MACQUARIE

Interim Financial Report

Macquarie Group
Half-year ended 30 September 2015

MACQUARIE GROUP 2015 INTERIM FINANCIAL REPORT

This Interim Financial Report has been prepared in accordance with Australian Accounting Standards and does not include all the notes of the type normally included in an annual financial report.

The material in this report has been prepared by Macquarie Group Limited ABN 94 122 169 279 (Macquarie) and is current at the date of this report. It is general background information about Macquarie's activities, is given in summary form and does not purport to be complete. It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered with professional advice when deciding if an investment is appropriate.

Interim Financial Report
for the half-year ended 30 September 2015
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The Financial report was authorised for issue by the Directors on 30 October 2015.
The Consolidated Entity has the power to amend and reissue the Financial report.

Interim Financial Report
for the half-year ended 30 September 2015

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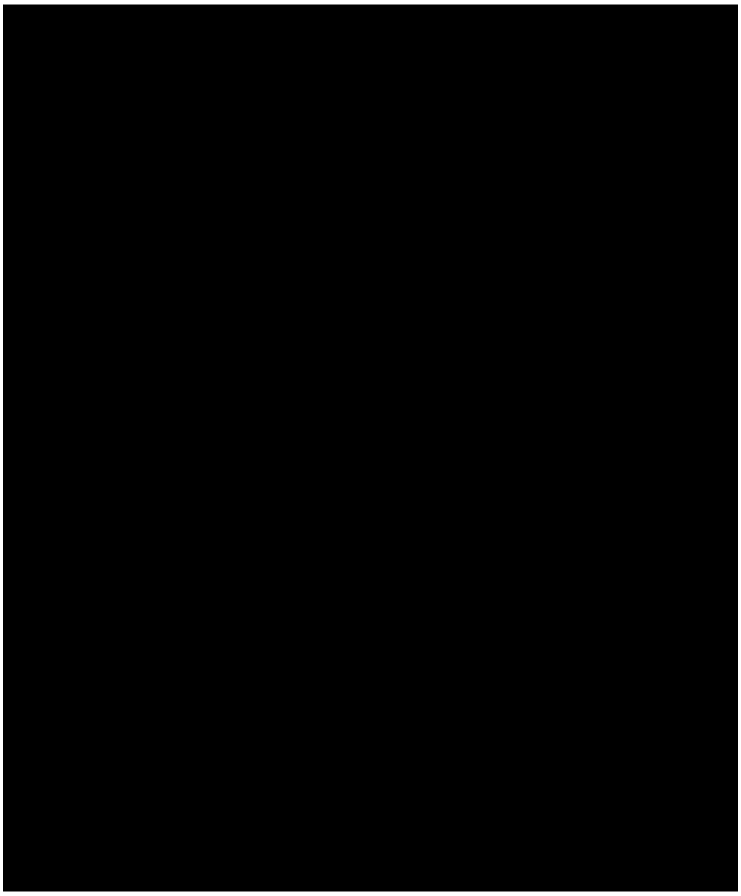
Directors' Report
for the half-year ended 30 September 2015



In accordance with a resolution of the Voting Directors (the Directors) of Macquarie Group Limited (Macquarie, MGL or the Company), the Directors submit herewith the financial statements of the Company and its subsidiaries (the Consolidated Entity, the Group) at the end of, and during, the financial period ended on 30 September 2015 and report as follows:

Directors

At the date of this report, the Directors of Macquarie are:

Independent Directors

H.K. McCann AM, Chairman
G.R. Banks AO
G.M. Cairns
M.J. Coleman
P.A. Cross
D.J. Grady AM
M.J. Hawker AM
N.M. Wakefield Evans
P.H. Warne

Executive Director

N.W. Moore, Managing Director and Chief Executive Officer

The Voting Directors listed above each held office as a Director of Macquarie throughout the period and until the date of this report. Those Directors listed as Independent Directors have been independent throughout the period of their appointment.

On 24 September 2015, MGL announced that Kevin McCann will retire as Chairman and a Voting Director of MGL effective 31 March 2016, with Peter Warne to replace him as Chairman on his retirement.

Result

The financial report for the half-year ended 30 September 2015 and the results herein are prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001* (Cth).

The consolidated profit attributable to ordinary equity holders of the Company, in accordance with Australian Accounting Standards, for the period was $A1,070 million (half-year to 31 March 2015: $A926 million; half-year to 30 September 2014: $A678 million).

Directors' Report
for the half-year ended 30 September 2015
continued

[redacted]

[redacted]

Directors' Report
for the half-year ended 30 September 2015
continued

[redacted]

[redacted]

Directors' Report
for the half-year ended 30 September 2015
continued

[redacted]

Events after the reporting period

Except as disclosed in Note 22 to the financial statements in the Interim Financial Report, there were no material events subsequent to 30 September 2015 that have not been reflected.

Interim dividend

The Directors have resolved to pay an interim dividend for the half-year ended 30 September 2015 of $A1.60 per fully paid ordinary MGL share on issue at 11 November 2015.

The dividend will be 40 percent franked and paid on 16 December 2015.

Auditor's independence declaration

A copy of the Auditor's independence declaration, as required under section 307C of the *Corporations Act 2001* (Cth), is set out on page 7.

Rounding of amounts

In accordance with Australian Securities and Investments Commission Class Order 98/100 (as amended), amounts in the Directors' Report and the half-year Financial Report have been rounded off to the nearest million dollars unless otherwise indicated.

This report is made in accordance with a resolution of the Directors.

H Kevin McCann AM
Independent Director and
Chairman

Nicholas Moore
Managing Director and
Chief Executive Officer

Sydney
30 October 2015

Auditor's independence declaration
for the half-year ended 30 September 2015

pwc

As lead auditor for the review of Macquarie Group Limited for the half-year ended 30 September 2015, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* (Cth) in relation to the review; and
b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Macquarie Group Limited and the entities it controlled during the period.

K. G. Smith

K.G. Smith
Partner
PricewaterhouseCoopers

Sydney
30 October 2015

Liability is limited by a scheme approved under Professional Standards Legislation.

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Consolidated income statement
for the half-year ended 30 September 2015

	Notes	**Half-year to 30 Sep 2015 $m**	Half-year to 31 Mar 2015 $m	Half-year to 30 Sep 2014 $m
Interest and similar income	2	**2,677**	2,613	2,396
Interest expense and similar charges	2	**(1,512)**	(1,477)	(1,440)
Net interest income		**1,165**	1,136	956
Fee and commission income	2	**2,794**	2,572	2,167
Net trading income	2	**1,108**	1,040	687
Share of net (losses)/profits of associates and joint ventures accounted for using the equity method	2	**(63)**	(14)	19
Other operating income and charges	2	**314**	244	455
Net operating income		**5,318**	4,978	4,284
Employment expenses	2	**(2,263)**	(2,199)	(1,944)
Brokerage, commission and trading-related expenses	2	**(444)**	(437)	(387)
Occupancy expenses	2	**(202)**	(201)	(178)
Non-salary technology expenses	2	**(287)**	(231)	(206)
Other operating expenses	2	**(503)**	(509)	(448)
Total operating expenses		**(3,699)**	(3,577)	(3,163)
Operating profit before income tax		**1,619**	1,401	1,121
Income tax expense	4	**(530)**	(467)	(432)
Profit after income tax		**1,089**	934	689
(Profit)/loss attributable to non-controlling interests:				
Macquarie Income Securities	5	**(8)**	(9)	(9)
Macquarie Income Preferred Securities	5	**(1)**	(3)	(2)
Other non-controlling interests		**(10)**	4	–
Profit attributable to non-controlling interests		**(19)**	(8)	(11)
Profit attributable to ordinary equity holders of Macquarie Group Limited		**1,070**	926	678
				Cents per share
Basic earnings per share	6	**324.5**	288.1	213.3
Diluted earnings per share	6	**310.0**	275.7	204.9

The above consolidated income statement should be read in conjunction with the accompanying notes.

Consolidated statement of comprehensive income
for the half-year ended 30 September 2015

	Notes	**Half-year to 30 Sep 2015 $m**	Half-year to 31 Mar 2015 $m	Half-year to 30 Sep 2014 $m
Profit after income tax for the period		**1,089**	934	689
Other comprehensive income/(expense)[1]:				
Available for sale investments, net of tax	17	**60**	80	(22)
Cash flow hedges, net of tax	17	**22**	(35)	(21)
Share of other comprehensive income/(expense) of associates and joint ventures, net of tax	17	**1**	(11)	(3)
Exchange differences on translation of foreign operations, net of hedges and tax		**474**	627	250
Total other comprehensive income for the period		**557**	661	204
Total comprehensive income for the period		**1,646**	1,595	893
Total comprehensive income/(expense) for the period is attributable to:				
Ordinary equity holders of Macquarie Group Limited		**1,623**	1,580	880
Macquarie Income Securities holders		**8**	9	9
Macquarie Income Preferred Securities holders		**5**	7	4
Other non-controlling interests		**10**	(1)	–
Total comprehensive income for the period		**1,646**	1,595	893

[1] All items of other comprehensive income/(expense) may reclassify subsequently to profit or loss.

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated statement of financial position
as at 30 September 2015

	Notes	As at 30 Sep 2015 $m	As at 31 Mar 2015 $m	As at 30 Sep 2014 $m
Assets				
Receivables from financial institutions		**36,954**	28,705	20,775
Trading portfolio assets	7	**31,337**	30,406	26,310
Derivative assets		**22,307**	20,080	14,648
Investment securities available for sale	8	**10,707**	8,896	9,299
Other assets	9	**13,742**	13,557	13,024
Loan assets held at amortised cost	10	**76,690**	72,762	64,435
Other financial assets at fair value through profit or loss		**2,101**	2,125	2,752
Property, plant and equipment		**10,383**	7,079	6,636
Interests in associates and joint ventures accounted for using the equity method	12	**2,779**	2,328	2,483
Intangible assets		**1,182**	1,164	1,237
Deferred tax assets		**908**	874	733
Total assets		**209,090**	187,976	162,332
Liabilities				
Trading portfolio liabilities	13	**8,702**	5,295	4,118
Derivative liabilities		**20,018**	18,267	14,634
Deposits		**51,915**	47,386	44,216
Other liabilities	14	**15,372**	15,830	13,287
Payables to financial institutions		**23,525**	18,645	16,961
Other financial liabilities at fair value through profit or loss		**2,309**	1,626	1,364
Debt issued at amortised cost	15	**65,466**	61,463	51,076
Provisions		**238**	220	221
Deferred tax liabilities		**546**	464	635
Total liabilities excluding loan capital		**188,091**	169,196	146,512
Loan capital				
Subordinated debt issued at amortised cost		**5,782**	4,384	3,604
Total loan capital		**5,782**	4,384	3,604
Total liabilities		**193,873**	173,580	150,116
Net assets		**15,217**	14,396	12,216
Equity				
Contributed equity	16	**5,836**	5,947	5,063
Reserves	17	**2,090**	1,656	826
Retained earnings	17	**6,705**	6,306	5,801
Total capital and reserves attributable to ordinary equity holders of Macquarie Group Limited		**14,631**	13,909	11,690
Non-controlling interests	17	**586**	487	526
Total equity		**15,217**	14,396	12,216

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity
for the half-year ended 30 September 2015

	Notes	Contributed equity $m	Reserves $m	Retained earnings $m	Total $m	Non-controlling interests $m	Total equity $m
Balance at 1 April 2014		5,112	669	5,637	11,418	496	11,914
Profit after income tax		–	–	678	678	11	689
Other comprehensive income, net of tax		–	202	–	202	2	204
Total comprehensive income for the period		–	202	678	880	13	893
Transactions with equity holders in their capacity as equity holders:							
Contributions of ordinary equity, net of transaction costs	16	5	–	–	5	–	5
Purchase of shares by MEREP Trust	16	(266)	–	–	(266)	–	(266)
Dividends and distributions paid or provided for	5,17	–	–	(514)	(514)	–	(514)
Non-controlling interests:							
Change in non-controlling ownership interest	17	–	–	–	–	28	28
Distributions paid or provided for		–	–	–	–	(11)	(11)
Other equity movements:							
MEREP expense	17	–	169	–	169	–	169
Additional deferred tax benefit on MEREP expense	17	–	(2)	–	(2)	–	(2)
Transfer from share-based payments reserve:							
– to contributed equity for equity settled awards	16,17	218	(218)	–	–	–	–
Transfer from share-based payment capital reduction reserve to contributed equity	16,17	(18)	18	–	–	–	–
Transfer of additional deferred tax benefit on MEREP expense upon vesting to contributed equity	16,17	12	(12)	–	–	–	–
		(49)	(45)	(514)	(608)	17	(591)
Balance at 30 September 2014		5,063	826	5,801	11,690	526	12,216
Profit after income tax		–	–	926	926	8	934
Other comprehensive income, net of tax		–	654	–	654	7	661
Total comprehensive income for the period		–	654	926	1,580	15	1,595
Transactions with equity holders in their capacity as equity holders:							
Contributions of ordinary equity, net of transaction costs	16	842	–	–	842	–	842
Dividends and distributions paid or provided for	5,17	–	–	(417)	(417)	–	(417)
Non-controlling interests:							
Change in non-controlling ownership interest	17	–	–	(4)	(4)	(40)	(44)
Distributions paid or provided for		–	–	–	–	(14)	(14)
Other equity movements:							
MEREP expense	17	–	150	–	150	–	150
Additional deferred tax benefit on MEREP expense	17	–	69	–	69	–	69
Transfer from share-based payments reserve:							
– to other liabilities for cash settled awards	17	–	(1)	–	(1)	–	(1)
– to contributed equity for equity settled awards	16,17	24	(24)	–	–	–	–
Transfer from share-based payment capital reduction reserve to contributed equity	16,17	(1)	1	–	–	–	–
Transfer of additional deferred tax benefit on MEREP expense upon vesting to contributed equity	16,17	19	(19)	–	–	–	–
		884	176	(421)	639	(54)	585
Balance at 31 March 2015		5,947	1,656	6,306	13,909	487	14,396

	Notes	Contributed equity $m	Reserves $m	Retained earnings $m	Total $m	Non-controlling interests $m	Total equity $m
Balance at 1 April 2015		5,947	1,656	6,306	13,909	487	14,396
Profit after income tax		–	–	1,070	1,070	19	1,089
Other comprehensive income, net of tax		–	553	–	553	4	557
Total comprehensive income for the period		–	553	1,070	1,623	23	1,646
Transactions with equity holders in their capacity as equity holders:							
Contributions of ordinary equity, net of transaction costs	16	1	–	–	1	–	1
Purchase of shares by MEREP Trust	16	(383)	–	–	(383)	–	(383)
Sale of shares by MEREP Trust	16	6	–	–	6	–	6
Dividends and distributions paid or provided for	5,17	–	–	(667)	(667)	–	(667)
Non-controlling interests:							
Change in non-controlling ownership interest		–	–	(4)	(4)	85	81
Distributions paid or provided for		–	–	–	–	(9)	(9)
Other equity movements:							
MEREP expense	17	–	157	–	157	–	157
Additional deferred tax benefit on MEREP expense	17	–	6	–	6	–	6
Transfer from share-based payments reserve:							
– to other liabilities for cash settled awards	17	–	(17)	–	(17)	–	(17)
– to contributed equity for equity settled awards	16,17	240	(240)	–	–	–	–
Transfer from share-based payment capital reduction reserve to contributed equity	16,17	(17)	17	–	–	–	–
Transfer of additional deferred tax benefit on MEREP expense upon vesting to contributed equity	16,17	42	(42)	–	–	–	–
		(111)	(119)	(671)	(901)	76	(825)
Balance at 30 September 2015		5,836	2,090	6,705	14,631	586	15,217

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows
for the half-year ended 30 September 2015

	Notes	**Half-year to 30 Sep 2015 $m**	Half-year to 31 Mar 2015 $m	Half-year to 30 Sep 2014 $m
Cash flows from/(used in) operating activities				
Interest received		**2,583**	2,329	2,351
Interest and other costs of finance paid		**(1,477)**	(1,468)	(1,467)
Dividends and distributions received		**200**	67	190
Fees and other non-interest income received		**3,095**	3,152	2,569
Fees and commissions paid		**(394)**	(406)	(393)
Net payments for trading portfolio assets and other financial assets/ liabilities		**(2,795)**	(8,416)	(3,842)
Payments to suppliers		**(558)**	(423)	(696)
Employment expenses paid		**(2,515)**	(1,308)	(2,274)
Income tax (paid)/refund		**(823)**	129	(307)
Life investment contract premiums received, disposal of investment assets and other unitholder contributions		**686**	836	556
Life investment contract payments, acquisition of investment assets and other unitholder redemptions		**(635)**	(825)	(506)
Net loan assets granted and margin money placed		**(4,526)**	(8,525)	(5,045)
Net increase in amounts due to other financial institutions, deposits and other borrowings		**10,828**	14,296	7,844
Proceeds from the disposal of operating lease assets		**–**	34	30
Payments for the acquisition of operating lease assets		**(488)**	(583)	(312)
Net cash flows from/(used in) operating activities	18	**3,181**	(1,111)	(1,302)
Cash flows (used in)/from investing activities				
Net (payments to)/proceeds from investment securities available for sale		**(405)**	1,111	1,882
Proceeds from the disposal of associates, subsidiaries and businesses, net of cash deconsolidated		**694**	1,671	184
Payments for the acquisition of associates, subsidiaries and businesses, net of cash acquired		**(3,648)**	(261)	(515)
Proceeds from the disposal of property, plant and equipment, finance lease assets and intangible assets		**56**	123	35
Payments for the acquisition of property, plant and equipment, finance lease assets and intangible assets		**(380)**	(290)	(126)
Net cash (used in)/from investing activities		**(3,683)**	2,354	1,460
Cash flows (used in)/from financing activities				
Proceeds from the issue of ordinary shares		**1**	669	4
Proceeds from/(payments to) non-controlling interests		**167**	(41)	28
Proceeds from issue of subordinated debt		**963**	421	–
Redemption of Macquarie Income Preferred Securities		**(82)**	–	–
Dividend and distributions paid		**(679)**	(258)	(525)
Payments for acquisition of treasury shares		**(383)**	–	(266)
Net cash flows (used in)/from financing activities		**(13)**	791	(759)
Net (decrease)/increase in cash and cash equivalents		**(515)**	2,034	(601)
Cash and cash equivalents at the beginning of the period		**16,973**	14,939	15,540
Cash and cash equivalents at the end of the period	18	**16,458**	16,973	14,939

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Note 1

Summary of significant accounting policies

Basis of preparation

This general purpose financial report for the half-year reporting period ended 30 September 2015 has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001* (Cth). Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board (IASB).

This half-year financial report comprises the consolidated financial report of Macquarie Group Limited (MGL or the Company) and the entities it controlled at the end of, or during, the period (the Consolidated Entity, the Group).

This half-year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual financial report for the year ended 31 March 2015 and any public announcements made by MGL during the half-year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* (Cth).

The Consolidated Entity is of a kind referred to in *Australian Securities and Investments Commission Class Order 98/100* (as amended), relating to the rounding off of amounts in the financial report for a financial year or half-year. Amounts in the Directors' Report and the half-year Financial Report have been rounded off in accordance with that Class Order to the nearest million dollars unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the annual financial report of MGL for the year ended 31 March 2015 other than where disclosed. Where necessary, certain comparatives have been restated for consistency in presentation at 30 September 2015.

Critical accounting estimates and significant judgements

The preparation of the financial report in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the accounting policies. In preparing this half-year financial report, the significant judgements made by management in applying the Consolidated Entity's accounting policies and key sources of estimation uncertainty were the same as those that applied to the annual financial report for the year ended 31 March 2015.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events.

Management believes the estimates used in preparing the financial report are reasonable. Actual results in the future may differ from those reported and therefore it is reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year that are different from Macquarie's assumptions and estimates could require an adjustment to the carrying amounts of the assets and liabilities reported.

New Accounting Standards and amendments to Accounting Standards and Interpretations that are not yet effective

AASB 9 Financial Instruments

AASB 9 will replace AASB 139 *Financial Instruments: Recognition and Measurement*. It will lead to changes in the accounting for financial instruments, primarily relating to:

Financial assets: A financial asset is measured at amortised cost only if it is held within a business model whose objective is to collect contractual cash flows and the asset gives rise to cash flows on specified dates that are payments solely of principal and interest (on the principal amount outstanding). All other financial assets are measured at fair value. Changes in the fair value of debt instruments that:

(i) have cash flows solely of principal and interest, and

(ii) are held in a business model managed both to collect cash flows and for sale

are recognised in other comprehensive income until sold, when they are recycled to the income statement. Interest and impairment are recognised directly in profit or loss. Changes in the fair value of equity investments that are not part of a trading activity may be reported directly in other comprehensive income, but upon realisation, those accumulated changes are not recycled to the income statement. Dividends on such investments are recognised in profit or loss, unless they clearly represent a recovery of the cost of the investment. Changes in the fair value of all other financial assets carried at fair value are reported in the income statement. The combined effect of the application of the business model and the contractual cash flow characteristics tests will result in some differences in the assets measured at amortised cost vs. fair value compared with AASB 139.

Financial liabilities: The component of change in fair value of financial liabilities designated at fair value through profit or loss due to an entity's own credit risk are presented in other comprehensive income, unless this creates an accounting mismatch. If a mismatch is created or enlarged, all changes in fair value (including the effects of credit risk) are presented in profit or loss. These requirements may be applied early without applying all other requirements of AASB 9.

Notes to the consolidated financial statements
for the half-year ended 30 September 2015
continued

Note 1

Summary of significant accounting policies continued

Impairment: The impairment requirements apply to financial assets measured at amortised cost and fair value through other comprehensive income, lease receivables and certain loan commitments and financial guarantee contracts. At initial recognition, an allowance is recognised for expected credit losses (ECL), resulting from possible defaults within the next 12 months. Subsequently, when there is a significant increase in credit risk, an allowance is required for ECL resulting from possible defaults over the expected life of the financial instrument. The assessment of credit risk, and the estimation of ECL, are to be unbiased and probability-weighted, and incorporates all available information relevant to the assessment, including information about past events, current conditions and reasonable and supportable information about future events and economic conditions at the reporting date. As a result, the impairment allowance is intended to be more forward-looking and the resulting impairment charge will tend to be more volatile than under AASB 139.

Hedge accounting: Hedge accounting is more closely aligned with financial risk management and may be applied to a greater variety of hedging instruments and risks.

AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018. The Consolidated Entity will first apply AASB 9 in the financial year beginning 1 April 2018. When AASB 9 is first applied, the Consolidated Entity has an accounting policy choice to apply AASB 9 hedge accounting or to continue applying AASB 139 hedge accounting. This accounting policy choice is available until the Accounting Standard on macro hedging is finalised, and is to be applied consistently to all hedge relationships.

The Consolidated Entity is currently assessing the impact of the new requirements on the consolidated financial statements.

AASB 15 Revenue from Contracts with Customers

AASB 15 specifies how and when revenue is recognised, based on the concept of recognising revenue for performance obligations as they are satisfied. This could affect the timing and amount recognised for asset management fees, and contracts with multiple services. AASB 15 also requires enhanced disclosures.

In September 2015, the IASB issued an amendment to the Standard, which defers the mandatory effective date of IFRS 15 to 1 January 2018. The AASB has recently decided to issue a similar amendment to defer the mandatory effective date. The Consolidated Entity is now expecting to first apply AASB 15 in the financial year beginning 1 April 2018.

The Consolidated Entity is currently assessing the impact of the new requirements on the consolidated financial statements.

AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

AASB 2014-10 amends AASB 128 and AASB 10 to require that when an investor sells or contributes assets that constitute a business to its associate or joint venture, a full gain or loss is recognised. When the assets transferred do not constitute a business, the gain or loss recognised is limited to the interest sold. In determining whether the assets sold or contributed are a business, it is irrelevant whether the items transferred exist within a subsidiary.

AASB 2014-10 is effective for annual reporting periods beginning on or after 1 January 2016.

In August 2015, the IASB issued an Exposure Draft to defer indefinitely the effective date of these amendments. Early application remains permitted. The AASB is considering deferring to a later effective date.

AASB 2015-5 Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception

AASB 2015-5 introduces a choice in application of the equity method by a non-investment entity investor to an investment entity investee. When a non-investment entity investor applies the equity method to an investment entity associate or joint venture, the investor may retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries, or reverse the fair value measurement to conform to the accounting policies of the investor.

AASB 2015-5 is effective for annual reporting periods beginning on or after 1 January 2016. The Consolidated Entity will first apply the amendments in the financial year beginning 1 April 2016. Initial application is not expected to result in any material impact for the Consolidated Entity.

	Half-year to 30 Sep 2015 $m	Half-year to 31 Mar 2015 $m	Half-year to 30 Sep 2014 $m

Note 2

Profit for the period

Net interest income			
Interest and similar income received/receivable	**2,677**	2,613	2,396
Interest expense and similar charges paid/payable	**(1,512)**	(1,477)	(1,440)
Net interest income	**1,165**	1,136	956
Fee and commission income			
Base fees	**791**	738	650
Performance fees	**629**	294	373
Mergers and acquisitions, advisory and underwriting fees	**537**	544	429
Brokerage and commissions(1)	**461**	440	396
Other fee and commission income	**376**	556	319
Total fee and commission income	**2,794**	2,572	2,167
Net trading income(2)			
Equities	**375**	224	160
Commodities(3)	**540**	657	382
Credit, interest rates and foreign exchange products	**193**	159	145
Net trading income	**1,108**	1,040	687
Share of net (losses)/profits of associates and joint ventures accounted for using the equity method	**(63)**	(14)	19

(1) Includes life investment and insurance premium of $173 million (half-year to 31 March 2015: $113 million; half-year to 30 September 2014: $113 million) and related expenses of $115 million (half-year to 31 March 2015: $70 million; half-year to 30 September 2014: $69 million).

(2) Included in net trading income are fair value losses of $37 million (half-year to 31 March 2015: fair value losses of $74 million; half-year to 30 September 2014: fair value gains of $42 million) relating to financial assets and financial liabilities designated as held at fair value through profit or loss. Fair value changes relating to derivatives are also reported in net trading income which principally offsets the fair value changes relating to the financial assets and financial liabilities designated at fair value. This also includes fair value changes on derivatives used to hedge the Consolidated Entity's economic interest rate risk where hedge accounting requirements are not met.

(3) Includes transportation costs of $195 million (half-year to 31 March 2015: $158 million; half-year to 30 September 2014: $89 million).

Notes to the consolidated financial statements
for the half-year ended 30 September 2015
continued

Note 2
Profit for the period continued

	Half-year to 30 Sep 2015 $m	Half-year to 31 Mar 2015 $m	Half-year to 30 Sep 2014 $m
Other operating income and charges			
Net gains on sale of investment securities available for sale	**130**	69	146
Impairment charge on investment securities available for sale	**(75)**	(48)	(19)
Net gains on sale of associates and joint ventures	**88**	59	50
Impairment charge on interests in associates and joint ventures	**(16)**	(92)	(29)
Gain on disposal of operating lease assets	**3**	141	90
(Loss)/gain on acquiring, disposing, reclassification and change in ownership interest in subsidiaries, associates and businesses held for sale	**(2)**	187	3
Impairment charge on intangibles and other non-financial assets	**(17)**	(137)	(31)
Net operating lease income:			
Rental income	**671**	554	496
Depreciation on operating lease assets	**(290)**	(229)	(211)
Dividends/distributions received/receivable:			
Investment securities available for sale	**78**	76	26
Collective allowance for credit losses provided for during the period:			
Loan assets (Note 10)	**(20)**	(65)	(26)
Debt investment securities available for sale	**–**	(13)	–
Individually assessed provisions & write-offs:			
Loan assets provided for during the period (Note 10)	**(283)**	(248)	(57)
Other receivables provided for during the period	**(8)**	(20)	(10)
Recovery of loans previously provided for (Note 10)	**9**	9	18
Recovery of other receivables previously provided for	**4**	4	–
Loans written off	**(48)**	(44)	(39)
Recovery of loans previously written off	**10**	14	10
Other income	**80**	27	38
Total other operating income and charges	**314**	244	455
Net operating income	**5,318**	4,978	4,284

	Half-year to 30 Sep 2015 $m	Half-year to 31 Mar 2015 $m	Half-year to 30 Sep 2014 $m

Note 2

Profit for the period continued

Employment expenses			
Salary and salary related costs including commissions, superannuation and performance-related profit share	**(1,923)**	(1,915)	(1,626)
Share-based payments[1]	**(184)**	(160)	(180)
(Provision for)/reversal of long service leave and annual leave	**(11)**	5	(15)
Total compensation expenses	**(2,118)**	(2,070)	(1,821)
Other employment expenses including on-costs, staff procurement and staff training	**(145)**	(129)	(123)
Total employment expenses	**(2,263)**	(2,199)	(1,944)
Brokerage, commission and trading-related expenses			
Brokerage and other trading-related expenses	**(345)**	(341)	(299)
Other fee and commission expenses	**(99)**	(96)	(88)
Total brokerage, commission and trading-related expenses	**(444)**	(437)	(387)
Occupancy expenses			
Operating lease rentals	**(125)**	(123)	(108)
Depreciation: buildings, furniture, fittings and leasehold improvements	**(34)**	(38)	(34)
Other occupancy expenses	**(43)**	(40)	(36)
Total occupancy expenses	**(202)**	(201)	(178)
Non-salary technology expenses			
Information services	**(85)**	(77)	(68)
Depreciation: equipment	**(12)**	(9)	(7)
Service provider and other non-salary technology expenses	**(190)**	(145)	(131)
Total non-salary technology expenses	**(287)**	(231)	(206)
Other operating expenses			
Professional fees	**(157)**	(172)	(143)
Auditor's remuneration	**(13)**	(16)	(11)
Travel and entertainment expenses	**(83)**	(83)	(75)
Advertising and promotional expenses	**(39)**	(44)	(35)
Communication expenses	**(17)**	(19)	(14)
Amortisation of intangibles	**(41)**	(67)	(28)
Other expenses	**(153)**	(108)	(142)
Total other operating expenses	**(503)**	(509)	(448)
Total operating expenses	**(3,699)**	(3,577)	(3,163)

(1) Includes $27 million (half-year to 31 March 2015: $10 million; half-year to 30 September 2014: $11 million) of share-based payment expense of cash settled awards.

Notes to the consolidated financial statements
for the half-year ended 30 September 2015
continued

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Note 3
Segment reporting

(i) Operating segments

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

For internal reporting, performance measurement and risk management purposes, Macquarie is divided into six operating groups and a corporate segment. These segments have been set up based on the different core products and services offered. Segment information has been prepared in accordance with the basis of preparation described below.

The operating groups comprise:

Macquarie Asset Management (MAM) provides clients with access to a diverse range of capabilities and products, including infrastructure and real asset management, securities investment management and tailored investment solutions over funds and listed equities.

Corporate and Asset Finance (CAF) delivers tailored finance and asset management solutions to clients through the cycles, specialising in corporate and real estate lending and with an expertise in asset finance including aircraft, motor vehicles, technology, healthcare, manufacturing, industrial, energy, rail, rotorcraft and mining equipment.

Banking and Financial Services (BFS) provides a diverse range of personal banking, wealth management and business banking products and services to retail customers, advisors, brokers and business clients.

Macquarie Securities Group (MSG) is a global institutional securities house with strong Asia-Pacific foundations covering sales, research, equity capital markets, execution and derivatives activities.

Macquarie Capital provides corporate finance advisory and capital markets services to corporate and government clients involved in public and private M&A, debt and equity fund raisings, private equity raisings and corporate debt restructuring.

Commodities and Financial Markets (CFM) provides clients with risk and capital solutions across physical and financial markets.

The **Corporate** segment, which is not considered an operating group, includes head office and central support functions including Group Treasury. The Corporate segment also holds certain legacy investments, assets and businesses that are no longer core for strategic reasons and not allocated to any of the operating groups.

Items of income and expense within the Corporate segment include the net impact of managing liquidity for Macquarie, earnings on capital, non-trading derivative volatility, earnings from investments, central overlay on impairment provisions or valuation of assets, unallocated head office costs and costs of central support functions, the Group's performance-related profit share and share-based payments expense, income tax expense and certain distributions attributable to non-controlling interests and holders of loan capital.

All transactions and transfers between segments are generally determined on an arm's length basis and are included within the relevant categories of income. These transactions eliminate on aggregation/consolidation.

Below is a selection of key policies applied in determining operating segment results.

Internal funding arrangements

Operating groups are fully debt funded. Group Treasury has the responsibility for managing funding for the Group, and operating groups obtain their funding from Group Treasury. The interest rates charged by Group Treasury are determined by the currency and term of the funding and are fully costed.

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

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

Transactions between Operating Groups

Operating groups that enter into arrangements with other operating groups must do so on commercial terms or as agreed by the Group's Chief Executive Officer or Chief Financial Officer (CFO). There is a requirement for accounting symmetry in such transactions.

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

Central support functions

Central support functions recover their costs from operating groups on either a time and effort allocation basis or a fee for service basis. Central support functions include Corporate Operations Group (COG), Financial Management Group (FMG), Risk Management Group (RMG), Legal and Governance and Central Executive.

Performance-related profit share and share-based payments expense

Performance-related profit share and share-based payments expense relating to the MEREP is recognised in the Corporate segment and not allocated to operating groups.

Income tax

Income tax expense and benefits are recognised in the Corporate segment and not allocated to operating groups. However, to recognise an operating group's contribution to permanent income tax differences, an internal management revenue or charge is used. These internal management revenue/charges are offset by an equal and opposite amount recognised in the Corporate segment such that they are eliminated on aggregation.

Presentation of segment income statements

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

Notes to the consolidated financial statements
for the half-year ended 30 September 2015
continued

Note 3
Segment reporting continued

(i) Operating segments continued

The following is an analysis of the Consolidated Entity's revenue and results by reportable segment for the period:

	Macquarie Asset Management $m	Corporate and Asset Finance $m	Banking and Financial Services $m
Net interest and trading income	**9**	**460**	**456**
Fee and commission income/(expense)	**1,517**	**13**	**282**
Share of net (losses)/profits of associates and joint ventures accounted for using the equity method	**(38)**	**2**	**–**
Other operating income and charges			
Impairment charges, write-offs and provisions, net of recoveries	**5**	**(23)**	**(14)**
Other other operating income and charges	**176**	**409**	**12**
Internal management revenue/(charge)	**–**	**2**	**–**
Net operating income	**1,669**	**863**	**736**
Total operating expenses	**(517)**	**(252)**	**(566)**
Profit/(loss) before tax	**1,152**	**611**	**170**
Tax expense	**–**	**–**	**–**
(Profit) attributable to non-controlling interests	**(13)**	**–**	**–**
Net profit/(loss) contribution	**1,139**	**611**	**170**
Reportable segment assets	**7,824**	**34,764**	**39,890**
Net interest and trading income/(expense)	–	411	419
Fee and commission income/(expense)	1,153	12	270
Share of net (losses)/profits of associates and joint ventures accounted for using the equity method	(25)	2	2
Other operating income and charges			
Impairment charges, write-offs and provisions, net of recoveries	(19)	(119)	(20)
Other other operating income and charges	77	607	6
Internal management revenue/(charge)	5	(7)	3
Net operating income	1,191	906	680
Total operating expenses	(526)	(262)	(536)
Profit/(loss) before tax	665	644	144
Tax expense	–	–	–
(Profit) attributable to non-controlling interests	–	–	–
Net profit/(loss) contribution	665	644	144
Reportable segment assets	7,341	30,091	37,282
Net interest and trading income/(expense)	11	326	406
Fee and commission income/(expense)	1,119	21	262
Share of net profits/(losses) of associates and joint ventures accounted for using the equity method	38	1	1
Other operating income and charges			
Impairment charges, write-offs and provisions, net of recoveries	(17)	(34)	(15)
Other other operating income and charges	77	370	11
Internal management (charge)/revenue	(3)	4	–
Net operating income	1,225	688	665
Total operating expenses	(440)	(220)	(524)
Profit/(loss) before tax	785	468	141
Tax expense	–	–	–
Loss/(profit) attributable to non-controlling interests	–	–	–
Net profit/(loss) contribution	785	468	141
Reportable segment assets	7,203	28,717	32,805

Macquarie Securities Group $m	Macquarie Capital $m	Commodities and Financial Markets $m	Corporate $m	Total $m
				Half-year to 30 September 2015
375	**31**	**829**	**113**	**2,273**
369	**501**	**117**	**(5)**	**2,794**
(1)	**(12)**	**(6)**	**(8)**	**(63)**
(21)	**(129)**	**(176)**	**(86)**	**(444)**
2	**125**	**45**	**(11)**	**758**
(6)	**–**	**2**	**2**	**–**
718	**516**	**811**	**5**	**5,318**
(478)	**(346)**	**(529)**	**(1,011)**	**(3,699)**
240	**170**	**282**	**(1,006)**	**1,619**
–	**–**	**–**	**(530)**	**(530)**
–	**–**	**–**	**(6)**	**(19)**
240	**170**	**282**	**(1,542)**	**1,070**
35,843	**4,180**	**74,241**	**12,348**	**209,090**
				Half-year to 31 March 2015
176	(11)	1,022	159	2,176
329	499	325	(16)	2,572
–	20	(3)	(10)	(14)
(3)	(41)	(262)	(176)	(640)
(10)	144	33	27	884
(5)	4	(9)	9	–
487	615	1,106	(7)	4,978
(440)	(339)	(521)	(953)	(3,577)
47	276	585	(960)	1,401
–	–	–	(467)	(467)
–	4	–	(12)	(8)
47	280	585	(1,439)	926
31,051	3,634	69,634	8,943	187,976
				Half-year to 30 September 2014
113	(13)	671	129	1,643
323	361	93	(12)	2,167
–	(7)	2	(16)	19
(1)	(17)	(72)	(27)	(183)
1	114	32	33	638
(5)	1	(1)	4	–
431	439	725	111	4,284
(414)	(290)	(475)	(800)	(3,163)
17	149	250	(689)	1,121
–	–	–	(432)	(432)
–	1	–	(12)	(11)
17	150	250	(1,133)	678
26,466	3,127	53,009	11,005	162,332

Notes to the consolidated financial statements
for the half-year ended 30 September 2015
continued

Note 3
Segment reporting continued

(ii) Products and services

For the purposes of preparing a segment report based on products and services, the activities of the Consolidated Entity have been divided into four areas:

– **Asset and Wealth Management:** distribution and manufacture of funds management products
– **Financial Markets:** trading in fixed income, equities, currency, commodities and derivative products
– **Capital Markets:** corporate and structured finance, advisory, underwriting, facilitation, broking and real estate/property development, and
– **Lending:** banking activities, mortgages and leasing.

	Asset and Wealth Management $m	Financial Markets $m	Capital Markets $m	Lending $m	Total $m
					Half-year to 30 September 2015
Revenues from external customers	**1,958**	**2,116**	**1,220**	**2,574**	**7,868**
					Half-year to 31 March 2015
Revenues from external customers	1,559	2,120	1,101	2,873	7,653
					Half-year to 30 September 2014
Revenues from external customers	1,462	1,611	931	2,255	6,259

(iii) Geographical areas

Geographical segments have been determined based upon where the transactions have been booked. The operations of the Consolidated Entity are headquartered in Australia.

	Half-year to 30 Sep 2015 $m	Half-year to 31 Mar 2015 $m	Half-year to 30 Sep 2014 $m
Revenues from external customers			
Americas(1)	**2,566**	3,844	1,540
Australia	**2,396**	2,072	2,851
Europe, Middle East and Africa(2)	**1,999**	856	1,427
Asia Pacific	**907**	881	441
Total	**7,868**	7,653	6,259

(1) Included within this balance is external revenue generated in the USA of $2,393 million (half-year to 31 March 2015: $3,120 million; half-year to 30 September 2014: $1,385 million).
(2) Included within this balance is external revenue generated in the UK of $1,665 million (half-year to 31 March 2015: $773 million; half-year to 30 September 2014: $1,112 million).

(iv) Major customers

The Consolidated Entity does not rely on any major customer.

Note 4

Income tax expense

(i) Numerical reconciliation of income tax (expense)/benefit to prima facie tax payable

	Half-year to 30 Sep 2015 $m	Half-year to 31 Mar 2015 $m	Half-year to 30 Sep 2014 $m
Prima facie income tax expense on operating profit[1]	**(486)**	(421)	(336)
Tax effect of amounts which are (non deductible)/non-assessable in calculating taxable income:			
Rate differential on offshore income	**(30)**	(50)	(79)
Other items	**(14)**	4	(17)
Total income tax expense	**(530)**	(467)	(432)

(1) Prima facie income tax expense on operating profit is calculated at the rate of 30 percent.

(ii) Tax benefit/(expense) relating to items of other comprehensive income

	Half-year to 30 Sep 2015 $m	Half-year to 31 Mar 2015 $m	Half-year to 30 Sep 2014 $m
Available for sale reserves	**19**	(45)	(16)
Cash flow hedges	**(11)**	15	10
Foreign currency translation reserve	**3**	(20)	1
Share of other comprehensive income of associates and joint ventures	**–**	5	2
Total tax benefit/(expense) relating to items of other comprehensive income	**11**	(45)	(3)

Revenue authorities undertake risk reviews and audits as part of their normal activities.

The Group has assessed these and other taxation claims and litigation, including seeking advice where appropriate, and considers that it holds appropriate provisions.

Notes to the consolidated financial statements
for the half-year ended 30 September 2015
continued

	Half-year to 30 Sep 2015 $m	Half-year to 31 Mar 2015 $m	Half-year to 30 Sep 2014 $m

Note 5
Dividends and distributions paid or provided for

(i) Dividends paid or provided for

Ordinary share capital and exchangeable shares			
Interim dividend paid (half-year to 31 March 2015: $1.30 per share)(1)	**–**	417	–
2015 final dividend paid $2.00 per share (half-year to 30 September 2014: $1.60 per share)(2),(3)	**667**	–	514
Total dividends paid (Note 17)	**667**	417	514

(1) Interim dividend paid by the Consolidated Entity includes $nil (half-year to 31 March 2015: $4 million; half-year to 30 September 2014: $nil) of dividend equivalent amount paid during the period to Deferred Share Units (DSUs) holders.
(2) Final dividend paid by the Consolidated Entity includes $6 million (half-year to 31 March 2015: $nil; half-year to 30 September 2014: $5 million) of dividend equivalent amount paid during the period to Deferred Share Units (DSUs) holders.
(3) Final dividend paid by the Consolidated Entity includes $nil (half-year to 31 March 2015: $nil; half-year to 30 September 2014: $1 million) of dividend paid to holders of exchangeable shares issued as consideration for the acquisition of Orion Financial Inc. and Tristone Capital Global Inc. as described in Note 16 – Contributed equity.

The final dividend paid during the period was 40 per cent franked based on tax paid at 30 per cent (half-year to 31 March 2015: 40 per cent franked; half-year to 30 September 2014: 40 per cent franked). The dividends paid to the holders of the exchangeable shares were not franked.

The Company's Dividend Reinvestment Plan (DRP) remains active. The DRP is optional and offers ordinary shareholders in Australia and New Zealand the opportunity to acquire fully paid ordinary shares without transaction costs. A shareholder can elect to participate in or terminate their involvement in the DRP at any time. Details of shares purchased from the market and then issued as fully paid ordinary shares pursuant to the DRP are included in Note 16 – Contributed equity.

(ii) Dividends not recognised at the end of the period

Since the end of the period, the Directors have recommended the payment of an interim dividend for the half-year ended 30 September 2015 of $1.60 per fully paid ordinary MGL share on issue on 11 November 2015, 40 percent franked. The aggregate amount of the proposed dividend expected to be paid on 16 December 2015 from retained profits at 30 September 2015, but not recognised as a liability at the end of the period, is $541 million (including net of $1 million to be received on treasury shares – refer to Note 16 – Contributed equity for further details of these instruments). This amount has been estimated based on the number of shares eligible to participate as at the date of issue of this report.

	Half-year to 30 Sep 2015	Half-year to 31 Mar 2015	Half-year to 30 Sep 2014
		Dividend per ordinary share	
Cash dividend per ordinary share (distribution of current period profits)	$1.60	$2.00	$1.30

	Half-year to 30 Sep 2015 $m	Half-year to 31 Mar 2015 $m	Half-year to 30 Sep 2014 $m

Note 5

Dividends and distributions paid or provided for continued

(iii) Distributions paid or provided for

Macquarie Income Securities			
Distributions paid (net of distributions previously provided for)	**5**	5	5
Distributions provided for	**3**	4	4
Total distributions paid or provided for	**8**	9	9

Macquarie Income Preferred Securities			
Distributions paid (net of distributions previously provided for)	**1**	1	–
Distributions provided for	**–**	2	2
Total distributions paid or provided for	**1**	3	2

The Macquarie Income Securities (MIS) and Macquarie Income Preferred Securities (MIPS) represent the NCI of subsidiaries. Refer to Note 17 – Reserves, retained earnings and non-controlling interests for further details on these instruments.

Notes to the consolidated financial statements
for the half-year ended 30 September 2015
continued

Note 6
Earnings per share

	Half-year to 30 Sep 2015	Half-year to 31 Mar 2015	Half-year to 30 Sep 2014
		Cents per share	
Basic earnings per share	**324.5**	288.1	213.3
Diluted earnings per share	**310.0**	275.7	204.9
Reconciliation of earnings used in the calculation of basic and diluted earnings per share	**$m**	$m	$m
Profit after income tax	**1,089**	934	689
(Profit)/loss attributable to non-controlling interests:			
Macquarie Income Securities	**(8)**	(9)	(9)
Macquarie Income Preferred Securities	**(1)**	(3)	(2)
Other non-controlling interests	**(10)**	4	–
Total profit attributable to ordinary equity holders of Macquarie Group Limited	**1,070**	926	678
Less profit attributable to participating unvested MEREP awards	**(62)**	(59)	(48)
Total earnings used in the calculation of basic earnings per share	**1,008**	867	630
Add back: Adjusted interest expense on Macquarie Bank Capital Notes	**6**	6	–
Adjusted interest expense on Macquarie Group Capital Notes	**9**	9	9
Adjusted interest expense on Exchangeable Capital Securities	**7**	6	5
Profit attributable to dilutive participating unvested MEREP awards	**46**	43	34
Total earnings used in the calculation of diluted earnings per share	**1,076**	931	678

		Number of shares	
Total weighted average number of externally held ordinary shares used in the calculation of basic earnings per share	**310,604,171**	300,888,857	295,358,984
Weighted average number of shares used in the calculation of diluted earnings per share			
Weighted average fully paid externally held ordinary shares	**310,604,171**	300,888,857	295,358,984
Potential ordinary shares:			
Weighted average Macquarie Bank Capital Notes	**5,663,489**	5,516,313	–
Weighted average Macquarie Group Capital Notes	**7,913,391**	7,970,512	10,421,153
Weighted average Exchangeable Capital Securities	**4,895,512**	4,546,959	5,167,993
Weighted average unvested MEREP awards	**18,027,083**	18,795,969	19,939,884
Weighted average options	**–**	–	5,426
Total weighted average number of externally held ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share	**347,103,646**	337,718,610	330,893,440

Note 6

Earnings per share continued

Macquarie Group Employee Retained Equity Plan

The Consolidated Entity continues to operate the MEREP in conjunction with remuneration arrangements.

Vested MEREP awards are considered to be ordinary shares and have been included in the determination of basic and diluted earnings per share from their date of vesting.

Unvested MEREP awards are considered to be potential ordinary shares and have been included in the calculation of diluted earnings per share to the extent they are dilutive. Included in the balance of weighted average shares are 4,715,471 (31 March 2015: 632,938; 30 September 2014: 4,407,964) awards that were vested, lapsed or cancelled during the period. As at 30 September 2015, a further 21,236 (31 March 2015: 20,571; 30 September 2014: 463) MEREP awards have not been included in the balance of weighted average unvested MEREP awards on the basis that they are not considered to be dilutive.

Exchangeable Shares

The exchangeable shares on issue (refer Note 16 – Contributed equity) are considered to be ordinary shares and have been included in the determination of basic and diluted earnings per share from their date of issue.

Exchangeable Capital Securities (ECS)

On 26 March 2012, MBL, acting through its London Branch, issued $US250 million of ECS.

Subject to certain conditions being met, the ECS will be exchanged for a variable number of fully paid MGL ordinary shares on 20 June 2017, or on any interest payment date thereafter, with exchange to occur no later than 20 June 2057. The ECS may also be exchanged earlier on an acquisition event (where a person acquires control of MBL or the Company), where MBL's common equity Tier 1 capital ratio falls below 5.125 per cent, or where APRA determines MBL would be non-viable without an exchange or a public sector injection of capital (or equivalent support).

The ECS have not been included in the determination of basic earnings per share and have been included in diluted earnings per share from their date of issue to the extent to which they are dilutive based on the conversion features measured using 30 September 2015 as the conversion date.

Macquarie Group Capital Notes (MCN)

In June 2013, Macquarie issued six million MCN at face value of $100 each. These instruments are non-cumulative and unsecured and may be resold, redeemed on 7 June 2018, 7 December 2018 or 7 June 2019 (subject to certain conditions being satisfied) or mandatorily converted into Macquarie ordinary shares (subject to certain conditions being satisfied) on 7 June 2021. In the event that the MCN do not convert and are not redeemed or resold, they will continue until such time as the conditions are met and the securities mandatorily convert.

The MCN have not been included in the determination of basic earnings per share and have been included in diluted earnings per share from their date of issue to the extent to which they are dilutive based on the conversion features measured using 30 September 2015 as the conversion date.

Macquarie Bank Capital Notes (BCN)

In October 2014, Macquarie Bank Limited, a subsidiary of the Company, issued 4.3 million BCN at face value of $100 each. These instruments are non-cumulative and unsecured and may be redeemed at face value on 24 March 2020, 24 September 2020 or 24 March 2021 (subject to certain conditions being satisfied) or mandatorily converted into Macquarie ordinary shares (subject to certain conditions being satisfied) on 24 March 2023. In the event that the BCN do not convert and are not redeemed or resold, they will continue until such time as the conditions are met and the securities mandatorily convert.

The BCN have not been included in the determination of basic earnings per share and have been included in diluted earnings per share from their date of issue to the extent to which they are dilutive based on the conversion features measured using 30 September 2015 as the conversion date.

Notes to the consolidated financial statements
for the half-year ended 30 September 2015
continued

	As at 30 Sep 2015 $m	As at 31 Mar 2015 $m	As at 30 Sep 2014 $m

Note 7
Trading portfolio assets

Equities			
Listed	**14,610**	14,832	10,095
Unlisted	**54**	63	72
Commodities	**5,968**	6,035	5,681
Commonwealth government securities	**4,850**	4,199	5,191
Corporate loans and securities	**3,234**	2,653	3,048
Foreign government securities	**1,756**	1,377	1,833
Treasury notes	**785**	1,133	240
Other[1]	**80**	114	150
Total trading portfolio assets	**31,337**	30,406	26,310

(1) Included in this balance are promissory notes, bank bills and other government securities which include state and local governments and related enterprises, predominantly in Australia.

Note 8
Investment securities available for sale

Equity securities			
Listed	**986**	944	756
Unlisted	**1,504**	1,500	1,268
Debt securities[1]	**8,217**	6,452	7,275
Total investment securities available for sale	**10,707**	8,896	9,299

(1) Included within this balance is $3,252 million (31 March 2015: $1,206 million; 30 September 2014: $1,167 million) of Negotiable Certificates of Deposit (NCD) receivable from financial institutions.

Note 9
Other assets

Security settlements[1]	**6,136**	6,722	6,516
Debtors and prepayments	**5,553**	5,017	4,301
Life investment contracts and other unitholder assets	**966**	1,059	1,060
Non current assets held for sale	**510**	–	–
Income tax receivable	**269**	363	777
Property held for sale and development	**224**	250	237
Other	**84**	146	133
Total other assets	**13,742**	13,557	13,024

(1) Security settlements are generally receivable within three working days of the relevant trade date.

Note 10
Loan assets held at amortised cost

	As at 30 Sep 2015			As at 31 Mar 2015			As at 30 Sep 2014		
	Gross $m	**Individually assessed provision for impairment $m**	**Net $m**	Gross $m	Individually assessed provision for impairment $m	Net $m	Gross $m	Individually assessed provision for impairment $m	Net $m
Residential mortgage loans	**31,389**	**(13)**	**31,376**	29,432	(14)	29,418	25,362	(12)	25,350
Corporate and commercial lending	**21,047**	**(768)**	**20,279**	19,871	(545)	19,326	17,991	(305)	17,686
Lease and retail financing	**12,424**	**(34)**	**12,390**	11,586	(57)	11,529	11,808	(66)	11,742
Margin money placed	**9,513**	**–**	**9,513**	9,182	–	9,182	6,660	–	6,660
Relationship banking mortgages	**2,221**	**–**	**2,221**	2,064	–	2,064	1,849	–	1,849
Investment and insurance premium lending	**1,387**	**(1)**	**1,386**	1,676	(5)	1,671	1,505	(6)	1,499
Total loan assets before collective allowance for credit losses	**77,981**	**(816)**	**77,165**	73,811	(621)	73,190	65,175	(389)	64,786
Less collective allowance for credit losses			**(475)**			(428)			(351)
Total loan assets held at amortised cost[(1)]			**76,690**			72,762			64,435

(1) Included within this balance are loans of $17,944 million (31 March 2015: $17,207 million; 30 September 2014: $15,881 million) held by consolidated Special Purpose Entities (SPEs), which are available as security to note holders and debt providers.

	Half-year to 30 Sep 2015 $m	Half-year to 31 Mar 2015 $m	Half-year to 30 Sep 2014 $m
Individually assessed provisions for impairment			
Balance at the beginning of the period	**621**	389	359
Provided for during the period (Note 2)	**283**	248	57
Loan assets written off, previously provided for	**(110)**	(42)	(24)
Recovery of loans previously provided for (Note 2)	**(9)**	(9)	(18)
Net transfer from other provisions	**–**	(2)	2
Impact of foreign currency translation	**31**	37	13
Balance at the end of the period	**816**	621	389
Individually assessed provisions as a percentage of total gross loan assets	**1.05%**	0.84%	0.60%
Collective allowance for credit losses			
Balance at the beginning of the period	**428**	351	308
Provided for during the period (Note 2)	**20**	65	26
Acquisitions during the period	**10**	–	14
Net transfer from other provisions	**5**	–	(4)
Impact of foreign currency translation	**12**	12	7
Balance at the end of the period	**475**	428	351

The collective allowance for credit losses is intended to cover losses in the existing overall credit portfolio which are not yet individually identified.

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	As at 30 Sep 2015 $m	As at 31 Mar 2015 $m	As at 30 Sep 2014 $m

Note 11
Impaired financial assets

Impaired debt investment securities available for sale before individually assessed provisions for impairment	**67**	3	7
Less individually assessed provisions for impairment	**(67)**	(3)	(6)
Debt investment securities available for sale after individually assessed provisions for impairment	**–**	–	1
Impaired loan assets and other financial assets before individually assessed provisions for impairment	**1,603**	1,343	956
Less individually assessed provisions for impairment	**(881)**	(716)	(461)
Loan assets and other financial assets after individually assessed provisions for impairment	**722**	627	495
Total net impaired financial assets	**722**	627	496

Note 12
Interests in associates and joint ventures accounted for using the equity method

Loans and investments without provisions for impairment	**2,410**	1,918	2,082
Loans and investments with provisions for impairment	**1,079**	1,090	1,077
Less provisions for impairment	**(710)**	(680)	(676)
Loans and investments at recoverable amount	**369**	410	401
Total interests in associates and joint ventures accounted for using the equity method	**2,779**	2,328	2,483

There are no individually material associates and joint ventures accounted for using the equity method.

Note 13
Trading portfolio liabilities

Listed equity securities	**7,782**	4,525	3,292
Foreign government securities	**779**	336	225
Corporate securities	**121**	309	541
Commodities	**20**	125	54
Commonwealth government securities	**–**	–	6
Total trading portfolio liabilities	**8,702**	5,295	4,118

Note 14
Other liabilities

Due to brokers and customers	**6,030**	6,790	6,217
Creditors	**5,657**	4,706	4,161
Accrued charges and sundry provisions	**2,017**	2,430	1,527
Life investment contracts and other unitholder liabilities	**906**	1,004	1,037
Income tax payable	**292**	650	122
Other	**470**	250	223
Total other liabilities	**15,372**	15,830	13,287

	As at 30 Sep 2015 $m	As at 31 Mar 2015 $m	As at 30 Sep 2014 $m

Note 15

Debt issued at amortised cost

Debt issued at amortised cost[(1)]	**65,466**	61,463	51,076
Total debt issued at amortised cost	**65,466**	61,463	51,076

(1) Included within this balance are amounts payable to SPE note holders and debt holders of $16,553 million (31 March 2015: $15,952 million; 30 September 2014: $14,541 million).

The Consolidated Entity has not had any defaults of principal, interest or other breaches with respect to its debt during the periods reported.

Reconciliation of debt issued at amortised cost by major currency:

(In Australian dollar equivalent):

United States dollars	**34,282**	32,992	27,020
Australian dollars	**16,218**	15,174	13,392
Euro	**6,307**	3,996	3,195
Great British pounds	**3,480**	3,519	1,721
Swiss franc	**1,855**	1,715	1,134
Japanese yen	**1,294**	1,296	887
Canadian dollars	**1,095**	1,949	3,218
Hong Kong dollars	**260**	205	116
Yuan Renminbi	**235**	140	–
Norwegian Krone	**169**	162	–
Korean won	**111**	109	111
South African rand	**83**	142	136
Singapore dollars	**59**	56	97
Others	**18**	8	49
Total by currency	**65,466**	61,463	51,076

The Consolidated Entity's primary sources of domestic and international debt funding are its multi-currency, multi-jurisdictional Debt Instrument Program and domestic NCD issuance.

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for the half-year ended 30 September 2015
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Note 16
Contributed equity

	Half-year to 30 Sep 2015 $m	Half-year to 31 Mar 2015 $m	Half-year to 30 Sep 2014 $m
Ordinary share capital			
Opening balance of 333,457,777 (1 October 2014: 321,202,994; 1 April 2014: 321,074,750) fully paid ordinary shares	**6,901**	6,041	6,075
Issue of nil (31 March 2015: nil; 30 September 2014: 67,664) shares on exercise of options	**–**	–	4
Issue of 12,545 (31 March 2015: 5,078; 30 September 2014: 22,994) shares on exercise of MEREP awards	**1**	–	1
Issue of nil (31 March 2015: 2,967,273; 30 September 2014: nil) shares pursuant to Dividend Reinvestment Plan (DRP) at $nil (31 March 2015: $57.79; 30 September 2014: $nil) per share	**–**	171	–
Issue of nil (31 March 2015: 16,080; 30 September 2014: nil) shares pursuant to Employee Share Plan (ESP) at $nil (31 March 2015: $59.27; 30 September 2014: $nil) per share	**–**	1	–
Issue of nil (31 March 2015: 6,802,722; 30 September 2014: nil) shares pursuant to Institutional Private Placement at $nil (31 March 2015: $73.50; 30 September 2014: $nil) per share	**–**	500	–
Issue of nil (31 March 2015: 2,312,714; 30 September 2014: nil) shares pursuant to Share Purchase Plan (SPP) at $nil (31 March 2015: $73.50; 30 September 2014: $nil) per share	**–**	170	–
Issue of 61,638 (31 March 2015: 150,916; 30 September 2014: 37,586) shares on retraction of exchangeable shares	**4**	8	2
For employee MEREP awards that have vested and forfeited, and options exercised during the period:			
Transfer of MEREP expense from share-based payments reserve	**240**	24	218
Transfer of additional deferred tax benefit on MEREP expense from share-based payments reserve	**42**	19	12
Transfer from treasury shares for shares withdrawn	**(260)**	(32)	(253)
Transfer from share-based payment capital reduction reserve	**(17)**	(1)	(18)
Closing balance of 333,531,960 (31 March 2015: 333,457,777; 30 September 2014: 321,202,994) fully paid ordinary shares	**6,911**	6,901	6,041
Treasury shares			
Opening balance of 23,244,122 (1 October 2014: 24,119,304; 1 April 2014: 26,011,106) treasury shares	**(971)**	(1,003)	(990)
Purchase of 4,746,285 (31 March 2015: nil; 30 September 2014: 4,461,905) shares for employee MEREP awards	**(383)**	–	(266)
Transfer of 7,044,335 (31 March 2015: 875,182; 30 September 2014: 6,353,707) shares withdrawn/exercised for vested MEREP awards	**260**	32	253
Sale of 76,855 (31 March 2015: nil; 30 September 2014: nil) shares for cash settled awards by MEREP trust	**6**	–	–
Purchase of 847,709 (31 March 2015: nil; 30 September 2014: 1,049,203) shares for DRP share issue by the consolidated entity	**(68)**	–	(63)
Allocation of 847,709 (31 March 2015: nil; 30 September 2014: 1,049,203) shares under DRP scheme by the consolidated entity	**68**	–	63
Closing balance of 20,869,217 (31 March 2015: 23,244,122; 30 September 2014: 24,119,304) treasury shares[1]	**(1,088)**	(971)	(1,003)

(1) In December 2009, the Company introduced MEREP, which grants RSUs, DSUs and PSUs to eligible staff. Under MEREP the staff retained profit share which is held in shares of the Company by the Macquarie Group Employee Retained Equity Plan Trust (MEREP Trust) is presented as Treasury shares.

	Half-year to 30 Sep 2015 $m	Half-year to 31 Mar 2015 $m	Half-year to 30 Sep 2014 $m

Note 16

Contributed equity continued

Exchangeable shares			
Opening balance of 245,455 (1 October 2014: 405,314; 1 April 2014: 447,562) exchangeable shares	**17**	25	27
Retraction of 65,302 (31 March 2015: 159,859; 30 September 2014: 39,820) exchangeable shares, exchangeable to shares in MGL[1]	**(4)**	(8)	(2)
Cancellation of nil (31 March 2015: nil; 30 September 2014: 2,428) exchangeable shares	**–**	–	–
Closing balance of 180,153 (31 March 2015: 245,455; 30 September 2014: 405,314) exchangeable shares	**13**	17	25

(1) The exchangeable shares were issued by a subsidiary as consideration for the acquisitions of Tristone Capital Global Inc. and Orion Financial Inc. and are classified as equity in accordance with AASB 132 *Financial Instruments: Presentation*. As per terms of the original agreement, they were eligible to be exchanged on a one-for-one basis for shares in MGL (subject to staff trading restrictions) or cash at MGL's discretion and will pay dividends equal to MGL dividends during their legal life. However, subsequent to the approval of consolidation of MGL ordinary shares by MGL's shareholders on 12 December 2013, the terms of the agreement have been modified to a 0.9438-for-one basis for shares in MGL.

	As at 30 Sep 2015 $m	As at 31 Mar 2015 $m	As at 30 Sep 2014 $m
Total Contributed equity	**5,836**	5,947	5,063

Notes to the consolidated financial statements
for the half-year ended 30 September 2015
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Note 17
Reserves, retained earnings and non-controlling interests

	Half-year to 30 Sep 2015 $m	Half-year to 31 Mar 2015 $m	Half-year to 30 Sep 2014 $m
Reserves			
Foreign currency translation reserve			
Balance at the beginning of the period	**555**	(65)	(313)
Currency translation differences arising during the period, net of hedges and tax	**470**	620	248
Balance at the end of the period	**1,025**	555	(65)
Available for sale reserve			
Balance at the beginning of the period	**443**	363	385
Revaluation movement for the period, net of tax	**94**	92	74
Transfer to income statement for impairment, net of tax	**53**	32	14
Transfer to income statement on realisation, net of tax	**(87)**	(44)	(110)
Balance at the end of the period	**503**	443	363
Share-based payments reserve			
Balance at the beginning of the period	**795**	620	683
MEREP expense including related tax effect for the financial period	**157**	150	169
Additional deferred tax benefit/(expense) on MEREP expense	**6**	69	(2)
Transfer to other liabilities on vesting or reclassification of MEREP awards[1]	**(17)**	(1)	–
Transfer to share capital on vesting of MEREP awards and exercise of options	**(240)**	(24)	(218)
Transfer of additional deferred tax benefit to share capital on vesting of MEREP awards	**(42)**	(19)	(12)
Balance at the end of the period	**659**	795	620
Share-based payments capital reduction reserve			
Balance at the beginning of the period	**(53)**	(54)	(72)
Transfer to share capital related to vested and forfeited awards	**17**	1	18
Balance at the end of the period	**(36)**	(53)	(54)
Cash flow hedging reserve			
Balance at the beginning of the period	**(84)**	(49)	(28)
Revaluation movement for the period, net of tax	**22**	(35)	(21)
Balance at the end of the period	**(62)**	(84)	(49)
Share of reserves of interests in associates and joint ventures accounted for using the equity method			
Balance at the beginning of the period	**–**	11	14
Share of other comprehensive income/(expense) during the period	**1**	(11)	(3)
Balance at the end of the period	**1**	–	11
Total reserves at the end of the period	**2,090**	1,656	826
Retained earnings			
Balance at the beginning of the period	**6,306**	5,801	5,637
Profit attributable to ordinary equity holders of MGL	**1,070**	926	678
Dividends paid on ordinary share capital (Note 5)	**(667)**	(417)	(514)
Change in non-controlling ownership interest	**(4)**	(4)	–
Balance at the end of the period	**6,705**	6,306	5,801

(1) Represents MEREP awards settled or expected to be settled through cash.

Note 17

Reserves, retained earnings and non-controlling interests continued

Non-controlling interests

Macquarie Income Securities

The MIS issued by MBL, a subsidiary, were listed for trading on the Australian Stock Exchange (now Australian Securities Exchange) on 19 October 1999 and became redeemable (in whole or in part) at MBL's discretion on 19 November 2004. Interest is paid quarterly at a floating rate of BBSW plus 1.7 percent per annum (31 March 2015: 1.7 percent per annum; 30 September 2014: 1.7 percent per annum). Payment of interest to holders is subject to certain conditions, including the profitability of MBL. They are a perpetual instrument with no conversion rights.

Macquarie Income Preferred Securities

On 22 September 2004, Macquarie Capital Funding LP, a subsidiary of the Company, issued £350 million of MIPS. MIPS, guaranteed non-cumulative step-up perpetual preferred securities, paid 6.177 percent (31 March 2015: 6.177 percent; 30 September 2014: 6.177 percent) per annum semi-annual non-cumulative fixed rate distribution. They were perpetual securities and had no fixed maturity. The first coupon was paid on 15 April 2005. £307.5 million of MIPS were cancelled in September 2009 and £42.5 million were redeemed in June 2015.

	As at 30 Sep 2015 $m	As at 31 Mar 2015 $m	As at 30 Sep 2014 $m
Macquarie Income Securities			
4,000,000 Macquarie Income Securities of $100 each	**400**	400	400
Less transaction costs for original placement	**(9)**	(9)	(9)
Total Macquarie Income Securities	**391**	391	391
Macquarie Income Preferred Securities			
Proceeds on issue of Macquarie Income Preferred Securities	**–**	109	109
Less issue costs	**–**	(1)	(1)
	–	108	108
Foreign currency translation reserve	**–**	(26)	(30)
Total Macquarie Income Preferred Securities	**–**	82	78
Other non-controlling interests			
Share capital and partnership interests	**213**	18	58
Foreign currency translation reserve	**3**	3	–
Retained earnings	**(21)**	(7)	(1)
Total other non-controlling interests	**195**	14	57
Total non-controlling interests	**586**	487	526

Notes to the consolidated financial statements
for the half-year ended 30 September 2015
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Note 18
Notes to the consolidated statement of cash flows

Reconciliation of cash and cash equivalents

Cash and cash equivalents at the end of the period as shown in the consolidated statement of cash flows are reconciled to related items in the consolidated statement of financial position as follows:

	As at 30 Sep 2015 $m	As at 31 Mar 2015 $m	As at 30 Sep 2014 $m
Receivables from financial institutions[1]	**9,897**	10,681	10,474
Trading portfolio assets[2]	**807**	1,155	567
Debt securities[3]	**2,562**	1,129	1,129
Loan asset at amortised cost[4]	**3,192**	4,008	2,769
Cash and cash equivalents at the end of the period[5]	**16,458**	16,973	14,939

(1) Includes cash at bank, overnight cash at bank, other loans to banks and amounts due from clearing houses.
(2) Includes certificates of deposit, bank bills, treasury notes and other short-term debt securities.
(3) Includes short-term debt securities.
(4) Includes amounts due from clearing houses.
(5) Cash and cash equivalents include $6,011 million (31 March 2015: $5,643 million; 30 September 2014: $3,242 million) held by collaterised securitisation vehicles in segregated deposit fund and escrow accounts which are restricted for use.

	Half-year to 30 Sep 2015 $m	Half-year to 31 Mar 2015 $m	Half-year to 30 Sep 2014 $m
Reconciliation of profit after income tax to net cash flows from/(used in) operating activities			
Profit after income tax	**1,089**	934	689
Adjustments to profit after income tax:			
Depreciation and amortisation	**377**	343	280
Fair value changes on financial assets and liabilities at fair value through profit or loss and realised investment securities available for sale	**(110)**	(515)	(51)
Provision and impairment charge on financial and non-financial assets	**444**	654	193
Interest on available for sale financial assets	**(72)**	(253)	(46)
Net gains on sale of investment securities available for sale, associates and joint ventures and operating lease assets	**(221)**	(452)	(293)
Share-based payments expense	**157**	150	169
Share of net profits/(losses) of associates and joint ventures accounted for using the equity method	**63**	14	(19)
Changes in assets and liabilities:			
Change in dividends receivable	**100**	(190)	84
Change in values of associates due to dividends received	**23**	181	80
Change in fees and non-interest income receivable	**(363)**	(148)	69
Change in fees and commissions payable	**50**	31	(6)
Change in tax balances	**(297)**	596	125
Change in provisions for employee entitlements	**21**	(2)	16
Change in lease assets, net of depreciation, foreign exchange and impairment	**(508)**	(549)	(282)
Change in loan assets	**(4,502)**	(8,539)	(5,055)
Change in debtors, prepayments, accrued charges and creditors	**(96)**	1,923	(396)
Change in net trading portfolio assets and liabilities and net derivative financial instruments	**(3,816)**	(9,555)	(4,676)
Change in net interest payable, amounts due to other financial institutions, deposits and other borrowings	**10,842**	14,266	7,817
Net cash flows from/(used in) operating activities	**3,181**	(1,111)	(1,302)

	As at 30 Sep 2015 $m	As at 31 Mar 2015 $m	As at 30 Sep 2014 $m

Note 19

Contingent liabilities and commitments

The following contingent liabilities and commitments exclude derivatives.

Contingent liabilities exist in respect of:			
Letters of credit	**719**	611	521
Guarantees	**291**	601	277
Performance related contingents	**268**	276	341
Indemnities	**259**	155	138
Total contingent liabilities[1]	**1,537**	1,643	1,277
Commitments exist in respect of:			
Undrawn credit facilities and equity underwriting	**10,474**	5,956	5,801
Forward asset purchases	**3,411**	5,712	819
Total commitments[2]	**13,885**	11,668	6,620
Total contingent liabilities and commitments	**15,422**	13,311	7,897

(1) Contingent liabilities exist in respect of actual and potential claims and proceedings that arise in the conduct of the Consolidated Entity's business. In the event it is likely that a loss is probable and can be reliably measured then a liability is recognised and the exposure is excluded from the contingent liabilities above. Other than those recognised liabilities, the Consolidated Entity is currently not engaged in any litigation or claim which is likely to have a material adverse effect on the Consolidated Entity's business, financial condition or performance.

(2) Total commitments also represent contingent assets. Such commitments to provide credit may convert to loans and other assets in the ordinary course of business.

Notes to the consolidated financial statements
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Note 20
Fair values of financial assets and liabilities

Fair value reflects the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Quoted prices or rates are used to determine fair value where an active market exists. If the market for a financial instrument is not active, fair values are estimated using present value or other valuation techniques, using inputs based on market conditions prevailing on the measurement date.

The values derived from applying these techniques are affected by the choice of valuation model used and the underlying assumptions made regarding inputs such as timing and amounts of future cash flows, discount rates, credit risk, volatility and correlation.

Financial instruments are categorised in their entirety, in accordance with the levels of the fair value hierarchy as outlined below:

Level 1:	quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2:	inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
Level 3:	inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The appropriate level for an instrument is determined on the basis of the lowest level input that is significant to the fair value measurement.

The Consolidated Entity uses the portfolio exemption in AASB 13 *Fair Value Measurement* to measure the fair value of certain groups of financial assets and financial liabilities. These are measured using the price that would be received to sell a net long position, or transfer a net short position, for a particular risk exposure.

The following methods and significant assumptions have been applied in determining the fair values of financial instruments:

– trading portfolio assets and liabilities, financial assets and liabilities at fair value through profit or loss, derivative financial instruments and other transactions undertaken for trading purposes are measured at fair value by reference to quoted market prices when available (e.g. listed securities). If quoted market prices are not available, then fair values are estimated on the basis of pricing models or other recognised valuation techniques
– investment securities classified as available for sale are measured at fair value by reference to quoted market prices when available (e.g. listed securities). If quoted market prices are not available, then fair values are estimated on the basis of pricing models or other recognised valuation techniques. Unrealised gains and losses, excluding impairment write-downs, are recorded in the available for sale reserve in equity until the asset is sold, collected or otherwise disposed of
– fair values of fixed rate loans and issued debt classified as at fair value through profit or loss is estimated by reference to current market rates offered on similar loans and issued debt
– for financial assets carried at fair value, in order to measure counterparty credit risk, a Credit Valuation Adjustment (CVA) is incorporated into the valuation. The CVA is calculated at a counterparty level taking into account all exposures to that counterparty
– for financial liabilities carried at fair value, in order to measure the Consolidated Entity's own credit risk, a Debit Valuation Adjustment (DVA) is incorporated into the valuations, and
– for uncollateralised derivative positions, the Consolidated Entity has incorporated the market implied funding costs for these uncollateralised derivative positions as a Funding Valuation Adjustment (FVA). FVA is determined by calculating the net expected exposures at a counterparty level and applying the Group's internal Treasury lending rates as an input into the calculation. The approach takes into account the probability of default of each counterparty, as well as any mandatory break clauses.

Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are certified before they are used, and models are calibrated periodically to test that outputs reflect prices from observable current market transactions in the same instrument or other available observable market data. To the extent possible, models use only observable market data (e.g. for over-the-counter derivatives), however management is required to make assumptions for certain inputs that are not supported by prices from observable current market transactions in the same instrument, such as, volatility and correlation.

Note 20

Fair values of financial assets and liabilities continued

The following methods and significant assumptions have been applied in determining the fair values of financial instruments which are carried at amortised cost:

- the fair values of liquid assets and other instruments maturing within three months are approximate to their carrying amounts. This assumption is applied to liquid assets and the short-term elements of all other financial assets and financial liabilities
- the fair value of demand deposits with no fixed maturity is approximately their carrying amount as they are short term in nature or are payable on demand
- the fair values of variable rate financial instruments, including certain loan assets and liabilities carried at amortised cost, cash collateral on securities borrowed/cash collateral on securities lent and reverse repurchase/repurchase agreements, are approximate to their carrying amounts. The fair value of loan assets repayable without penalty is approximated by their carrying value. Fair values of all loan assets is determined with reference to changes in credit markets as well as interest rates
- the fair value of fixed rate loans and debt carried at amortised cost is estimated by reference to current market rates offered on similar loans and the credit worthiness of the borrower
- the fair value of debt issued and subordinated debt is based on market prices where available. Where market prices are not available the fair value is based on discounted cash flows using rates appropriate to the term and issue and incorporates changes in the Consolidated Entity's own credit spread, and
- substantially all of the Consolidated Entity's commitments to extend credit are at variable rates. As such, there is no significant exposure to fair value fluctuations resulting from interest rate movements relating to these commitments.

Notes to the consolidated financial statements
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continued

Note 20
Fair values of financial assets and liabilities continued

The tables below summarise the carrying value and fair value of financial assets and liabilities held at amortised cost:

	Carrying value $m	Fair value $m
Assets	**As at 30 September 2015**	
Receivables from financial institutions	**36,954**	**36,954**
Other financial assets	**10,972**	**10,972**
Loan assets held at amortised cost	**76,690**	**76,797**
Total assets	**124,616**	**124,723**
Liabilities		
Deposits	**51,915**	**51,922**
Other financial liabilities	**10,720**	**10,720**
Payables to financial institutions	**23,525**	**23,542**
Debt issued at amortised cost	**65,466**	**65,926**
Loan capital	**5,782**	**5,860**
Total liabilities	**157,408**	**157,970**
Assets	As at 31 March 2015	
Receivables from financial institutions	28,705	28,705
Other financial assets	11,236	11,236
Loan assets held at amortised cost	72,762	72,834
Total assets	112,703	112,775
Liabilities		
Deposits	47,386	47,359
Other financial liabilities	10,568	10,568
Payables to financial institutions	18,645	18,747
Debt issued at amortised cost	61,463	62,463
Loan capital	4,384	4,712
Total liabilities	142,446	143,849
Assets	As at 30 September 2014	
Receivables from financial institutions	20,775	20,775
Other financial assets	13,024	13,024
Loan assets held at amortised cost	64,435	64,945
Total assets	98,234	98,744
Liabilities		
Deposits	44,216	44,225
Other financial liabilities	13,287	13,287
Payables to financial institutions	16,961	17,006
Debt issued at amortised cost	51,076	51,965
Loan capital	3,604	3,778
Total liabilities	129,144	130,261

Note 20

Fair values of financial assets and liabilities continued

The fair values for "Deposits" have been predominantly classified as Level 1 except for $10,335 million (31 March 2015: $9,984 million; 30 September 2014: $11,480 million) which have been classified as Level 2.

Fair values for "Receivables from financial institutions", "Other financial assets", "Other financial liabilities", "Payables to financial institutions", "Debt issued at amortised cost" and "Loan capital" have been predominantly classified as Level 2 except for $9,968 million (31 March 2015: $10,552 million; 30 September 2014: $10,746 million) in Receivables from financial institutions, $4,083 million (31 March 2015: $1,926 million; 30 September 2014: $1,998 million) in Payables to financial institutions, $930 million (31 March 2015: $1,599 million; 30 September 2014: $2,690 million) in Debt issued at amortised cost and $1,986 million (31 March 2015: $1,427 million; 30 September 2014: $941 million) in Loan capital has been classified as Level 1 and $7,279 million (31 March 2015: $7,162 million; 30 September 2014: $6,906 million) in Debt issued at amortised cost is classified as Level 3.

Loan assets at amortised cost are primarily Level 3 except for $9,564 million (31 March 2015: $10,470 million; 30 September 2014: $10,583 million) which has been classified as Level 2 and $9,539 million (31 March 2015: $9,318 million; 30 September 2014: $6,686 million) which has been classified as Level 1.

Notes to the consolidated financial statements
for the half-year ended 30 September 2015
continued

Note 20

Fair values of financial assets and liabilities continued

The following table summarises the levels of the fair value hierarchy for financial instruments measured at fair value:

	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Assets				**As at 30 September 2015**
Trading portfolio assets	**20,089**	**9,949**	**1,299**	**31,337**
Derivative assets	**1,211**	**20,670**	**426**	**22,307**
Investment securities available for sale	**6,770**	**1,743**	**2,194**	**10,707**
Other financial assets at fair value through profit or loss	**100**	**1,768**	**233**	**2,101**
Other financial assets(1)	**162**	**804**	**–**	**966**
Total assets	**28,332**	**34,934**	**4,152**	**67,418**
Liabilities				
Trading portfolio liabilities	**5,784**	**2,918**	**–**	**8,702**
Derivative liabilities	**1,362**	**18,304**	**352**	**20,018**
Other financial liabilities at fair value through profit or loss	**–**	**2,290**	**19**	**2,309**
Other financial liabilities(1)	**161**	**745**	**–**	**906**
Total liabilities	**7,307**	**24,257**	**371**	**31,935**
Assets				As at 31 March 2015
Trading portfolio assets	19,580	10,129	697	30,406
Derivative assets	948	18,799	333	20,080
Investment securities available for sale	4,306	2,389	2,201	8,896
Other financial assets at fair value through profit or loss	118	1,817	190	2,125
Other financial assets(1)	234	825	–	1,059
Total assets	25,186	33,959	3,421	62,566
Liabilities				
Trading portfolio liabilities	2,697	2,598	–	5,295
Derivative liabilities	1,159	16,869	239	18,267
Other financial liabilities at fair value through profit or loss	–	1,604	22	1,626
Other financial liabilities(1)	232	772	–	1,004
Total liabilities	4,088	21,843	261	26,192
Assets				As at 30 September 2014
Trading portfolio assets	15,105	10,524	681	26,310
Derivative assets	1,309	12,807	532	14,648
Investment securities available for sale	4,849	2,465	1,985	9,299
Other financial assets at fair value through profit or loss	192	2,456	104	2,752
Other financial assets(1)	281	779	–	1,060
Total assets	21,736	29,031	3,302	54,069
Liabilities				
Trading portfolio liabilities	2,137	1,979	2	4,118
Derivative liabilities	1,550	12,705	379	14,634
Other financial liabilities at fair value through profit or loss	–	1,339	25	1,364
Other financial liabilities(1)	284	753	–	1,037
Total liabilities	3,971	16,776	406	21,153

(1) Relates to life insurance contracts and other unitholder investment assets and liabilities.

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Notes to the consolidated financial statements
for the half-year ended 30 September 2015
continued

Note 20
Fair values of financial assets and liabilities continued

Reconciliation of balances in Level 3 of the fair value hierarchy

The following table reconciles the balances in Level 3 of the fair value hierarchy for the Consolidated Entity for the period ended 30 September 2015, 31 March 2015 and 30 September 2014:

	Trading portfolio assets $m	Investment securities available for sale $m
Balance at 1 April 2014	710	1,224
Purchases	457	338
Sales	(361)	(264)
Issues	–	–
Settlements	–	(11)
Net transfers into Level 3	83	645
Net transfers out of Level 3	(217)	(77)
Fair value gains/(losses) recognised in the income statement[(1)]	9	49
Fair value gains recognised in other comprehensive income[(1)]	–	81
Balance at 30 September 2014	681	1,985
Fair value gains/(losses) for the period included in the income statement for assets and liabilities held at the end of the period[(1)]	9	50
Balance at 1 October 2014	681	1,985
Purchases	152	267
Sales	(184)	(186)
Issues	–	–
Settlements	–	(79)
Net transfers into Level 3	47	27
Net transfers out of Level 3	–	(1)
Fair value gains/(losses) recognised in the income statement[(1)]	1	225
Fair value losses recognised in other comprehensive income[(1)]	–	(37)
Balance at 31 March 2015	697	2,201
Fair value gains/(losses) for the period included in the income statement for assets and liabilities held at the end of the period[(1)]	1	107
Balance at 1 April 2015	**697**	**2,201**
Purchases	**358**	**161**
Sales	**(157)**	**(328)**
Settlements	**–**	**(72)**
Net transfers into Level 3	**458**	**279**
Net transfers out of Level 3	**(73)**	**(139)**
Fair value gains recognised in the income statement[(1)]	**16**	**51**
Fair value gains recognised in other comprehensive income[(1)]	**–**	**41**
Balance at 30 September 2015	**1,299**	**2,194**
Fair value gains for the period included in the income statement for assets and liabilities held at the end of the period[(1)]	**16**	**41**

(1) The Consolidated Entity employs various hedging techniques in order to manage risks, including risks in Level 3 positions. Such techniques may include the purchase or sale of financial instruments that are classified as Levels 1 and/or 2. The realised and unrealised gains and losses for assets and liabilities in Level 3 presented in the table above do not reflect the related realised or unrealised gains and losses arising on economic hedging instruments classified in Level 1 and/or 2.

(2) The derivative financial instruments in the table above are represented on a net basis. On a gross basis derivative assets are $426 million (31 March 2015: $333 million; 30 September 2014: $532 million) and derivative liabilities are $352 million (31 March 2015: $239 million; 30 September 2014: $379 million).

Other financial assets at fair value through profit or loss $m	Trading portfolio liabilities $m	Other financial liabilities at fair value through profit or loss $m	Derivative financial instruments (net replacement values)[2] $m	Total $m
153	–	(32)	11	2,066
–	(2)	–	181	974
(5)	–	7	(13)	(636)
–	–	–	(4)	(4)
12	–	–	–	1
–	–	–	5	733
(61)	–	–	(19)	(374)
5	–	–	(8)	55
–	–	–	–	81
104	(2)	(25)	153	2,896
5	–	–	(11)	53
104	(2)	(25)	153	2,896
6	2	–	(77)	350
(4)	–	(7)	(8)	(389)
–	–	–	(6)	(6)
(3)	–	11	2	(69)
61	–	–	(26)	109
–	–	–	48	47
26	–	(1)	8	259
–	–	–	–	(37)
190	–	(22)	94	3,160
27	–	(1)	(3)	131
190	**–**	**(22)**	**94**	**3,160**
37	**–**	**–**	**47**	**603**
(4)	**–**	**–**	**(48)**	**(537)**
–	**–**	**2**	**–**	**(70)**
1	**–**	**–**	**(26)**	**712**
–	**–**	**–**	**(14)**	**(226)**
9	**–**	**1**	**21**	**98**
–	**–**	**–**	**–**	**41**
233	**–**	**(19)**	**74**	**3,781**
9	**–**	**1**	**19**	**86**

Notes to the consolidated financial statements
for the half-year ended 30 September 2015
continued

Note 20
Fair values of financial assets and liabilities continued

Significant transfers between levels of the fair value hierarchy

During the financial year the Consolidated Entity did not have any significant transfers between Level 1 and 2.

Transfers into Level 3 were due to the lack of observable valuation inputs for certain securities and investments. Transfers out of Level 3 were principally due to valuation inputs becoming observable during the period.

Unrecognised gains

For financial assets and financial liabilities measured at fair value through profit or loss, when the transaction price in a non-active market is different to the fair market value from other observable current market conditions in the same instrument or based on valuation techniques whose variables include other data from observable markets, the Consolidated Entity recognises the difference between the transaction price and the fair value in the income statement. In cases where use is made of data which is not observable, profit or loss is only recognised in the income statement when the inputs become observable, or over the life of the instrument.

The table below summarises the deferral and recognition of profit or loss where a valuation technique has been applied for which not all inputs are observable in the market:

	Half-year to 30 Sep 2015 $m	Half-year to 31 Mar 2015 $m	Half-year to 30 Sep 2014 $m
Balance at the beginning of the period	**56**	18	12
Deferral on new transactions	**31**	28	18
Amounts recognised in the income statement during the period	**(17)**	10	(12)
Balance at the end of the period	**70**	56	18

Sensitivity analysis of valuations using unobservable inputs

The table below shows the sensitivity in changing assumptions to reasonably possible alternative assumptions, for those financial instruments for which fair values are determined in whole or in part using valuation techniques, such as discounted cash flows, which are based on assumptions that have been determined by reference to historical company and industry experience.

	Favourable changes		**Unfavourable changes**	
	Profit or loss $m	**Equity $m**	**Profit or loss $m**	**Equity $m**
Product type			**As at 30 September 2015**	
Equity and equity linked products	**11**	**122**	**(11)**	**(114)**
Other products	**163**	**55**	**(142)**	**(45)**
Total	**174**	**177**	**(153)**	**(159)**
Product type			As at 31 March 2015	
Equity and equity linked products	13	114	(13)	(110)
Other products	81	23	(65)	(16)
Total	94	137	(78)	(126)
Product type			As at 30 September 2014	
Equity and equity linked products	18	97	(18)	(87)
Other products	63	13	(61)	(12)
Total	81	110	(79)	(99)

Note 20

Fair values of financial assets and liabilities continued

Significant unobservable inputs

The following table contains information about the significant unobservable inputs used in Level 3 valuations, and the valuation techniques used to measure fair values of the instruments. The range of values represent the highest and lowest of inputs used in the valuation techniques. Therefore, the range does not reflect the level of uncertainty regarding a particular input, but rather the different underlying characteristics of the relevant assets and liabilities.

	Assets $m	Liabilities $m	Valuation technique(s)	Significant unobservable inputs	Range of inputs Minimum value	Maximum value
					As at 30 September 2015	
Equity and equity linked products	**1,507**	**21**	Discounted cash flows	Discount rate	**1.0%**	**17.0%**
			Pricing model	Earnings multiple	**1.1x**	**19.4x**
			Market comparability	Price in %	**(25.0%)**	**25.0%**
Other products	**2,645**	**350**	Discounted cash flows	Discount rate	**7.0%**	**20.0%**
			Pricing model	Volatility	**11.0%**	**150.0%**
				Correlation	**(0.48)**	**1.00**
			Market comparability	Price in %	**–**	**100.0%**
Total	**4,152**	**371**				
					As at 31 March 2015	
Equity and equity linked products	1,794	22	Discounted cash flows	Discount rate	7.0%	15.0%
			Pricing model	Volatility	17.0%	192.0%
				Earnings multiple	0.4x	16.0x
			Market comparability	Price in %	(25.0)%	25.0%
Other products	1,627	239	Discounted cash flows	Discount rate	6.0%	22.0%
			Pricing model	Volatility	11.3%	150.0%
			Market comparability	Price in %	–	103.0%
Total	3,421	261				
					As at 30 September 2014	
Equity and equity linked products	1,611	25	Discounted cash flows	Discount rate	6.8%	25.0%
			Pricing model	Volatility	28.6%	59.6%
				Earnings multiple	0.4x	16.0x
			Market comparability	Price in %	(25.0)%	25.0%
Other products	1,691	381	Pricing model	Volatility	10.3%	110.0%
				Correlation	–	1.00
			Market comparability	Price in %	–	129.0%
Total	3,302	406				

Notes to the consolidated financial statements
for the half-year ended 30 September 2015
continued

Note 20
Fair values of financial assets and liabilities continued

Correlation

Correlation is a measure of the relationship between the movements of two variables (i.e. how the change in one variable influences a change in the other variable). Correlation is a key input of derivatives with more than one underlying and is generally used to value hybrid and exotic instruments.

Volatility

Volatility is a measure of the variability or uncertainty in returns for a given derivative underlying. It represents an estimate of the amount a particular underlying instrument, parameter or index will change in value over time. Volatility is an input in the valuation of derivatives containing optionality. Volatility and skew are impacted by the underlying risk, term and strike price of a derivative.

Inputs for unlisted equity securities (discount rate, earnings multiple)

Unlisted equity instruments are generally valued based on earnings multiples of comparable companies. Significant unobservable inputs may include earnings multiple, discount rate and forecast earnings of the investee companies.

Note 21

Acquisitions and disposals of subsidiaries and businesses

Significant entities or businesses acquired or consolidated due to acquisition of control:

There were no significant entities or businesses acquired or consolidated due to acquisition of control during the period.

Other entities or businesses acquired or consolidated due to acquisition of control:

AWAS Aviation Capital Portfolio, Energetics Topco Limited, Advantage Funding Management Co. Inc. and Macquarie Beteiligungsportfolio Nr 4 Gmbh & Co. KG.

On 4 March 2015, Macquarie entered into an agreement to acquire an aircraft operating leave portfolio of ninety commercial passenger aircraft from AWAS Aviation Capital Limited for a price of $US4,000 million subject to adjustments. The portfolio comprises a combination of assets and wholly owned entities.

During the current period, part of the portfolio was acquired for $2,129 million with a total of 39 aircraft purchased as at 30 September 2015. The purchase accounting for the business combination is still provisional and the inclusion of additional information is impracticable pending the finalisation of the acquisition. The remaining aircraft will be purchased by 31 March 2016 and a commitment for these purchases is included in Note 19 – Contingent liabilities and commitments.

Aggregate details of the entities and businesses acquired or consolidated due to acquisition of control are as follows:

	Half-year to 30 Sep 2015 $m	Half-year to 31 Mar 2015 $m	Half-year to 30 Sep 2014 $m
Fair value of net assets acquired			
Cash and other assets	**531**	–	345
Property, plant and equipment	**2,481**	–	–
Goodwill and other intangible assets	**–**	–	18
Payables, provisions, borrowings and other liabilities	**(771)**	–	(6)
Non-controlling interests	**(15)**	–	–
Total fair value of net assets acquired	**2,226**	–	357
Consideration			
Cash consideration	**2,224**	–	357
Total consideration	**2,224**	–	357
Net cash outflow			
Cash consideration	**(2,224)**	–	(357)
Less cash and cash equivalents acquired	**13**	–	4
Net cash outflow	**(2,211)**	–	(353)

There were no significant entities or businesses acquired or consolidated due to acquisition of control in the 31 March 2015 comparatives. The 30 September 2014 comparatives principally relate to the following entities or businesses acquired or consolidated due to acquisition of control:

Credit Cards Portfolio, Macquarie Infrastructure Limited, Macquarie Greater China Limited, Macquarie Greater China Infrastructure Management Limited, Macquarie Greater China Infrastructure Management Advisory Limited and Japan Infrastructure Group Co. Ltd.

The operating results of the acquisitions have not had a material impact on the results of the Consolidated Entity.

There are no significant differences between the fair value of net assets acquired and their carrying amounts. The goodwill acquired during the prior period has arisen due to the value of the businesses acquired over their individual asset values and synergies the Consolidated Entity expects to realise from the acquisitions.

Notes to the consolidated financial statements
for the half-year ended 30 September 2015
continued

Note 21
Acquisitions and disposals of subsidiaries and businesses continued

Significant entities and businesses disposed of or deconsolidated due to loss of control:

There were no significant entities or businesses disposed of or deconsolidated due to loss of control during the period.

Other entities or businesses disposed of or deconsolidated due to loss of control:

IHS Lothian Investments Limited, IHS Lothian Corporate Limited, IHS Lothian Corporate Holdings Limited, MJL Bay Ltd, Macquarie Almond Orchards and Australian Energy Consortium Pty Ltd.

Aggregate details of the entities or businesses disposed of or deconsolidated are as follows:

	Half-year to 30 Sep 2015 $m	Half-year to 31 Mar 2015 $m	Half-year to 30 Sep 2014 $m
Carrying value of assets and liabilities disposed of or deconsolidated			
Cash and other assets	**6**	24	9
Other financial assets	**55**	1,326	19
Property, plant and equipment	**22**	618	–
Goodwill and other intangible assets	**20**	70	6
Payables, provisions, borrowings and other liabilities	**(76)**	(1,052)	(16)
Non-controlling interests	**–**	2	–
Total carrying value of assets and liabilities disposed of or deconsolidated	**27**	988	18
Consideration			
Cash consideration	**87**	1,296	31
Consideration received in equity	**–**	3	3
Deferred consideration	**–**	2	–
Total consideration	**87**	1,301	34
Net cash flow			
Cash consideration	**87**	1,296	31
Less cash and cash equivalents disposed of or deconsolidated	**–**	–	(9)
Net cash inflow	**87**	1,296	22

The 31 March 2015 comparatives principally relate to the following entities or businesses disposed off or de-consolidated due to loss of control:

Macquarie Rail Inc., Macquarie Rail Canada Limited, CMC Industries Inc., Texas Rail Terminal LLC, TRT LeaseCo LLC, Macquarie Equipment Finance Inc, Macquarie Equipment Funding LLC Limited, Hyperion Investments Australia Pty Limited, Helios Investments Australia Pty Limited, Wala Holding 1 Limited, West Texas Solar 1 LLC, Hermes Infrastructure Investco BVBA, Hermes Infrastructure NV, Baltic Sea Offshore Holdco Limited, Baltic Sea Offshore Investment Limited, Macquarie Infrastructure and Real Assets Management (Asia) Pte Limited and Delaware Large Cap Core Fund Class I.

The 30 September 2014 comparatives principally relate to the following entities or businesses disposed of or de-consolidated due to loss of control:

Macquarie Real Estate Korea Ltd, UPL (No. 15) Pty, Delaware Investment Advisers, Delaware Capital Management, Delaware Investments Fund Advisers, Macquarie PA TAP Management I Inc., Macquarie NM Management II Inc., Macquarie NM Management I Inc, Macquarie HiTIP Management I Inc. and Macquarie Generation Management II Inc.

Note 22
Events after the reporting date

On 8 October 2015, the Consolidated Entity entered into an agreement to acquire the Esanda dealer finance portfolio from Australia and New Zealand Banking Group Limited for $8,200 million. The portfolio comprises retail and wholesale dealer finance on motor vehicles across Australia and will form part of the CAF operating group.

The Consolidated Entity will fund the acquisition with a $400 million Institutional Placement completed on 9 October 2015, combined with existing funding sources, capital and third-party financing arrangements.

Directors' declaration
for the half-year ended 30 September 2015

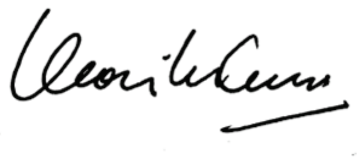
In the Directors' opinion

a) the financial statements and notes for the half-year ended 30 September 2015 set out on pages 9 to 52 are in accordance with the *Corporations Act 2001* (Cth) including:
   i) complying with the accounting standards, and
   ii) giving a true and fair view of the Consolidated Entity's financial position as at 30 September 2015 and performance for the half-year ended on that date

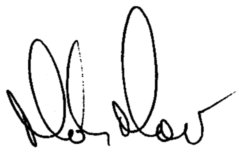
b) there are reasonable grounds to believe that Macquarie Group Limited will be able to pay its debts as and when they become due and payable, and

c) the financial statements also comply with International Financial Reporting Standards (see Note 1 set out on page 15).

This declaration is made in accordance with a resolution of the Directors.



H Kevin McCann, AM
Independent Director and
Chairman



Nicholas Moore
Managing Director and
Chief Executive Officer

Sydney
30 October 2015

Independent auditor's review report
to the members of Macquarie Group Limited

pwc

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Macquarie Group Limited (the Company), which comprises the consolidated statement of financial position as at 30 September 2015, the consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the Consolidated Entity. The Consolidated Entity comprises the Company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* (Cth) and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* (Cth) including: giving a true and fair view of the Consolidated Entity's financial position as at 30 September 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* (Cth). As the auditor of Macquarie Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001* (Cth).

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Macquarie Group Limited is not in accordance with the *Corporations Act 2001* (Cth) including:

a) giving a true and fair view of the Consolidated Entity's financial position as at 30 September 2015 and of its performance for the half-year ended on that date;
b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* (Cth).

PricewaterhouseCoopers

PricewaterhouseCoopers

K. G. Smith

K.G. Smith
Partner

Sydney
30 October 2015

Liability is limited by a scheme approved under Professional Standards Legislation.

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