomic conditions in the global debt and equity markets;
- inflation, interest rate, exchange rate, market and monetary fluctuations;
- changes in market liquidity and investor confidence;
- our ability to complete, integrate or process acquisitions and dispositions;
- our ability to effectively manage our growth;
- the performance of funds and other assets we manage;
- demographic changes and changes in political, social and economic conditions in any of the major markets in which we operate or enter in the future;
- the effect of, and changes in, laws, regulations, taxation or accounting standards or practices and government policy;
- changes in consumer spending and saving and borrowing habits in Australia and the other countries in which we conduct our operations or enter in the future;
- the effects of competition in the geographic and business areas in which we conduct operations or enter in the future;
- our ability to adequately fund the operations of MGL and the Non-Banking Group;
- our ability to return capital or borrow from our subsidiaries;
- the impact of asset sales on our long-term business prospects;
- our ability to increase market share and control expenses;
- the timely development of and acceptance of new products and services and the perceived overall value of these products and services by users;
- technological changes; and
- various other factors beyond our control.

Significant risk factors applicable to MGL Group are described under “Risk Factors” beginning on page 25 of our 2009 Annual U.S. Disclosure Report. Other factors are discussed under “Management’s Discussion and Analysis of Interim Results of Operation and Financial Condition” in this Report.

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

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

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

## EXCHANGE RATES

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

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

| Fiscal Year | Period End | Average Rate[1] | High | Low |
|---|---|---|---|---|
| 2005 | 0.7729 | 0.7423 | 0.7974 | 0.6840 |
| 2006 | 0.7165 | 0.7515 | 0.7834 | 0.7056 |
| 2007 | 0.8104 | 0.7652 | 0.8104 | 0.7177 |
| 2008 | 0.9132 | 0.8683 | 0.9463 | 0.7860 |
| 2009 | 0.6925 | 0.7948 | 0.9797 | 0.6073 |
| **Month** | **Period End** | | **High** | **Low** |
| June 2009 | 0.8055 | | 0.8195 | 0.7851 |
| July 2009 | 0.8339 | | 0.8339 | 0.7751 |
| August 2009 | 0.8439 | | 0.8439 | 0.8201 |
| September 2009 | 0.8824 | | 0.8824 | 0.8306 |
| October 2009 | 0.9038 | | 0.9275 | 0.8656 |
| November 2009 (through November 6) | 0.9164 | | 0.9164 | 0.8985 |

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

## FINANCIAL INFORMATION PRESENTATION

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

### Recent changes to operating groups and reporting segments

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

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

## RISK FACTORS

*We are subject to a variety of risks that arise out of our financial services and other businesses. We manage our ongoing business risks in accordance with our risk management policies and procedures, some of which are described in Note 43 to our 2009 annual financial statements.*

The significant risk factors applicable to MGL Group are described under "Risk Factors" beginning on pages 25 of our 2009 Annual U.S. Disclosure Report.

## CAPITALIZATION AND INDEBTEDNESS

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

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

| | As at | |
|---|---|---|
| | **Sep 09** | **Sep 09** |
| | **US$m[3]** | **A$m** |
| **CAPITALIZATION** | | |
| **Borrowings[1]** | | |
| Debt issued — due greater than 12 months | 27,726 | 31,421 |
| Subordinated debt — due greater than 12 months | 1,352 | 1,533 |
| **Total borrowings[2]** | **29,078** | **32,954** |
| **Equity** | | |
| Contributed equity | | |
| Ordinary share capital | 5,530 | 6,267 |
| Treasury shares | (2) | (2) |
| Exchangeable shares | 140 | 159 |
| Reserves | 244 | 276 |
| Retained earnings | 3,515 | 3,984 |
| Macquarie Income Preferred Securities | 65 | 74 |
| Macquarie Income Securities | 345 | 391 |
| Other minority interests | 63 | 71 |
| **Total equity** | **9,901** | **11,220** |
| **TOTAL CAPITALIZATION** | **38,979** | **44,174** |

1 At September 30, 2009, we had A$6.7 billion of secured indebtedness due in greater than 12 months compared to A$6.0 billion at March 31, 2009.

2 Total borrowings does not include our short-term debt securities, including the current portion of long-term debt, or securitizations. Short-term debt totaled A$9.9 billion as at September 30, 2009 and securitizations totaled A$17.4 billion as at September 30, 2009 compared to A$14.6 billion and A$20.4 billion, respectively, as at March 31, 2009.

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

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

## SELECTED FINANCIAL INFORMATION

### Half years ended September 30, 2009 and 2008

*The summary consolidated balance sheet data as at September 30, 2009 and 2008 and income statement data for the half years ended September 30, 2009 and 2008 presented below have been derived from our 2010 interim financial statements which PricewaterhouseCoopers has reviewed but not audited and which, in the opinion of our management, have been prepared on the same basis as our audited consolidated historical financial statements and include all adjustments necessary for a fair statement of our operating results and financial position for those periods and as of those dates. See "Financial Information Presentation" in this Report for further information. In addition, investors should read the following selected financial information together with the discussion under "Selected Financial Information" beginning on page 37 of our 2009 Annual U.S. Disclosure Report. The summary unaudited financial data for the half year ended September 30, 2009 is not necessarily indicative of our results for the fiscal year ending March 31, 2010 and our historical results are not necessarily indicative of our results for any future period.*

The historical interim financial information in the following tables has been extracted from our 2010 interim financial statements.

***Income Statements***

| | Half Year ended | | |
|---|---|---|---|
| | **Sep 09** | **Sep 09** | **Sep 08** |
| | **US$m[1]** | **A$m** | **A$m** |
| Interest and similar income | 1,902 | 2,155 | 3,594 |
| Interest expense and similar charges | (1,527) | (1,730) | (3,074) |
| Net interest income | 375 | 425 | 520 |
| Fee and commission income | 1,661 | 1,882 | 2,155 |
| Net trading income | 559 | 633 | 722 |
| Share of net profits of associates and joint ventures using the equity method | (174) | (197) | 118 |
| Other operating income | 319 | 362 | (545) |
| **Net operating income** | **2,740** | **3,105** | **2,970** |
| Employment expenses | (1,332) | (1,509) | (1,265) |
| Brokerage and commission expenses | (290) | (329) | (311) |
| Occupancy expenses | (221) | (251) | (152) |
| Non-salary technology expenses | (110) | (125) | (111) |
| Other operating expenses | (317) | (359) | (404) |
| **Total operating expenses** | **(2,270)** | **(2,573)** | **(2,243)** |
| **Operating profit before income tax** | **469** | **532** | **727** |
| Income tax (expense)/benefit | (32) | (36) | (79) |
| **Profit from ordinary activities after income tax** | **438** | **496** | **648** |
| Distributions paid or provided on: | | | |
| Macquarie Income Preferred Securities | (5) | (6) | (23) |
| Macquarie Income Securities | (9) | (10) | (19) |
| Other minority interests | (1) | (1) | (2) |
| Profit attributable to minority interests | (15) | (17) | (44) |
| **Profit attributable to ordinary equity holders of Macquarie Group Limited** | **423** | **479** | **604** |

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

*Balance Sheets*

| | As at | | |
|---|---|---|---|
| | **Sep 09** | **Sep 09** | **Sep 08** |
| | **US$m[1]** | **A$m** | **A$m** |
| **ASSETS** | | | |
| Cash and balances with central banks .... | 3 | 3 | 225 |
| Due from banks ..................................... | 7,885 | 8,936 | 13,441 |
| Cash collateral on securities borrowed and reverse repurchase agreements . | 3,965 | 4,493 | 14,690 |
| Trading portfolio assets ......................... | 12,797 | 14,502 | 17,059 |
| Loan assets held at amortized cost.......... | 37,506 | 42,504 | 51,783 |
| Other financial assets at fair value through profit or loss ...................... | 4,632 | 5,249 | 3,974 |
| Derivative financial instruments – positive values ................................ | 18,920 | 21,441 | 22,508 |
| Other assets........................................... | 12,169 | 13,791 | 11,413 |
| Investment securities available for sale .. | 20,429 | 23,152 | 18,025 |
| Intangible assets..................................... | 631 | 715 | 566 |
| Life investment contracts and other unit holder assets ................................... | 4,470 | 5,066 | 5,645 |
| Interest in associates and joint ventures using the equity method.................. | 4,351 | 4,931 | 5,921 |
| Property, plant and equipment............... | 571 | 647 | 433 |
| Deferred income tax assets .................... | 1,236 | 1,401 | 825 |
| Assets and disposal groups classified as held for sale .................................... | 88 | 100 | 927 |
| **Total assets** .......................................... | **129,652** | **146,931** | **167,435** |
| **LIABILITIES** | | | |
| Due to banks .......................................... | 9,075 | 10,284 | 11,349 |
| Cash collateral on securities lent and repurchase agreements.................... | 4,701 | 5,328 | 14,664 |
| Trading portfolio liabilities.................... | 6,502 | 7,368 | 11,079 |
| Derivative financial instruments – negative values ............................... | 19,017 | 21,552 | 24,430 |
| Deposits ................................................. | 18,259 | 20,692 | 16,955 |
| Debt issued at amortized cost ................ | 39,616 | 44,896 | 52,485 |
| Other financial liabilities at fair value through profit or loss ...................... | 4,445 | 5,037 | 6,263 |
| Other liabilities ..................................... | 11,357 | 12,871 | 11,081 |
| Current tax liabilities ............................ | 91 | 103 | 159 |
| Life investment contracts and other unit holder liabilities .............................. | 4,467 | 5,062 | 5,634 |
| Provisions .............................................. | 162 | 184 | 211 |
| Deferred income tax liabilities .............. | 185 | 210 | 40 |
| Liabilities of disposal groups classified as held-for-sale ............................... | - | - | 153 |
| **Total liabilities excluding loan capital** | **117,877** | **133,587** | **154,503** |
| **Loan capital** | | | |
| Macquarie Convertible Preference Securities ........................................ | 521 | 591 | 591 |
| Subordinated debt at amortized cost ............................................... | 892 | 1,011 | 1,413 |
| Subordinated debt at fair value through profit or loss.................................... | 461 | 522 | 647 |
| **Total liabilities** ..................................... | **119,751** | **135,711** | **157,154** |
| **Net assets** ............................................. | **9,901** | **11,220** | **10,281** |
| **EQUITY** | | | |
| Contributed equity | | | |
| Ordinary share capital............................ | 5,530 | 6,267 | 4,832 |
| Treasury shares ...................................... | (2) | (2) | (2) |

| | As at | | |
|---|---|---|---|
| | Sep 09 | Sep 09 | Sep 08 |
| | US$m[1] | A$m | A$m |
| Exchangeable securities.......................... | 140 | 159 | 122 |
| Reserves................................................ | 244 | 276 | 283 |
| Retained earnings .................................. | 3,515 | 3,984 | 3,770 |
| Total capital and reserves attributable to equity holders of Macquarie Group Limited ........................................... | 9,428 | 10,684 | 9,005 |
| Minority interest .................................... | 473 | 536 | 1,276 |
| **Total equity** .......................................... | **9,901** | **11,220** | **10,281** |

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

### *Other Financial Data*

| | As at / Half Year ended | | |
|---|---|---|---|
| | Sep 09 | Mar 09 | Sep 08 |
| **Per Share Information** | | | |
| *(Amounts in A$)* | | | |
| Basic earnings per share (cents per share)... | 150.2 | 94.1 | 216.6 |
| Diluted earnings per share (cents per share) .................................................. | 149.6 | 94.1 | 215.2 |
| Dividends per share (cents per share) | 86.0 | 145.0 | 145.0 |
| *(Amounts in US$)*[1] | | | |
| Basic earnings per share (cents per share)... | 132.5 | 83.0 | 191.1 |
| Diluted earnings per share (cents per share) .................................................. | 132.0 | 83.0 | 189.9 |
| Dividends per share (cents per share) | 75.9 | 127.9 | 127.9 |
| Number of shares on issue (as at)............... | 332,683,024 | 283,438,000 | 281,016,368 |
| **Ratios** | | | |
| Net loan losses as a percentage of loan assets (annualized %)[2] ......................... | 1.2 | 2.2 | 1.2 |
| Ratio of earnings to fixed charges[3]............. | 1.3 | 1.1 | 1.2 |
| Expense/income ratio(%)[4] .......................... | 82.9 | 89.7 | 75.5 |
| Compensation ratio(%)............................... | 45.2 | 41.4 | 40.1 |
| Effective tax rate(%).................................. | 7.0 | (31.5) | 11.6 |
| Dividend payout ratio (%) .......................... | 60.0 | 42.7 | 67.4 |
| Return on equity (%)[5] ................................ | 9.6 | 6.0 | 13.9 |

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

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

[3] For the purposes of computing ratios, earnings consist of net profit before interest costs, operating lease rental payments, income tax and minority interest. Fixed charges consist of interest costs plus rental payments and operating leases.

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

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

## RECENT DEVELOPMENTS

*The following are significant recent developments for MGL Group that have occurred since the release of our 2009 Annual U.S. Disclosure Report on May 21, 2009. Investors should be aware that the information set forth below is not complete and should be read in conjunction with the discussion under "Risk Factors" beginning on page 25 and under "Macquarie Group Limited" beginning on page 41 of our 2009 Annual U.S. Disclosure Report and other information posted on MGL's U.S. Investors' Website.*

### Board and Management Changes

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

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

### Trading Conditions and Market Update

While global mergers and acquisitions and advisory activities remained subdued on the prior corresponding period, improvement was seen during the half year ended September 30, 2009 across some sectors. Activity in most regions for equity capital markets was significantly higher than both the prior period and the prior corresponding period.

Trading conditions for cash equities improved during the half year ended September 30, 2009 and market volumes in our key markets were generally higher than in the prior period, however, they remained below the level in the prior corresponding period, with the exception of the United States market which saw an increase in total market volume on the prior corresponding period.

Metal prices recovered during the half year ended September 30, 2009, in particular, the price of gold. Foreign exchange and energy market volumes were lower than the prior corresponding period primarily due to lower volatility. Increased volatility in agricultural commodity markets resulted in an increase in hedging activity.

More recently, confidence has been returning to global markets, resulting in improved equity and debt markets, although the extent or sustainability of this recovery is still uncertain. In particular, the Australian credit markets have shown significant improvement, with credit spreads decreasing on the prior period and increased liquidity in both the wholesale and retail markets.

#### *Impact on MGL Group*

Since March 31, 2009, MGL Group's operating groups and divisions took advantage of opportunities arising from generally improving market conditions, selectively deploying surplus capital and funding to make strategic acquisitions across our operating groups. Acquisitions announced by MGL in the half year ended September 30, 2009, included:

- Delaware Investments, a United States-based securities management firm. This transaction is expected to close in early calendar year 2010. See "— Recent Developments within MGL Group — Macquarie Funds" below for further information;

- Fox-Pitt Kelton Cochran Caronia Waller ("FPK"), a specialist investment bank focused on financial institutions. This transaction is expected to close at the end of calendar year 2009. See "— Recent Developments within MGL Group — Macquarie Capital" below for further information;

- Tristone Capital, a global energy advisory firm. This transaction closed on September 1, 2009. See "— Recent Developments within MGL Group — Macquarie Capital" below for further information.

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

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

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

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

Driven by the objective to close the gap between underlying asset valuations and security market prices, the boards of the Macquarie Capital-managed listed funds have continued to consider a range of strategic options including asset sales, fund privatizations, management internalizations, distribution reductions and debt renegotiations. See "— Recent Developments within MGL Group — Macquarie Capital — Macquarie Capital Funds — Listed Fund Initiatives" below for further information.

Despite lower mergers and acquisitions and advisory activities in the global market on the prior corresponding period, the volume of deals in which Macquarie Capital participated was slightly up on both the prior corresponding period and the prior period. Improvements in equity capital markets had a positive impact on Macquarie Securities' results, while Fixed Income, Currencies & Commodities benefited from the recovery of metal prices, commodity trading and improvement in the Australian credit markets. See "Management's Discussion and Analysis of Interim Results of Operation and Financial Condition — Half year ended September 30, 2009 compared to half year ended September 30, 2008" for a detailed analysis on MGL's financial performance for the half year ended September 30, 2009.

The improvement in wholesale and retail funding markets allowed MGL to complete funding and capital initiatives during the half year ended September 30, 2009 that included A$1.2 billion of capital raisings and US$1.5 billion of non-government guaranteed debt issuances.

Despite improving trends in a number of major markets, MGL continued to maintain a conservative approach to funding and capital. As at September 30, 2009, MGL had A$4.5 billion surplus capital in excess of the minimum regulatory requirement, and had increased its retail deposits to A$13.9 billion.

**Our Strategy**

Our strategy is set out under "Macquarie Group Limited — Our Strategy" on page 42 of our 2009 Annual U.S. Disclosure Report. We continually examine investment opportunities and have undertaken a number of strategic acquisitions since March 31, 2009 in response to changing market conditions and opportunities that have been presented to us. These acquisitions include Delaware Investments, Tristone Capital Global Inc., FPK, a A$1 billion portfolio of auto leases and loans from Ford Credit Australia and Blackmont, as further described under "— Recent Developments within MGL Group" below. We expect to assess strategic acquisition opportunities as they arise and explore these as an avenue of growth and diversification for MGL Group in the medium term.

**Our Key Strengths**

For a description of our key strengths, see "Macquarie Group Limited — Our Key Strengths" on page 42 of our 2009 Annual U.S. Disclosure Report.

At September 30, 2009, MGL had total regulatory capital of A$11.5 billion, including A$4.5 billion surplus capital in excess of MGL Group's minimum regulatory requirement. For further information on our regulatory capital position as at September 30, 2009, see "Management's Discussion and Analysis of Interim Results of Operation and Financial Condition — Half year ended September 30, 2009 compared to half year ended September 30, 2008 — Capital Analysis" below.

**Overview of MGL Group**

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

At September 30, 2009, MGL Group's operations were conducted primarily through two groups:

- the Banking Group, which consists of MBL Group and has four operating groups (Fixed Income, Currencies & Commodities, Macquarie Securities (excluding the Cash division), Banking & Financial Services and Macquarie Funds) and two divisions (Corporate & Asset Finance and Real Estate Banking); and

- the Non-Banking Group, which consists of Macquarie Capital which incorporates Macquarie Capital Funds, the Cash division of Macquarie Securities and certain less financially significant assets and businesses of Fixed Income, Currencies & Commodities.

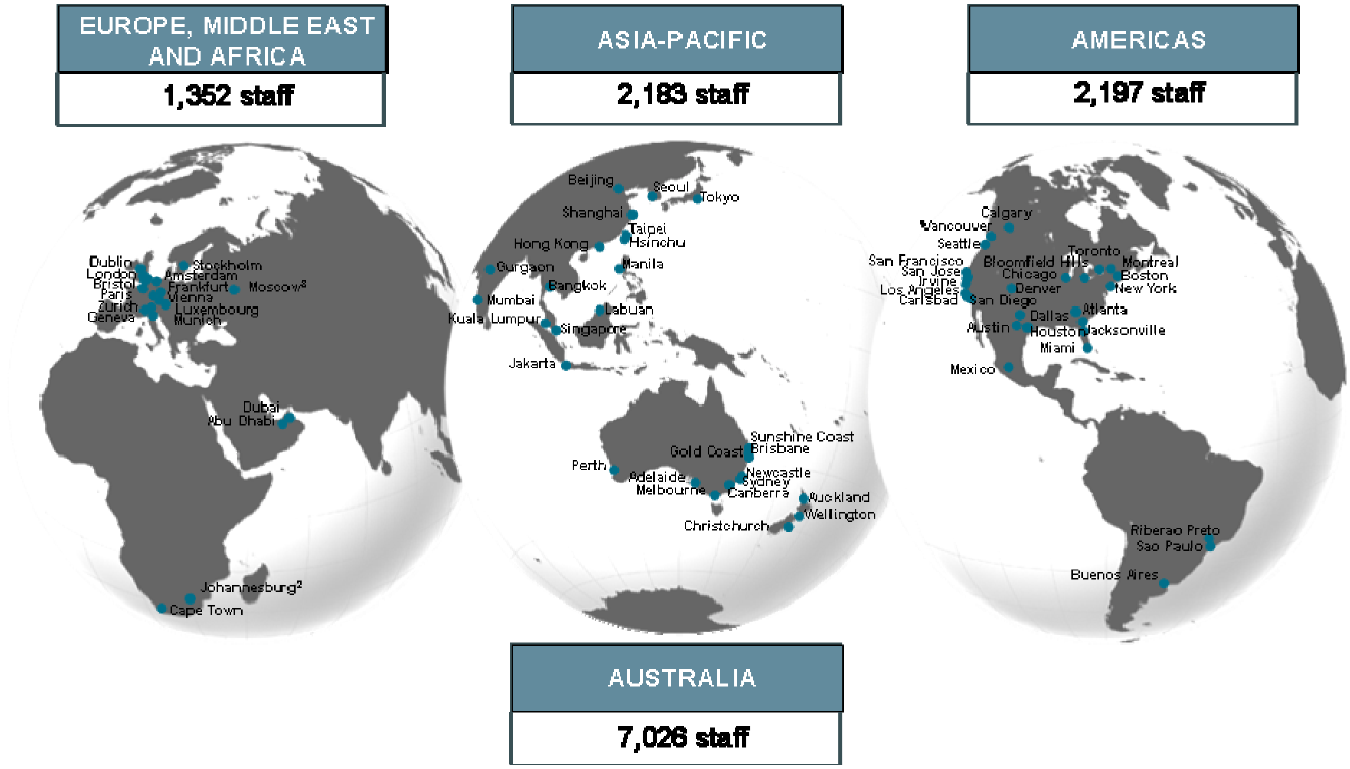
In addition, the Banking Group and Non-Banking Group are supported by shared services provided by Corporate Affairs, Risk Management and Information Technology Groups that form part of the Corporate segment. The Corporate segment provides head office and central support functions and is not considered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

See "Macquarie Group Limited — Organization Structure" beginning on page 47 of our 2009 Annual U.S. Disclosure Report , for further information.

At September 30, 2009, we had total assets of A$146.9 billion and total equity of A$11.2 billion. For the half year ended September 30, 2009, our total operating income was A$3.1 billion and profit after tax attributable to ordinary equity holders was A$479 million, with 48% of MGL Group's operating income (excluding earnings on capital and other corporate items) derived from its international activities.

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

*International footprint and staff numbers as at September 30, 2009*




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

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

As at September 30, 2009, MGL conducted its operations through approximately 1,200 subsidiaries organized in more than 70 office locations in 28 countries and employed over 12,700 people.

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

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

| | Half Year ended | | |
|---|---|---|---|
| | **Sep 09** | **Sep 08** | **Movement** |
| | **A$m** | **A$m** | **%** |
| Macquarie Capital | 1,605 | 1,435 | 12 |
| Fixed Income, Currencies & Commodities[2] | 937 | 921 | 2 |
| Macquarie Securities | 803 | 1,198 | (33) |
| Banking & Financial Services | 1,101 | 1,994 | (45) |
| Macquarie Funds | 711 | 295 | 141 |
| Corporate & Asset Finance[3] | 462 | 372 | 24 |
| Real Estate Banking[4] | 126 | 115 | 10 |
| **Total revenues from external customers by operating group** | **5,745** | **6,330** | (9) |
| Corporate[5] | 408 | 688 | (41) |
| **Total revenue from external customers** | **6,153** | **7,018** | (12) |

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

| | Half Year ended | | |
|---|---|---|---|
| | **Sep 09** | **Sep 08** | **Movement** |
| | **A$m** | **A$m** | **%** |
| Macquarie Capital | 331 | 305 | 9 |
| Fixed Income, Currencies & Commodities [2] | 368 | 285 | 29 |
| Macquarie Securities | 319 | 443 | (28) |
| Banking & Financial Services | 137 | (174) | (179) |
| Macquarie Funds | 38 | 35 | 9 |
| Corporate & Asset Finance[3] | 127 | 54 | 135 |
| Real Estate Banking[4] | (56) | (141) | (60) |
| **Total contribution to profit by operating group** | **1,264** | **807** | 57 |
| Corporate[5] | (785) | (203) | 287 |
| **Net profit after tax** | **479** | **604** | (21) |

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

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

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

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

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

## Recent Developments within MGL Group

### *Macquarie Capital*

Macquarie Capital is the primary business in the Non-Banking Group and comprises one division, Macquarie Capital Advisers, which includes the Macquarie Capital Funds business.

Macquarie Capital contributed A$331 million to net profit for the half year ended September 30, 2009 and, as at September 30, 2009, had 2,403 staff operating across 24 countries. For further information on Macquarie Capital's results of operation and financial condition for the half year ended September 30, 2009, see "Management's Discussion and Analysis of Interim Results of Operation and Financial Condition — Half year ended September 30, 2009 compared to half year ended September 30, 2008 — Segment overview — Macquarie Capital" in this Report.

*Macquarie Capital Advisers*

Macquarie Capital Advisers advised on 182 transactions totaling A$57 billion for the half year ended September 30, 2009.

Advisory activities are aligned into industry groups, reflecting key areas of expertise in: infrastructure and utilities; resources; telecommunications, media, entertainment and technology; real estate; industrials and financial institutions.

Recent significant transactions have included:

- Adviser to Goodman Group on its recapitalization including A$4.1 billion debt restructuring, A$1.3 billion equity raising and A$500 million hybrid securities issued to China Investment Corporation;
- Sponsor, adviser and debt and equity underwriter for the A$4.9 billion Victorian Desalination Project, one of the largest public-private partnerships globally since the disruption to global financial markets in 2008;
- Joint global coordinator and joint underwriter for Rio Tinto's global US$15.2 billion renounceable rights issue, of which the Australian component comprised the largest rights issue to date in Australia;
- Joint lead manager for China Zhongwang Holdings' HK$9.8 billion IPO, one of the largest IPOs in Hong Kong for 2009 to date;
- Joint bookrunner for BBMG Corporation's US$884 million H-share IPO;
- Adviser to Viterra on its A$1.6 billion acquisition of ABB Grain and underwriter for the associated A$511 million equity raising;
- Adviser to Bakwena Platinum Corridor Concessionaire on its ZAR3.5 billion toll road refinancing in South Africa;
- Joint lead manager for Mirvac Group's A$1.1 billion placement and entitlement offer;
- Adviser to Transpacific Industries Group on it's A$801 million recapitalization and A$2.26 billion debt refinancing; and
- Joint lead manager for the A$1.9 billion PERLS V hybrid issue by CBA.

On September 30, 2009, MGL announced that it had entered into an agreement to acquire FPK for transaction consideration consisting of a cash payment of US$130 million in equity value to be paid over four years plus US$16.7 million of long-term liabilities, less cash on balance sheet at financial close. FPK is a specialist investment bank focused on financial institutions, with offices in London, New York, Chicago, San Francisco, Hartford, Boston, Hong Kong and Tokyo. The acquisition will enhance MGL Group's financial institutions capability globally through integration of FPK's equities sales and trading, research, advisory and capital markets teams. FPK's sales, trading and research teams are expected to be integrated into Macquarie Securities, while its advisory and capital markets teams are expected to be integrated into Macquarie Capital. The transaction is expected to close in late calendar year 2009 and is subject to regulatory approvals.

In May 2009, MGL Group announced it had entered into an agreement to acquire global energy advisory firm, Tristone Capital Global Inc., for approximately C$116 million (approximately US$108 million). The acquisition was completed in September 2009, with the business and employees of Tristone being integrated into MGL's global business. Tristone's sales, trading and research activities have been integrated into Macquarie Securities while it's advisory and capital markets capabilities were integrated into Macquarie Capital. The combined business, which comprises 210 corporate finance and technical professionals in 22 cities, is an integrated energy platform, offering advisory, capital markets, research and trading expertise and substantially enhances MGL Group's energy offering. For further information on the acquisition of Tristone, see "Announcement — May 29, 2009" dated June 2, 2009.

*Macquarie Capital Funds*

*New Fund Initiatives & Equity Raising.* Macquarie Capital Funds continued to focus on expanding unlisted funds under management in both existing and new regions including India, Russia and China. A$1.4 billion of equity was raised in the half year ended September 30, 2009. Improved economic conditions have enhanced investor confidence and are expected to result in increased capital raisings across our unlisted funds platform. As at September 30, 2009, unlisted funds represented 74% of Macquarie Capital's Equity under Management.

In August 2009, investors committed US$530 million to the first close of the Macquarie Renaissance Infrastructure Fund, including a US$200 million commitment from Russia's State Development Bank, Vnesheconombank. Macquarie Renaissance Infrastructure Fund is the first major private fund dedicated to investing directly in infrastructure in Russia and other key Commonwealth Independent State markets.

In August 2009, Macquarie and China Everbright Limited entered into a joint venture to establish two funds to invest in infrastructure businesses in Greater China with a focus on core infrastructure.

*Listed Fund Initiatives.* The boards of Macquarie Capital-managed listed funds have continued to consider a range of strategic options, such as asset sales, fund privatizations, management internalizations, distribution reductions and debt renegotiations, to close the gap between underlying asset valuations and security market prices. The take private of Macquarie Communications Infrastructure Group ("MCG") by Canada Pension Plan Investment Board ("CPPiB") and the management internalizations of Macquarie Airports ("MAp") and Macquarie Leisure Group ("MLE") have been completed since March 31, 2009. A proposal to internalize Macquarie Media Group ("MMG") was announced on October 28, 2009 and a proposal to split Macquarie Infrastructure Group ("MIG") into two separate listed entities (one entity to be managed by Macquarie Capital Funds and the other to be a standalone entity) was announced on October 30, 2009. In each case, the boards have considered the options on their individual merits, with the best interests of shareholders as the key driver for any proposal. It is expected that the boards will continue to implement strategic initiatives to drive shareholder value. As a material shareholder of the listed funds, Macquarie Capital would benefit from any positive impact on share prices following implementation of these initiatives. If further management internalizations occur, Macquarie Capital would expect to receive consideration which adequately compensates for future management fee earnings foregone.

In May 2009, DUET Group completed a A$265 million capital raising. The proceeds from the capital raising will provide increased flexibility for funding future growth capital expenditure, strengthen DUET's balance sheet and reduce gearing.

In July 2009, MCG was taken private by the CPPiB. MGL Group received A$56.5 million for the manager and will receive approximately A$4 million per annum for up to ten years for ongoing advisory services in relation to Arqiva and Airwave and transitional services.

In July 2009, MAp announced it had reached an agreement with Macquarie Capital to internalize the management of MAp. The internalization was approved by shareholders on September 30, 2009 and the internalization became effective on October 15, 2009. Under the arrangements, MAp has acquired the responsible entity for the two Australian trusts, which form part of the MAp stapled security and terminated the advisory agreement with Macquarie Capital by a cash payment of A$345 million. MGL Group is providing transitional support services to MAp for twelve months (including six months at no cost) to allow MAp to operate as a standalone entity as soon as practicable. The A$345 million was funded by an entitlement offer to eligible MAp security holders under which Macquarie Capital was allotted 39 million securities thereby increasing MGL Group's net interest in MAp to 23%.

In July 2009, Macquarie CountryWide Trust sold a A$1.6 billion United States shopping center portfolio and also closed the first Australian non-recourse commercial mortgage backed securities ("CMBS") issue to the market since October 2007.

In August 2009, MLE internalized its management. MGL received a cash payment of A$17 million for MLE's manager/responsible entity of the trust. MLE was renamed Ardent Leisure.

In October 2009, MMG announced a number of initiatives including: a capital raising of up to A$294 million through a entitlement offer (scheduled to complete in December 2009); a proposal to internalize management (subject to a shareholder vote) for a consideration of A$40.5 million to MGL Group; and a simplification to the corporate structure and transition to single publicly listed media company model (contingent on the internalization of management). Proceeds from the entitlement offer will be used to pay down Macquarie Southern Cross Media Pty Ltd business level debt. Should all preconditions be met, the corporatization of MMG will occur no earlier than January 2010 and be completed by no later than December 2010.

In October 2009, MIG announced a proposal to restructure itself into two separate listed entities and to allocate its assets to the new listed entities according to their maturity and risk profile. If approved by MIG security holders, the restructure will result in a standalone entity holding MIG's interests in the 407 ETR and Westlink M7 ("Mature MIG") and a separate MGL Group managed entity ("Active MIG") holding the remaining MIG assets. MGL Group would facilitate the transaction and provide transitional services to Mature MIG for 12 months in return for a fee of A$50 million. For the ongoing management of Active MIG, MGL Group will receive increased base management fee rates and the starting point for calculating performance fees will be reset to the market price upon listing of Active MIG. MGL Group has been retained by MIG as financial adviser on the restructure and will be paid a completion fee of 1% of the post-restructure market capitalization of Mature MIG.

In October 2009, Macquarie DDR Trust ("MDT") completed the redemption of Developers Diversified Realty's ("DDR") ownership in the largest of three joint ventures between MDT and DDR. The redemption simplifies MDT's ownership structure and provides increased flexibility for MDT to undertake selected asset disposals and repay debt. MDT also agreed terms to extend the maturity date of the US$111.1 million CMBS debt for a further 60 days to December 1, 2009. MDT continued to work with the lenders to finalize documentation for a longer term extension to mid-2010.

For further information and a description on Macquarie Capital and its respective activities, see "Macquarie Group Limited — Operating Groups — Macquarie Capital" *beginning on page* 54 of our 2009 Annual U.S. Disclosure Report.

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

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

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

Fixed Income, Currencies & Commodities contributed A$368 million to net profit for the half year ended September 30, 2009 and, as at September 30, 2009, had 796 staff operating across 11 countries. For further information on Fixed Income, Currencies & Commodities' results of operation and financial condition for the six months ended September 30, 2009, see "Management's Discussion and Analysis of Interim Results of Operation and Financial Condition — Half year ended September 30, 2009 compared to half year ended September 30, 2008 — Segment overview — Fixed Income, Currencies & Commodities" in this Report.

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

Fixed Income, Currencies & Commodities specializes in:

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

For further information and a description on the divisions within Fixed Income, Currencies & Commodities and their respective activities, see "Macquarie Group Limited — Operating Groups — Treasury & Commodities" beginning on page 60 of our 2009 Annual U.S. Disclosure Report.

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

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

***Macquarie Securities***

Macquarie Securities contributed A$319 million to net profit for the half year ended September 30, 2009 and as at September 30, 2009, had 1,512 staff operating across 18 countries. For further information on Macquarie Securities' results of operation and financial condition for the six months ended September 30, 2009, see "Management's Discussion and Analysis of Interim Results of Operation and Financial Condition — Half year ended September 30, 2009 compared to half year ended September 30, 2008 — Segment overview — Macquarie Securities" in this Report.

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

Macquarie Securities now comprises two divisions:

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

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

Upon completion of the Tristone Capital acquisition on September 1, 2009, 36 sales, research and trading professionals joined Macquarie Securities across Canada, the United States and Europe. Tristone Capital is an energy advisory firm that offers services such as corporate finance, acquisitions and divestitures, equity capital markets and sales, trading and research. For more information on Tristone Capital, see "— Recent Developments within MGL Group — Macquarie Capital" above.

On September 30, 2009, Macquarie Securities entered into an agreement to acquire FPK. When combined with Macquarie Securities' position in Asia-Pacific, FPK will help create a global financial institutions business in equities through the addition of complementary sector-specialist research and distribution. Incorporating FPK's research coverage, the acquisition will take Macquarie Securities' financial institutions research offering to over 765 stocks globally, doubling the stock coverage and secondary market commissions in our growing United States and European securities platforms. The acquisition will increase Macquarie Securities' front office staff by 141. In addition, FPK provides an equity capital markets capability in the United States and Europe

For further information and a description of divisions within Macquarie Securities and their respective activities, see "Macquarie Group Limited — Operating Groups — Macquarie Securities" beginning on page 63 of our 2009 Annual U.S. Disclosure Report.

### *Banking & Financial Services*

Banking & Financial Services contributed A$137 million to net profit for the half year ended September 30, 2009 and as at September 30, 2009, had 2,628 staff operating across nine countries. For further information on Banking & Financial Services' results of operation and financial condition for the six months ended September 30, 2009, see "Management's Discussion and Analysis of Interim Results of Operation and Financial Condition — Half year ended September 30, 2009 compared to half year ended September 30, 2008 — Segment overview — Banking & Financial Services" in this Report.

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

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

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

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

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

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

For further information and a description of divisions within Banking & Financial Services and their respective activities, see "Macquarie Group Limited — Operating Groups — Banking & Financial Services" beginning on page 63 of our 2009 Annual U.S. Disclosure Report.

***Macquarie Funds***

Macquarie Funds contributed A$38 million to net profit for the half year ended September 30, 2009 and, as at September 30, 2009, had 561 staff operating across 12 countries. For further information on Macquarie Funds' results of operation and financial condition for the six months ended September 30, 2009, see "Management's Discussion and Analysis of Interim Results of Operation and Financial Condition — Half year ended September 30, 2009 compared to half year ended September 30, 2008 — Segment overview — Macquarie Funds" in this Report.

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

In August 2009, Macquarie Funds announced that it had entered into an agreement to acquire Delaware Investments from Lincoln Financial Group for US$428 million, subject to certain closing adjustments. Delaware is a United States based securities management firm with over US$125 billion (A$142 billion) in Assets under Management as at June 30, 2009, providing investment services to retail and institutional investors through a broad range of managed accounts, separate accounts, mutual funds, retirement accounts, sub-advised funds, and other investment products. Upon completion of the transaction, the combined Assets under Management of Macquarie Funds and Delaware Investments are expected to be approximately A$200 billion compared to Macquarie Funds' A$58 billion in Assets under Management at September 30, 2009. The acquisition is consistent with Macquarie Funds' strategy to continue to expand its global distribution capabilities and is expected to close early in the 2010 calendar year. For further information on the acquisition of Delaware, see "Recent Developments — MGL Group Acquisition of Delaware" dated August 19, 2009.

For further information and a description of divisions within Macquarie Funds and their respective activities, see "Macquarie Group Limited — Operating Groups — Macquarie Funds" beginning on page 65 of our 2009 Annual U.S. Disclosure Report.

**Recent Developments in Divisions and the Corporate segment within MGL Group**

***Corporate & Asset Finance***

Corporate & Asset Finance contributed A$127 million to net profit for the half year ended September 30, 2009 and as at September 30, 2009, had 574 staff operating across 13 countries. For further information on Corporate & Asset Finance's results of operation and financial condition for the six months ended September 30, 2009, see "Management's Discussion and Analysis of Interim Results of Operation and Financial Condition — Half year ended September 30, 2009 compared to half year ended September 30, 2008 — Segment overview — Corporate & Asset Finance" in this Report.

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

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

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

For further information on Corporate & Asset Finances' businesses, see "Macquarie Group Limited — Divisions within MBL Group — Corporate & Asset Finance" beginning on page 66 of our 2009 Annual U.S. Disclosure Report.

***Real Estate Banking***

Real Estate Banking contributed a net loss of A$56 million for the half year ended September 30, 2009 and as at September 30, 2009, had 118 staff operating across five countries. For further information on Real Estate Banking's results of operation and financial condition for the six months ended September 30, 2009, see "Management's Discussion and Analysis of Interim Results of Operation and Financial Condition — Half year ended September 30, 2009 compared to half year ended September 30, 2008 — Segment overview — Real Estate Banking" in this Report.

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

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

In October 2009, MDT completed the redemption of DDR's ownership in the largest of three joint ventures between MDT and DDR.

On June 26, 2009, the internalization of the management of MLE was announced and MLE was renamed Ardent Leisure. For more information, see "— Recent Developments within MGL Group — Macquarie Capital — Macquarie Capital Funds — Listed Fund Initiatives" above.

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

For further information on Real Estate Banking's activities, see "Macquarie Group Limited — Divisions within MBL Group — Real Estate Banking" beginning on page 67 of our 2009 Annual U.S. Disclosure Report.

***Corporate***

Corporate contributed a net loss of A$785 million for the half year ended September 30, 2009 and as at September 30, 2009, had 4,166 staff operating across 18 countries. For further information on Corporate's results of operation and financial condition for the six months ended September 30, 2009, see "Management's Discussion and Analysis of Interim Results of Operation and Financial Condition — Half year ended September 30, 2009 compared to half year ended September 30, 2008 — Segment overview — Corporate" in this Report.

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

**Intra Group Loan**

For a description of the Intra Group Loan, see "Macquarie Group Limited — Intra Group Loan" on page 51 of our 2009 Annual U.S. Disclosure Report. As at September 30, 2009, US$1.3 billion remained outstanding under the Intra Group Loan. Following a repayment on October 10, 2009, US$1.15 billion remained outstanding as at November 12, 2009. This loan is to be repaid by 2012.

**Senior Credit Facility**

For a description of the Senior Credit Facility, see "Macquarie Group Limited — Senior Credit Facility" on page 51 of our 2009 Annual U.S. Disclosure Report. As at September 30, 2009, MGL had drawn down the equivalent of A$7.0 billion in Australian dollars under the Senior Credit Facility in term and revolving facilities.

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

For a description of MGL Group's funds management businesses, see "Macquarie Group Limited — Funds Management Business — MBL Group and the Non-Banking Group" beginning on page 68 of our 2009 Annual U.S. Disclosure Report.

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

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

Following completion of the Delaware Investments acquisition discussed above under "— Recent Developments within MGL Group — Macquarie Funds" and the internalization of MAp management discussed above under "— Recent Developments within MGL Group — Macquarie Capital — Macquarie Capital Funds", the combined Assets under Management of MGL Group and Delaware Investments offset by the MAp internalization impact are expected to be approximately A$345 billion, based on MGL Group's Assets under Management as at September 30, 2009 of A$216.3 billion and Delaware Investments' Assets under Management as at June 30, 2009 of US$125 billion (A$142 billion). The impact of MAp internalization on MGL Group's Assets under Management was a decrease of A$13 billion.

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

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

| | As at | | | Movement[1] | |
|---|---|---|---|---|---|
| | **Sep 09** | **Mar 09** | **Sep 08** | **Mar 09** | **Sep 08** |
| | **A$m** | **A$m** | **A$m** | **%** | **%** |
| **Assets under Management by group** | | | | | |
| Macquarie Capital | 130,677 | 159,509 | 158,035 | (18) | (17) |
| Macquarie Funds | 57,956 | 49,656 | 44,752 | 17 | 30 |
| Banking & Financial Services[2] | 16,992 | 19,178 | 21,245 | (11) | (20) |
| Real Estate Banking | 10,663 | 14,761 | 15,198 | (28) | (30) |
| **Total Assets under Management** | **216,288** | **243,104** | **239,230** | (11) | (10) |
| **Assets under Management by region** | | | | | |
| Australia | 85,719 | 86,032 | 85,096 | n/m | 1 |
| Europe, Africa and Middle East | 70,772 | 83,113 | 88,382 | (15) | (20) |
| Americas | 45,791 | 55,453 | 45,554 | (17) | 1 |
| Asia Pacific | 14,006 | 18,506 | 20,198 | (24) | (31) |

| | As at | | | Movement[1] | |
|---|---|---|---|---|---|
| | Sep 09 | Mar 09 | Sep 08 | Mar 09 | Sep 08 |
| | A$m | A$m | A$m | % | % |
| **Total Assets under Management** | **216,288** | **243,104** | **239,230** | (11) | (10) |
| **Assets under Management by industry sector** | | | | | |
| Investment funds | 74,948 | 68,834 | 62,238 | 9 | 20 |
| Energy and utilities | 41,119 | 48,726 | 41,101 | (16) | n/m |
| Roads | 26,492 | 32,999 | 38,346 | (20) | (31) |
| Airports | 18,535 | 20,895 | 20,352 | (11) | (9) |
| Communications infrastructure | 16,684 | 21,246 | 19,108 | (21) | (13) |
| Other | 12,375 | 14,288 | 18,897 | (13) | (35) |
| Transport and related services | 9,303 | 11,537 | 13,460 | (19) | (31) |
| Commercial real estate | 8,888 | 11,626 | 12,215 | (24) | (27) |
| Retail real estate | 6,056 | 8,349 | 9,182 | (27) | (34) |
| Tourism/leisure and residential real estate | 1,251 | 4,276 | 3,034 | (71) | (59) |
| Industrial real estate | 637 | 328 | 1,297 | 94 | (51) |
| **Total Assets under Management** | **216,288** | **243,104** | **239,230** | (11) | (10) |

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

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

Assets under Management at September 30, 2009 were A$216.3 billion, a 10% decrease since September 30, 2008. The overall net decrease in Assets under Management was due to the combined impact of decreased asset valuations, asset disposals by some funds and the strengthening of the Australian dollar against major global currencies, which in turn resulted in lower asset values for offshore assets.

*Macquarie Capital*. Macquarie Capital's Assets under Management were A$130.7 billion at September 30, 2009, a 17% decrease from A$158 billion at September 30, 2008. The decrease was predominantly driven by the strengthening Australian dollar and, to a lesser extent, by sale of assets, listed fund initiatives and reduced asset valuations. With approximately 85% of Assets under Management denominated in foreign currencies, the significant appreciation of the Australian dollar (in particular against the Euro, Pound Sterling and the US dollar) has decreased Macquarie Capital's Assets under Management. Asset sales, including disposals by Macquarie CountryWide Trust in the United States and listed fund initiatives (including the internalization of management of MLE and the taking private of the Macquarie Communications Infrastructure Group) also decreased Assets under Management. As noted above in "— Recent Developments within MGL Group — Macquarie Capital — Macquarie Capital Funds", the internalization of MAp became effective on October 15, 2009 and resulted in a A$13 billion decrease on Macquarie Capital's Assets under Management post MGL Group's balance date of September 30, 2009.

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

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

*Banking & Financial Services*. Banking & Financial Services' Assets under Management decreased 20% to A$17.0 billion at September 30, 2009 from A$21.2 billion at September 30, 2008. The decrease was primarily due to the decrease in Cash Management Trust assets to A$12.6 billion at September 30, 2009 from A$16.1 billion at September 30, 2008 as a result of clients moving to higher yielding investments and other market offerings within

Banking & Financial Services including Cash XL, which are not included in Assets under Management. The closure of Macquarie Fusion Funds 4, 5 and 6 in June 2009 decreased Assets under Management by A$0.6 billion.

MGL Group's income from funds management is mainly derived from funds management fees. Funds management fee income includes base fees, which are ongoing fees generated from funds management activities, and performance fees, which are earned when the funds outperform predetermined benchmarks. For listed funds, incentive income is earned for outperformance of a benchmark rate of return. This may be either a widely acknowledged market index, generally either S&P/ASX or MSCI indices, or a pre-determined rate of return, typically 8% per annum. For Macquarie Capital-managed funds which invest in infrastructure and other sectors, the incentive income is typically 20% of any outperformance and for Macquarie Capital-managed funds which invest in real estate it is typically 5% of any outperformance and then 15% of any outperformance above 2% per annum. In general, if the return of a listed fund is less than the benchmark in any period, the amount of the deficit is carried forward in the calculation of performance fee. For unlisted funds, incentive income is earned for outperformance of a pre-determined internal rate of return typically 8%. Unlisted performance fees are generally payable upon the occurrence of a "liquidity event", such as asset sale or fund listing, and are therefore unpredictable. During the half year ended September 30, 2009 performance fees for MGL Group declined 76% to A$52 million, primarily due to significant falls in the prices of listed securities due to market conditions and a significant performance fee recognized in the prior corresponding period.

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

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

For Macquarie Capital refer to "— Equity under Management" below for further information. The earning of base fees is closely aligned with the Assets under Management measure for funds in Real Estate Banking, Macquarie Funds and Banking & Financial Services.

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

| | As at | | | Movement | |
|---|---|---|---|---|---|
| | **Sep 09** | **Mar 09** | **Sep 08** | **Mar 09** | **Sep 08** |
| | **A$m** | **A$m** | **A$m** | **%** | **%** |
| **Macquarie Funds** | | | | | |
| Fixed interest, currencies & commodities | 43,287 | 34,895 | 25,794 | 24 | 68 |
| Listed equities | 7,372 | 6,842 | 9,131 | 8 | (19) |
| Infrastructure securities | 2,233 | 1,990 | 2,842 | 12 | (21) |
| Investment Solutions and Sales | 2,041 | 2,848 | 2,758 | (28) | (26) |
| Real estate securities | 1,419 | 1,225 | 2,366 | 16 | (40) |
| Funds of private equity funds | 1,168 | 1,217 | 1,107 | (4) | 6 |
| Funds of hedge funds | 436 | 459 | 493 | (5) | (12) |
| Other Macquarie funds | – | 180 | 261 | (100) | (100) |
| **Total Macquarie Funds** | **57,956** | **49,656** | **44,752** | 17 | 30 |
| **Banking & Financial Services** | | | | | |
| Macquarie Cash Management Trust | 12,589 | 14,692 | 16,109 | (14) | (22) |
| Macquarie Pastoral Fund | 521 | 434 | 216 | 20 | 141 |
| Other unlisted Banking & Financial Services | 3,882 | 4,052 | 4,920 | (4) | (21) |
| **Total Banking & Financial Services** | **16,992** | **19,178** | **21,245** | (11) | (20) |

| | As at | | | Movement | |
|---|---|---|---|---|---|
| | Sep 09 | Mar 09 | Sep 08 | Mar 09 | Sep 08 |
| | A$m | A$m | A$m | % | % |
| **Real Estate Banking** | | | | | |
| Macquarie Office Trust | 5,155 | 6,546 | 7,189 | (21) | (28) |
| J-REP managed funds[1] | 245 | 375 | 469 | (35) | (48) |
| Macquarie Central Office Corporate Restructuring REIT | 211 | 181 | 181 | 17 | 17 |
| Macquarie Prime REIT[2] | – | – | 1,010 | – | (100) |
| Unlisted Real Estate funds | 5,052 | 7,659 | 6,349 | (34) | (20) |
| **Total Real Estate Banking** | **10,663** | **14,761** | **15,198** | (28) | (30) |
| **Macquarie Capital (refer to Equity under Management section)** | **130,677** | **159,509** | **158,035** | (18) | (17) |
| **Total Assets under Management** | **216,288** | **243,104** | **239,230** | (11) | (10) |

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

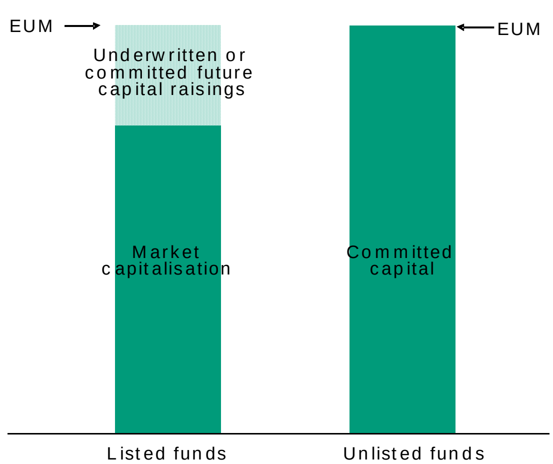
2 In December 2008, MGL Group sold its investment in Macquarie Prime REIT and the REIT's manager.

The Macquarie Capital Funds business tracks its funds under management using an Equity under Management measure. Base management fee income is closely aligned with Equity under Management. Equity under Management differs from the Assets under Management measure which real estate funds and other MGL Group managed funds use to determine base fee income. Equity under Management is determined as follows:

| Type of equity investment | Basis of Equity under Management calculation |
|---|---|
| Listed funds | Market capitalization at the measurement date plus underwritten or committed future capital raisings |
| Unlisted funds | Committed capital from investors at the measurement date less called capital subsequently returned to investors |
| Hybrid instruments[1] | Face value of TICkETS and of exchangeable bonds |
| Managed businesses[2] | Invested capital at measurement date |

1 Hybrid instruments include Tradeable Interest-Bearing Convertible to Equity Trust Securities ("TICkETS") issued by Macquarie Airports Reset Exchange Securities Trust and exchangeable bonds issued by Macquarie Communications Infrastructure Group.

2 Managed businesses includes third party equity invested in Macquarie Capital Funds managed businesses where management fees may be payable to MGL Group.




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

September 30, 2009, this applied to Macquarie Korea Infrastructure Fund and DUET Group, which are weighted at 50% as outlined in the following table, and some other funds.

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

*MGL Group Equity under Management for half years ended September 30, 2009, March 31, 2009 and September 30, 2008*

| | Ownership of management company | Listing date | Stock Exchange ASX Code | Holding[1] | Equity under Management as at Sep 09 | Mar 09 | Sep 08 |
|---|---|---|---|---|---|---|---|
| | % | | | % | A$m | A$m | A$m |
| **Listed Macquarie Capital managed funds (excl real estate funds)** | | | | | | | |
| ConnectEast Group[2] | n/a | Nov 04 | CEU | n/a | – | – | 1,289 |
| DUET Group | 50 | Aug 04 | DUE | 1 | 728 | 534 | 817 |
| MAp[3] | 100 | Apr 02 | MAP | 21 | 4,845 | 3,097 | 4,640 |
| Macquarie Communications Infrastructure Group[4] | 100 | Aug 02 | MCG | n/a | – | 1,251 | 1,371 |
| Macquarie Infrastructure Company | 100 | Dec 04 | Listed on NYSE | 7 | 461 | 89 | 752 |
| Macquarie Infrastructure Group | 100 | Dec 96 | MIG | 14 | 3,336 | 3,346 | 5,492 |
| Macquarie International Infrastructure Fund | 100 | May 05 | Listed on SGX | 8 | 350 | 356 | 508 |
| Macquarie Korea Infrastructure Fund | 50 | Mar 06 | Listed on KRX and LSE | 4 | 817 | 772 | 950 |
| Macquarie Media Group | 100 | Nov 05 | MMG | 25 | 362 | 207 | 570 |
| Macquarie Power & Infrastructure Income Fund[5] | 100 | Apr 04 | Listed on TSE | – | 287 | 271 | 350 |
| **Listed Macquarie Capital managed funds (excl real estate funds)** | | | | | 11,186 | 9,923 | 16,739 |
| **Unlisted Macquarie Capital managed funds (excl real estate funds)** | | | | | | | |
| Macquarie European Infrastructure Fund I and II | | | | | 10,177 | 11,726 | 10,931 |
| Macquarie Infrastructure Partners | | | | | 4,532 | 5,753 | 5,063 |
| Macquarie Korea Opportunities Fund | | | | | 999 | 1,271 | 1,274 |
| Other unlisted funds | | | | | 11,636 | 13,227 | 11,060 |
| **Unlisted Macquarie Capital managed funds (excl real estate funds)** | | | | | **27,344** | **31,977** | **28,328** |
| Less Macquarie Capital managed funds' investments in other Macquarie Capital managed funds | | | | | (335) | (390) | (354) |
| Hybrid instruments | | | | | 760 | 1,303 | 1,318 |
| Managed businesses[6] | | | | | 8,886 | 8,567 | 6,485 |
| **Real Estate Funds Equity under Management[7]** | | | | | **2,184** | **1,883** | **3,268** |
| **Total Macquarie Capital Funds Equity under Management** | | | | | **50,025** | **53,263** | **55,784** |

1 Holding at September 30, 2009 represents MGL Group's participating interest in the fund, excluding amounts held through True Index funds and their controlled entities.

2 On March 31, 2009, ConnectEast Group internalized its responsible entity, acquiring all shares in ConnectEast Management Limited from MGL Group.

3 On September 30, 2009, MAp securityholders voted to internalize management and internalization become effective on October 15, 2009.

4 In June 2009, Macquarie Communications Infrastructure Group securityholders approved Canada Pension Plan Investment Board's proposal to take private MCG. Following the completion of this transaction MCG delisted.

5 Excludes Class B exchangeable units.

6 Excludes equity invested by MGL Group in businesses managed by Macquarie Capital Funds.

7 Real Estate Funds' Equity under Management sits wholly within the Non-Banking Group. See "Recent Developments — Recent Developments within MGL Group — Macquarie Capital — Macquarie Capital Funds" for more information.

### *Corporate Governance — Macquarie Capital-Managed Funds*

For details regarding corporate governance policies in relation to our funds management business see "Macquarie Group Limited — Funds Management Business — MBL Group and the Non-Banking Group Corporate Governance — Specialist Funds" beginning on page 75 of the 2009 Annual U.S. Disclosure Report.

## Legal and Regulatory Matters

We have contingent liabilities in respect of actual and potential claims and proceedings that have not been determined. An assessment of likely losses is made on a case by case basis for the purposes of our financial statements and specific provisions that we consider appropriate are made, as described in Note 39 to our 2009 annual financial statements. We do not believe that the outcome of any such claims of which we are aware, either individually or in the aggregate, are likely to have a material effect on our operations or financial condition.

## Regulatory and Supervision Developments

A description of MGL Group's principal regulators and the regulatory regimes that MGL Group and its businesses and the funds it manages in, and outside of, Australia, is set out under "Regulation and Supervision — Australia — APRA" beginning on page 77 of our 2009 Annual U.S. Disclosure Report. Our businesses are increasingly subject to greater regulatory scrutiny as we continue to grow our businesses both organically and through acquisitions. For a description of certain regulatory risks our businesses face, see "Risk Factors — APRA regulation of MGL Group after the Restructure is different from that of MBL Group prior to the Restructure", "Risk Factors — We may incur losses as a result of ineffective risk management processes and strategies", "Risk Factors — Actual or perceived breaches of applicable laws and regulations, obligations of fidelity or confidence to clients and counterparties, unenforceability of counterparty obligations, fraud, negligence, misleading or other inappropriate conduct or inappropriate documentation of contractual relationships could adversely affect our reputation, operating results or credit ratings and have adverse regulatory consequences", "Risk Factors — We may incur financial loss, adverse regulatory consequences or reputational damage due to inadequate or failed internal or external processes, people or systems or external events" and "Risk Factors — Some of our businesses are highly regulated and we could be adversely affected by temporary and permanent changes in regulations, regulatory policy and by compliance requirements, particularly for financial institutions, in markets in which we operate" on pages 29, 30, 32 and 33, respectively, of our 2009 Annual U.S. Disclosure Report.

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

### *APRA*

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

On September 11, 2009, APRA released for consultation proposals to enhance liquidity risk management by ADIs, following a review of its current prudential framework for ADI liquidity risk management, set out in its Prudential Standard APS 210: Liquidity ("APS 210"). See "Regulation and Supervision — Australia — APRA" beginning on page 77 of our 2009 Annual U.S. Disclosure Report posted on MGL's U.S. Investors' Website. Subject to industry feedback and ongoing international supervisory developments, APRA is expected to release a revised draft APS 210, an associated prudential practice guide, draft reporting standards and second-round draft reporting forms (including instructions) for further consultation early in 2010.

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

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

- extending the "going concern" cash flow projection requirement to all ADIs and lengthening the projection to at least 12 months;

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

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

If implemented as proposed, the key implications for MGL Group are the narrowing of the definition of "liquid assets" which could require us to hold lower yielding assets and significantly increased reporting requirements.

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

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

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

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

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

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

### *Changes to Remuneration Arrangements*

On March 31, 2009, MGL Group announced proposed changes to its remuneration arrangements consistent with global remuneration and regulatory trends. The key proposed change was an increase in the deferred portion of performance-based profit share, which is allocated as equity, for the Chief Executive Officer, Executive Committee members and Executive Directors, see "Macquarie Group Limited — Recent Developments — Changes to Remuneration Arrangements" on page 46 of our 2009 Annual U.S. Disclosure Report.

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

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

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

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

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

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

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

In addition, Executive Directors are now given the choice not to participate in the proposed arrangements announced on March 31, 2009 for pre-2009 retained amounts. As a result of this change the value applied to the grant of MGL Group shares is likely to be less than the A$500 million estimate described in our 2009 Annual U.S. Disclosure Report. We expect that equity participation will be facilitated by a new share issue, on-market share purchases or a combination of both, at the discretion of the Board, having regard to all relevant factors including prevailing market conditions. We expect that shares will be priced at the volume weighted average price from May 4, 2009 to July 29, 2009, which is now known to be A$36.36, compared to A$27.00 for the Institutional Placement and A$26.60 for the Share Purchase Plan as disclosed in "Trading Conditions and Market Update — Recent Developments — Capital Raisings" on page 47 of our 2009 Annual U.S. Disclosure Report.

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

### *Other regulators*

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

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

*Investors should be aware that the discussion set forth below is not complete and should be read in conjunction with the discussion under "Management's Discussion and Analysis of Results of Operations and Financial Condition" beginning on page 84 of our 2009 Annual U.S. Disclosure Report.*

**Our 2010 interim financial statements include our unaudited interim financial statements as at and for the half years ended September 30, 2009 and 2008 and are presented on the basis of our current operating groups and divisions, which are also our segments as reported in accordance with AGAAP. See "— Half year ended September 30, 2009 compared to half year ended September 30, 2008" for further information. Our 2008 annual financial statements included our audited financial statements as at and for the years ended March 31, 2008 and 2007, respectively, and were presented on the basis of our prior operating groups that existed during that period, which were also our segments as reported in accordance with AGAAP. See "— Year ended March 31, 2008 compared to year ended March 31, 2007" beginning on page 134 of our 2009 Annual U.S. Disclosure Report.**

During the 2009 fiscal year, MGL Group implemented a number of changes to its internal operating groups to realign the product offerings of each group more consistently. As a result of these changes, the operating segments of MGL Group (including MBL Group) for financial reporting purposes were also changed, and certain businesses and activities that formerly were part of the Non-Banking Group were transferred to MBL Group and certain businesses and activities that formerly were part of MBL Group were transferred to the Non-Banking Group. For further information on the internal reorganization of operating groups and the operating segments reported in our 2008 annual financial statements and our historical financial statements for prior fiscal years, see "Financial Information Presentation" beginning on page 11 and "Management's Discussion and Analysis of Results of Operations and Financial Condition" beginning on page 85, respectively, of our 2009 Annual U.S. Disclosure Report.

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

### Critical Accounting Policies and Significant Judgments

Note 2 to our 2009 annual financial statements provides a list of our significant accounting policies. While we regard all of our significant accounting policies as important to consider in evaluating our financial statements, further information on policies involving critical accounting estimates and requiring management's exercise of judgment is set out in detail under "Management's Discussion and Analysis of Results of Operations and Financial Condition" beginning on page 85 of our 2009 Annual U.S. Disclosure Report.

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

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

**Results overview**

| | Half Year ended | | | Movement[1] | |
|---|---|---|---|---|---|
| | **Sep 09** | **Mar 09** | **Sep 08** | **Mar 09** | **Sep 08** |
| **Income statement** | **A$m** | **A$m** | **A$m** | **%** | **%** |
| Net interest income | 425 | 418 | 520 | 2 | (18) |
| Fee and commission income | 1,882 | 1,890 | 2,155 | n/m | (13) |
| Net trading income | 633 | 435 | 722 | 46 | (12) |
| Share of net profits/(losses) of associates and joint ventures accounted for using the equity method | (197) | (44) | 118 | large | (267) |
| Other operating income and charges[2] | 362 | (143) | (545) | large | (166) |
| **Net operating income** | **3,105** | **2,556** | **2,970** | 21 | 5 |
| Employment expenses | (1,509) | (1,094) | (1,265) | 38 | 19 |
| Brokerage and commission expenses | (329) | (374) | (311) | (12) | 6 |
| Occupancy expenses | (251) | (241) | (152) | 4 | 65 |
| Non-salary technology expenses | (125) | (152) | (111) | (18) | 13 |
| Other operating expenses | (359) | (433) | (404) | (17) | (11) |
| **Total operating expenses** | **(2,573)** | **(2,294)** | **(2,243)** | 12 | 15 |
| Operating profit before income tax | 532 | 262 | 727 | 103 | (27) |
| Income tax benefit/(expense) | (36) | 64 | (79) | (156) | (54) |
| **Profit from ordinary activities after income tax** | **496** | **326** | **648** | 52 | (23) |
| **Profit attributable to minority interests** | **(17)** | **(59)** | **(44)** | (71) | (61) |
| **Profit attributable to ordinary equity holders of MGL** | **479** | **267** | **604** | 79 | (21) |
| **Key Operating Metrics** | | | | | |
| Expense to income ratio (%) | 82.9 | 89.7 | 75.5 | | |
| Compensation ratio (%) | 45.2 | 41.4 | 40.1 | | |
| Effective tax rate (%) | 7.0 | (19.9) | 11.6 | | |
| Basic earnings per share (cents per share) | 150.2 | 94.1 | 216.6 | | |
| Diluted earnings per share (cents per share) | 149.6 | 94.1 | 215.2 | | |
| Dividends per share (cents per share) | 86.0 | 145.0 | 145.0 | | |
| Dividend payout ratio (%) | 60.0 | 42.7 | 67.4 | | |
| Return on equity (%) | 9.6 | 6.0 | 13.9 | | |

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

2 "Other operating income and charges" includes A$602 million in total impairment charges and provisions (March 31, 2009: A$751 million, September 30, 2008: A$845 million).

Consolidated net profit after income tax attributable to ordinary equity holders of A$479 million for the half year ended September 30, 2009, decreased 21% from A$604 million in the prior corresponding period. The half year ended September 30, 2009 included significant write-downs, impairment provisions and equity accounted losses of A$758 million and negative fair value adjustments on fixed rate issued debt of A$252 million, which were offset by gains from liability management (MIPS, A$127 million and subordinated debt, A$55 million) and gains from listed fund initiatives totalling A$414 million (Macquarie Communications Infrastructure Group, MLT and MAp).

Net operating income for the half year ended September 30, 2009 of A$3,105 million, increased 5% from A$2,970 million in the prior corresponding period. This was largely driven by:

- a 27% increase in total operating income of A$645 million from Fixed Income, Currencies & Commodities, which was primarily driven by a A$213 million or 61% increase in net trading income to A$560 million in the half year ended September 30, 2009 from A$347 million in the prior corresponding period, primarily due to increased contributions from the energy markets-based commodities businesses (as a result of the Constellation Energy acquisition) and interest rate products, particularly from the Credit Trading and Emerging Markets divisions;

- an overall reduction in the total impairment charges and provisions of A$758 million (including A$602 million recognized in other operating income and charges – see footnote 2 in the table above) in aggregate for the half year ended September 30, 2009 compared to A$1,012 million in the prior corresponding period, including the following assets:

    - impairments and equity accounted losses of A$606 million (including in relation to listed Macquarie managed funds of A$45 million, real estate equity investments of A$92 million, United States' portfolio of asset backed securities held as available for sale of A$62 million, resources equity investments of A$2 million and other equity co-investments (net of equity accounted gains) of A$405 million);

    - loan impairments of A$131 million (including real estate loans of A$13 million, resources loans of A$50 million and remaining loans of A$68 million); and

    - impairments recognized on trading asset positions of A$21 million due to CLO / CDO exposures held in our trading portfolio. See "— Results Analysis — Impairment charges, equity accounted losses and provisions" below for further information; and

- the sale of management rights income of A$345 million in relation to the internalization of management of MAp during the half year ended September 30, 2009.

This increase in net operating income was offset by:

- a 13% decrease (A$273 million) in fee and commission income to A$1,882 million in the half year ended September 30, 2009 from A$2,155 million in the prior corresponding period, primarily from a A$167 million reduction in performance fee income due to lower equity indices impacting the values of listed securities, a A$47 million reduction in brokerage and commission income driven by lower equity market trading volumes and a A$25 million reduction in other fee and commission income due to lower platform fees as a result of the impact of negative equity market movements on Wrap Funds under Administration;

- a 18% decrease (A$95 million) in net interest income of A$425 million for the half year ended September 30, 2009, from A$520 million for the prior corresponding period, primarily due to a decrease in interest rates, lower average loan volumes and the cost of excess liquidity, which was partially offset by higher net margins;

- a 12% decrease (A$89 million) in net trading income to A$633 million, which was primarily driven by a A$282 million, or 120%, decrease in trading income from interest rate products to an expense of A$235 million in the half year ended September 30, 2009 from income of A$47 million in the prior corresponding period, primarily driven by a non-recurring expense of A$252 million relating to the fair value adjustment on fixed rate issued debt; and

- significant gross equity accounted losses of A$197 million due to share of net losses of associates and joint venture using the equity method.

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

Total operating expenses of A$2,573 million for the half year ended September 30, 2009, increased 15% from A$2,243 million in the prior corresponding period. This was largely driven by a 19% increase in employment expenses, to A$1,509 million for the half year ended September 30, 2009 from A$1,265 million in the prior corresponding period. The increase in employment expenses was driven by higher performance-related profit share expense. Increased employment expenses also resulted in an increase to the compensation ratio of 45.2% for the half year ended September 30, 2009 from 40.1% in the prior corresponding period. In addition, occupancy expenses of A$251 million for the half year ended September 30, 2009, increased 65% from A$152 million in the prior corresponding period due to new office space in Sydney, Hong Kong and London and recognition of the cost of future surplus leased space.

Income tax expense of A$36 million in the half year ended September 30, 2009 decreased 54% from A$79 million in the prior corresponding period, as a result of the reduction in net profit before income tax primarily due to the impairment charges. See "— Results analysis — Income tax expense" below for further information.

In May 2009, MGL Group undertook a A$540 million capital raising via an institutional private placement and in June 2009 completed a A$669 million share purchase plan. See "— Liquidity — Funding Transactions" for further information. As a result of these capital initiatives and the decrease in profit attributable to ordinary equity holders, return on equity for the half year ended September 30, 2009 was 9.6%, down from 13.9% from the prior corresponding period.

### Results analysis

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

***Net Interest Income***

| | Half Year ended | | | Movement | |
|---|---|---|---|---|---|
| | **Sep 09** | **Mar 09** | **Sep 08** | **Mar 09** | **Sep 08** |
| | **A$m** | **A$m** | **A$m** | **%** | **%** |
| **Net interest income** | | | | | |
| Interest revenue | 2,155 | 2,826 | 3,594 | (24) | (40) |
| Interest expense | (1,730) | (2,408) | (3,074) | (28) | (44) |
| **Net interest income (as reported)** | **425** | **418** | **520** | 2 | (18) |
| Adjustment for accounting for swaps[1] | (45) | (68) | 59 | (34) | (176) |
| **Net interest income (as adjusted)** | **380** | **350** | **579** | 9 | (34) |

1 Australian Accounting Standards require internal derivatives hedging interest rate risk (especially swaps) to be carried at fair value through trading income so that both sides are eliminated and only external derivatives can form part of a hedge relationship. This distorts the analysis of net interest income and trading income in each operating group. To assist in the analysis of net interest margins, the impact of accounting for swaps used to economically hedge interest rate risk that is included in trading income for statutory purposes, has been adjusted against net interest income and shown separately above.

Net interest income of A$380 million for the half year ended September 30, 2009, decreased 34% from A$579 million in the prior corresponding period after adjusting for amounts relating to the accounting for swaps that are classified as trading income (losses) for statutory purposes. This result is primarily driven by a decrease in earnings on capital due to lower interest rates, lower average loan volumes and the cost of excess liquidity. This was partially offset by higher net margins as discussed further below.

### *Analysis of net interest margins*

| | Half Year ended | | | Half Year ended | | | Half Year ended | | |
|---|---|---|---|---|---|---|---|---|---|
| | Sep 09 | | | Mar 09 | | | Sep 08 | | |
| | Interest | Average volume | Average Spread | Interest | Average volume | Average Spread | Interest | Average volume | Average Spread |
| | A$m | A$m | % | A$m | A$m | % | A$m | A$m | % |
| Mortgages | 100 | 23,110 | 0.87 | 106 | 25,561 | 0.83 | 79 | 28,918 | 0.55 |
| Other lending areas | 321 | 21,762 | 2.95 | 320 | 25,996 | 2.46 | 301 | 27,577 | 2.18 |
| **Total net interest margin from interest bearing assets** | **421** | **44,872** | 1.88 | **426** | **51,557** | 1.65 | **380** | **56,495** | 1.35 |
| Other net interest income/(expense) | (41) | | | (76) | | | 199 | | |
| **Total net interest income (as adjusted)** [1] | **380** | | | **350** | | | **579** | | |

[1] Australian Accounting Standards require internal derivatives hedging interest rate risk (especially swaps) to be carried at fair value through trading income so that both sides are eliminated and only external derivatives can form part of a hedge relationship. This distorts the analysis of net interest income and trading income in each operating group. To assist in the analysis of net interest margins, the impact of accounting for swaps used to economically hedge interest rate risk that is included in trading income for statutory purposes, has been adjusted against net interest income and shown separately. Refer to the table above under "— Net Interest Income".

*Mortgages*

Net interest income from mortgage assets of A$100 million increased 27% from A$79 million in the prior corresponding period as average margins increased from 55 basis points in the prior corresponding period to 87 basis points in the half year ended September 30, 2009. The Canadian mortgages business continued to participate in the Canadian Mortgage Bond program and has benefited from improved margins over the prior corresponding period. Average mortgages volumes have decreased 20% from A$28.9 billion at September 30, 2008 to A$23.1 billion at September 30, 2009 due to the continuing run-off of the Australian residential mortgage portfolio. The Australian mortgage book has decreased 25% to A$15.9 billion at September 30, 2009 from A$21.2 billion at September 30, 2008.

Refer to "Segment Overview — Banking & Financial Services" for further discussion on Mortgages.

*Other lending areas*

Net interest income from other lending areas of A$321 million for the half year ended September 30, 2009 increased 7% from A$301 million in the prior corresponding period. Average margins increased from 218 basis points in the prior corresponding period to 295 basis points in the half year ended September 30, 2009, in part due to a change in the product mix including an increase in higher yielding loans with Corporate & Asset Finance. Overall, average volumes have decreased 21% to A$21.8 billion at September 30, 2009 from A$27.6 billion at September 30, 2008 due to the sale of the majority of the margin lending business in January 2009 combined with a decrease in real estate loans and structured finance loans since September 30, 2008.

*Other net interest income/(expense)*

Other net interest income/(expense) includes earnings on capital offset by costs associated with excess liquidity and the funding cost of non-interest bearing assets. The decrease of A$240 million in other net interest income/(expense) to an expense of A$41 million for the half year ended September 30, 2009 from A$199 million income in the prior corresponding period was mainly due to decreased earnings on capital resulting from lower interest rates combined with the cost of holding excess liquidity, which carries a negative spread. The negative spread was a result of the rate at which debt was issued being higher than yields generated by the cash and liquid securities in which the funds are invested. The higher cost of funding includes the cost of the Commonwealth Large Deposits and Wholesale Funding Guarantee Scheme on certain issued debt and deposits.

*Fee and commission income*

| | Half Year ended | | | Movement[1] | |
|---|---|---|---|---|---|
| | Sep 09 | Mar 09 | Sep 08 | Mar 09 | Sep 08 |
| | A$m | A$m | A$m | % | % |
| **Fee and commission income** | | | | | |
| Base fee income | 442 | 467 | 454 | (5) | (3) |
| Performance fee income | 52 | 15 | 219 | 247 | (76) |
| Mergers and acquisitions, advisory and underwriting fees | 596 | 615 | 614 | (3) | (3) |
| Brokerage and commissions | 546 | 444 | 593 | 23 | (8) |
| Income from life investment contracts and other unit holder investment assets | 13 | 38 | 17 | (66) | (24) |
| Other fee and commission income | 233 | 311 | 258 | (25) | (10) |
| **Total fee and commission income** | **1,882** | **1,890** | **2,155** | n/m | (13) |

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

Fee and commission income of A$1,882 million for the half year ended September 30, 2009, decreased 13% from A$2,155 million in the prior corresponding period, primarily due to a 76% decline in performance fees due to a significant performance fee on the termination of the advisory agreement with Bristol Airports Bermuda Limited (formerly Macquarie Airports Group Limited) recognized in the prior corresponding period.

*Base and performance fees*

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

Base fees of A$442 million for the half year ended September 30, 2009, decreased 3% from A$454 million of base fees earned in the prior corresponding period. Base fees are generally driven by total Assets under Management, which decreased 10% to A$216.2 billion as at September 30, 2009 from A$239.2 billion as at September 30, 2008. The fall in base fees was primarily due to reductions in market capitalizations of Macquarie Capital listed funds and a reduction in Assets under Management in the Cash Management Trust of Banking & Financial Services, as investors switched to Government guaranteed cash products, including MBL's new Cash Management Account. See "Recent Developments — Funds Management Business — MGL Group and the Non-Banking Group" for further information on Assets under Management during the period.

Performance fees of A$52 million for the half year ended September 30, 2009, decreased 76% from A$219 million in the prior corresponding period. The reduction is largely as a result of market conditions which continued to drive significant falls in the prices of listed securities, making out performance of the relevant benchmarks difficult to achieve. A significant contributor for the half year ended September 30, 2009 was performance fees from the sale of the Kukdong building by Macquarie Central Office CR-REIT (A$34 million) and the prior corresponding period included a significant performance fee on the termination of the advisory agreement with Bristol Airports Bermuda Limited (formerly Macquarie Airports Group Limited).

A split of base and performance fees received from listed and unlisted funds is provided in the table below.

| | Half year ended | | | Movement[1] | |
|---|---|---|---|---|---|
| | Sep 09 | Mar 09 | Sep 08 | Mar 09 | Sep 08 |
| | A$m | A$m | A$m | % | % |
| **Base Fees** | | | | | |
| ***Macquarie Capital*** | | | | | |
| Listed funds | 51 | 50 | 90 | 2 | (43) |
| Unlisted funds | 184 | 206 | 160 | (11) | 15 |
| Managed assets | 8 | 12 | 6 | (33) | 33 |
| **Total Macquarie Capital** | **243** | **268** | **256** | (9) | (5) |
| ***Real Estate Banking*** | | | | | |
| Listed funds | 25 | 13 | 10 | 92 | 150 |
| Unlisted funds | - | 1 | 1 | (100) | (100) |
| Managed assets | - | - | 1 | n/m | (100) |
| **Total Real Estate Banking** | **25** | **14** | **12** | 79 | 108 |
| Macquarie Funds | 72 | 76 | 66 | (5) | 9 |
| Banking & Financial Services | 102 | 109 | 120 | (6) | (15) |
| **Total base fee income** | **442** | **467** | **454** | (5) | (3) |

| | Half year ended | | | Movement[1] | |
|---|---|---|---|---|---|
| | Sep 09 | Mar 09 | Sep 08 | Mar 09 | Sep 08 |
| | A$m | A$m | A$m | % | % |
| **Performance Fees** | | | | | |
| ***Macquarie Capital*** | | | | | |
| Listed funds | – | 2 | 27 | (100) | (100) |
| Unlisted funds | 7 | 6 | 126 | 17 | (94) |
| Managed assets | 5 | – | 57 | n/m | (91) |
| **Total Macquarie Capital** | **12** | **8** | **210** | 50 | (94) |
| ***Real Estate Banking*** | | | | | |
| Listed funds | 34 | – | – | n/m | n/m |
| Unlisted funds | – | – | 1 | – | (100) |
| Managed assets | 1 | 1 | – | – | |
| **Total Real Estate Banking** | **35** | **1** | **1** | n/m | n/m |
| Macquarie Funds | 5 | 6 | 8 | (17) | (38) |
| **Total performance fee income** | **52** | **15** | **219** | 247 | (76) |

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

*Mergers and acquisitions, advisory and underwriting fees*

Mergers and acquisitions, advisory and underwriting fees of A$596 million for the half year ended September 30, 2009, decreased 3% from A$614 million in the prior corresponding period. The volume of deals in which Macquarie Capital participated for the half year ended September 30, 2009 (182 deals valued at A$57 billion) was comparable to the prior corresponding period (164 deals valued at A$83 billion), which included a large one-off transaction valued at A$34 billion. Significant advisory fees were received from the Victorian Desalination Project and Rio Tinto's renounceable rights issue. For further information on significant advisory deals completed by Macquarie Capital for the half year ended September 30, 2009, see "— Segment analysis — Macquarie Capital — Mergers and acquisitions, advisory and underwriting income" below.

*Brokerage and commissions*

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

Brokerage and commissions income of A$546 million for the half year ended September 30, 2009, decreased 8% from A$593 million in the prior corresponding period, primarily due to lower fees from institutional broking services as overall equity market turnover was down 16% in Australia and 4% in Asia (excluding Japan) for the half year ended September 30, 2009, compared to the prior corresponding period.

In addition, retail broking fees in Macquarie Private Wealth were also lower, as the business experienced a 12% decline in volumes on the prior corresponding period largely in line with market turnover.

*Other fee and commission income*

Other fee and commission income of A$233 million for the half year ended September 30, 2009, decreased 10% from A$258 million in the prior corresponding period. This decrease was largely due to lower platform fees as a result of lower average Wrap Funds under Administration, which was impacted negatively by equity market movements during the half year ended September 30, 2009. The Australian Wrap platform closed at A$21.6 billion at September 30, 2009, down from A$21.0 billion at September 30, 2008.

*Income from life investment contracts and other unit holder investment assets*

Income from life investment contracts and other unit holder investment assets includes income from the provision of life insurance by Macquarie Life and True Index income earned on funds managed by Macquarie Funds. Income from this category was A$13 million for the half year ended September 30, 2009, which is a 24% decrease from A$17 million in the prior corresponding period, primarily due to a decline in funds managed resulting from reduced equity values.

***Trading income***

A complete representation of our trading activities is not shown by the composition of trading income set out below as it excludes interest revenue and expense, brokerage and commission revenue and expense, and operating costs of trading activities. To obtain a complete view of the performance of our trading activities, see "— Segment Overview — Fixed Income, Currencies & Commodities" and "— Segment Overview — Macquarie Securities".

| | Half Year ended | | | Movement[1] | |
|---|---|---|---|---|---|
| | **Sep 09** | **Mar 09** | **Sep 08** | **Mar 09** | **Sep 08** |
| | **A$m** | **A$m** | **A$m** | **%** | **%** |
| **Net trading income** | | | | | |
| Equities | 407 | (219) | 363 | (286) | 12 |
| Commodities | 353 | 405 | 178 | (13) | 98 |
| Foreign exchange products | 108 | (2) | 134 | large | (19) |
| Interest rate products | (190) | 319 | (12) | (159) | large |
| **Net trading income (adjusted)** | **678** | **503** | **663** | 35 | 2 |
| Adjustment for swaps[2] | (45) | (68) | 59 | (34) | (176) |
| **Net trading income (as reported)** | **633** | **435** | **722** | 46 | (12) |

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

2 Australian Accounting Standards require internal derivatives hedging interest rate risk (especially swaps) to be carried at fair value through trading income so that both sides are eliminated and only external derivatives can form part of a hedge relationship. This distorts the analysis of net interest income and trading income in each operating group. To assist in the analysis of net interest margins, the impact of accounting for swaps used to economically hedge interest rate risk that is included in trading income for statutory purposes, has been adjusted against net interest income and shown separately above.

Net trading income of A$633 million for the half year ended September 30, 2009 decreased 12% from A$722 million in the prior corresponding period after adjusting for amounts relating to the accounting for swaps that are classified as trading income (loss) for statutory purposes. The main driver of this decrease was a loss of A$190 million in interest rate products income compared to income of A$12 million in the prior corresponding period, primarily due to fair value adjustment on fixed rate issued debt of A$252 million.

*Equities*

Trading income from equity products for the half year ended September 30, 2009 of A$407 million, increased 12% from A$363 million in the prior corresponding period. Arbitrage trading activities continued to contribute strongly to trading profits as a result of favorable spreads on exchange traded instruments particularly in the Taiwanese, Indian and Korean markets. However, derivatives revenues, notably in Asian and European equity markets, were down on the prior corresponding period, reflecting lower volumes in higher margin retail structured products. In addition, the trading result for the prior corresponding period included mark-to-market losses of A$20 million on BrisConnections.

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

*Commodities*

Commodity products income for the half year ended September 30, 2009 of A$353 million, increased 98% from A$178 million in the prior corresponding period. The increase in commodities trading income (including metals, energy and agricultural products) was primarily driven by improved market conditions including higher volatility, wider margins, an exit of competitors across a number of its markets and the acquisition of Constellation Energy in March 2009.

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

Trading income from the Agricultural Commodities business for the half year ended September 30, 2009 was up on the prior corresponding period, primarily as a result of higher volatility in soft commodity markets, a return of confidence in agricultural markets and freight markets improving from extreme lows.

The Metals and Energy Capital division was again a significant contributor during the half year ended September 30, 2009, with metals prices, particularly gold, recovering from recent decline.

*Foreign exchange products*

Trading income on foreign exchange products of A$108 million for the half year ended September 30, 2009, decreased 19% from A$134 million in the prior corresponding period. Both volatility and volumes were down on the prior corresponding period largely due to a fall in foreign exchange market volumes globally as a result of a reduction in global risk capital, lower commodity prices and subdued trading numbers.

*Interest rate products*

Trading income from interest rate products contributed a loss of A$190 million for the half year ended September 30, 2009, a significant decrease from a loss of A$12 million in the prior corresponding period. The half year ended September 30, 2009, included a net loss of A$252 million relating to the fair value adjustment on fixed rate issued debt (A$320 million due to reduced credit rate spreads offset by a A$68 million gain due to an increased discount rate). In the prior corresponding period a net A$20 million gain was recognized. Excluding the fair value adjustment on fixed rate issued debt, income from interest rate products was A$62 million, up from a loss of A$32 million in the prior corresponding period.

The Credit Trading division (established in June 2008) and the Emerging Markets division were the largest contributors during the half year ended September 30, 2009. Significant improvement in the Australian credit market and spreads across all markets translated to an increase in income for the Debt Markets division, which reported a 279% increase in net profit.

### *Share of net profits of associates*

| | Half Year ended | | | Movement[1] | |
|---|---|---|---|---|---|
| | Sep 09 | Mar 09 | Sep 08 | Mar 09 | Sep 08 |
| | A$m | A$m | A$m | % | % |
| **Share of net profits/(losses) of associates and joint ventures using the equity method** | **(197)** | **(44)** | **118** | large | (267) |

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

Share of equity accounted losses of associates and joint ventures was A$197 million for the half year ended September 30, 2009, compared to a net gain of A$118 million in the prior corresponding period. Equity accounted losses related to investments where MGL is both the fund manager and has an equity investment in the fund were the main contributors. The main change from the prior corresponding period were the impact of the global financial crisis on the underlying results of the investments. See "Recent Developments — Trading Conditions and Market Update" above for further information.

The half year ended September 30, 2009 comprises gross equity accounted gains of A$117 million, offset by gross equity accounted losses of A$314 million (of which A$62 million related to the equity accounting impact of fees to terminate management arrangements, see "— Other operating income and charges" and "— Segment analysis — Macquarie Capital" below) and A$255 million of equity accounted losses on other investments.

### *Other operating income and charges*

| | Half Year ended | | | Movement[1] | |
|---|---|---|---|---|---|
| | Sep 09 | Mar 09 | Sep 08 | Mar 09 | Sep 08 |
| | A$m | A$m | A$m | % | % |
| Net gains on sale of investment securities available for sale | 35 | 18 | 125 | 94 | (72) |
| Net gains on sale of associates (including associates held for sale) and joint ventures | 49 | 18 | 63 | 172 | (22) |
| Gain on acquiring, disposing and change in ownership interest in subsidiaries and businesses held for sale | 260 | 263 | 60 | (1) | large |
| Impairment charge on investment securities available for sale | (69) | (168) | (138) | (59) | (50) |
| Impairment charge on investments in associates (including associates held for sale) and joint ventures | (359) | (168) | (546) | 114 | (34) |
| Impairment charge on disposal groups held for sale | - | 5 | (197) | (100) | (100) |
| Impairment charge on non-financial assets | (43) | (75) | – | (43) | n/m |
| Sale of management rights | 345 | – | – | n/m | n/m |
| Gain on repurchase of debt | 55 | – | – | n/m | n/m |
| Net operating lease income | 76 | 109 | 74 | (30) | 3 |
| Net operating income from disposal groups held for sale | – | 71 | 20 | (100) | (100) |
| Dividends/distributions received/receivable | 21 | 12 | 37 | 75 | (43) |
| Collective allowance for credit losses during the period | 3 | (95) | 5 | (103) | (40) |
| Specific provisions | (134) | (245) | (166) | (45) | (19) |
| Other income | 123 | 112 | 118 | 10 | 4 |
| **Total other operating income and charges** | **362** | **(143)** | **(545)** | large | (166) |

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

Total other operating income and charges increased to A$362 million for the half year ended September 30, 2009, compared to a loss of A$545 million in the prior corresponding period largely due to lower impairment charges and the fee to terminate management arrangements in relation to MAp of A$345 million (see "Recent Developments — Recent Developments within MGL Group — Macquarie Capital" for further information), offset to some extent by lower net gains on sale of investment securities available for sale. See "— Operating expenses" for further detail on impairment charges, including specific provisions and collective allowance for credit losses.

Net gains on sale of equity investments (including available for sale, associates and joint venture investments) of A$84 million for the half year ended September 30, 2009, decreased 55% from A$188 million in the prior corresponding period. Gains recognized in the half year ended September 30, 2009 were predominately from sales of interests in Moto Hospitality and Puget Energy. The prior period included gains from the sale of Macquarie Capital's residual holding in Dyno Nobel and Boart Longyear.

The gain on deconsolidation of controlled entities for the half year ended September 30, 2009 of A$260 million increased significantly from A$60 million in the prior corresponding period largely due to the sale of Macquarie Communications Infrastructure Management Limited as part of Canada Pension Plan Investment Board's acquisition of Macquarie Communications Infrastructure Group. In addition, the financing of the acquisition of £158 million of MIPS in June 2009 contributed A$127 million during the period.

The sale of management rights income of A$345 million related to the internalization of management of MAp was recognized during the half year ended September 30, 2009.

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

Operating lease income of A$76 million for the half year ended September 30, 2009 was broadly in line with A$74 million in the prior corresponding period.

Dividends and distributions received of A$21 million for the half year ended September 30, 2009 decreased 43% from A$37 million in the prior corresponding period as a number of companies cut dividends to preserve capital during the global financial crisis.

***Impairment charges, equity accounted losses and provisions***

*Reconciliation to the statutory income statement*

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

| | Half Year ended | | | Movement | |
|---|---|---|---|---|---|
| | **Sep 09** | **Mar 09** | **Sep 08** | **Mar 09** | **Sep 08** |
| | **A$m** | **A$m** | **A$m** | **%** | **%** |
| Impairment charge on investment securities available for sale | (69) | (168) | (138) | (59) | (50) |
| Impairment charge on investments in associates (including associates held for sale) and joint ventures | (359) | (168) | (546) | 114 | (34) |
| Impairment charge on non-financial assets | (43) | (75) | – | (43) | – |
| Collective allowance for credit losses during the period | 3 | (95) | 5 | (103) | (40) |
| Specific provisions | (134) | (245) | (166) | (45) | (19) |
| Share of net gains/(losses) of associates and joint ventures using the equity method (excluding MAp)[1] | (135) | (44) | 118 | 207 | (214) |
| Impairment charge on disposal groups held for sale | – | 5 | (197) | (100) | (100) |
| Net trading losses[2] | (21) | (221) | (88) | (90) | (76) |
| **Total impairment charges and provisions** | **(758)** | **(1,011)** | **(1,012)** | (25) | (25) |

1 Equity accounted losses are included on the basis that impairment write-downs may have been recognized on MGL's co-investments if such losses had not been recognized. The amount shown above excludes equity accounted losses from MAp. See "— Operating expenses" for further information.

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

*Details of impairment charges and provisions*

| | Half Year ended Sep 09 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Macquarie Capital** | **Fixed Income, Currencies & Commodities** | **Macquarie Securities** | **Banking & Financial Services** | **Macquarie Funds** | **Corporate & Asset Finance** | **Real Estate Banking** | **Corporate** | **Total** |
| | **A$m** | **A$m** | **A$m** | **A$m** | **A$m** | **A$m** | **A$m** | **A$m** | **A$m** |
| **Impairments and equity accounted gains/losses** | | | | | | | | | |
| Listed MGL Group-managed funds | (26) | – | – | – | – | – | (16) | (3) | (45) |
| Real estate equity investments | – | – | – | – | – | – | (90) | (2) | (92) |
| US portfolios of asset backed securities held as available for sale | (62) | – | – | – | – | – | – | – | (62) |
| Resources equity investments | – | (2) | – | – | – | – | – | – | (2) |
| Other equity co-investments (net of equity accountant gains) | (432) | 3 | 1 | (3) | 1 | 1 | 23 | 1 | (405) |
| **Total** | (520) | 1 | 1 | (3) | 1 | 1 | (83) | (4) | (606) |
| **Loan impairment** | | | | | | | | | |
| Real estate loans | – | – | – | – | – | – | (13) | – | (13) |
| Resources loans | – | (50) | – | – | – | – | – | – | (50) |
| Corporate & Asset Finance leasing and lending | – | – | – | – | – | (28) | – | – | (28) |
| Banking & Financial Services business banking | – | – | – | (14) | – | – | – | – | (14) |
| Other loans | (9) | – | – | (15) | (2) | – | – | – | (26) |
| | (9) | (50) | – | (29) | (2) | (28) | (13) | – | (131) |
| **Impairments recognized on trading asset positions** | | | | | | | | | |
| CLO/CDO exposures held in trading portfolio | – | (21) | – | – | – | – | – | – | (21) |
| **Total impairment charges and provisions** | **(529)** | **(70)** | **1** | **(32)** | **(1)** | **(27)** | **(96)** | **(4)** | **(758)** |

Total impairment charges and provisions contributed a loss of A$758 million in aggregate for the half year ended September 30, 2009, a 25% decrease from A$1,012 million in the prior corresponding period. The half year ended September 30, 2009 included:

- impairments and equity accounted losses of A$606 million predominantly in Macquarie Capital and Real Estate Banking (including in relation to listed Macquarie Capital-managed funds of A$45 million, real estate equity investments of A$92 million, United States' portfolio of asset backed securities held as available for sale of A$62 million, resources equity investments of A$2 million and other equity co-investments (net of equity accounted gains) of A$405 million) compared to A$566 million in the prior corresponding period, which included A$197 million in relation to losses recognized on the sale of the Italian Mortgages portfolio;

- loan impairments of A$131 million predominantly in Fixed Income, Currencies & Commodities, Banking & Financial Services and Corporate & Asset Finance (including real estate loans of A$13 million, resources loans of A$50 million and other loans of A$68 million) compared to A$161 million in the prior corresponding period; and

- impairments recognized on trading asset positions of A$21 million due to CLO/CDO exposures held in our trading portfolio compared to A$88 million in the prior corresponding period.

A summary of our critical accounting policies relating to impairment charges and provisions is set forth under "— Critical Accounting Policies and Significant Judgments" beginning on page 85, respectively, of our 2009 Annual U.S. Disclosure Report.

***Operating expenses***

| | Half Year ended | | | Movement[1] | |
|---|---|---|---|---|---|
| | **Sep 09** | **Mar 09** | **Sep 08** | **Mar 09** | **Sep 08** |
| | **A$m** | **A$m** | **A$m** | **%** | **%** |
| **Operating expenses** | | | | | |
| Employment expenses: | | | | | |
| Salary, commissions, superannuation and performance-related profit share | (1,333) | (999) | (1,099) | 33 | 21 |
| Share based payments | (58) | (64) | (64) | (9) | (9) |
| Provision for annual leave | (10) | 1 | (20) | large | (50) |
| Provision for long service leave | (1) | 5 | (7) | (120) | (86) |
| **Total compensation expenses** | **(1,402)** | **(1,057)** | **(1,190)** | 33 | 18 |
| Other employment expenses including on-costs, staff procurement and staff training | (107) | (37) | (75) | 189 | 43 |
| **Total employment expenses** | **(1,509)** | **(1,094)** | **(1,265)** | 38 | 19 |
| Brokerage and commission expenses | (329) | (374) | (311) | (12) | 6 |
| Occupancy expenses | (251) | (241) | (152) | 4 | 65 |
| Non-salary technology expenses | (125) | (152) | (111) | (18) | 13 |
| Professional fees | (128) | (191) | (134) | (33) | (4) |
| Travel and entertainment | (68) | (102) | (102) | (33) | (33) |
| Advertising and communication | (42) | (45) | (47) | (7) | (11) |
| Other expenses | (121) | (95) | (121) | 27 | – |
| **Total operating expenses** | **(2,573)** | **(2,294)** | **(2,243)** | 12 | 15 |

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

Operating expenses of A$2,573 million for the half year ended September 30, 2009 increased 15% from A$2,243 million in the prior corresponding period, primarily due to increased employment and occupancy expenses.

Employment expenses of A$1,509 million for the half year ended September 30, 2009 increased 19% from A$1,265 million in the prior corresponding period. The main driver was increased profit share expense, with the overall compensation ratio increasing from 40.1% in the prior corresponding period to 45.2% for the half year ended September 30, 2009.

Brokerage and commission expense for the half year ended September 30, 2009 of A$329 million increased 6% from A$311 million in the prior period, primarily due to the increased volumes of client trading as global market conditions improved.

Occupancy costs of A$251 million for the half year ended September 30, 2009 increased 65% from A$152 million in the prior corresponding period, mainly due to the occupation of new offices in Sydney, Hong Kong and London. An additional expense was also recognized for the cost of future surplus leased space in accordance with accounting standards.

Non-salary technology expenses of A$125 million for the half year ended September 30, 2009 were up 13% on prior corresponding period due to increased expenditure on new and upgraded systems.

Professional fees of A$128 million for the half year ended September 30, 2009 decreased 4% on the prior corresponding period and travel and entertainment expenses of A$68 million decreased 33% on the prior corresponding period, respectively, and such decreases were due to reduced investment banking activity and a focus on costs during the period.

Other expenses of A$121 million for the half year ended September 30, 2009, were in line with the prior corresponding period and consisted of memberships, donations and non-recoverable GST on acquisitions.

### *Headcount*

Our total headcount of 12,758 at September 30, 2009 decreased 8% from 13,898 at September 30, 2008, primarily due to a reduction in some operating groups as a response to the global financial crises, which was offset by the integration of Tristone Capital and Constellation Energy, which added over 200 staff predominantly in the Americas.

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

| | Half Year ended | | | Movement[1] | |
|---|---|---|---|---|---|
| | Sep 09 | Mar 09 | Sep 08 | Mar 09 | Sep 08 |
| | | | | % | % |
| ***Headcount by operating group*** | | | | | |
| Macquarie Capital | 2,403 | 2,617 | 3,049 | (8) | (21) |
| Banking & Financial Services | 2,628 | 2,598 | 2,779 | 1 | (5) |
| Macquarie Securities | 1,512 | 1,540 | 1,777 | (2) | (15) |
| Fixed Income, Currencies & Commodities | 796 | 680 | 677 | 17 | 18 |
| Treasury and Commodities | | | 677 | | |
| Macquarie Funds | 561 | 583 | 572 | (4) | (2) |
| Real Estate Banking | 118 | 136 | 214 | (13) | (45) |
| Corporate & Asset Finance | 574 | 539 | 546 | 6 | 5 |
| **Total headcount – operating groups** | **8,592** | **8,693** | **9,614** | (1) | (11) |
| **Total headcount – service areas** | **4,166** | **4,023** | **4,284** | 4 | (3) |
| **Total headcount** | **12,758** | **12,716** | **13,898** | n/m | (8) |

| | Half Year ended | | | Movement[1] | |
|---|---|---|---|---|---|
| | Sep 09 | Mar 09 | Sep 08 | Mar 09 | Sep 08 |
| | | | | % | % |
| ***Headcount by region*** | | | | | |
| Australia | 7,026 | 7,243 | 7,898 | (3) | (11) |
| International: | | | | | |
| Americas | 2,197 | 1,931 | 1,991 | 14 | 10 |
| Asia Pacific | 2,183 | 2,207 | 2,496 | (1) | (13) |
| Europe, Africa and Middle East | 1,352 | 1,335 | 1,513 | 1 | (11) |
| **Total headcount – International** | **5,732** | **5,473** | **6,000** | 5 | (4) |
| **Total headcount** | **12,758** | **12,716** | **13,898** | n/m | (8) |
| International headcount ratio (%) | 45 | 43 | 43 | 5 | 5 |

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

***Income tax expense***

| | Half Year ended | | |
|---|---|---|---|
| | Sep 09 | Mar 09 | Sep 08 |
| | A$m | A$m | A$m |
| **Net profit before tax** | **532** | **262** | **727** |
| Add back: write-downs and impairment charges | 758 | 1,011 | 1,012 |
| **Net profit before impairments and tax** | **1,290** | **1,273** | **1,739** |
| Prima facie tax @ 30% | 387 | 382 | 522 |
| Income tax permanent differences | (124) | (143) | (139) |
| **Income tax expense (before effect of impairments)** | **263** | **239** | **383** |
| Implied effective tax rate (%)[1] | 21% | 20% | 23% |
| Prima facie tax of write-downs and impairment charges @ 30% | (227) | (303) | (304) |
| Income tax expense/(benefit) | 36 | (64) | 79 |
| Actual effective tax rate (%)[1] | 7 | (32) | 12 |

1 The effective tax rate is calculated on net profit before tax and after minority interests. Minority interests reduce net profit before tax by A$17 million, A$59 million and A$44 million for the half year ended September 30, 2009, March 31, 2009 and September 30, 2008, respectively.

The effective tax rate differs from the Australian company income tax rate due to permanent differences arising from the income tax treatment of certain income and expenses, as well as tax rate differentials on some of the income earned offshore, and the non-deductibility of certain expenses, including employee options expense and interest payments made under the Macquarie Income Securities.

The effective tax rate for the half year ended September 30, 2009 was 7.0%, down from 11.6% in the prior corresponding period. Overall, income tax expense decreased 54% to A$36 million from A$79 million for the prior corresponding period. The effective tax rate has been impacted by the following items:

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

- Net profit before income tax for the half year ended September 30, 2009 decreased 27% from A$727 million in the prior corresponding period, to A$532 million, which had the effect of reducing prima facie income tax expense by A$135 million compared to the prior corresponding period.

## Segment Overview

*Summary of segment results*

| | Macquarie Capital | Fixed Income, Currencies & Commodities | Macquarie Securities | Macquarie Funds | Banking & Financial Services | Corporate & Asset Finance | Real Estate Banking | Corporate | Total |
|---|---|---|---|---|---|---|---|---|---|
| | A$m | A$m | A$m | A$m | A$m | A$m | A$m | A$m | A$m |
| **Half Year ended September 30, 2009** | | | | | | | | | |
| Net interest income/(expense) ................ | (125) | 46 | (25) | 27 | 254 | 143 | (8) | 113 | 425 |
| Fee and commission income.................. | 777 | 68 | 502 | 109 | 360 | 6 | 63 | (3) | 1,882 |
| Trading income...................................... | 57 | 514 | 291 | 16 | (1) | 32 | (1) | (275) | 633 |
| Share of net profits of associates and JVs using the equity method .............. | (184) | 3 | 1 | 7 | – | 1 | (21) | (4) | (197) |
| Other operating income and charges ...... | 210 | (14) | 2 | 3 | (29) | 26 | (52) | 216 | 362 |
| Internal revenue | 64 | 28 | 11 | 2 | 4 | 14 | (9) | (114) | - |
| Total operating income .......................... | 799 | 645 | 782 | 164 | 588 | 222 | (28) | (67) | 3,105 |
| Total operating expenses ........................ | (470) | 277 | (463) | (127) | (448) | (94) | (28) | (666) | (2,573) |
| Profit before tax | 329 | 368 | 319 | 37 | 140 | 128 | (56) | (733) | 532 |
| Tax expense | – | – | – | – | – | – | – | (36) | (36) |
| Profit attributable to minority interests | 2 | – | – | 1 | (3) | (1) | – | (16) | (17) |
| **Net Profit / (Loss) contribution** ........... | **331** | **368** | **319** | **38** | **137** | **127** | **(56)** | **(785)** | **479** |
| **Half Year ended March 31, 2009** | | | | | | | | | |
| Net interest income/(expense) ................ | (212) | 60 | (39) | 33 | 223 | 81 | 28 | 244 | 418 |
| Fee and commission income.................. | 995 | 99 | 372 | 140 | 312 | 6 | 26 | (60) | 1,890 |
| Trading income...................................... | (173) | 520 | (52) | (6) | (28) | (9) | (5) | 188 | 435 |
| Share of net profits of associates and JVs using the equity method .............. | (46) | 61 | – | (17) | (4) | (1) | (40) | 3 | (44) |
| Other operating income and charges ...... | 56 | (239) | (2) | 3 | 5 | 7 | (178) | 205 | (143) |
| Internal revenue | 91 | 29 | 112 | 3 | 6 | 8 | (1) | (248) | – |
| Total operating income .......................... | 711 | 530 | 391 | 156 | 514 | 92 | (170) | 332 | 2,556 |
| Total operating expenses ........................ | (728) | (306) | (559) | (146) | (435) | (79) | (51) | 10 | (2,294) |
| Profit before tax | (17) | 224 | (168) | 10 | 79 | 13 | (221) | 342 | 262 |
| Tax expense | - | - | - | - | - | - | - | 64 | 64 |
| Profit attributable to minority interests | (31) | - | - | - | (4) | (1) | - | (23) | (59) |
| **Net Profit / (Loss) contribution** ........... | **(48)** | **224** | **(168)** | **10** | **75** | **12** | **(221)** | **383** | **267** |

| | Macquarie Capital | Fixed Income, Currencies & Commodities | Macquarie Securities | Macquarie Funds | Banking & Financial Services | Corporate & Asset Finance | Real Estate Banking | Corporate | Total |
|---|---|---|---|---|---|---|---|---|---|
| | A$m | A$m | A$m | A$m | A$m | A$m | A$m | A$m | A$m |
| **Half Year ended September 30, 2008** | | | | | | | | | |
| Net interest income/(expense) ................ | (169) | (26) | 52 | 32 | 202 | 48 | (32) | 413 | 520 |
| Fee and commission income.................. | 1,083 | 67 | 472 | 145 | 385 | 8 | 23 | (28) | 2,155 |
| Trading income...................................... | (66) | 373 | 414 | (4) | (10) | – | (1) | 16 | 722 |
| Share of net profits of associates and JVs using the equity method .............. | 56 | 8 | 3 | 5 | (3) | – | 45 | 4 | 118 |
| Other operating income and charges ...... | (252) | 48 | 3 | 2 | (255) | 54 | (122) | (23) | (545) |
| Internal revenue | 165 | 37 | 9 | 1 | (28) | 9 | (11) | (182) | – |
| Total operating income........................... | 817 | 507 | 953 | 181 | 291 | 119 | (98) | 200 | 2,970 |
| Total operating expenses ........................ | (512) | (223) | (510) | (146) | (463) | (64) | (43) | (282) | (2,243) |
| Profit before tax...................................... | 305 | 284 | 443 | 35 | (172) | 55 | (141) | (82) | 727 |
| Tax expense........................................... | – | – | – | – | – | – | – | (79) | (79) |
| Profit attributable to minority interests... | – | 1 | – | – | (2) | (1) | – | (42) | (44) |
| **Net Profit / (Loss) contribution** ........... | **305** | **285** | **443** | **35** | **(174)** | **54** | **(141)** | **(203)** | **604** |

***Basis of preparation***

*MGL Group segments*

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

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

- Macquarie Capital
- Fixed Income, Currencies & Commodities (formerly Treasury & Commodities)
- Macquarie Securities
- Banking & Financial Services
- Macquarie Funds

The divisions are:

- Corporate & Asset Finance
- Real Estate Banking

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

*MGL operating group restructures*

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

*Internal transactions*

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

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

*Internal funding arrangements*

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

*Transactions between operating groups*

Operating groups that enter into arrangements with other operating groups must do so on commercial terms. There is a requirement for accounting symmetry in such transactions, and a profit in one operating group must be offset with an equal and opposite loss in the other operating group.

*Service area recoveries*

Service areas recover their costs to operating groups on either a time and effort allocation basis or a fee for service basis. Where appropriate, recoveries include a relevant profit mark-up, for example charges for services that cross tax jurisdictions.

*Internal management revenue/(charges)*

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

*Presentation of segment income statements*

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

*Macquarie Capital*

| | Half Year ended | | | Movement[1] | |
|---|---|---|---|---|---|
| | Sep 09 | Mar 09 | Sep 08 | Mar 09 | Sep 08 |
| | A$m | A$m | A$m | % | % |
| **Net interest income/(expense)** | (125) | (212) | (169) | (41) | (26) |
| Fee and commission income | | | | | |
| Base fees | 243 | 268 | 256 | (9) | (5) |
| Performance fees | 12 | 8 | 210 | 50 | (94) |
| Mergers and acquisitions, advisory and underwriting | 566 | 590 | 566 | (4) | - |
| Brokerage and commissions | 30 | 34 | 27 | (12) | 11 |
| Other fee and commission income / (expenses) | (74) | 95 | 24 | large | large |
| **Total fee and commission income** | **777** | **995** | **1,083** | (22) | (28) |
| **Net trading income** | **57** | **(173)** | **(66)** | (133) | (186) |
| **Share of net profits of associates and joint ventures using the equity method** | **(184)** | **(46)** | **56** | 300 | large |
| **Other operating income and charges** | | | | | |
| Net gains on sale of equity investments | 57 | 30 | 181 | 90 | (69) |
| Impairment charge on equity investments | (369) | (148) | (548) | 149 | (33) |
| Impairment charge on non-financial assets | (29) | – | – | – | – |
| Net operating income from disposal groups held for sale | – | 73 | 21 | (100) | (100) |
| Gain on acquiring, disposing and change in ownership interest in subsidiaries and businesses held for sale | 131 | 9 | 61 | large | 115 |
| Sale of management rights | 345 | – | – | – | – |
| Net operating lease income | 38 | 40 | 30 | (5) | (26) |
| Specific provisions and collective allowance for credit losses | (9) | (16) | (17) | (44) | (47) |
| Other income | 46 | 68 | 20 | (32) | 130 |
| **Total other operating income and charges** | **210** | **56** | **(252)** | 275 | (183) |
| **Internal revenue[2]** | **64** | **91** | **165** | (30) | (61) |
| **Total operating income** | **799** | **711** | **817** | 12 | (2) |
| **Operating expenses** | | | | | |
| Employment expenses | (235) | (354) | (264) | (34) | (11) |
| Brokerage and commission expenses | (20) | (89) | (8) | (78) | 150 |
| Other operating expenses | (215) | (285) | (240) | (25) | (10) |
| **Total operating expenses** | **(470)** | **(728)** | **(512)** | (35) | (8) |
| Minority interests[3] | 2 | (31) | - | (106) | n/m |
| Net profit /(loss) contribution | 331 | (48) | 305 | large | 9 |
| **Non-GAAP metrics** | | | | | |
| Equity under management (A$ billion) | 50.0 | 53.3 | 55.8 | (6) | (10) |
| Assets under Management (A$ billion) | 130.7 | 159.5 | 158.0 | (18) | (17) |
| Headcount | 2,403 | 2,617 | 3,049 | (8) | (21) |

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

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

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

Macquarie Capital's net profit contribution of A$331 million for the half year ended September 30, 2009, increased 9% from A$305 million in the prior corresponding period. This was primarily due to lower impairment charges on equity investments compared to the prior corresponding period and non-recurring income from the sale of MAp management rights, offset by lower performance fees.

*Net interest income/(expense)*

Net interest expense of A$125 million for the half year ended September 30, 2009, decreased 26% from A$169 million in the prior corresponding period. This reduction mainly reflects interest expense on borrowings for principal investments, which decreased in line with lower interest rates during the half year ended September 30, 2009, compared to the prior corresponding period.

*Base fee income*

Base fee income of A$243 million for the half year ended September 30, 2009, decreased 5% from A$256 million in the prior corresponding period. Significant base fees from listed funds recognized included fees derived from management of MIG (A$16 million) and MAp (A$18 million).

This decrease in base fees was primarily as a result of lower Equity under Management primarily due to the disposal of the Macquarie Communications Infrastructure Group manager and lower listed security prices, which was partially offset by movements in foreign exchange rates.

*Performance fee income*

Performance fees of A$12 million for the half year ended September 30, 2009, decreased 94% from A$210 million in the prior corresponding period. Minimal performance fees were generated for the half year ended September 30, 2009, as most funds did not outperform predetermined benchmarks. A significant contributor to the prior corresponding period was the performance fee on the termination of the advisory agreement with Bristol Airports Bermuda Limited (formerly Macquarie Airports Group Limited).

*Mergers and acquisitions, advisory and underwriting income*

Mergers and acquisitions, advisory and underwriting income of A$566 million for the half year ended September 30, 2009, was in line with the prior corresponding period. The volume of deals in which we participated for the half year ended September 30, 2009 (182 deals valued at approximately A$57 billion) was lower in value than the prior corresponding period (164 deals valued at approximately A$83 billion), which included a large one-off deal valued at A$34 billion.

Significant advisory deals completed for the half year ended September 30, 2009 included:

- Sponsor, adviser and debt and equity underwriter for the A$4.9 billion Victorian Desalination Project;
- Joint global co-ordinator and joint underwriter for Rio Tinto's global US$15.2 billion renounceable rights issue;
- Adviser to Macquarie Communications Infrastructure Group on the CPPIB take-over;
- Adviser to Goodman Group on its recapitalization including A$4.1 billion debt restructuring, A$1.3 billion equity raising, A$500 million hybrid securities issue to China Investment Corporation and A$300 million China real estate joint venture; and
- Adviser to PaperlinX on the sale of its A$760 million paper business to Nippon Paper Industries.

*Net trading income*

The net trading income of A$57 million for the half year ended September 30, 2009 increased significantly from a loss of A$66 million in the prior corresponding period. The half year ended September 30, 2009 included a realized profit of A$8 million in relation to a United States' listed investment while the prior corresponding period included a mark-to-market write-down A$20 million in relation to the holding in BrisConnections and other investments carried at fair value through profit or loss. The loss for the half year ended March 31, 2009 of A$173 million included mark-to-market losses of A$129 million (including trading losses of A$101 million in relation to a United States listed investment).

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

Net equity accounted losses of A$184 million for the half year ended September 30, 2009 decreased significantly from net profit of A$56 million in the prior corresponding period. This was driven by a deterioration of the results of investments, due to the global financial crisis. Net equity accounted losses of A$8 million were booked for the half year ended September 30, 2009 for listed associates, including MIG. Equity accounting losses recognized in relation to unlisted associates of A$179 million reflected the impairment of some investments held by unlisted associates during the half year ended September 30, 2009. This was offset by equity accounted profits in relation to unlisted associates of A$65 million. In addition, Macquarie Capital recognized an equity accounted loss of A$62 million from its investment in MAp.

*Net gains on sale of equity investments*

Net gains on sale of equity investments of A$57 million for the half year ended September 30, 2009 decreased 69% from A$181 million in the prior corresponding period. The net gain for the half year ended September 30, 2009 included the sale of investments in listed securities held as available for sale and the sale or partial sale of unlisted assets classified as held for sale. Contributors to this income included the sale of Moto Hospitality and Puget Energy. The prior corresponding period included income from the sale of the residual holdings in Boart Longyear and Dyno Nobel.

*Impairment charges on equity investments*

Impairment charges on equity investments of A$369 million for the half year ended September 30, 2009, decreased 33% from A$548 million in the prior corresponding period. These charges related to the write-down of unlisted equity investments of A$307 million and the write-down of the United States portfolio of asset-backed securities held as available for sale of A$62 million.

Total impairment charges for the year ended March 31, 2009 were A$696 million (A$548 million for the half year ended September 30, 2008 and A$148 million in the half year ended March 31, 2009). These charges related to the write-down of holdings in listed securities of $355 million (including Macquarie Infrastructure Group, Macquarie Infrastructure Company, Macquarie Media Group, DUET and BrisConnections), certain unlisted equity accounted investments (A$286 million), and the write-down of a United States portfolio of asset-backed securities held as available for sale (A$55 million).

*Impairment charge on non-financial assets*

The impairment charge on non-financial assets of A$29 million for the half year ended September 30, 2009 related to the impairment of goodwill relating to a consolidated investment. There were no impairment charges on non-financial assets in the prior corresponding period.

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

The gain on acquiring, disposing and change in ownership interest in subsidiaries and businesses held for sale of A$131 million for the half year ended September 30, 2009, increased 115% from A$61 million for the prior corresponding period. The main contributor to the gain in the half year ended September 30, 2009 was income of A$57 million from the sale of Macquarie Communications Infrastructure Management Limited and income in relation to the internalization of management of MLT. The prior corresponding period included the sale of the Longview Oil and Gas assets and Red Bee Media.

*Sale of management rights*

Sale of management rights of A$345 million for the half year ended September 30, 2009 was a non-recurring gain on the termination of management arrangements in relation to MAp. There were no gains on sale of management rights in the prior corresponding period.

*Operating expenses*

Operating expenses of A$470 million for the half year ended September 30, 2009, decreased 8% from A$512 million in the prior corresponding period. Employment expenses of A$235 million for the half year ended September 30, 2009 decreased 11% from A$264 million in the prior corresponding period, primarily reflecting a 21% decrease in headcount for the half year ended September 30, 2009 compared to the prior corresponding period.

Brokerage and commission expenses of A$20 million for the half year ended September 30, 2009, increased 150% from A$8 million in the prior corresponding period, due to increased activity within the Reinsurance business compared with the prior corresponding period.

Other operating expenses of A$215 million for the half year ended September 30, 2009 decreased 10% from A$240 million in the prior corresponding period. The decrease was primarily due to a decrease in occupancy costs (including rent), other direct costs and recoveries due to the decrease in average headcount compared to the prior corresponding period.

*Fixed Income, Currencies & Commodities*

| | Half Year ended | | | Movement[1] | |
|---|---|---|---|---|---|
| | Sep 09 | Mar 09 | Sep 08 | Mar 09 | Sep 08 |
| | A$m | A$m | A$m | % | % |
| **Net trading income (including net interest income)[2]** | | | | | |
| Commodities | 379 | 425 | 225 | (11) | 68 |
| Foreign exchange products | 58 | 74 | 90 | (22) | (36) |
| Interest rate products | 123 | 81 | 32 | 52 | 284 |
| **Net trading income (including net interest income)** | **560** | **580** | **347** | (3) | 61 |
| **Fee and commission income** | | | | | |
| Brokerage and commissions | 35 | 49 | 37 | (29) | (5) |
| Other fee and commission income | 33 | 50 | 30 | (34) | 10 |
| **Total fee and commission income** | **68** | **99** | **67** | (31) | 1 |
| **Share of net profits of associates and joint ventures using the equity method** | **3** | **61** | **8** | (95) | (63) |
| **Other operating income and charges** | | | | | |
| Net gains/(losses) on sale of equity investments | 26 | (6) | 16 | large | 63 |
| Impairment charge on equity investments[3] | (2) | (88) | (32) | (98) | (94) |
| Specific provisions and collective allowance for credit losses[3] | (50) | (148) | (12) | (66) | large |
| Other income | 12 | 3 | 76 | large | (84) |
| **Total other operating income and charges** | **(14)** | **(239)** | **48** | (94) | (129) |
| **Internal revenue[4]** | **28** | **29** | **37** | (3) | (24) |
| **Total operating income** | **645** | **530** | **507** | 22 | 27 |
| **Operating expenses** | | | | | |
| Employment expenses | (96) | (103) | (72) | (7) | 33 |
| Brokerage and commission expenses | (55) | (50) | (41) | 10 | 34 |
| Other operating expenses | (126) | (153) | (110) | (18) | 15 |
| **Total operating expenses** | **(277)** | **(306)** | **(223)** | (9) | 24 |
| Minority interests[5] | - | - | 1 | - | (100) |
| **Net profit/(loss) contribution** | **368** | **224** | **285** | 64 | 29 |
| | | | | | |
| **Non-GAAP metrics** | | | | | |
| Headcount | 796 | 680 | 677 | 17 | 18 |

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

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

3 In addition to the equity impairments and credit losses shown above, impairments taken through trading income totaled A$21 million for the half year ended September 30, 2009 (half year ended March 31, 2009; A$29 million; half year ended September 30, 2008; A$21 million).

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

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

Fixed Income, Currencies & Commodities' net profit contribution of A$368 million for the half year ended September 30, 2009 increased 29% from A$285 million in the prior corresponding period primarily due to increased trading income, particularly commodities and interest rate products trading.

*Commodities trading income*

Commodities trading income for the half year ended September 30, 2009 of A$379 million, increased 68% from A$225 million in the prior corresponding period.

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

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

The Metals and Energy Capital division was again a significant contributor during the half year, with all metals prices recovering, particularly gold.

*Foreign exchange products trading income*

Trading income on foreign exchange products of A$58 million for the half year ended September 30, 2009, decreased 36% from A$90 million in the prior corresponding period. Volatility and volumes were down significantly on the prior corresponding period, driven largely by a fall in foreign exchange market volumes globally as a result of a reduction in global risk capital, lower commodity prices and subdued trade numbers.

*Interest rate products trading income*

Trading income on interest rate products of A$123 million for the half year ended September 30, 2009, increased 284% from A$32 million in the prior corresponding period. The Credit Trading division (established in June 2008) and the Emerging Markets division were the largest contributors during the half year ended September 30, 2009. Significant improvement in the Australian credit market and spreads across all markets translated to an increase in income for the Debt Markets division, which reported in 279% increase in net profit. The half year ended September 30, 2009 included mark-to-market write-downs of A$21 million on CLO/CDO investments. Mark-to-market write-downs on CLO/CDO investments of A$21 million were also recognized in the prior corresponding period.

*Fee and commission income*

Fee and commission income of A$68 million for the half year ended September 30, 2009 broadly in line with income of A$67 million in the prior corresponding period. The Futures division, which remains the key contributor to this income category, experienced similar levels of activity as the prior corresponding period.

*Net gains/(losses) on sale of equity investments*

Net gains on sale of equity investments of A$26 million for the half year ended September 30, 2009 increased 63% from A$16 million in the prior corresponding period due to the timing of sales transactions.

*Impairment charges on equity investments*

Impairment charges on equity investments of A$2 million for the half year ended September 30, 2009 increased from A$32 million in the prior corresponding period. The A$32 million impairment charge in the prior corresponding period related to equity investments in the resources sector.

*Specific provisions and collective allowance for credit losses*

Net loan provisions of A$50 million for the half year ended September 30, 2009 increased significantly from A$12 million in the prior corresponding period. The half year ended September 30, 2009 included A$48 million in specific provisions raised in relation to the energy capital and agricultural commodities sectors and an increase in the collective allowance for credit losses of A$2 million.

*Other Income*

Other income of A$12 million for the half year ended September 30, 2009 decreased 84% from A$76 million in the prior corresponding period. This decrease reflected the gain on sale of a number of resource-related net profit interests (a right to a share of the production or the proceeds from production derived from petroleum and natural gas rights without the obligation to pay any of the costs of exploration and development) in the Metals and Energy Capital Division in the prior corresponding period that were not repeated in the half year ended September 30, 2009.

*Operating expenses*

Total operating expenses of A$277 million for the half year ended September 30, 2009 increased 24% from A$223 million in the prior corresponding period. Employment expenses of A$96 million for the half year ended September 30, 2009 increased 33% from A$72 million in the prior corresponding period, which was driven by an 18% increase in headcount due to the acquisition of Constellation Energy. Other operating expenses of A$126 million for the half year ended September 30, 2009 increased 15% from A$110 million in the prior corresponding period, mainly as a result of increased investment in the Credit Trading business and integration expenses associated with the acquisition of Constellation Energy.

*Macquarie Securities*

| | Half Year ended | | | Movement[1] | |
|---|---|---|---|---|---|
| | Sep 09 | Mar 09 | Sep 08 | Mar 09 | Sep 08 |
| | A$m | A$m | A$m | % | % |
| **Net trading income(including net interest income)[2]** | **266** | **(91)** | **466** | large | (43) |
| **Fee and commission income** | | | | | |
| Brokerage and commissions | 374 | 281 | 407 | 33 | (8) |
| Other fee and commission income | 128 | 91 | 65 | 41 | 97 |
| **Total fee and commission income** | **502** | **372** | **472** | 35 | 6 |
| **Share of net profits of associates and joint ventures using the equity method** | **1** | **–** | **3** | – | (67) |
| **Other operating income and charges** | **2** | **(2)** | **3** | 200 | (33) |
| **Internal revenue[3]** | **11** | **112** | **9** | (90) | 22 |
| **Total operating income** | **782** | **391** | **953** | 100 | (18) |
| **Operating expenses** | | | | | |
| Employment expenses | (128) | (197) | (142) | (35) | (10) |
| Brokerage and commission expenses | (140) | (110) | (146) | 27 | (4) |
| Other operating expenses | (195) | (252) | (222) | (23) | (12) |
| Total operating expenses | (463) | (559) | (510) | (17) | (9) |
| **Net profit/(loss) contribution** | **319** | **(168)** | **443** | 290 | (28) |
| | | | | | |
| **Non-GAAP metrics** | | | | | |
| Headcount | 1,512 | 1,540 | 1,777 | (2) | (15) |

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

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

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

Macquarie Securities' net profit contribution of A$319 million for the half year ended September 30, 2009 decreased 28% from A$443 million in the prior corresponding period primarily due to lower trading income, partially offset by higher fee and commission income.

*Net trading income (including net interest income)*

Net trading income from equity products (including net interest income) of A$266 million for the half year ended September 30, 2009 decreased 43% from A$466 million in the prior corresponding period. Derivatives revenues, although improved over the period, were down on the prior corresponding period, reflecting weaker volumes in higher margin retail structured products. Structured Equity Finance revenues were down significantly on the prior corresponding period as a result of lower volumes as customers became more risk averse. Arbitrage Trading activities have continued to contribute strongly to trading profits as a result of favorable spreads in exchange traded instruments, particularly in Taiwanese, Indian and Korean markets. The lower net trading result for the half year ended March 31, 2009 was due to substantially lower demand for listed/structured products and unprecedented volatility during the half year ended March 31, 2009. The net trading result for the half year ended March 31, 2009 also included A$35 million of losses on BrisConnections and the impact of some MGL Group funding transactions that were offset with internal management revenue.

*Fee and commission income*

Fee and commission income of A$502 million for the half year ended September 30, 2009 increased 6% from A$472 million in the prior corresponding period. This income category largely consists of brokerage and commission income, which predominantly includes transaction related fees from cash equities services provided to institutional clients, including internal clients.

Brokerage and commission income of A$374 million for the half year ended September 30, 2009 decreased 8% from A$407 million in the prior corresponding period. Brokerage and commission income predominantly includes transaction related fees from cash equities services provided to institutional clients, including internal clients. In Australia, ASX market turnover decreased 16% from the prior corresponding period, and across Asian markets (excluding Japan) total market turnover decreased 4% from the prior corresponding period, with market share across Australia and Asia relatively flat on prior corresponding period. Average commissions achieved were reduced due to increasing proportion of lower margin electronic trading. The decrease in income was slightly offset by the continued growth in secondary market brokerage from the United States and European greenfield businesses.

Other fee and commission income of A$128 million for the half year ended September 30, 2009 increased 97% from A$65 million in the prior corresponding period. Other fee and commission income consists primarily of equity capital markets fees. Capital raising activity was strong during the half year ended September 30, 2009, with notable transactions for the period, including Rio Tinto's US$15.2 billion renounceable rights issue featuring Macquarie Securities as joint global co-ordinator, underwriter and bookrunner.

*Operating expenses*

Total operating expenses of A$463 million for the half year ended September 30, 2009 decreased 9% from A$510 million in the prior corresponding period, primarily due to lower employment and other operating expenses.

Employment expenses of A$128 million for the half year ended September 30, 2009 decreased 10% from A$142 million in the prior corresponding period. The decrease was mainly driven by a 15% reduction in headcount from 1,777 at September 30, 2008 to 1,512 at September 30, 2009. The reduction in headcount was in direct response to deteriorating market conditions experienced during the half year ended March 31, 2009.

Brokerage and commission expenses of A$140 million for the half year ended September 30, 2009 decreased 4% from A$146 million in the prior corresponding period. The decrease in brokerage and commission expenses was driven by lower trading volumes during the half year ended September 30, 2009 and is in line with the decrease in brokerage and commission income.

Other operating expenses of A$195 million for the half year ended September 30, 2009 decreased 12% from A$222 million in the prior corresponding period. The decrease was predominantly driven by a 15% reduction in headcount and a focus on expense rationalization.

*Banking & Financial Services*

| | Half Year ended | | | Movement[1] | |
|---|---|---|---|---|---|
| | Sep 09 | Mar 09 | Sep 08 | Mar 09 | Sep 08 |
| | A$m | A$m | A$m | % | % |
| **Net interest income/(expense)** | **254** | **223** | **202** | 14 | 26 |
| **Fee and commission income** | | | | | |
| Base fees | 102 | 109 | 120 | (6) | (15) |
| Brokerage and commissions | 105 | 80 | 118 | 31 | (11) |
| Other fee and commission income | 135 | 107 | 133 | 26 | 2 |
| Income from life insurance business and other unit holder businesses | 18 | 16 | 14 | 13 | 29 |
| **Total fee and commission income** | **360** | **312** | **385** | 15 | (6) |
| **Net trading income** | **(1)** | **(28)** | **(10)** | (96) | (90) |
| **Share of net profits of associates and joint ventures using the equity method** | **–** | **(4)** | **(3)** | (100) | (100) |
| **Other operating income and charges** | | | | | |
| Net gains on sale of equity investments | – | (2) | – | (100) | – |
| Impairment charge on equity investments and disposal groups held for sale | (3) | (6) | (208) | (83) | (100) |
| Impairment charge on non-financial assets | (2) | (2) | – | – | n/m |
| Gain on acquiring, disposing and change in ownership interest in subsidiaries and businesses held for sale | – | 56 | 1 | (100) | (100) |
| Specific provisions and collective allowance for credit losses | (29) | (45) | (51) | (36) | (43) |
| Other income | 3 | 4 | 3 | (25) | – |
| **Total other operating income and charges** | **(29)** | **5** | **(255)** | large | (89) |
| Internal revenue[3] | 4 | 6 | (28) | (33) | (114) |
| **Total operating income** | **588** | **514** | **291** | 14 | 102 |
| **Operating expenses** | | | | | |
| Employment expenses | (182) | (180) | (214) | 1 | (15) |
| Brokerage and commission expenses | (65) | (73) | (67) | (11) | (3) |
| Other operating expenses | (201) | (182) | (182) | 10 | 10 |
| Total operating expenses | (448) | (435) | (463) | 3 | (3) |
| Minority interests[4] | (3) | (4) | (2) | (25) | 50 |
| **Net profit / (loss) contribution** | **137** | **75** | **(174)** | 83 | (179) |
| | | | | | |
| **Non-GAAP metrics** | | | | | |
| Assets under Management[5] (A$ billion) | 17.0 | 19.2 | 21.2 | (11) | (20) |
| Funds under management/advice/administration[6] (A$ billion) | 115.3 | 104 | 116.1 | 11 | (1) |
| Headcount | 2,628 | 2,598 | 2,779 | 1 | (5) |

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

2 In addition to the equity impairments and credit losses shown above, impairments taken through trading income totalled nil for the half year ended September 30, 2009 (half year ended 31 March 2009: nil; half year ended September 30, 2008: A$20 million).

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

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

5 The Macquarie Cash Management Trust, included in Assets under Management above, is a Banking & Financial Services product that is managed by Macquarie Funds. The Cash Management Trust closed at A$12.5 billion at September 30, 2009 (March 31, 2009: A$14.7 billion; September 30, 2008: A$16.1 billion).

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

Banking & Financial Services' net profit contribution of A$137 million for the half year ended September 30, 2009 increased 179% from a loss contribution of A$174 million in the prior corresponding period, which included a loss of A$272 million on the Italian Mortgages portfolio. Excluding the impact of the Italian Mortgages portfolio loss, the result for the half year ended September 30, 2009 increased 40% on the prior corresponding period.

*Net interest income/(expense)*

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

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

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

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

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

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

*Base fees*

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

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

*Brokerage and commissions*

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

*Other fee and commission income*

Other fee and commission income of A$135 million for the half year ended September 30, 2009 increased 2% from A$133 million in the prior corresponding period. The main contributor was platform and other administration fee income of A$63 million, which declined 14% from A$73 million in the prior corresponding period due to lower average Wrap Funds under Administration. Funds under Administration on the Australian Wrap platform closed at A$21.6 billion at September 30, 2009, which was up 3% on September 30, 2008 and up 23% on March 31, 2009, due to improved inflows and market movements. Net inflows were A$1.7 billion and market movements were A$2.4 billion positive for the half year ended September 30, 2009, compared to net inflows of A$0.8 billion and negative market movements of A$4.3 billion for the half year ended March 31, 2009.

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

*Net trading income*

Net trading income was a loss of A$1 million for the half year ended September 30, 2009 increased from a net trading loss of A$10 million in the prior corresponding period due to a A$20 million mark-to-market loss on BrisConnections in the prior corresponding period. The gain in the current half was due to foreign exchange gains. The prior corresponding period included losses on listed equity investments held by Macquarie Private Wealth.

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

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

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

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

*Specific provisions and collective allowance for credit losses*

Specific provisions and collective allowance for credit losses of A$29 million for the half year ended September 30, 2009 decreased 43% from A$51 million in the prior corresponding period due to the closure of the Consumer Lending business and the winding down of the mortgages portfolio in Australia. Specific provisions and allowance for credit losses on the United States mortgage portfolio decreased 33% in the half year ended September 30, 2009 when compared to the half year ended September 30, 2008.

*Operating expenses*

Total operating expenses of A$448 million for the half year ended September 30, 2009 decreased 3% from A$463 million in the prior corresponding period.

The decrease was mainly in employment expenses which were down 15% on the prior corresponding period to A$182 million as a result of a 5% reduction in headcount and lower commissions paid to some staff (predominately financial planners and advisers) due to decreased brokerage and commission income.

The increase in other operating expenses of 10% to A$201 million for the half year ended September 30, 2009 was largely due to expenses associated with deposit generating activities.

*Macquarie Funds*

| | Half Year ended | | | Movement[1] | |
|---|---|---|---|---|---|
| | Sep 09 | Mar 09 | Sep 08 | Mar 09 | Sep 08 |
| | A$m | A$m | A$m | % | % |
| **Net interest income/(expense)** | **27** | **33** | **32** | (18) | (16) |
| **Fee and commission income** | | | | | |
| Base fees | 72 | 76 | 66 | (5) | 9 |
| Performance fees | 5 | 6 | 8 | (17) | (38) |
| Other fee and commission income | 32 | 58 | 71 | (45) | (55) |
| **Total fee and commission income** | **109** | **140** | **145** | (22) | (25) |
| **Net trading income** | **16** | **(6)** | **(4)** | large | large |
| **Share of net profits of associates and joint ventures using the equity method** | **7** | **(17)** | **5** | (141) | 40 |
| **Other operating income and charges** | | | | | |
| Impairment charge on equity investments | (6) | (5) | – | 20 | – |
| Specific provisions and collective allowance for credit losses | (2) | (9) | – | (78) | – |
| Other income | 11 | 17 | 2 | (35) | large |
| **Total other operating income and charges** | 3 | 3 | 2 | – | 50 |
| **Internal revenue[2]** | 2 | 3 | 1 | (33) | 100 |
| **Total operating income** | **164** | **156** | **181** | 5 | (9) |
| **Operating expenses** | | | | | |
| Employment expenses | (47) | (61) | (44) | (23) | 7 |
| Brokerage and commission expenses | (27) | (27) | (45) | – | (40) |
| Other operating expenses | (53) | (58) | (57) | (9) | (7) |
| **Total operating expenses** | **(127)** | **(146)** | **(146)** | (13) | (13) |
| Minority interests[3] | 1 | – | – | – | – |
| **Net profit/(loss) contribution** | **38** | **10** | **35** | 280 | 9 |
| | | | | | |
| **Non-GAAP metrics** | | | | | |
| Assets under Management[4] (A$ billion) | 58.0 | 49.7 | 44.8 | 17 | 29 |
| Headcount[5] | 561 | 583 | 572 | (4) | (2) |

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

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

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

4 The Macquarie Cash Management Trust, included in Banking & Financial Services Assets under Management above, is a Banking & Financial Services product that is managed by Macquarie Funds. The Cash Management Trust closed at A$12.5 billion at September 30, 2009 (March 31, 2009 A$14.7 billion; September 30, 2008 A$16.1 billion).

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

Macquarie Fund's net profit contribution of A$38 million for the half year ended September 30, 2009 increased 9% from A$35 million in the prior corresponding period primarily due to increased base fees and lower brokerage and commissions expenses.

*Net interest income/(expense)*

Net interest income of A$27 million for the half year ended September 30, 2009 decreased 16% from A$32 million in the prior corresponding period. The decrease was largely driven by lower interest revenue as a result of redemptions from retail loans issued to investors as part of Macquarie Fund's structured investment offerings, including the reFleXion and Gateway products.

*Base fees*

Base fee income of A$72 million for the half year ended September 30, 2009 increased 9% from A$66 million in the prior corresponding period. Base fee income was higher due to the acquisition of Four Corners in October 2008 and Allegiance Capital in January 2009 and strong inflows for the Fixed Interest, Currencies & Commodities asset class over the past twelve months. This was partially offset by the impact of a decrease in Assets under Management across most other asset classes, particularly Listed Equities and Real Estate Securities.

Total Assets under Management of A$58.0 billion at September 30, 2009 increased 29% from A$44 billion at September 30, 2008 and included A$5.1 billion from the acquisition of the remaining shares in Allegiance Investment Management in January. See "Recent Developments — Funds Management Business—MBL Group and the Non-Banking Group" for further information on Assets under Management by operating group.

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

*Performance fees*

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

*Other fee and commission income*

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

Other fee and commission income of A$32 million for the half year ended September 30, 2009 decreased 55% from A$71 million in the prior corresponding period. Structuring fees were significantly down on the prior corresponding period due to lower Australian and European retail product raisings. Wholesale threshold management fees also declined as the base on which these were earned was affected by adverse market conditions. True Index fees also decreased compared to the strong result in the prior corresponding period. These decreases were partially offset by the receipt of non-recurring service fees.

*Net trading income*

Net trading income of A$16 million for the half year ended September 30, 2009 increased from a loss of A$4 million in the prior corresponding period. The result was drawn by performance of seed capital positions as well as increased income from some derivative products offered by the Investment Solutions and Sales division.

*Other income*

Other income of A$11 million for the half year ended September 30, 2009 increased significantly from A$2 million in the prior corresponding period. The half year ended September 30, 2009 result includes distributions from Macquarie Fund's seed investments, which were minimal in the prior corresponding period.

*Operating expenses*

Total operating expenses of A$127 million for the half year ended September 30, 2009 decreased 13% from A$146 million in the prior corresponding period. The decrease was primarily driven by lower brokerage and commission expenses, which were A$27 million for the half year ended September 30, 2009, down 40% from A$45 million in the prior corresponding period predominantly due to lower structured product raisings in the half year ended September 30, 2009.

*Corporate & Asset Finance*

| | Half Year ended | | | Movement[1] | |
|---|---|---|---|---|---|
| | Sep 09 | Mar 09 | Sep 08 | Mar 09 | Sep 08 |
| | A$m | A$m | A$m | % | % |
| **Net interest income/(expense)** | **143** | **81** | **48** | 77 | 198 |
| **Fee and commission income/(expenses)** | **6** | **6** | **8** | – | (25) |
| **Net trading income** | **32** | **(9)** | **–** | large | large |
| **Share of net profits of associates and joint ventures using the equity method** | **1** | **(1)** | **–** | 100 | large |
| **Other operating income and charges** | | | | | |
| Impairment charge on equity investments | – | (33) | – | (100) | – |
| Net operating lease income | 33 | 70 | 44 | (53) | (25) |
| Specific provisions and collective allowance for credit losses | (28) | (33) | (11) | (15) | 155 |
| Other income | 21 | 3 | 21 | large | – |
| Other operating income and charges | 26 | 7 | 54 | large | (51) |
| Internal revenue[2] | 14 | 8 | 9 | 75 | 56 |
| Total operating income | 222 | 92 | 119 | 142 | 87 |
| **Operating expenses** | | | | | |
| Employment expenses | (40) | (42) | (33) | (5) | 21 |
| Other operating expenses | (54) | (37) | (31) | 46 | 74 |
| Total operating expenses | (94) | (79) | (64) | 19 | 47 |
| **Minority interests[3]** | **(1)** | **(1)** | **(1)** | – | – |
| **Net profit/ (loss) contribution** | **127** | **12** | **54** | large | 135 |
| **Non-GAAP metrics** | | | | | |
| Headcount | 574 | 539 | 546 | 6 | 5 |

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

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

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

Corporate & Asset Finance's net profit contribution of A$127 million for the half year ended September 30, 2009 increased 135% from A$54 million in the prior corresponding period primarily due to increased net interest income and net trading income.

*Net interest income*

Net interest income of A$143 million for the half year ended September 30, 2009 increased 198% from A$48 million in the prior corresponding period. The increase in net interest income was primarily a result of higher margins and volumes in the loan and finance lease portfolios. Average spread on these portfolios was assisted by a greater mix of higher margin products and increased approximately 1.5% during the half year ended September 30, 2009 compared to the prior corresponding period. The loan portfolio increased substantially to A$5.2 billion at September 30, 2009 from A$838 million at September 30, 2008, largely due to increased corporate lending. See "Recent Developments — Recent Developments within MGL Group" for more information.

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

*Net trading income*

Net trading income of A$32 million for the half year ended September 30, 2009 increased from nil in the prior corresponding period, primarily due to mark-to-market gains on options and equity securities.

*Impairment charge on equity investments*

There were no impairment charges on equity investments during the half year ended September 30, 2009. The impairment charge of A$33 million recognized in the prior period was held against inventories of off-lease assets.

*Specific provisions and collective allowance for credit losses*

Specific provisions and collective allowance for credit losses of A$28 million for the half year ended September 30, 2009 increased 155% from A$11 million in the prior corresponding period, primarily as a result of the substantial growth in the loan and lease portfolio, which increased 49% to A$11.3 billion at September 30, 2009 from A$7.6 billion at September 30, 2008.

*Net operating lease income*

Net operating lease income of A$33 million (net of depreciation) for the half year ended September 30, 2009, decreased 25% from A$44 million in the prior corresponding period largely due to a decrease in the operating lease portfolio since September 30, 2008 due to reduced demand for operating lease assets during the period.

*Operating expenses*

Total operating expenses of A$94 million for the half year ended September 30, 2009 increased 47% from A$64 million in the prior corresponding period. This increase was primarily in other expenses, which included higher transaction costs associated with an increased number of transactions for the half year ended September 30, 2009, which were primarily attributable to a 49% growth in Corporate & Asset Finance's loan and lease portfolio to A$11.3 billion at September 30, 2009 from A$7.6 billion at September 30, 2008. Senior hires during the period impacted employment expenses, which increased 21% to A$40 million in the half year ended September 30, 2009, from A$33 million in the prior corresponding period.

*Real Estate Banking*

| | Half Year ended | | | Movement[1] | |
|---|---|---|---|---|---|
| | Sep 09 | Mar 09 | Sep 08 | Mar 09 | Sep 08 |
| | A$m | A$m | A$m | % | % |
| **Net interest income/(expense)** | **(8)** | **28** | **(32)** | (129) | (75) |
| **Fee and commission income** | | | | | |
| Base fees | 25 | 14 | 12 | 79 | 108 |
| Performance fees | 35 | 1 | 1 | large | – |
| Mergers and acquisitions, advisory and underwriting | – | 10 | 1 | (100) | (100) |
| Other fee and commission income | 3 | 1 | 9 | 200 | (67) |
| **Total fee and commission income** | **63** | **26** | **23** | 142 | 174 |
| **Net trading income / (expense)** | **(1)** | **(5)** | **(1)** | (80) | – |
| **Share of net profits of associates and joint ventures using the equity method** | **(21)** | **(40)** | **45** | (48) | (147) |
| **Other operating income and charges** | | | | | |
| Net gains/(losses) on sale of equity investments | (8) | 20 | (7) | (140) | 14 |
| Impairment charge on equity investments | (50) | (77) | (69) | (35) | (28) |
| Impairment charge on non-financial assets | (12) | (40) | - | (70) | n/m |
| Specific provisions and collective allowance for credit losses | (13) | (101) | (69) | (87) | (81) |
| Other income | 31 | 20 | 23 | 55 | 35 |
| **Total other operating income and charges** | **(52)** | **(178)** | **(122)** | (71) | (57) |
| Internal revenue[2] | (9) | (1) | (11) | large | (18) |
| **Total operating income** | **(28)** | **(170)** | **(98)** | (84) | (71) |
| **Operating expenses** | | | | | |
| Employment expenses | (10) | (16) | (16) | (38) | (38) |
| Other operating expenses | (18) | (35) | (27) | (49) | (33) |
| **Total operating expenses** | **(28)** | **(51)** | **(43)** | (45) | (35) |
| Net profit / (loss) contribution | (56) | (221) | (141) | (75) | (60) |
| | | | | | |
| **Non-GAAP metrics** | | | | | |
| Assets under Management (A$ billion) | 10.7 | 14.8 | 15.2 | (28) | (30) |
| Headcount | 118 | 136 | 214 | (13) | (45) |

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

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

Real Estate Banking's net loss contribution of A$56 million for the half year ended September 30, 2009 decreased 60% from a net loss contribution of A$141 million in the prior corresponding period. The half year ended September 30, 2009 remained challenging for Real Estate Banking with the global financial crisis continuing to depress real estate markets worldwide, however an asset disposal by Macquarie Central Office CR-REIT resulted in a significant increase in base and performance fees for Real Estate Banking during this period.

*Net interest income/(expense)*

Net interest expense of A$8 million for the half year ended September 30, 2009 decreased 75% from A$32 million in the prior corresponding period. Impairments across the loan book and investment portfolio as well as a number of disposals, including Macquarie Goodman Asia and Macquarie Prime REIT in the prior period have reduced the overall funding requirement and interest expense. The loan book in Real Estate Structured Finance has reduced by 27% to A$935 million at September 30, 2009, from A$1,287 million at September 30, 2008 as the book is being run off.

*Base fees*

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

*Performance fees*

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

*Mergers and acquisitions, advisory and underwriting*

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

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

Equity accounted losses of A$21 million for the half year ended September 30, 2009 decreased 147% from an equity accounted gain of A$45 million in the prior corresponding period. The result in the half year ended September 30, 2009 was driven by losses in Real Estate Banking's associates, including investments in Medallist, Australian listed REIT holdings and J-REP (a listed fund manager on the Tokyo Stock Exchange). The gain in the prior corresponding period was driven by higher equity accounted profits in MGPA (a real estate investment advisory company).

*Net gains/(losses) on sales of equity investments*

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

*Impairment charge on equity investments*

The impairment charge on equity investments of A$50 million for the half year ended September 30, 2009 decreased 28% from A$69 million in the prior corresponding period. The prior corresponding period included write-downs on Macquarie CountryWide Trust and Macquarie Office Trust that were not repeated in the half year ended September 30, 2009. Write-downs for the half year ended September 30, 2009 included:

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

*Impairment charge on non-financial assets*

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

*Specific provisions and collective allowance for credit losses*

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

*Other income*

Other income of A$31 million for the half year ended September 30, 2009 increased 35% from A$23 million in the prior corresponding period. The half year ended September 30, 2009 included higher property development income from real estate developer Urban Pacific Limited of A$13 million and A$10 million from a legal settlement with a property developer in Australia.

*Operating expenses*

Total operating expenses of A$28 million for the half year ended September 30, 2009 decreased 35% from A$43 million in the prior corresponding period. The decrease was in line with the 45% reduction in headcount, as the business focused on extracting value from its current investments.

*Corporate*

| | Half Year ended | | | Movement[1] | |
|---|---|---|---|---|---|
| | Sep 09 | Mar 09 | Sep 08 | Mar 09 | Sep 08 |
| | A$m | A$m | A$m | % | % |
| **Net interest income/(expense)** | **113** | **244** | **413** | (54) | (73) |
| **Fee and commission income/(expense)** | **(3)** | **(60)** | **(28)** | (95) | (89) |
| **Net trading income/(expense)** | **(275)** | **188** | **16** | large | large |
| **Share of net profits/(losses) of associates and joint ventures accounted for using the equity method** | **(4)** | **3** | **4** | n/m | (171) |
| **Other operating income and charges** | | | | | |
| Net gains on sale of equity investments | 10 | (6) | (1) | large | large |
| Impairment charge on equity investments | – | (9) | (23) | (100) | (100) |
| Gain on acquiring, disposing and change in ownership interest In subsidiaries and businesses held for sale | 127 | 197 | 6 | (36) | large |
| Gain on repurchase of debt | 55 | – | – | n/m | n/m |
| Specific provisions and collective allowance for credit losses | – | 12 | – | (100) | n/m |
| Other income/(expense) | 24 | 11 | (5) | 118 | large |
| **Other operating income and charges** | **216** | **205** | **(23)** | (5) | large |
| Internal revenue[2] | (114) | (248) | (182) | (54) | (37) |
| **Total operating income/(expense)** | **(67)** | **332** | **200** | large | large |
| **Operating expenses** | | | | | |
| Employment expenses | (771) | (143) | (480) | n/m | 61 |
| Brokerage and commission expenses | (14) | (26) | (7) | (46) | 100 |
| Other operating expenses | 119 | 179 | 205 | (34) | (42) |
| **Total operating expenses** | **(666)** | **10** | **(282)** | large | 136 |
| Tax expense | (36) | 64 | (79) | (156) | (54) |
| MIPS | (6) | (22) | (23) | (73) | (74) |
| MIS | (10) | (14) | (19) | (29) | (47) |
| Other minority interests | - | 13 | - | (100) | n/m |
| **Net profit/(loss) contribution** | **(785)** | **383** | **(203)** | large | 287 |
| | | | | | |
| **Non-GAAP metrics** | | | | | |
| Headcount | 4,166 | 4,023 | 4,284 | 4 | (3) |

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

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

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

Corporate's net loss contribution of A$785 million for the half year ended September 30, 2009 increased 287% from a net loss contribution of A$203 million in the prior corresponding period.

*Net interest income*

Net interest income for the half year ended September 30, 2009 of A$113 million, decreased 73% from A$413 million in the prior corresponding period primarily due to the cost of excess liquidity. Net interest income was mainly generated through the investment of MGL's capital, offset by funding costs not passed on to businesses through Group Treasury.

*Fee and commissions income/(expense)*

Fee and commissions expense of A$3 million for the half year ended September 30, 2009 decreased 89% from expenses of A$28 million in the prior corresponding period. Fee and commission income primarily related to internal transactions with operating groups that net to nil on aggregation across MGL Group. External fee and commissions income is negligible.

*Net trading income/(expense)*

Net trading expense of A$275 million for the half year ended September 30, 2009 increased substantially from net trading income of A$16 million in the prior corresponding period. The primary drivers of net trading income in the Corporate segment were derivative volatility and the impact of changes in fair value of fixed rate issued debt. During the half year ended September 30, 2009, negative fair value adjustments on fixed rate issued debt amounted to A$252 million. This compared to positive fair value adjustments in the prior corresponding period of A$20 million.

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

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

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

Further acquisitions of MIPS were financed resulting in a gain of A$127 million for the half year ended September 30, 2009. The amount of A$197 million in the half year ended March 31, 2009 related to gains from financing the acquisition of MIPS. No such transactions were undertaken in the prior corresponding period.

*Gain on repurchase of debt*

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

*Employment expenses*

Employment expenses in the Corporate segment were largely driven by the headcount of service areas and staff profit share, and the impact of mark-to-market adjustments of Directors' profit share plan liabilities.

For the half year ended September 30, 2009, employment expenses of A$771 million increased 61% from A$480 million in the prior corresponding period. The majority of the increase was due to an increase in the staff profit share expense combined with a charge for the net mark-to-market increase in Directors' Profit Share plan liabilities resulting from share price appreciation of many MGL Group-managed listed funds during the half year ended September 30, 2009.

*Brokerage and commission expenses*

Brokerage and commission expenses in the Corporate segment related to fees and commissions paid on the issuance of debt instruments by Group Treasury. The increase of 100% to A$14 million for the half year ended September 30, 2009 from A$7 million from the prior corresponding period was due to an increase in the amount of issuances since the introduction of the Commonwealth Large Deposit and Wholesale Funding Guarantee Scheme in October 2008.

*Other operating expenses*

Other operating expenses were a net income item in the Corporate segment due to recoveries of service area costs out to operating groups. The 42% net reduction in this category from income of A$205 million in the prior corresponding period to net income of A$119 million in the half year ended September 30, 2009 was largely due to an increase in net unrecovered rent expenses that arose from new premises and an increase in surplus leased space.

*Macquarie Income Preferred Securities (MIPS)*

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

### *International income*

Our total international income of A$1,486 million for the half year ended September 30, 2009 increased 18% from total international income of A$1,256 million in the prior corresponding period, primarily due to increased contributions from our operations in the Americas and Asia Pacific due to improved market conditions and lower impairments. As a result, international income as a percentage of our total income was in line with the prior corresponding period.

*International income by region*

| | Half Year ended | | | Movement | |
|---|---|---|---|---|---|
| | Sep 09 | Mar 09 | Sep 08 | Mar 09 | Sep 08 |
| | A$m | A$m | A$m | % | % |
| Americas | 354 | 149 | 210 | 138 | 69 |
| Asia Pacific | 627 | 589 | 483 | 6 | 30 |
| Europe, Africa and Middle East | 505 | 353 | 563 | 43 | (10) |
| **Total international income** | **1,486** | **1,091** | **1,256** | 36 | 18 |
| Australia | 1,612 | 883 | 1,324 | 83 | 22 |
| **Total income (excluding earnings on capital and other corporate items)** | **3,098** | **1,974** | **2,580** | 57 | 20 |
| Earnings on capital and other corporate items | 7 | 582 | 390 | (99) | (98) |
| **Total operating income (as reported)** | **3,105** | **2,556** | **2,970** | 21 | 5 |
| International income/total income (excluding earnings on capital and other corporate items) (%) | 48 | 55 | 49 | | |

The table below shows a breakdown of our international income by operating group for the half-year ended September 30, 2009.

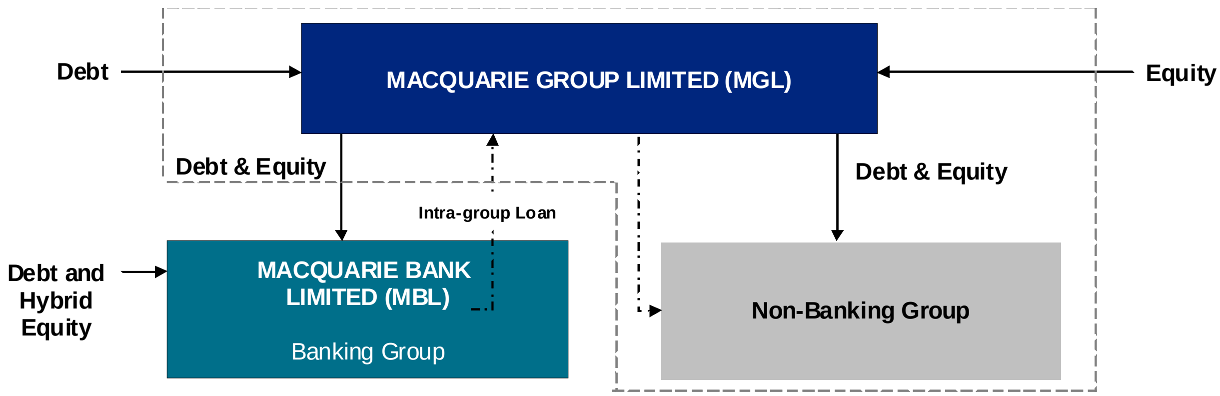
*International income by group and region*

| | Half Year ended | | | | | |
|---|---|---|---|---|---|---|
| | Sep 09 | | | | | |
| | Americas | Asia Pacific | Europe, Africa, Middle East | Total International | Australia | Total Income |
| | A$m | A$m | A$m | A$m | A$m | A$m |
| Macquarie Securities | 80 | 415 | 110 | 605 | 166 | 771 |
| Macquarie Capital | (82) | 105 | 165 | 188 | 559 | 747 |
| Macquarie Funds | 28 | 20 | 15 | 63 | 99 | 162 |
| Fixed Income, Currencies & Commodities | 261 | 15 | 213 | 489 | 128 | 617 |
| Corporate & Asset Finance | 50 | 14 | 26 | 90 | 118 | 208 |
| Real Estate Banking | (4) | 50 | (23) | 23 | (56) | (33) |
| Banking & Financial Services | 21 | 8 | (1) | 28 | 556 | 584 |
| Corporate | – | – | – | – | 42 | 42 |
| **Total** | **354** | **627** | **505** | **1,486** | **1,612** | **3,098** |

**Liquidity**

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

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




***Liquidity Management***

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

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

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

***Liquidity Policies and Principles***

MGL provides funding predominantly to the Non-Banking Group. As such, the MGL liquidity policy outlines the liquidity requirements for the Non-Banking Group. The key requirement of the policy is that MGL Group is able to meet all of its repayment obligations for the next twelve months (measured on a rolling twelve month basis) with no access to funding markets.

Reflecting the longer term nature of the Non-Banking Group asset profile, MGL is funded predominantly with a mixture of capital and long-term wholesale funding. MGL has no short-term wholesale funding.

The MBL liquidity policy outlines the liquidity requirements for the Banking Group. The key requirement of the policy is that MBL Group is able to meet all of its repayment obligations for the next twelve months (measured on a rolling twelve month basis) through a period of constrained access to wholesale funding markets. MBL is funded mainly by capital, long-term liabilities and deposits.

MBL can provide debt funding to MGL (or the Non-Banking Group) up to a regulatory limit that is determined by APRA's non ELE rules. MBL's ability to return capital to MGL for use by MGL (or the Non-Banking Group) is limited by MBL's existing capital requirements as an ADI. See "Regulation and Supervision — Australia — APRA" beginning on page 77 of our 2009 Annual U.S. Disclosure Report. As a result, MGL's liquidity modeling and twelve month scenarios separately test MGL Group, MBL Group and the Non-Banking Group to ensure that sufficient liquidity is available in each part of its business.

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

*Liquidity and Funding Management*

- All liquidity requirements are managed centrally by Group Treasury
- Liquidity risk is managed through setting limits on the maturity profile of assets and liabilities
- A Liquidity Contingency Plan is approved by the Board and reviewed periodically
- A funding plan is prepared annually and the funding position is monitored throughout the year
- Diversity and stability of funding sources is a key priority.

*Liquidity Limits*

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

***Scenario Analysis***

Scenario analysis is central to MGL Group's liquidity risk management framework. Group Treasury models a number of liquidity scenarios covering both market-wide crises and firm-specific crises. The objective of this modeling is to ensure MGL Group and MBL Group's ability to meet all repayment obligations under each scenario and determine the capacity for asset growth. The modeling includes twelve month liquidity scenarios significantly more severe than the conditions that have been experienced since August 2007.

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

***Liquid Asset Holdings***

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

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

The liquid asset portfolio contains only unencumbered assets that can be relied on to maintain their liquidity in a crisis scenario. At least 90% of the liquid asset portfolio held to meet the minimum liquid asset requirement must be repo-eligible with a central bank. The remaining 10% must be approved by Group Treasury and Risk Management before inclusion in the liquid asset portfolio. As at September 30, 2009, 99% of the liquid asset portfolio was eligible for repurchase with central banks.

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

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

### *Liquidity Contingency Plan*

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

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

### *Funding Transfer Pricing*

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

### *Credit Ratings*

As at September 30, 2009, the credit ratings for each of our funding vehicles were as follows:

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

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

***Funding Transactions***

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

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

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

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

On May 7, 2009, MGL completed a A$540 million capital raising in the Australian and international capital markets through an institutional private placement that resulted in the issue of approximately 20 million additional ordinary shares at A$27 per ordinary share. In addition to the institutional placement, on June 2, 2009, MGL completed a A$669 million Share Purchase Plan for eligible retail shareholders that resulted in the issue of approximately 25 million additional ordinary shares at A$26.60 per ordinary share. See "Macquarie Group Limited — Recent Developments — Capital Raisings" on page 47 of our 2009 Annual U.S. Disclosure Report for further information.

***Recent Funding Developments***

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

***Explanation of Funded Balance Sheet***

MGL and MBL's statutory balance sheets are prepared based on AGAAP and do not always represent their actual funding requirements. For example, the statutory balance sheet includes certain accounting gross-ups and non-recourse self funded assets that do not represent a funding requirement of MGL or MBL.

The tables below have been prepared to reconcile the reported assets of the consolidated MGL Group to net funded assets at September 30, 2009. This MGL Group funding requirement is then split between the Banking and Non-Banking Group to assist in the analysis of each of the separate funding requirements of MBL and MGL.

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

1. *Self funded trading assets.* There are a number of entries on the balance sheet that arise from the normal course of trading activity MGL Group conducts with its clients. They typically represent both sides of a transaction. The entries off-set each other as both the bought and sold positions are recorded separately. Where these entries are matched, they do not require funding.

2 *Derivative re-valuation accounting gross-ups.* MGL Group's derivative activities are client driven with client positions hedged by off-setting positions. The derivatives are largely matched and this adjustment reflects that the matched positions do not require funding.

3 *Life investment contracts and other segregated assets.* These represent the assets and liabilities that are recognized where MGL Group provides products such as investment-linked policy contracts. The policy (contract) liability will be matched by assets held to the same amount and hence does not require funding.

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

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

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

*Funded Assets and Funding Sources of MGL Group*

The following table represents the funded balance sheet of MGL Group at September 30, 2009:

| | As at Sep 09 A$b |
|---|---|
| **MGL Group** | |
| **Funding sources** | |
| Wholesale issued paper:[1] | |
| Negotiable certificates of deposits | 2.7 |
| Commercial paper | 1.8 |
| Net trade creditors[2] | - |
| Structured notes[3] | 3.0 |
| Secured funding[4] | 7.2 |
| Bonds[5] | 19.2 |
| Other loans[6] | 0.4 |
| Senior credit facility[7] | 7.0 |
| Deposits[8] | |
| Retail deposits | 13.9 |
| Corporate and wholesale deposits | 3.1 |
| Loan Capital[9] | 2.1 |
| Equity and hybrids[10] | 11.2 |
| **Total** | **71.6** |
| | |
| **Funded assets** | |
| Cash and liquid assets[11] | 26.7 |
| Net trading assets[12] | 9.3 |
| Loan assets less than one year[13] | 5.9 |
| Loan assets greater than one year[13] | 19.4 |
| Assets held for sale[14] | 0.1 |
| Debt investment securities[15] | 2.6 |
| Co-investment in MGL Group managed funds and equity investments[16] | 5.8 |
| Property, plant and equipment and intangibles | 1.4 |
| Net trade debtors[17] | 0.4 |
| **Total** | **71.6** |

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

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

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

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

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

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

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

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

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

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

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

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

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

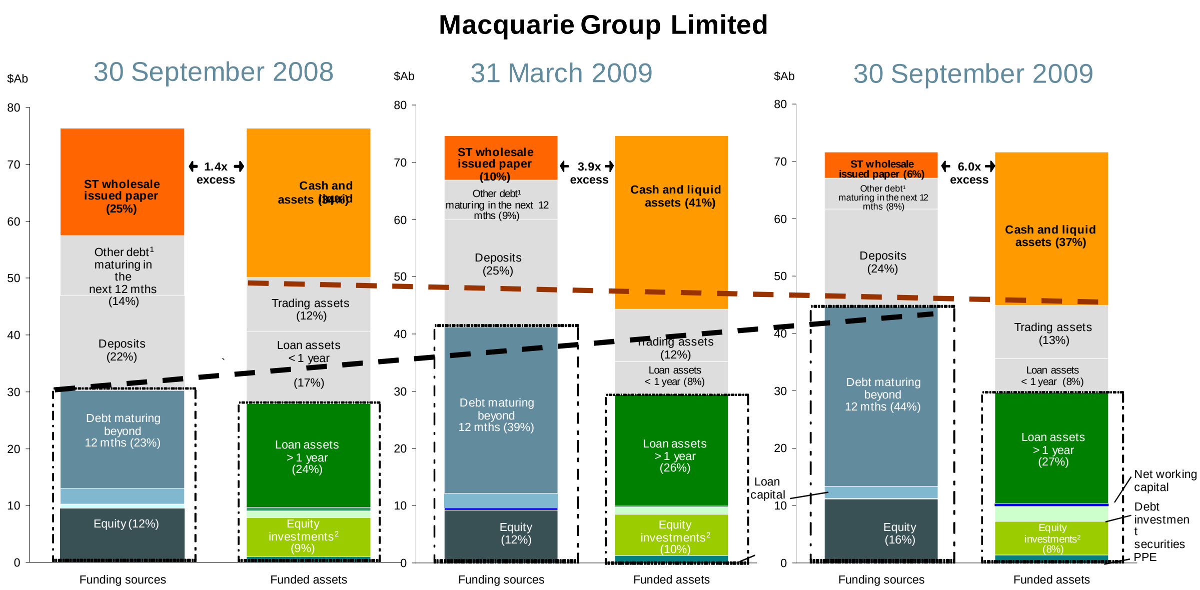
14 *Assets held for sale.* These are the net assets/liabilities of the held-for-sale categories on the balance sheet.

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

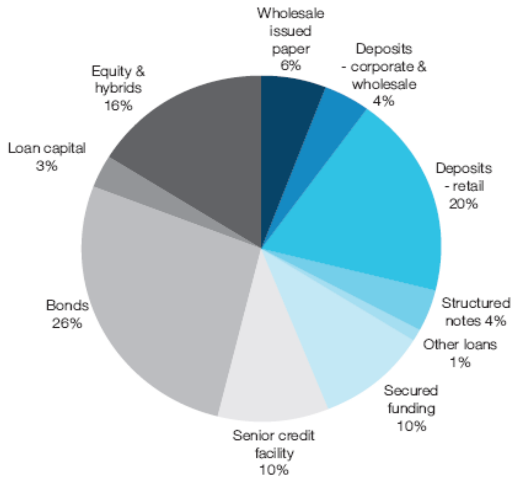
16 *Co-investment in MGL Group managed funds and equity investments.* These equity securities are held with a long-term investment horizon, and include co-investments in Macquarie Capital-managed funds.

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

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

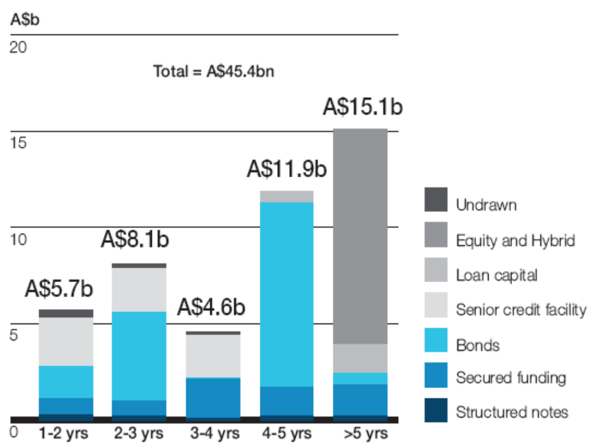


*Diversity of funding sources of MGL Group, as at September 30, 2009*




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

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



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

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

***Funding Profile for Non-Banking Group***

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

| | As at |
|---|---|
| | **Sep 09** |
| | **A$b** |
| **Non-Banking Group** | |
| **Funding sources** | |
| MBL Intra Group Loan to MGL[1] | 1.4 |
| Net trade creditors[2] | - |
| Structured notes[3] | 0.2 |
| Secured funding[4] | 0.6 |
| Bonds[5] | 2.1 |
| Other loans[6] | 0.4 |
| Senior credit facility[7] | 7.0 |
| Deposits[8] | - |
| Loan capital[9] | 0.6 |
| Equity and hybrids[10] | 4.4 |
| **Total** | **16.7** |
| **Funded assets** | |
| Cash and liquid assets[11] | 3.0 |
| Non-Banking Group deposit with MBL | 5.5 |
| Net trading assets[12] | 1.6 |
| Loan assets less than one year[13] | 0.2 |
| Loan assets greater than one year[13] | 0.9 |
| Assets held for sale[14] | - |

| | As at Sep 09 A$b |
|---|---|
| Debt investment securities[15] | 0.3 |
| Co-investment in MGL Group managed funds and equity investments[16] | 4.0 |
| Property, plant and equipment and intangibles | 1.0 |
| Net trade debtors[17] | 0.2 |
| **Total** | **16.7** |

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

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

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

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

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

[6] *Other loans.* Unsecured loans provided by financial institutions.

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

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

[9] *Loan capital.* Long-term subordinated debt and Convertible Preference Securities.

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

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

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

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

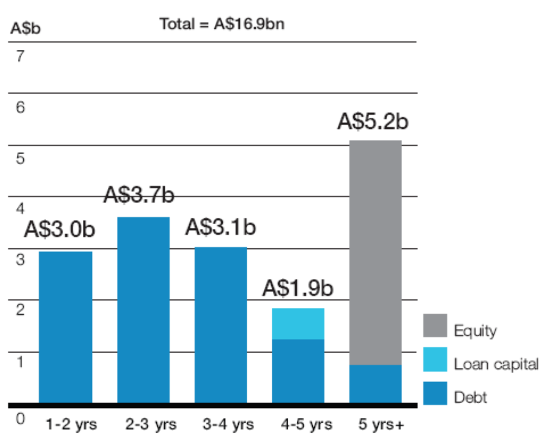
[14] *Assets held for sale.* These are the net assets/liabilities of the held-for-sale categories on the balance sheet.

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

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

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

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



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

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

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

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

- Senior Credit Facility, of which at September 30, 2009 was A$7.0 billion drawn and A$0.7 billion undrawn. For a description of the Senior Credit Facility entered into by MGL on November 13, 2007, see "Recent Developments — Macquarie Group Limited — Senior Credit Facility" above for further information.

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

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

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

- US$10 billion multi-instrument Regulation S Debt Instrument Program, under which securities may be issued include Euro Commercial Paper, Euro Commercial Deposits, Euro-Medium Term Notes, senior and subordinated fixed/floating rate notes, and Transferable Deposits and MGL Wholesale Notes. The Debt Instrument Program had A$343 million debt securities outstanding at September 30, 2009.

*Funding Profile for Banking Group*

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

| **Banking Group** | **As at Sep 09 A$b** |
|---|---|
| **Funding sources** | |
| Wholesale issued paper:[1] | |
| Negotiable certificates of deposit | 2.7 |
| Commercial paper | 1.8 |
| Net trade creditors[2] | - |
| Structured notes[3] | 2.8 |
| Secured funding[4] | 6.6 |
| Bonds[5] | 17.1 |
| Other loans[6] | - |
| Deposits[7] | |
| Retail | 13.9 |
| Corporate and wholesale | 3.1 |
| Loan capital[8] | 1.5 |
| Equity and hybrids[9] | 6.8 |
| **Total** | **56.3** |
| | |
| **Funded assets** | |
| Cash and liquid assets[10] | 23.7 |
| Net trading assets[11] | 7.7 |
| Loan assets less than one year[12] | 5.7 |
| Loan assets greater than one year[12] | 18.5 |
| Assets held for sale[13] | 0.1 |
| Debt investment securities[14] | 2.3 |
| MBL Intra Group Loan to MGL[15] | 1.4 |
| Non-Banking Group deposit with MBL | (5.5) |
| Co-investment in MGL Group managed funds and equity investments[16] | 1.8 |
| Property, plant and equipment and intangibles | 0.4 |
| Net trade debtors[17] | 0.2 |
| **Total** | **56.3** |

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

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

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

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

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

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

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

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

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

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

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

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

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

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

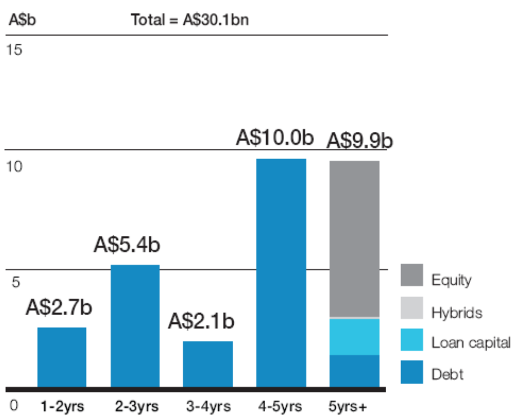
[15] *Intra Group Loan*. Subsequent to March 31, 2009 MBL and MGL agreed to vary the Intra Group Loan, see "Recent Developments—Macquarie Group Limited — Intra Group Loan" above for details.

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

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

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

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




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

As demonstrated above, the Banking Group has diversity in its funding sources by source and maturity. The Banking Group's term funding beyond one year (excluding equity) has a weighted average term to maturity of 4.1 years.

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

- US$25 billion multi-instrument Regulation S Debt Instrument Program, incorporating both Government guaranteed and unguaranteed securities that may be issued including Euro Commercial Paper, Euro Commercial Deposits, Euro-Medium Term Notes, senior and subordinated fixed/floating rate notes, and Transferable Deposits. The Debt Instrument Program had US$7.7 billion of debt securities outstanding at September 30, 2009;

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

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

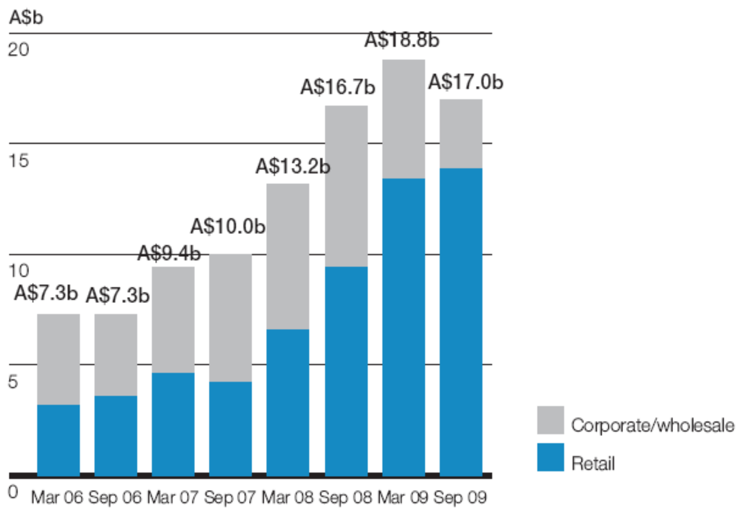
In addition to the foregoing, MBL Group accesses the Australian capital markets through the issuance of Negotiable Certificates of Deposits and Transferable Negotiable Certificates of Deposits. As at September 30, 2009, MBL Group had A$2.7 billion of these securities outstanding, of which A$1.3 billion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

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

***Deposit Strategy***

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

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




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

MBL is an Australian ADI, and therefore the provisions of the financial claims scheme apply to MBL. MBL is also eligible for the large deposit and wholesale funding guarantees implemented by the Australian Government on November 20, 2008. See "Regulation and Supervision — Australia — Financial Claims Scheme and Commonwealth Large Deposits and Wholesale Funding Guarantee Scheme" beginning on page 79 of our 2009 Annual U.S. Disclosure Report.

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

As detailed in Note 40 "Capital and other expenditure commitments" and Note 41 "Lease commitments" to our 2009 annual financial statements, we do not expect our capital and other expenditure commitments and our lease commitments to have a significant effect on our liquidity needs. Lease, capital and other expenditure commitments are disclosed in our annual financial statements each year and are not required to be disclosed under Australian Accounting Standards in interim financial statements.

As at September 30, 2009, MGL Group had A$6.2 billion of contingent liabilities and commitments, including A$422 million of contingent liabilities and A$4.4 billion of commitments under undrawn credit facilities, of which A$861 million could be revocable at any time. See Note 19 "Contingent liabilities and commitments" to our 2010 interim financial statements which shows MGL Group's contingent liabilities and commitments at September 30, 2009.

***Quantitative and Qualitative Disclosures about Market Risk***

Each year we prepare a detailed analysis of market risk as it applied to MGL Group and a quantitative analysis of MGL Group's value at risk for equities, interest rates, foreign exchange, bullion, and commodities and in the aggregate thereof. See Note 43 "Financial risk management" to MGL Group's 2009 annual financial statements for a quantitative and qualitative discussion of these risks.

## Capital Analysis

### *Overview*

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

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

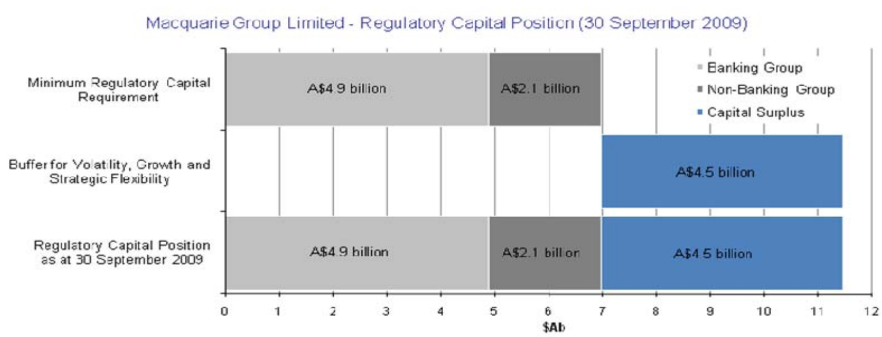
- MBL's minimum Tier 1 capital requirement, based on a percentage of risk-weighted assets plus Tier 1 deductions (using prevailing APRA ADI Prudential Standards), and,

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

Transactions internal to MGL Group are eliminated.

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

The chart below depicts the regulatory capital position of MGL at September 30, 2009:



*MGL Group regulatory capital surplus calculation*

| | As at | | |
|---|---|---|---|
| | Sep 09 | Mar 09 | Sep 08 |
| | A$m | A$m | A$m |
| MGL Group eligible capital | | | |
| Bank Gross Tier 1 capital | 6,971 | 6,547 | 5,908 |
| Non-Bank eligible capital | 4,512 | 3,827 | 4,415 |
| Elimination of intra group holdings of capital[1] | – | (127) | – |
| Eligible capital | 11,483 | 10,247 | 10,323 |
| MGL Group capital requirement | | | |
| **Banking Group** | | | |
| Risk Weighted Assets (excluding intra group exposures)[2] | 42,560 | 36,765 | 37,874 |
| Capital required to cover Risk Weighted Assets[3] | 2,979 | 2,574 | 2,651 |
| Tier 1 deductions (excluding intra group exposures)[4] | 1,925 | 2,136 | 1,612 |
| Banking Group contribution | 4,904 | 4,710 | 4,263 |
| Non-Banking Group contribution | 2,086 | 2,401 | 2,801 |
| Total capital requirement | 6,990 | 7,111 | 7,064 |
| MGL Group regulatory capital surplus | 4,493 | 3,136 | 3,259 |

1 In calculating MGL Group's eligible capital, intra-group holdings of capital instruments are eliminated.

2 In calculating MBL's contribution to MGL Group capital requirements, risk weighted assets associated with exposures to the Non-Banking Group are eliminated (A$500 million at September 30, 2009; A$710 million at March 31, 2009) and A$1,293 million at September 30, 2008.

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

4 In calculating MBL's contribution to MGL Group capital requirement, Tier 1 deductions associated with intra-group exposures are eliminated (nil at September 30, 2009; A$127 million at March 31, 2009 and nil at September 30, 2008).

***Banking Group capital***

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

MBL is accredited under the Foundation Internal Ratings Based Approach (FIRB) for credit risk, the Advanced Measurement Approach (AMA) for operational risk, the internal model approach for market risk, which is the standard approach applied for specific risk on debt securities, and the internal model approach for interest rate risk in the banking book.

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

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

*Tier 1 capital*

MBL Group's Tier 1 capital consists of ordinary share capital, retained earnings, certain reserves, MIS and MIPS.

Reserves included in Tier 1 capital are the share based payment reserve and foreign currency translation reserve.

The innovative Tier 1 capital includes MIS and MIPS.

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

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

During the half year ended September 30, 2009, we injected A$675 million of capital into MBL. Also, during the half year ended September 30, 2009 MGL recognized dividends and distribution of A$122 million (A$0.40 per share) and declared further dividends of A$0.86 per share to be paid on December 16, 2009.

*Tier 2 capital*

MBL Group Upper Tier 2 capital consists of the portion of MIS and MIPS not eligible for inclusion in Tier 1 capital and a portion of equity reserves. MBL Group Lower Tier 2 capital consists of subordinated debt issued to financial institutions, subject to limits imposed by APRA based on Tier 1 capital. Repayment of this debt is subordinated to the claims of depositors and other creditors but ranks ahead of equity instruments.

*Capital adequacy*

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

*Pillar 3*

The APRA Prudential Standard APS 330: Public Disclosure of Prudential Information details the market discipline (Pillar 3 under the Basel II Framework) requirements for Australian domiciled banks. APS 330 was effective from September 30, 2008, requiring qualitative and quantitative disclosure of risk management practices and capital adequacy. These disclosures are required to be published by MBL Group within 40 business days of the reporting date and are posted on MGL's U.S. Investors' Website.

***Banking Group total capital base***

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

| | As at | | | Movement[1] | |
|---|---|---|---|---|---|
| | **Sep 09** | **Mar 09** | **Sep 08** | **Mar 09** | **Sep 08** |
| | **A$m** | **A$m** | **A$m** | **%** | **%** |
| ***Tier 1 capital*** | | | | | |
| Paid-up ordinary share capital | 5,250 | 4,560 | 3,927 | 15 | 34 |
| Reserves | 186 | 190 | 180 | (2) | 3 |
| Retained earnings | 1,070 | 882 | 884 | 21 | 21 |
| Innovative Tier 1 capital | 465 | 915 | 917 | (49) | (49) |
| **Gross Tier 1 capital** | **6,971** | **6,547** | **5,908** | 6 | 18 |
| ***Deductions from Tier 1 capital:*** | | | | | |
| Goodwill | 135 | 162 | 121 | (17) | 12 |
| Deferred tax assets | 426 | 53 | 269 | large | 58 |
| Changes in the ADI's own creditworthiness on banking book liabilities | 21 | 340 | 71 | (94) | (70) |

| | As at | | | Movement[1] | |
|---|---|---|---|---|---|
| | Sep 09 | Mar 09 | Sep 08 | Mar 09 | Sep 08 |
| | A$m | A$m | A$m | % | % |
| Intangible component of investments in non-consolidated subsidiaries and other non-Level 2 entities | 139 | 128 | 55 | 9 | 153 |
| Loan and lease origination fees and commissions paid to mortgage originators and brokers | 142 | 170 | 215 | (16) | (34) |
| Holding of own Tier 1 capital instruments agreed with APRA | – | 127 | – | (100) | – |
| Other Tier 1 capital deductions | 197 | 357 | 163 | (45) | 21 |
| **Deductions from Tier 1 capital only** | **1,060** | **1,337** | **894** | (21) | 19 |
| ***Other 50/50 deductions from Tier 1 capital:*** | | | | | |
| Non-subsidiary entities exceeding prescribed limits (50%) | 119 | 112 | 70 | 6 | 70 |
| Non-consolidated subsidiaries (50%) | 283 | 274 | 268 | 3 | 6 |
| All other deductions relating to securitization (50%) | 70 | 74 | 39 | (5) | 79 |
| Shortfall in provisions for credit losses (50%) | 256 | 294 | 147 | (13) | 74 |
| Other 50/50 deductions from Tier 1 capital (50%) | 137 | 172 | 194 | (20) | (29) |
| **Total 50/50 deductions from Tier 1 capital** | **865** | **926** | **718** | (7) | 20 |
| **Total Tier 1 capital deductions** | **1,925** | **2,263** | **1,612** | (15) | 19 |
| **Net Tier 1 capital** | **5,046** | **4,284** | **4,296** | 18 | 17 |
| ***Tier 2 capital*** | | | | | |
| Upper Tier 2 capital: | | | | | |
| Excess Tier 1 capital instruments | – | 204 | 254 | (100) | (100) |
| Other Upper Tier 2 capital | 126 | 86 | 89 | 47 | 42 |
| Lower Tier 2 capital: | | | | | |
| Term subordinated debt | 1,527 | 1,941 | 2,047 | (21) | (25) |
| **Gross Tier 2 capital** | **1,653** | **2,231** | **2,390** | (26) | (31) |
| ***Deductions from Tier 2 capital:*** | | | | | |
| Holding of own Tier 2 capital instruments agreed with APRA | – | 204 | – | (100) | – |
| 50/50 deductions from Tier 2 capital | 865 | 926 | 718 | (7) | 20 |
| **Total Tier 2 capital deductions** | **865** | **1,130** | **718** | (23) | 20 |
| **Net Tier 2 capital** | **788** | **1,101** | **1,672** | (28) | (53) |
| **Total capital base** | **5,834** | **5,385** | **5,968** | 8 | (2) |

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

### *Risk Weighted Assets*

| | As at | | | Movement[1] | |
|---|---|---|---|---|---|
| | Sep 09 | Mar 09 | Sep 08 | Mar 09 | Sep 08 |
| | A$m | A$m | A$m | % | % |
| ***Credit risk – Risk-Weighted Assets (RWA)*** | | | | | |
| Subject to F-IRB approach: | | | | | |
| Corporate[2] | 12,919 | 9,901 | 7,960 | 30 | 62 |
| Sovereign | 598 | 36 | 54 | large | large |
| Bank | 2,860 | 1,134 | 958 | 152 | 199 |
| Residential mortgage | 1,927 | 1,952 | 1,275 | (1) | 51 |
| Other retail | 869 | 680 | 540 | 28 | 61 |
| Total RWA subject to F-IRB approach | 19,173 | 13,703 | 10,787 | 40 | 78 |
| Specialized lending exposures subject to slotting criteria[3] | 2,019 | 3,101 | 4,163 | (35) | (52) |

| | As at | | | Movement[1] | |
|---|---|---|---|---|---|
| | Sep 09 | Mar 09 | Sep 08 | Mar 09 | Sep 08 |
| | A$m | A$m | A$m | % | % |
| Subject to standardized approach: | | | | | |
| Corporate | 4,163 | 3,504 | 4,518 | 19 | (8) |
| Residential mortgage | 198 | 197 | 1,483 | 1 | (87) |
| Other retail | 2,640 | 2,496 | 2,039 | 6 | 29 |
| Other | 2,654 | 3,540 | 3,608 | (25) | (26) |
| Total RWA subject to standardized approach | 9,655 | 9,737 | 11,648 | (1) | (17) |
| Credit risk RWA for securitization exposures | 1,199 | 1,074 | 1,357 | 12 | (12) |
| Total credit risk RWA | 32,046 | 27,615 | 27,955 | 16 | 15 |
| Equity risk exposures RWA | 1,323 | 1,189 | 1,456 | 11 | (9) |
| Market risk RWA | 1,976 | 2,082 | 2,291 | (5) | (14) |
| Operational risk RWA | 6,565 | 5,761 | 6,720 | 14 | (2) |
| Interest rate risk in banking book RWA | – | 6 | 98 | (100) | (100) |
| APRA scaling factor (6%) applied to IRB exposures | 1,150 | 822 | 647 | 40 | 78 |
| **Total RWA** | **43,060** | **37,475** | **39,167** | 15 | 10 |
| ***Capital ratios*** | | | | | |
| Macquarie Bank Group Tier 1 capital ratio (%) | 11.7 | 11.4 | 11.0 | 3 | 6 |
| Macquarie Bank Group Total capital ratio (%) | 13.6 | 14.4 | 15.2 | (6) | (11) |

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

2 Includes A$500 million for exposures to the Non-Banking Group (A$710 million at March 31, 2009; A$1,293 million at September 30, 2008).

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

### *Non-Banking Group capital*

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

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

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

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

*Non-Banking Group regulatory capital requirement*

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

| | As at Sep 09 | | |
|---|---|---|---|
| | Asset | Capital requirement | Equivalent risk weight |
| | A$b | A$m | % |
| *Funded assets* | | | |
| Cash and liquid assets | 3.0 | 27 | 11 |
| Loan assets[1] | 1.1 | 80 | 90 |
| Assets held for sale | 0.0 | 13 | 582 |
| Debt investment securities | 0.3 | 21 | 78 |
| Co-investments in Macquarie Capital-managed funds and equity investments – listed | 3.8 | 1,788 | 583 |
| Co-investments in Macquarie Capital-managed funds and equity investments – unlisted | 0.2 | – | – |
| Property, plant and equipment and intangibles[2] | 1.0 | 198 | 254 |
| Non Banking Group deposits with MBL | 5.5 | – | – |
| Net Trading Assets | 1.6 | – | – |
| Net Trade Debtors | 0.2 | – | – |
| **Total funded assets** | **16.7** | **2,127** | |
| *Self-funded and non-recourse assets* | | | |
| Self funded trading assets | 2.6 | – | – |
| Broker settlement balances | 5.4 | – | – |
| Derivative revaluation accounting gross-ups | 0.1 | – | – |
| Working capital assets | 3.5 | – | – |
| Total self-funded and non-recourse assets | 11.6 | – | – |
| **Total Non-Banking Group assets** | **28.3** | – | – |
| Off balance sheet exposures, operational, market and other risk and diversification offset[3] | – | (41) | – |
| **Non-Banking Group capital requirement** | – | **2,086** | – |

1 Includes leases.

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

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

### *Statutory consolidated balance sheet*

| | Half Year ended | | | Movement[1] | |
|---|---|---|---|---|---|
| | Sep 09 | Mar 09 | Sep 08 | Mar 09 | Sep 08 |
| | A$m | A$m | A$m | % | % |
| **Assets** | | | | | |
| Cash and balances with central banks | 3 | 141 | 225 | (98) | (99) |
| Due from banks | 8,936 | 12,271 | 13,441 | (27) | (34) |
| Cash collateral on securities borrowed and reverse repurchase agreements | 4,493 | 5,096 | 14,690 | (12) | (69) |
| Trading portfolio assets | 14,502 | 9,260 | 17,059 | 57 | (15) |
| Loan assets held at amortized cost | 42,504 | 44,751 | 51,783 | (5) | (18) |
| Other financial assets at fair value through profit or loss | 5,249 | 7,910 | 3,974 | (34) | 32 |
| Derivative financial instruments — positive values | 21,441 | 27,428 | 22,508 | (22) | (5) |
| Other assets | 13,791 | 10,640 | 11,413 | 30 | 21 |
| Investment securities available for sale | 23,152 | 18,123 | 18,025 | 28 | 28 |
| Intangible assets | 715 | 759 | 566 | (6) | 26 |
| Life investment contracts and other unit holder assets | 5,066 | 4,314 | 5,645 | 17 | (10) |
| Interests in associates and joint ventures using the equity method | 4,931 | 6,123 | 5,921 | (19) | (17) |
| Property, plant and equipment | 647 | 605 | 433 | 7 | 49 |
| Deferred income tax assets | 1,401 | 1,186 | 825 | 18 | 70 |
| Non-current assets and assets of disposal groups classified as held for sale | 100 | 537 | 927 | (81) | (89) |
| **Total assets** | **146,931** | **149,144** | **167,435** | (1) | (12) |
| **Liabilities** | | | | | |
| Due to banks | 10,284 | 11,858 | 11,349 | (13) | (9) |
| Cash collateral on securities lent and repurchase agreements | 5,328 | 3,953 | 14,664 | 35 | (64) |
| Trading portfolio liabilities | 7,368 | 2,161 | 11,079 | 241 | (33) |
| Derivative financial instruments — negative values | 21,552 | 27,371 | 24,430 | (21) | (12) |
| Deposits | 20,692 | 21,868 | 16,955 | (5) | 22 |
| Debt issued at amortized cost | 44,896 | 48,270 | 52,485 | (7) | (14) |
| Other financial liabilities at fair value through profit or loss | 5,037 | 6,203 | 6,263 | (19) | (20) |
| Other liabilities | 12,871 | 10,342 | 11,081 | 24 | 16 |
| Current tax liabilities | 103 | 187 | 159 | (45) | (35) |
| Life investment contracts and other unit holder liabilities | 5,062 | 4,312 | 5,634 | 17 | (10) |
| Provisions | 184 | 189 | 211 | (3) | (13) |
| Deferred income tax liabilities | 210 | 4 | 40 | large | large |
| Liabilities of disposal groups classified as held for sale | – | 328 | 153 | (100) | (100) |
| **Total liabilities excluding loan capital** | **133,587** | **137,046** | **154,503** | (3) | (14) |
| **Loan capital** | | | | | |
| Macquarie convertible preference securities | 591 | 591 | 591 | – | – |
| Subordinated debt at amortized cost | 1,011 | 1,496 | 1,413 | (32) | (28) |
| Subordinated debt at fair value through profit or loss | 522 | 451 | 647 | 16 | (19) |
| **Total loan capital** | **2,124** | **2,538** | **2,651** | (16) | (20) |
| **Total liabilities** | **135,711** | **139,584** | **157,154** | (3) | (14) |
| **Net assets** | **11,220** | **9,560** | **10,281** | 17 | 9 |
| **Equity** | | | | | |
| Contributed equity: | | | | | |
| Ordinary share capital | 6,267 | 4,906 | 4,832 | 28 | 30 |
| Treasury shares | (2) | (2) | (2) | – | – |
| Exchangeable shares | 159 | 116 | 122 | 37 | 30 |
| Reserves | 276 | 17 | 283 | large | (2) |
| Retained earnings | 3,984 | 3,627 | 3,770 | 10 | 6 |
| **Total capital and reserves attributable to equity holders of MGL Group** | **10,684** | **8,664** | **9,005** | 23 | 19 |
| Macquarie Income Preferred Securities | 74 | 398 | 780 | (81) | (91) |
| Macquarie Income Securities | 391 | 391 | 391 | – | – |
| Other minority interests | 71 | 107 | 105 | (34) | (32) |
| **Total equity** | **11,220** | **9,560** | **10,281** | 17 | 9 |

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

As at September 30, 2009, we had total assets of A$146.9 billion, a decrease of 12% (A$20.5 billion) from A$167.4 billion at September 30, 2008.

Reduced activity in global markets over the past twelve months resulted in a fall in trading related balances from September 30, 2008 to September 30, 2009, including cash collateral on securities borrowed & reverse repurchase agreements, which decreased 69% (A$10.2 billion) from A$14.7 billion at September 30, 2008 to A$4.5 billion at September 30, 2009 and Trading portfolio assets, which decreased 15% (A$2.6 billion) from A$17.1 billion at September 30, 2008 to A$14.5 billion at September 30, 2009.

Loan assets decreased 18% from A$51.8 billion at September 30, 2008 to A$42.5 billion at September 30, 2009, primarily due to a reduction in the mortgage portfolios as the businesses continued to wind down. This decline was partially offset by increased loan volumes in the Corporate & Asset Finance division largely due to corporate debt acquired since March 31, 2009. See "— Loan assets" below for further information.

Due from banks decreased 34% (A$4.5 billion) from A$13.4 billion at September 30, 2008, to A$8.9 billion at September 30, 2009. This decrease was offset by a 28% (A$5.1 billion) increase in investment securities available for sale, as Group Treasury experienced increased opportunities to acquire these securities that generated higher yields than overnight cash rates.

Total liabilities (excluding loan capital) decreased 14% to A$133.6 billion at September 30, 2009 from A$154.5 billion at September 30, 2008.

As with assets, the main decreases were in trading related balance. Cash collateral on securities lent and repurchase agreements decreased 64% (A$9.3 billion) from A$14.7 billion at September 30, 2008 to A$5.3 billion at September 30, 2009 and trading portfolio liabilities decreased 34% (A$3.7 billion) from A$11.1 billion at September 30, 2008 to A$7.4 billion at September 30, 2009, due to more subdued market conditions compared to the prior corresponding period.

Debt issued at amortized cost, decreased 14% (A$7.6 billion) to A$44.9 billion from A$52.5 billion in the prior corresponding, primarily due to the reduction in funded loan assets.

In addition, the other notable change in the composition of liabilities was the 22% growth in deposits from A$17.0 billion at September 30, 2008, to A$20.7 billion at September 30, 2009.

Total equity at September 30, 2009 was A$11.2 billion, a 9% (A$939 million) increase from A$10.3 billion at September 30, 2008. This increase was primarily due to capital raisings during the period, including completion of the institutional equity private placement in May 2009 and completion of the share purchase plan in June 2009 that raised a total of A$1.2 billion of new capital, combined with profit for the half year ended September 30, 2009, of A$479 million. These positive drivers were partially offset by the reduction in MIPS of A$706 million and the final 2009 dividend paid of A$122 million.

### *Loan assets*

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

| | As at | | | Movement[1] | |
|---|---|---|---|---|---|
| | Sep 09 | Mar 09 | Sep 08 | Mar 09 | Sep 08 |
| | A$b | A$b | A$b | % | % |
| Loan assets at amortized cost per statutory balance sheet | 42.5 | 44.8 | 51.8 | (5) | (18) |
| Other loans held at fair value | 1.8 | 2.5 | 2.9 | (28) | (38) |
| Operating lease assets | 1.2 | 2.0 | 2.0 | (40) | (40) |
| Less: loans held by consolidated SPEs which are available as security to noteholders and debt providers | (17.0) | (19.3) | (22.0) | (12) | (23) |
| Less: segregated funds | (1.3) | (2.4) | (1.9) | (46) | (32) |
| Less: margin balances (reclassed to trading) | (1.9) | (2.1) | (1.9) | (10) | – |
| Less: other reclassification | – | (0.2) | – | (100) | – |
| Total per funded balance sheet | **25.3** | **25.3** | **30.9** | – | (18) |

For the half years ended September 30, 2009, March 31, 2009 and September 30, 2008 funded loan assets of MGL Group and MBL Group consisted of:

| | Half Year ended | | | Movement[1] | |
|---|---|---|---|---|---|
| | Sep 09 | Mar 09 | Sep 08 | Mar 09 | Sep 08 |
| | A$b | A$b | A$b | % | % |
| Mortgages: | | | | | |
| Australia | 1.8 | 1.9 | 1.8 | (5) | – |
| United States | 1.0 | 1.3 | 1.2 | (23) | (17) |
| Canada | 5.0 | 4.0 | 3.7 | 25 | 35 |
| Italy | – | – | 1.9 | – | (100) |
| Margin lending | – | 0.3 | 2.9 | (100) | (100) |
| Structured investments | 4.0 | 5.2 | 6.0 | (23) | (33) |
| Banking | 3.3 | 3.3 | 3.4 | – | (3) |
| Real estate | 0.9 | 1.4 | 1.5 | (36) | (40) |
| Debt markets warehouses | 0.2 | 0.4 | 1.2 | (50) | (83) |
| Resources and commodities | 1.3 | 1.5 | 1.7 | (13) | (24) |
| Corporate & Asset Finance leasing | 2.8 | 3.7 | 3.6 | (24) | (22) |
| Corporate & Asset Finance lending | 3.8 | 1.4 | 0.7 | 171 | n/m |
| Other lending | 1.2 | 0.9 | 1.3 | 33 | (8) |
| Total | **25.3** | **25.3** | **30.9** | – | (18) |

[1] "n/m" indicates that the percentage change in the balance was not meaningful, including instances where the percentage increase was greater than 300% and the result was a gin in one period but a loss in another, or vice versa.

Our funded loan asset portfolio comprises diverse, secured assets:

| <u>Loan Category</u> | <u>Asset Security</u> |
|---|---|
| Mortgages | Secured by residential mortgages and supported by mortgage insurance. |

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

| **Loan Category** | **Asset Security** |
|---|---|
| | • Italian Mortgages: portfolio sold in October 2008. |
| Margin lending .. | Conservative loan to value ratio is set on individual listed equity security; full recourse to listed equity securities. |
| Structured investments........ | Retail loans to invest in various investment funds. Secured by investments with value protected by capital guarantees at maturity. Underlying assets primarily include direct and indirect equities and cash. |
| Banking ............. | Secured relationship managed 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. Portfolio also includes other consumer lending of A$0.4 billion including credit cards. |
| Real estate ......... | Loans secured against real estate assets, generally subject to regular independent valuations. |
| Debt markets warehouses ........ | Fully secured loans with contractual maturity no greater than 12 months. Secured by residential mortgages, car loans and other receivables. |
| Resources and Commodities ..... | Diversified loan portfolio primarily to the resources sector that are secured by the underlying assets. Secured by gold, base metals and oil resources and supported by price hedging. |
| Corporate & Asset Finance leasing ............... | Secured by underlying leased assets (motor vehicles and specialized equipment), diversified portfolio by geography and security asset class. |
| Corporate & Asset Finance lending............... | Diversified secured corporate lending, subject to regular recoverability review. Secured by a diverse range of corporate assets and other securities. |
| Other lending...... | MGL Group<br>• A$0.5 billion aircraft operating lease portfolio to a single counterparty with average aircraft life < 3 years, all aircraft residual value insured.<br>• A$0.4 billion deposit with financial institutions as collateral for trading positions.<br>• A$0.3 billion other secured lending, subject to regular recoverability review. Secured by a diverse range of corporate assets and other securities.<br>MBL Group<br>• A$0.4 billion deposits with financial institutions as collateral for trading positions. |

***Equity investments***

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

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

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

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

For the purpose of the analysis below, equity investments have been re-grouped into the following categories: investments in MGL Group-managed funds; other investments not held for sale or that are not investments in MGL Group-managed funds and Held-for-Sale investments.

*Equity investments reconciliation*

| | As at | | |
|---|---|---|---|
| | **Sep 09** | **Mar 09** | **Sep 08** |
| | **A$m** | **A$m** | **A$m** |
| **Equity investments (excluding Held for Sale)** | | | |
| **Statutory balance sheet** | | | |
| Equity investments within Other financial assets at fair value through profit or loss | 1,183 | 2,196 | 255 |
| Equity investments within Investment securities available for sale | 721 | 814 | 800 |
| Interests in associates and joint ventures using the equity method | 4,931 | 6,123 | 5,921 |
| **Total equity investments per statutory balance sheet** | **6,835** | **9,133** | **6,976** |
| **Adjustment for funded balance sheet** | | | |
| Equity hedge positions[1] | (1,000) | (1,951) | (127) |
| **Total funded equity investments** | **5,835** | **7,182** | **6,849** |
| **Adjustments for equity investments analysis** | | | |
| Available-for-Sale reserves[2] | (172) | (105) | (117) |
| Associate reserves[3] | 93 | 85 | 6 |
| **Total adjusted equity investments[4]** | **5,756** | **7,162** | **6,738** |
| **Held-for-Sale investments** | | | |
| Net assets of disposal groups classified as held for sale | 100 | 209 | 774 |
| **Total equity investments including Held for Sale investments** | **5,856** | **7,371** | **7,512** |

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

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

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

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

*Adjusted book value of equity investments by category*

| | As at | | |
|---|---|---|---|
| | **Sep 09** | **Mar 09** | **Sep 08** |
| | **A$m** | **A$m** | **A$m** |
| **Macquarie Capital-managed funds** | | | |
| DUET Group | 15 | 15 | 27 |
| MAp | 1,018 | 1,107 | 893 |
| Macquarie Communications Infrastructure Group | – | 194 | 242 |
| Macquarie CountryWide Trust | 120 | 135 | 138 |
| Macquarie DDR Trust | 2 | 7 | 7 |
| Macquarie Infrastructure Company | 38 | 61 | 53 |
| Macquarie Infrastructure Group | 649 | 698 | 854 |
| Macquarie International Infrastructure Fund | 71 | 86 | 42 |
| Macquarie Korea Infrastructure Fund | 55 | 60 | 59 |
| Macquarie Media Group | 125 | 114 | 126 |
| Macquarie Office Trust | 220 | 212 | 108 |
| **Total listed Macquarie Capital-managed funds** | **2,313** | **2,689** | **2,549** |
| Other Macquarie Capital-managed funds | 1,073 | 1,281 | 1,150 |
| **Total Macquarie Capital-managed funds** | **3,386** | **3,970** | **3,699** |
| **Other investments** | | | |
| Finance, investment, funds management and exchanges | 702 | 937 | 776 |
| Real estate | 457 | 612 | 856 |
| Debt investment entities | 253 | 284 | 306 |
| Energy and resources | 230 | 533 | 576 |
| Transport, industrial and infrastructure | 635 | 490 | 261 |
| Telecommunications, internet, media and entertainment | 93 | 336 | 264 |
| **Total Other investments** | **2,370** | **3,192** | **3,039** |
| Held-for-Sale investments | 100 | 209 | 774 |
| **Total equity investments including Held-for-Sale investments** | **5,856** | **7,371** | **7,512** |

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