Macquarie Group Limited

(ABN 94 122 169 279)

Disclosure Report (U.S. Version)
for the half year ended September 30, 2013

Dated: November 12, 2013

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CERTAIN DEFINITIONS

In this Disclosure Report (U.S. Version) for the half year ended September 30, 2013 ("*2014 Interim U.S. Disclosure Report*" or this "*Report*"), unless otherwise specified or the context otherwise requires:

- *"2013 Annual U.S. Disclosure Report"* means our Disclosure Report (U.S. Version) for the fiscal year ended March 31, 2013 and the documents incorporated by reference therein;

- *"2013 Interim Directors' Report and Financial Report"* means our 2013 Interim Directors' Report and Financial Report;

- *"2014 Interim Directors' Report and Financial Report"* means our 2014 Interim Directors' Report and Financial Report;

- *"2014 Half Year Management Discussion and Analysis Report"* means our Management Discussion and Analysis report dated November 1, 2013, which includes a comparative discussion and analysis of our results of operation and financial condition for the half year ended September 30, 2013 compared to the half year ended September 30, 2012, along with other balance sheet, capital and liquidity disclosures as at or for the half year ended September 30, 2013, has been posted on MGL's U.S. Investors' Website, and has been incorporated by reference herein;

- *"2014 interim financial statements"* means our unaudited financial statements for the half year ended September 30, 2013 contained in our 2014 Interim Directors' Report and Financial Report; and

- *"Sydney Airport"* means the ASX-listed stapled trusts Sydney Airport Trust 1 (ARSN 099 597 921) and Sydney Airport Trust 2 (ARSN 099 597 896) and their subsidiaries.

In addition, you should refer to "Certain definitions" beginning on page ii of our 2013 Annual U.S. Disclosure Report, which is posted on MGL's U.S. investors' website at www.macquarie.com/mgl/com/us/usinvestors/mgl ("*MGL's U.S. Investors' Website*").

Our fiscal year ends on March 31, so references to years such as "2014" or "fiscal year" and like references in the discussion of our financial statements, results of operation and financial condition are to the 12 months ending on March 31 of the applicable year; and, in connection with our interim financial statements, results of operation and financial condition, references such as "half year" and like references are to the six months ending on September 30 of the preceding year.

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

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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

- macroeconomic conditions in the global debt and equity markets;
- the effect of, and changes in, laws, regulations, taxation or accounting standards or practices, and government policy, including as a result of regulatory proposals for reform of the banking, life insurance and funds management industries in Australia and the other countries in which we conduct our operations or which we may enter in the future;
- changes in market liquidity and investor confidence;
- inflation, and interest rate, exchange rate, market and monetary fluctuations;
- our ability to deal effectively with an economic slowdown or other economic or market difficulties;
- our ability to complete, integrate or process acquisitions, disposals, mergers and other significant corporate transactions;
- our ability to effectively manage our growth;
- the performance of funds and other assets we manage;
- demographic changes and changes in political, social and economic conditions in any of the major markets in which we conduct our operations or which we may enter in the future;
- changes in consumer spending and saving and borrowing habits in Australia and the other countries in which we conduct our operations or which we may enter in the future;
- the effects of competition in the geographic and business areas in which we conduct our operations or which we may enter in the future;
- our ability to adequately fund the operations of MGL and the Non-Banking Group;
- our ability to return capital to or borrow from our subsidiaries;
- the impact of asset sales on our long-term business prospects;
- our ability to maintain or to increase market share and control expenses;

- the timely development of and acceptance of new products and services, the perceived overall value of these products and services by users, and the extent to which products and services previously sold by us require us to incur liabilities or absorb losses not contemplated at their initiation or origin;

- technological changes instituted by MGL, its counterparties or competitors;

- the ability of MGL to attract and retain employees;

- changes to the credit ratings assigned to each of MGL and MBL;

- adverse impact on our reputation; and

- various other factors beyond our control.

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

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

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

Significant risk factors applicable to MGL Group are described under “Risk factors” beginning on page 8 of our 2013 Annual U.S. Disclosure Report. Other factors are discussed in our 2014 Half Year Management Discussion and Analysis Report and in our 2013 Fiscal Year Management Discussion and Analysis Report.

EXCHANGE RATES

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

In providing these translations, we are not representing that the Australian dollar amounts actually represent these U.S. dollar amounts or that we could have converted those Australian dollars into U.S. dollars. Unless otherwise indicated, conversions of Australian dollars to U.S. dollars in this Report have been made at the noon buying rate on September 30, 2013, which was US$0.9342 per A$1.00. The noon buying rate on November 1, 2013, was US$0.9438 per A$1.00.

Fiscal year	**Period End**	**Average Rate**[1]	**High**	**Low**
2009	0.6925	0.7948	0.9797	0.6073
2010	0.9169	0.8507	0.9369	0.6941
2011	1.0358	0.9450	1.0358	0.8172
2012	1.0367	1.0456	1.1026	0.9453
2013	1.0409	1.0317	1.0591	0.9688
Month	**Period End**		**High**	**Low**
May 2013	0.9698		1.0313	0.9608
June 2013	0.9165		0.9770	0.9165
July 2013	0.8957		0.9259	0.8957
August 2013	0.8901		0.9193	0.8901
September 2013	0.9342		0.9444	0.9055
October 2013	0.9471		0.9705	0.9366
November 2013 (through November 1)	0.9438		0.9438	0.9438

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

AUSTRALIAN EXCHANGE CONTROL RESTRICTIONS

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

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

Investors should read the following discussion regarding the presentation of our financial information together with the discussion under "Financial information presentation" beginning on page x of our 2013 Annual U.S. Disclosure Report and our 2014 Half Year Management Discussion and Analysis Report.

FINANCIAL INFORMATION PRESENTATION

Our financial information

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

- the section of this Report under the heading "Selected Financial Information", which presents summary consolidated statement of financial position data as at September 30, 2013 and 2012, income statement data for the half years ended September 30, 2013 and 2012 and other historical financial data and metrics;

- the section of this Report under the heading "Recent Developments — Trading conditions and market update", which includes a discussion of operating conditions during the half year ended September 30, 2013 and the impact of such operating conditions on MGL Group;

- the section of this Report under the heading "Management's Discussion and Analysis of Results of Operation and Financial Condition", which incorporates by reference our 2014 Half Year Management Discussion and Analysis Report, which includes a comparative discussion and analysis of our results of operation and financial condition for the half year ended September 30, 2013 compared to the half year ended September 30, 2012, along with other balance sheet, capital and liquidity disclosures as at or for the half year ended September 30, 2013 and which is posted on MGL's U.S. Investors' Website;

- MBL's Pillar 3 Disclosure Document for the quarter ended June 30, 2013, which describes MBL's capital position, risk management policies and risk management framework and the measures adopted to monitor and report within the framework and which is posted on MGL's U.S. Investors' Website; and

- our historical financial statements, which are included in the extracts from our 2014 Interim Directors' Report and Financial Report posted on MGL's U.S. Investors' Website.

For further information on our historical financial information for the 2013 Fiscal Year and prior periods, refer to the discussion under the heading "Financial information presentation — Our financial information" included in our 2013 Annual U.S. Disclosure Report.

Application of new accounting standards

During the half year ended September 30, 2013, certain new accounting standards and amendments to existing accounting standards became applicable, including AASB 10, which relates to principles of consolidation and was applied by MGL from April 1, 2013. Comparative information for the half year ended September 30, 2012 presented in this Report has been restated to reflect the application of AASB 10, which resulted in a decrease in life investment contracts and other unitholder investment assets (which are now included in other assets as at September 30, 2013) and total assets, with a corresponding decrease in life investment contracts and other unitholder liabilities (which are now included in other liabilities as at September 30, 2013) and total liabilities. The adjustment to each of these line items was A$6.0 billion as at March 31, 2013 and A$4.8 billion as at September 30, 2012. Contributed equity and other assets also increased by A$7 million as at March 31, 2013 and A$5 million as at September 30, 2012 due to the reclassification of treasury shares. Net cash flows used in operating activities decreased by A$1.1 billion for the half year ended March 31, 2013 and A$89 million for the half year ended September 30, 2012, with a corresponding increase in net cash flows from investing activities of A$1.1 billion for the half year ended March 31, 2013 and A$89 million for the half year ended September 30, 2012.

Investors should note that while we restated the comparative information for the half years ended September 30, 2012 and March 31, 2013 in our 2014 interim financial statements to reflect the adoption of AASB 10, we were not required to restate the financial statements for earlier fiscal years. As a result, our financial statements for prior fiscal years have not been restated to reflect this change in accounting standards.

For further detail on new accounting standards and amendments to existing accounting standards that became effective in the half year ended September 30, 2013, see Note 1(iii) to our 2014 interim financial statements.

Change in internal funding arrangements

During the half year ended September 30, 2013, Group Treasury revised internal funding transfer pricing arrangements relating to Banking & Financial Services' deposit and lending activities. Comparative information for the half year ended September 30, 2012 presented in this Report has been restated to reflect the current methodology.

Investors should note that while we restated this comparative information to reflect this change in methodology, we were not required to restate the financial statements for earlier fiscal years. As a result, our financial statements for prior fiscal years have not been restated to reflect this change in methodology.

For further detail, see Note 3 to our 2014 interim financial statements.

Certain differences between AGAAP and US GAAP

For further information on certain differences between AGAAP and US GAAP, see "Financial information presentation — Certain differences between AGAAP and US GAAP" beginning on page xii of our 2013 Annual U.S. Disclosure Report.

Critical accounting policies and significant judgments

For further information on our critical accounting policies and significant judgments, see "Financial information presentation — Critical accounting policies and significant judgments" beginning on page xii of our 2013 Annual U.S. Disclosure Report.

Non-GAAP financial measures

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

Report. For further information on our non-GAAP financial measures, see “Financial information presentation — Non-GAAP financial measures” beginning on page xvii of our 2013 Annual U.S. Disclosure Report.

Unaudited pro forma financial information

Investors should note that the unaudited pro forma information presented in this Report (or otherwise made available on MGL’s U.S. Investors’ Website and incorporated by reference herein) in relation to the proposed distribution of Sydney Airport stapled securities to MGL shareholders has been derived from MGL’s consolidated statement of financial position as at September 30, 2013 and reflects the financial position of MGL as if the proposed distribution and consolidation had been completed on that date. As a result, the actual financial impact of the proposed distribution and consolidation may differ from the unaudited pro forma financial information presented in this Report (or incorporated by reference herein), as it is not expected that these transactions will be completed until January 13, 2014. Please see “Recent Developments — Proposed distribution of Sydney Airport stapled securities to MGL shareholders” in this Report for more information relating to the proposed distribution and consolidation.

Investors should further note that the unaudited pro forma financial information included in this Report (or incorporated by reference herein) does not purport to be in compliance with the requirements of Article 11 of Regulation S-X under the Securities Act or either the SEC’s or the American Institute of Certified Public Accountants’ published guidelines for the preparation and presentation of pro forma financial information. Accordingly, investors are cautioned not to place undue reliance on the pro forma financial information contained in this Report (or incorporated by reference herein).

RISK FACTORS

We are subject to a variety of risks that arise out of our financial services and other businesses. We manage our ongoing business risks in accordance with our risk management policies and procedures, some of which are described in Note 37 to our 2013 annual financial statements.

The significant risk factors applicable to MGL Group are described under "Risk factors" beginning on page 8 of our 2013 Annual U.S. Disclosure Report.

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth our capitalization as at September 30, 2013.

The information relating to MGL Group in the following table is based on our 2014 interim financial statements, which were prepared in accordance with AGAAP, and should be read in conjunction therewith. In addition, we have presented our capitalization below as at September 30, 2013 on an as adjusted basis to give effect to the proposed distribution of Sydney Airport stapled securities to MGL shareholders and consolidation of MGL ordinary shares associated with the proposed distribution, as described further below under "Recent Developments — Proposed distribution of Sydney Airport stapled securities to MGL shareholders" as if it had occurred on September 30, 2013. Investors should note that the unaudited pro forma financial information presented below has been derived from MGL's consolidated statement of financial position as at September 30, 2013 and reflects the financial position of MGL as if the proposed distribution and consolidation had been completed on that date. As a result, the actual financial impact of the proposed distribution and consolidation may differ from the unaudited pro forma financial information presented below, as it is not expected that these transactions will be completed until January 13, 2014.

	As at		Distribution and Consolidation	As adjusted[4]	
	Sep 13	Sep 13	Sep 13	Sep 13	Sep 13
	A$m	US$m[1]	A$m	A$m	US$m[1]
CAPITALIZATION					
Borrowings[2]					
Debt issued — due greater than 12 months	21,672	20,246	-	21,672	20,246
Subordinated debt — due greater than 12 months	3,400	3,176	-	3,400	3,176
Total borrowings[3]	**25,072**	**23,422**	**-**	**25,072**	**23,422**
Equity					
Contributed equity	5,893	5,505	(968)	4,925	4,601
Reserves	726	678	(256)	470	439
Retained earnings	5,610	5,241	(265)	5,345	4,993
Macquarie Income Preferred Securities	71	66	-	71	66
Macquarie Income Securities	391	365	-	391	365
Other non-controlling interests	28	26	-	28	26
Total equity	**12,719**	**11,882**	**(1,489)**	**11,230**	**10,491**
TOTAL CAPITALIZATION	**37,791**	**35,304**	**(1,489)**	**36,302**	**33,913**

1 Conversions of Australian dollars to U.S. dollars have been made at the noon buying rate on September 30, 2013, which was US$0.9342 per A$1.00. See "Exchange rates" for further information on the historical rates of exchange between the Australian dollar and the U.S. dollar.

2 At September 30, 2013, we had A$5.1 billion of secured indebtedness due in greater than 12 months compared to A$7.3 billion at September 30, 2012.

3 Total borrowings do not include our short-term debt securities, including the current portion of long-term debt, or securitizations. Short-term debt totaled A$18.0 billion as at September 30, 2013 and securitizations totaled A$12.7 billion as at September 30, 2013 compared to A$11.6 billion and A$12.0 billion, respectively, as at September 30, 2012.

4 Assumes 339.9 million ordinary shares of MGL on issue; a Sydney Airport stapled security closing price on the ASX of A$4.17 on the trading day prior to the distribution date (such trading day expected to be January 10, 2014); and an expected gain on distribution on the disposal of Sydney Airport stapled securities of A$377 million (based on the closing price of Sydney Airport stapled securities of A$4.17; before any effect of staff compensation and income tax). The amount of the special dividend per MGL ordinary share will be equal to the difference between the closing price and the capital return per MGL ordinary share (i.e. 31% of the closing price). Assuming the closing price of A$4.17 above, the special dividend would be A$1.2927 per MGL ordinary share or approximately A$439 million in aggregate.

For details on our short-term debt position as at September 30, 2013, see section 5.3 of our 2014 Half Year Management Discussion and Analysis Report.

SELECTED FINANCIAL INFORMATION

Half years ended September 30, 2013 and 2012

The selected consolidated statement of financial position data as at September 30, 2013 and 2012 and income statement data for the half years ended September 30, 2013 and 2012 presented in this Report have been derived from our 2014 interim financial statements, which PricewaterhouseCoopers has reviewed but not audited and which, in the opinion of our management, have been prepared on the same basis as our audited consolidated historical financial statements and include all adjustments necessary for a fair statement of our operating results and financial position for those periods and as of those dates. See "Financial information presentation" in this Report for further information. In addition, investors should read the following selected financial information together with the discussion under "Selected financial information" beginning on page 20 of our 2013 Annual U.S. Disclosure Report, our 2014 Half Year Management Discussion and Analysis Report and our 2013 Fiscal Year Management Discussion and Analysis Report. The selected unaudited financial data for the half year ended September 30, 2013 is not necessarily indicative of our results for the fiscal year ending March 31, 2014 and our historical results are not necessarily indicative of our results for any future period.

The historical interim financial information in the following tables has been extracted from our 2014 interim financial statements.

Income statements

	Half year ended		
	Sep 13	**Sep 13**	**Sep 12**
	US$m[1]	**A$m**	**A$m**
Interest and similar income	2,096	2,244	2,320
Interest expense and similar charges	(1,293)	(1,384)	(1,676)
Net interest income	**803**	**860**	**644**
Fee and commission income	1,717	1,838	1,636
Net trading income	552	591	555
Share of net profits of associates and joint ventures accounted for using the equity method	65	70	75
Other operating income and charges	300	320	144
Net operating income	**3,437**	**3,679**	**3,054**
Employment expenses	(1616)	(1,730)	(1,538)
Brokerage, commission and trading-related expenses	(354)	(379)	(320)
Occupancy expenses	(182)	(195)	(188)
Non-salary technology expenses	(124)	(133)	(132)
Other operating expenses	(404)	(432)	(359)
Total operating expenses	**(2,680)**	**(2,869)**	**(2,537)**
Operating profit before income tax	**757**	**810**	**517**
Income tax expense	(287)	(307)	(156)
Profit after income tax	**470**	**503**	**361**
(Profit)/loss attributable to non-controlling interests:			
Macquarie Income Securities	(8)	(9)	(11)
Macquarie Income Preferred Securities	(2)	(2)	(2)
Other non-controlling interests	8	9	13
Loss attributable to non-controlling interests	(2)	(2)	-
Profit attributable to ordinary equity holders of Macquarie Group Limited	**468**	**501**	**361**

[1] Conversions of Australian dollars to U.S. dollars have been made at the noon buying rate on September 30, 2013, which was US$0.9342 per A$1.00. See "Exchange rates" for further information on the historical rates of exchange between the Australian dollar and the U.S. dollar.

Statements of financial position

	As at		
	Sep 13	Sep 13	Sep 12
	US$m[1]	A$m	A$m
ASSETS			
Receivables from financial institutions	18,685	20,001	18,226
Trading portfolio assets	21,009	22,489	15,546
Derivative assets	13,683	14,647	21,691
Investment securities available for sale	15,487	16,578	20,506
Other assets	11,523	12,335	13,354
Loan assets held at amortized cost	50,891	54,476	47,559
Other financial assets at fair value through profit or loss	2,911	3,116	5,327
Property, plant and equipment	5,769	6,175	5,134
Interests in associates and joint ventures accounted for using the equity method	2,333	2,497	2,285
Intangible assets	1,192	1,276	1,304
Deferred tax assets	944	1,010	1,248
Total assets	**144,427**	**154,600**	**152,180**
LIABILITIES			
Trading portfolio liabilities	3,256	3,485	3,641
Derivative liabilities	13,218	14,149	21,047
Deposits	39,885	42,694	39,959
Other liabilities	11,805	12,638	13,284
Payables to financial institutions	18,334	19,625	16,703
Other financial liabilities at fair value through profit or loss	1,126	1,205	1,593
Debt issued at amortized cost	40,876	43,755	40,714
Provisions	210	225	228
Deferred tax liabilities	623	667	514
Total liabilities excluding loan capital	**129,333**	**138,443**	**137,683**
Loan capital			
Macquarie Convertible Preference Securities	-	-	615
Subordinated debt at amortized cost	3,212	3,438	2,378
Total loan capital	**3,212**	**3,438**	**2,993**
Total liabilities	**132,545**	**141,881**	**140,676**
Net assets	**11,882**	**12,719**	**11,504**
EQUITY			
Contributed equity	5,505	5,893	5,887
Reserves	678	726	(50)
Retained earnings	5,241	5,610	5,155
Total capital and reserves attributable to ordinary equity holders of Macquarie Group Limited	**11,424**	**12,229**	**10,992**
Non-controlling interests			
Macquarie Income Securities	365	391	391
Macquarie Income Preferred Securities	66	71	64
Other non-controlling interests	27	28	57
Total equity	**11,882**	**12,719**	**11,504**

[1] Conversions of Australian dollars to U.S. dollars have been made at the noon buying rate on September 30, 2013, which was US$0.9342 per A$1.00. See "Exchange rates" for further information on the historical rates of exchange between the Australian dollar and the U.S. dollar.

Other financial data

	As at		
	Sep 13	**Mar 13**	**Sep 12**
<u>Per share information</u>			
(Amounts in A$)			
Basic earnings per share (cents per share)	149.7	146.1	105.5
Diluted earnings per share (cents per share)	144.6	142.1	99.7
(Amounts in US$)[1]			
Basic earnings per share (cents per share)	139.8	152.1	109.6
Diluted earnings per share (cents per share)	135.1	147.9	103.6
Number of shares on issue (in millions)	339.9	339.5	339.0
<u>Ratios</u>			
Net loan losses as a percentage of loan assets (annualized %)[2]	0.4	0.5	0.5
Ratio of earnings to fixed charges[3]	1.6x	1.6x	1.3x
Expense/income ratio (%)[4]	78.0	75.4	83.1
Annualized return on equity (%)[5]	8.7	8.9	6.6
Dividend payout ratio (%)	67.1	85.7	69.8

1 Conversions of Australian dollars to U.S. dollars for the periods ended September 30, 2013, March 31, 2013 and September 30, 2012 have been made at the noon buying rate on September 30, 2013, March 29, 2013 and September 28, 2012, which were US$0.9342 per A$1.00, US$1.0409 per A$1.00 and US$1.0388 per A$1.00, respectively. See "Exchange rates" for further information on the historical rates of exchange between the Australian dollar and the U.S. dollar.

2 Net loan losses as a percentage of loan assets excludes amounts relating to mortgage securitization special purpose entities. MGL's exposure in relation to these entities is largely mitigated by credit insurance. As a result, any loan losses in these vehicles do not have a material effect on our results.

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

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

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

RECENT DEVELOPMENTS

The following are significant recent developments for MGL Group that have occurred since the release of our 2013 Annual U.S. Disclosure Report on May 14, 2013. Investors should be aware that the information set forth in this Report is not complete and should be read in conjunction with the discussion under "Risk factors" beginning on page 8 and under "Macquarie Group Limited" beginning on page 23 of our 2013 Annual U.S. Disclosure Report and other information posted on MGL's U.S. Investors' Website.

Recent board changes

The following board changes occurred during the half year ended September 30, 2013:

Gary Banks was appointed to the Boards of MGL and MBL as a Non-Executive Director, effective August 1, 2013. Professor Banks is Dean and Chief Executive Officer of the Australia and New Zealand School of Government (ANZSOG). He was Chairman of the Australian Productivity Commission from its inception in 1998 until 2012. He is a Professorial Fellow at the University of Melbourne and Adjunct Professor at the Australian National University. Professor Banks currently chairs the Regulatory Policy Committee of the Organisation for Economic Co-operation and Development (OECD) and is a Member of the Advisory Board of the Melbourne Institute. He was previously a Senior Economist with the GATT Secretariat in Geneva, Visiting Fellow at the Trade Policy Research Centre in London, Projects Director with the Centre for International Economics in Canberra and has been a consultant to the World Bank and World Trade Organisation. He chaired the Regulation Taskforce in 2006 and the Infrastructure Stream at the Prime Minister's 2020 Summit.

Patricia Cross was appointed to the Boards of MGL and MBL as a Non-Executive Director, effective August 7, 2013. Ms. Cross is currently a director of the Australian Institute of Company Directors, and a founding director of the Grattan Institute. She is also an Australian Indigenous Education Foundation ambassador. Ms. Cross has extensive international financial and banking experience, through senior executive roles with Chase Manhattan Bank and Chase Investment Bank, Banque Nationale de Paris and National Australia Bank. At National Australia Bank, Ms. Cross was responsible for the Wholesale Banking and Finance Division and was a member of the Executive Committee. Previously she was a Director of Qantas Airways Limited, National Australia Bank Limited, JBWere Limited, Wesfarmers Limited, AMP Limited, and Suncorp-Metway Limited, and Chairman of Qantas Superannuation Limited. Ms. Cross has held a number of honorary government positions, including five years as a founding member of the Financial Sector Advisory Council, APEC Business Advisory Council, and as a member of the Panel of Experts to the Australia as a Financial Centre Forum. She has also served on a wide range of not for profit boards, including the Murdoch Children's Research Institute.

Catherine Livingstone retired as a Non-Executive Director from the Boards of MGL and MBL, effective July 25, 2013.

John Niland notified the Boards of MGL and MBL of his intention to retire as a Non-Executive Director of MGL and MBL, effective December 31, 2013.

Proposed distribution of Sydney Airport stapled securities to MGL shareholders

On November 1, 2013, MGL announced that, subject to shareholder approval, it proposes to distribute the majority of its Sydney Airport stapled securities to MGL's shareholders on a one for one basis through a special dividend and reduction of capital. MGL currently holds approximately 17% of Sydney Airport's stapled securities as an investment.

A shareholder meeting to approve the distribution and consolidation, including changes to MGL's Constitution to facilitate the proposal, is scheduled for December 12, 2013. If the proposal is approved, the distribution is expected to occur on or about January 13, 2014. The distribution is intended to be implemented as a combination of a special dividend and equal reduction of MGL's ordinary share capital, which will be satisfied by the in specie distribution to eligible MGL shareholders of one Sydney Airport stapled security for every MGL ordinary share held by MGL shareholders. MGL's ordinary shares will also be converted on a 0.9438-for-one basis to adjust for the capital reduction component of the distribution (which represents approximately 5.6% of MGL's market capitalization base as at September 30, 2013). The proposed distribution and consolidation, if approved, will reduce the number of ordinary shares of MGL on issue from approximately 339.9 million to approximately 320.8 million. See “Capitalization and Indebtedness” above for further information.

MGL published its notice of meeting and explanatory memorandum relating to the proposed distribution and consolidation on November 7, 2013, extracts of which have been posted onto MGL’s U.S. Investors’ Website. These extracts explain the financial impact of the proposed distribution and consolidation on MGL Group and the proposed constitutional amendments.

Ratings update

On September 5, 2013, Moody’s announced that it had downgraded its credit ratings for the subordinated debt of all Australian banking groups, including MGL and MBL. The rating for MGL’s long-term subordinated debt changed to Baa3 from Baa1 and the rating for MBL’s long-term subordinated debt changed to Baa2 from A3. The rating outlook for both MGL and MBL is stable.

See Section 5.1 of our 2014 Half Year Management Discussion and Analysis Report for the credit ratings of MGL and MBL at September 30, 2013.

Organizational structure

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

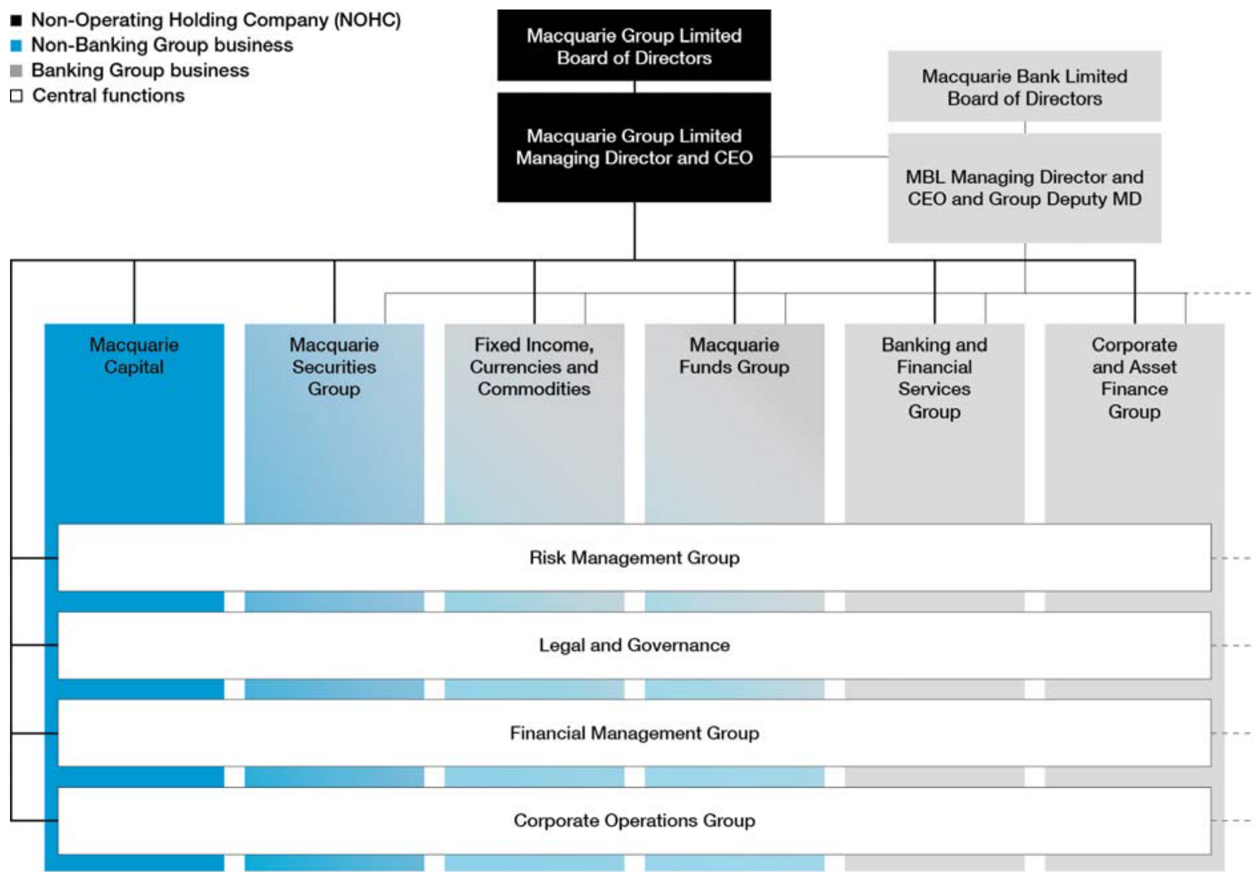
The Banking Group comprises MBL Group and has five operating groups: Corporate & Asset Finance; Banking & Financial Services; Macquarie Funds (excluding the Macquarie Infrastructure and Real Assets division); Fixed Income, Currencies & Commodities (excluding certain assets of the Credit Trading business and some other less financially significant activities); and Macquarie Securities (excluding the Cash division and certain activities of the Derivatives division, in each case, in certain jurisdictions).

The Non-Banking Group consists of Macquarie Capital; the Macquarie Infrastructure and Real Assets division of Macquarie Funds; the Cash division and certain activities of the Derivatives division of Macquarie Securities, in each case, in certain jurisdictions; and certain assets of the Credit Trading business and some other less financially significant activities of Fixed Income, Currencies & Commodities.

MGL Group provides shared services to both the Banking Group and the Non-Banking Group through the Corporate segment. The Corporate segment is not considered an operating group and comprises four central functions: Risk Management, Legal and Governance, Financial Management and Corporate Operations. Shared services include: Risk Management, Finance, Information Technology, Group Treasury, Settlement Services, Equity Markets Operations, Human Resources Services, Business Services, Company Secretarial, Media Relations, Corporate Communications and Investor Relations Services, Taxation Services, Business Improvement and Strategy Services, Central Executive Services, Other Group-wide Services, Business Shared Services, and other services as may be agreed from time to time.

MBL and MGL have corporate governance and policy frameworks that meet APRA’s current requirements for ADIs and NOHCs, respectively. The Banking Group and the Non-Banking Group operate as separate sub-groups within MGL with clearly identifiable businesses, separate capital requirements and discrete funding programs. For further information on MGL and MBL’s liquidity and funding, see the discussion in section 5.0 of our 2014 Half Year Management Discussion and Analysis Report. Although the Banking Group and the Non-Banking Group operate as separate sub-groups, both are integral to MGL Group’s identity and strategy as they assist MGL Group in continuing to pursue value adding and diversified business opportunities while meeting its obligations under APRA rules.

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



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

Our key strengths

For a description of our key strengths, see "Macquarie Group Limited — Our key strengths" on page 25 of our 2013 Annual U.S. Disclosure Report.

At September 30, 2013, MGL had total regulatory capital of A$13.7 billion, including A$3.1 billion of capital in excess of MGL Group's minimum APRA regulatory requirement on a Basel III basis. MGL Group continues to monitor regulatory and market developments in relation to liquidity and capital management. For further information on our regulatory capital position as at September 30, 2013, see our 2014 Half Year Management Discussion and Analysis Report.

Our strategy

Our strategy is set out under "Macquarie Group Limited — Our strategy" on page 27 of our 2013 Annual U.S. Disclosure Report. We expect to continue to assess strategic acquisition and merger opportunities and other corporate transactions as they arise, along with exploring opportunities for further organic growth in our existing and related businesses as an avenue of growth and diversification for MGL Group in the medium term.

Across our international operations, the strategy focuses on building a global platform in our key areas of expertise, through both acquisitions and organic growth, which we believe will enable us to offer a comprehensive range of MGL products to clients around the world. See "— Overview of MGL Group — Regional activity" below for further information on MGL's performance across its key geographical regions.

Trading conditions and market update

The half year ended September 30, 2013 was characterized by generally improved trading conditions for MGL Group's capital markets-facing businesses. Macquarie Securities experienced higher inflows into equities and an increase in equity capital markets activity, which was led by improved investor sentiment. Macquarie Capital experienced higher activity levels in equity and debt capital markets, however mergers and acquisitions activity continued to be subdued. Fixed Income, Currencies & Commodities experienced mixed market conditions across its businesses. Commodities markets were impacted by volatility and falling precious metals prices which increased producer hedging and trading opportunities. However, ongoing weak investor sentiment and confidence in resource equity markets continued to impact the value of listed equities, resulting in impairments on certain equity holdings. In foreign exchange and interest rate markets, volatility and volumes improved, while futures experienced increased transactional volumes in all key regions. The credit environment was mixed, with lower confidence experienced in higher yield markets, while the level of debt origination and issuances continued to increase.

MGL Group's annuity-style businesses, which comprises Macquarie Funds, Corporate & Asset Finance and Banking & Financial Services, continued to perform well, which highlights the benefits of MGL's diversified global platform.

For a discussion of the impact of trading and market conditions on our results of operation and financial condition for the half year ended September 30, 2013, see our 2014 Half Year Management Discussion and Analysis Report for further information.

Overview of MGL Group

At September 30, 2013, MGL employed 13,901 staff, had total assets of A$154.6 billion and total equity of A$12.7 billion. For the half year ended September 30, 2013, our net operating income was A$3.7 billion and profit after tax attributable to ordinary equity holders was A$501 million, with 66% of our net operating income (excluding earnings on capital and other corporate items) derived from international income.

The tables below show the relative net operating income and profit contribution of each of our operating groups in the half years ended September 30, 2013 and 2012.

Net operating income of MGL Group by operating group for the half years ended September 30, 2013 and 2012[1]

	Half year ended		
	Sep 13	Sep 12	Movement
	A$m	A$m	%
Macquarie Funds	907	725	25
Corporate & Asset Finance	578	507	14
Banking & Financial Services	667	655	2
Macquarie Securities	436	308	42
Macquarie Capital	372	252	48
Fixed Income, Currencies & Commodities	653	578	13
Total net operating income by operating group	**3,613**	**3,025**	19
Corporate[2]	66	29	128
Total net operating income	**3,679**	**3,054**	20

1 For further information on our segment reporting, see our 2014 Half Year Management Discussion and Analysis Report and Note 3 to our 2014 interim financial statements.

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

Profit contribution of MGL Group by operating group for the half years ended September 30, 2013 and 2012[1]

	Half year ended		
	Sep 13	Sep 12	Movement[3]
	A$m	A$m	%
Macquarie Funds	500	356	40
Corporate & Asset Finance	396	335	18
Banking & Financial Services	111	124	(10)
Macquarie Securities	71	(64)	*
Macquarie Capital	101	10	*
Fixed Income, Currencies & Commodities	203	219	(7)
Total contribution to profit by operating group	**1,382**	**980**	41
Corporate[2]	(881)	(619)	42
Net profit after tax	**501**	**361**	39

1 For further information on our segment reporting, see our 2014 Half Year Management Discussion and Analysis Report and Note 3 to our 2014 interim financial statements.

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

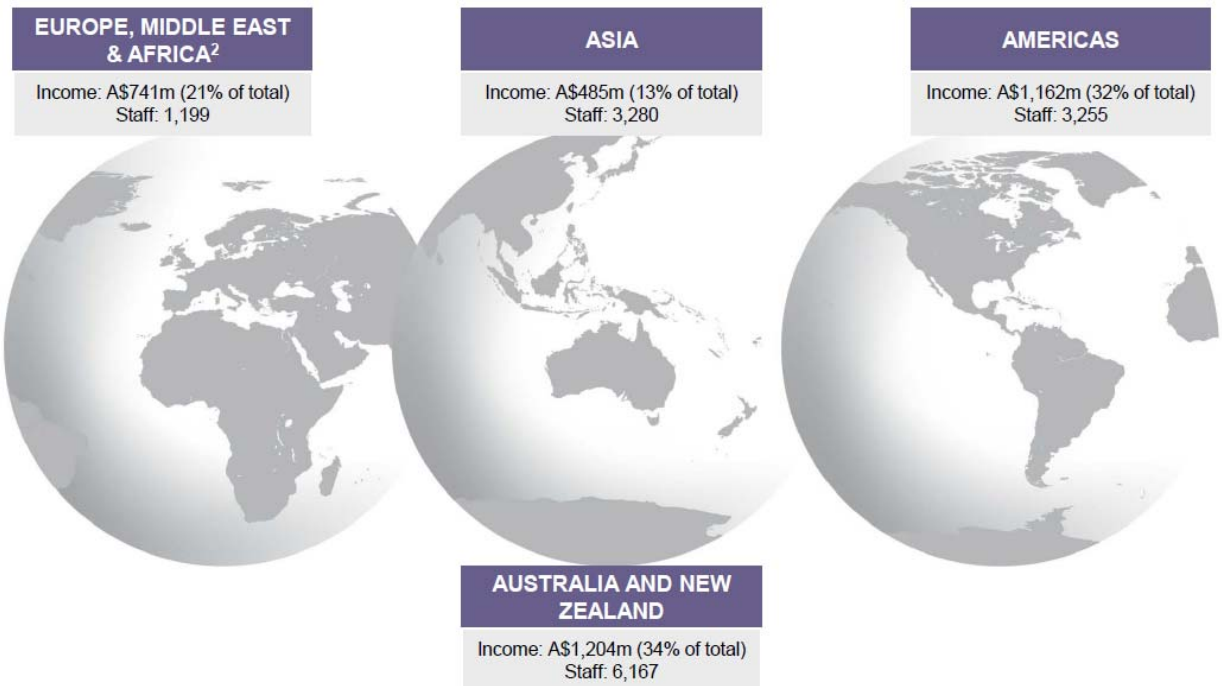
3 "*" indicates that the absolute percentage change in the balance was greater than 300% or indicates the result was a gain in one period but a loss in another, or vice versa.

Regional activity

At September 30, 2013, MGL Group employed 13,901 staff globally and conducted its operations in 28 countries.

The chart below shows MGL Group's international income by region in the half year ended September 30, 2013.

International income of MGL Group[1] by region for the half year ended September 30, 2013.



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1 For further information on our segment reporting, see section 3.0 of our 2014 Half Year Management Discussion and Analysis Report and Note 3 to our 2014 interim financial statements.

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

Australia and New Zealand. MBL Group, the predecessor of MGL Group, has its origins as the merchant bank Hill Samuel Australia Limited, created in 1969 as a wholly-owned subsidiary of Hill Samuel & Co. Limited, London, and began operations in Sydney in January 1970 with only three staff. As at September 30, 2013, MGL Group employed over 6,167 staff across Australia and New Zealand. In the half year ended September 30, 2013, Australia and New Zealand contributed A$1.2 billion (34%) of our net operating income (excluding earnings on capital and other corporate items) as compared to A$1.0 billion (34%) in the half year ended September 30, 2012.

Americas. MGL Group has been active in the Americas for 19 years, when we established our first office in New York in 1994, and has grown rapidly over the last several years, principally through acquisitions of Delaware Investments, FPK, Tristone, Blackmont and Constellation Energy, and the growth of our Energy Trading and Credit Trading businesses. As at September 30, 2013, MGL Group employed over 3,255 staff across the United States, Canada, Mexico and Brazil. In the half year ended September 30, 2013, the Americas contributed A$1.2 billion (32%) of our net operating income (excluding earnings on capital and other corporate items) as compared to A$1.0 billion (33%) in the half year ended September 30, 2012.

Asia. MGL Group has been active in Asia for more than 18 years, when we established our first office in Hong Kong in 1995. As at September 30, 2013, MGL Group employed over 3,280 staff across China, Hong Kong, India, Indonesia, Japan, South Korea, Malaysia, the Philippines, Singapore, Taiwan and Thailand. MGL has expanded the regional investment and product platforms of Macquarie Funds, Corporate & Asset Finance as well as Fixed Income, Currencies & Commodities, which had established an Asian regional "hub" in Singapore in the 2011 fiscal year. In the half year ended September 30, 2013, Asia contributed A$485 million (13%) of our net operating income (excluding earnings on capital and other corporate items) as compared to A$347 million (12%) in the half year ended September 30, 2012.

Europe, Middle East & Africa. MGL Group has been active in Europe since the late 1980s, in Africa since 2000 and the Middle East since 2005. As at September 30, 2013, MGL Group employed over 1,199 staff across the United Kingdom, Germany, France, Luxembourg, the Netherlands, Sweden, Austria, Switzerland, South Africa, Abu Dhabi and Dubai. In the half year ended September 30, 2013, Europe, Middle East & Africa contributed A$741 million (21%) of our net operating income (excluding earnings on capital and other corporate items) as compared to A$620 million (21%) in the half year ended September 30, 2012.

For further information on our segment reporting, see section 3.0 of our 2014 Half Year Management Discussion and Analysis Report and Note 3 to our 2014 interim financial statements.

Recent developments within MGL Group

Macquarie Capital

Macquarie Capital is the primary business in the Non-Banking Group.

Macquarie Capital contributed A$101 million to MGL Group's net profit for the half year ended September 30, 2013 and, as at September 30, 2013, had 1,117 staff operating across more than 20 countries, including Australia, United States, United Kingdom, Canada, Hong Kong, South Korea, Singapore and China. For further information on Macquarie Capital's results of operation and financial condition for the half year ended September 30, 2013, see section 3.6 of our 2014 Half Year Management Discussion and Analysis Report.

In the half year ended September 30, 2013, Macquarie Capital was involved in 204 transactions with an aggregate deal value of approximately A$26 billion. Significant transactions that Macquarie Capital was involved in during the half year ended September 30, 2013 are described in section 3.6 of our 2014 Half Year Management Discussion and Analysis Report.

For further information on Macquarie Capital, its divisions and products, see "Macquarie Group Limited — Operating groups — Macquarie Capital" beginning on page 33 of our 2013 Annual U.S. Disclosure Report.

Fixed Income, Currencies & Commodities

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

Fixed Income, Currencies & Commodities contributed A$203 million to MGL Group's net profit for the half year ended September 30, 2013 and, as at September 30, 2013, had 932 staff operating across 13 countries, with locations in Australia, Asia, the Middle East, North and South America, and the United Kingdom and Europe. For further information on Fixed Income, Currencies & Commodities' results of operation and financial condition for the half year ended September 30, 2013, see section 3.7 of our 2014 Half Year Management Discussion and Analysis Report.

There were no significant developments for Fixed Income, Currencies & Commodities during the half year ended September 30, 2013.

For further information and a description of the divisions within Fixed Income, Currencies & Commodities and their respective activities, see "Macquarie Group Limited — Operating groups — Fixed Income, Currencies & Commodities" beginning on page 34 of our 2013 Annual U.S. Disclosure Report.

Macquarie Securities

Macquarie Securities operates businesses both in the Banking Group and Non-Banking Group. The Cash division's activities, which include cash equities broking and equity capital markets services, operate in both the Banking Group (in respect of the Cash division's activities in Hong Kong) and the Non-Banking Group (in respect of the Cash division's activities in jurisdictions other than Hong Kong). Generally, the Derivatives division's activities, which include sales of retail derivatives, arbitrage trading, equity finance and capital management, are in the Banking Group, however, certain of these activities form part of the Non-Banking Group in certain jurisdictions due to local regulation. Effective October 1, 2012, Macquarie Securities transferred its derivatives sales and cash equities sales activities in Hong Kong from the Non-Banking Group to the Banking Group.

Macquarie Securities contributed A$71 million to MGL Group's net profit for the half year ended September 30, 2013 and, as at September 30, 2013, had 1,038 staff operating across 19 countries, including Australia, Canada, China, Germany, India, Indonesia, Japan, South Korea, Malaysia, New Zealand, the Philippines, Singapore, South Africa, Switzerland, Taiwan, Thailand, the United Kingdom and the United States. For further information on Macquarie Securities' results of operation and financial condition for the half year ended September 30, 2013, see section 3.5 of our 2014 Half Year Management Discussion and Analysis Report.

During the half year ended September 30, 2013, Macquarie Securities ceased issuing new equity-linked warrants in South Korea as a result of regulation being enacted in South Korea which MGL Group believes had the effect of making the market commercially unviable. Macquarie Securities expects to continue to run a structured products business in South Korea and retain a presence and profile in the South Korean market.

For further information and a description of the divisions within Macquarie Securities and their respective activities, see "Macquarie Group Limited — Operating groups — Macquarie Securities" beginning on page 36 of our 2013 Annual U.S. Disclosure Report.

Banking & Financial Services

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

Banking & Financial Services contributed A$111 million to MGL Group's net profit for the half year ended September 30, 2013 and, as at September 30, 2013, had 2,891 staff operating predominantly in Australia. For further information on Banking & Financial Services' results of operation and financial condition for the half year ended September 30, 2013, see our 2014 Half Year Management Discussion and Analysis Report.

During the half year ended September 30, 2013, Banking & Financial Services underwent a reorganization and now comprises the following three divisions:

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

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

Business Banking. Business Banking provides a full range of deposit, lending and payment solutions to business clients.

Cash deposits continued to be a major focus of Banking & Financial Services, with retail cash deposits growing from A$30.8 billion at September 30, 2012 to A$33.1 billion at September 30, 2013. This was primarily due to an increase of A$1.5 billion in MGL's Cash Management Account and an increase of A$0.9 billion in Business Banking At-Call Deposits.

Banking & Financial Services' Australian mortgages business has grown from A$10.9 billion at September 30, 2012 to A$14.6 billion at September 30, 2013. The Macquarie Wrap administration platform funds under administration has grown from A$22.6 billion at September 30, 2012 to A$35.3 billion at September 30, 2013. In addition, Macquarie Life insurance inforce premiums have grown from A$142 million at September 30, 2012, to A$171 million at September 30, 2013.

For further information on Banking & Financial Services' results of operation and financial condition for the half year ended September 30, 2013 see section 3.4 of our 2014 Half Year Management Discussion and Analysis Report.

Banking & Financial Services is in the process of exiting some of its non-core businesses. This includes the sale of MGL's interest in the Religare-Macquarie Private Wealth joint venture in India, which is subject to customary regulatory approvals, and the sale of Macquarie Private Wealth in Canada, which was completed in November 2013.

For further information and a description of the divisions within Banking & Financial Services and their respective activities, see "Macquarie Group Limited — Operating groups — Banking & Financial Services" beginning on page 36 of our 2013 Annual U.S. Disclosure Report.

Macquarie Funds

Macquarie Funds operates businesses in both the Banking Group and the Non-Banking Group. In the Banking Group, Macquarie Funds offers a diverse range of capabilities and products including securities investment management and fund and equity-based solutions. In the Non-Banking Group, Macquarie Funds manages alternative assets, specializing in infrastructure, energy, real estate and agriculture via public and private funds, co-investments, partnerships and separately managed accounts. With a strong client focus, disciplined investment processes and success in product innovation, Macquarie Funds has built a reputation as a leading provider of investment solutions.

Macquarie Funds contributed A$500 million to MGL Group's net profit for the half year ended September 30, 2013 and, as at September 30, 2013, had over 1,445 staff operating across 19 countries across Australia, the Americas, Europe and Asia. As at September 30, 2013, Macquarie Funds had Assets under Management of A$380.7 billion. For further information on Macquarie Funds' results of operation and financial condition for the half year ended September 30, 2013, see section 3.2 of our 2014 Half Year Management Discussion and Analysis Report.

In the Non-Banking Group, Macquarie Funds continued its focus on investing capital strategically across the globe, with over A$1.5 billion of equity invested and approximately A$3.2 billion of new equity commitments raised during the half year ended September 30, 2013. This included the US$1.1 billion initial public offering of Asian Pay Television Trust and the A$1.3 billion first close for Macquarie Infrastructure Partners III. Further, the fourth Macquarie European Infrastructure Fund closed with €2.75 billion in investor commitments (which was included in new equity commitments raised during the year ended March 31, 2013). In addition, Macquarie Funds sold its 56% holding in MGPA Limited, a private equity real estate investment advisory company, during the half year ended September 30, 2013.

In the Banking Group, Macquarie Funds launched a number of new products, continued to strengthen the global distribution team and realized the first hedge fund seeded in the fund incubation business. In addition, Macquarie Funds entered into an agreement to acquire ING Investment Management Korea, a leading asset manager in South Korea, with assets under management of KRW25.2 trillion (approximately A$24.0 billion). The acquisition, which is subject to certain closing conditions, including regulatory approval, is expected to strengthen Macquarie Funds' presence in Asia and is expected to complement its existing operations in South Korea.

For further information and a description of the divisions within Macquarie Funds, see "Macquarie Group Limited — Operating groups — Macquarie Funds" beginning on page 38 of our 2013 Annual U.S. Disclosure Report.

Corporate & Asset Finance

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

Corporate & Asset Finance contributed A$396 million to MGL Group's net profit for the half year ended September 30, 2013 and, as at September 30, 2013, had 976 staff operating across 11 countries, including Australia, New Zealand, South Korea, the United States and the United Kingdom. For further information on Corporate & Asset Finance's results of operation and financial condition for the half year ended September 30, 2013, see section 3.3 of our 2014 Half Year Management Discussion and Analysis Report.

At September 30, 2013, Corporate & Asset Finance managed lease and loan assets of A$24.6 billion, which represents an increase of 15% from A$21.4 billion at September 30, 2012. The asset finance portfolio of A$15.8 billion increased 19% from A$13.3 billion at September 30, 2012, which was driven by ongoing growth of the motor vehicle leasing business and the impact of foreign exchange movements. The loan portfolio of A$8.8 billion at September 30, 2013 increased 9% from A$8.1 billion at September 30, 2012, primarily due to foreign exchange movements.

During the half year ended September 30, 2013, Corporate & Asset Finance established Macquarie Rotorcraft, a full service helicopter operating leasing business with global customers.

Macquarie Energy Leasing's meters portfolio and Macquarie Mining Equipment Finance continued to expand during the half year ended September 30, 2013. In addition, there was ongoing growth of motor vehicle and equipment finance programs. Securitization activity was maintained during the half year ended September 30, 2013, with US$750 million of motor vehicle and equipment leases and loans securitized during the period.

During the half year ended September 30, 2013, there were A$1.8 billion of portfolio additions in corporate and real estate lending across new primary financings and secondary market acquisitions.

For further information on Corporate & Asset Finance's businesses, see "Macquarie Group Limited — Operating groups — Corporate & Asset Finance" beginning on page 39 of our 2013 Annual U.S. Disclosure Report.

Recent developments within the Corporate segment of MGL Group

Corporate

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

Corporate contributed a net loss of A$881 million to MGL Group's net profit for the half year ended September 30, 2013 and, as at September 30, 2013, had 5,502 staff operating across all countries in which MGL operates.

For further information on Corporate's results of operation and financial condition for the half year ended September 30, 2013, see section 3.8 of our 2014 Half Year Management Discussion and Analysis Report.

For further information about Macquarie Funds, see "Macquarie Group Limited — Operating groups — Corporate" beginning on page 40 of our 2013 Annual U.S. Disclosure Report.

Funds management business

For a description of MGL Group's funds management businesses, see "Macquarie Group Limited — Funds management business" beginning on page 40 of our 2013 Annual U.S. Disclosure Report.

Assets under Management

For further information on MGL Group's Assets under Management for the half year ended September 30, 2013, see section 7.1 of our 2014 Half Year Management Discussion and Analysis Report.

Equity under Management

For further information on MGL Group's Equity under Management for the half year ended September 30, 2013, see section 7.2 of our 2014 Half Year Management Discussion and Analysis Report.

Legal proceedings and other provisions

On December 22, 2010, ASIC commenced a legal proceeding in the Federal Court of Australia (the "Court") against a number of banking institutions, including MBL, alleging that there was an unregistered managed investment scheme operated by Storm Financial Limited ("Storm") in which the relevant banks were involved (the "First Proceeding"). The hearing of the First Proceeding has concluded, and a judgment is not expected until early 2014. Representative legal action (the "Second Proceeding") has also been brought through a private law firm in the Court alleging the existence of an unregistered managed investment scheme involving Storm on a similar basis to ASIC's action, breach of contract, contravention of the statutory prohibitions against unconscionable conduct and liability as a linked credit provider of Storm under Section 73 of the Trade Practices Act 1974 of Australia and claiming compensation for those investors.

As at the date of this Report, the Second Proceeding has settled. The settlement was approved on May 3, 2013 by a single judge of the Court, on application by the members of the class action. MBL and the investors agreed that the Second Proceeding be dismissed with an acknowledgment by the class action that there was no wrongdoing by MBL and, when approving the settlement, the Court dismissed the Second Proceeding on that basis. The settlement amount to be paid will be A$82.5 million, inclusive of costs. ASIC intervened in the approval of the settlement. On May 24, 2013, ASIC lodged an appeal of the settlement with the Full Court of the Court. ASIC's notice of appeal did not challenge the quantum to be paid by MBL but how that amount is to be distributed to the members of the class action. On August 12, 2013, the Full Court determined it would allow ASIC's appeal and to remit the application for approval of the settlement by the members of the class action, in accordance with the Full Court's reasons for judgement, to the same single judge of the Court who originally approved the settlement. On current indications, that approval is likely to be listed for hearing in December 2013 and the single judge is likely to give his decision shortly thereafter.

MBL has denied, and continues to deny, liability with respect to all the claims that are the subject of all the proceedings.

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

We have contingent liabilities in respect of actual and potential claims and proceedings that have not been determined. An assessment of likely losses is made on a case-by-case basis for the purposes of our financial statements and specific provisions that we consider appropriate are made, as described in Note 18 to our 2014 interim financial statements. We do not believe that the outcome of any such liabilities, either individually or in the aggregate, are likely to have a material effect on our operations or financial condition.

Competition

For a description of the competition MGL Group faces in the markets in which it operates, see "Macquarie Group Limited — Competition" beginning on page 43 of our 2013 Annual U.S. Disclosure Report.

Regulatory and supervision developments

A description of MGL Group's principal regulators and the regulatory regimes that MGL Group, its businesses and the funds it manages in, and outside of, Australia, are subject to is set out under "Regulation and supervision" beginning on page 46 of our 2013 Annual U.S. Disclosure Report. Our businesses are increasingly subject to greater regulatory scrutiny as we continue to grow our businesses both organically and through acquisitions. For a description of certain regulatory risks our businesses face, see "Risk factors — Many of our businesses are highly regulated and we could be adversely affected by temporary and permanent changes in regulations, regulatory policy and by compliance requirements, particularly for financial institutions, in the markets in which we operate", "Risk factors — We may incur losses as a result of ineffective risk management processes and strategies" and "Risk factors — We may incur financial loss, adverse regulatory consequences or reputational damage due to inadequate or failed internal or external operational systems, processes, people or systems or external events" on pages 9, 14 and 16, respectively, of our 2013 Annual U.S. Disclosure Report.

Significant regulatory changes that may affect our businesses are expected in the various markets in which we operate. The following is a summary of significant regulatory and supervision developments in Australia and the United States for MGL Group that have occurred since the release of our 2013 Annual U.S. Disclosure Report on May 14, 2013.

Australia

APRA

APRA's approach to Basel III capital requirements for the supervision of conglomerates

On September 26, 2013, APRA released a consultation paper and draft reporting standards relating to its supervision of the capital adequacy of conglomerate groups ("September 2013 Consultation Package"). In the September 2013 Consultation Package, APRA indicated that Level 3 groups will be required to comply with the standards under the Level 3 framework by January 1, 2015 instead of January 1, 2014 as previously announced. APRA has announced that in the final quarter of 2013, it intends to publish the final Level 3 prudential standards and also release for consultation a set of prudential practice guides and consequential amendments to other prudential standards to give effect to the Level 3 framework. APRA intends to release final reporting standards, forms, and instructions during the first quarter of 2014.

APRA's approach to the Basel III liquidity framework - CLF

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

Central clearing and reporting of OTC derivatives

On July 7, 2013, ASIC, the RBA and APRA released a report on the Australian OTC derivatives market. The most important recommendation was that the Australian Government consider a central clearing mandate for interest rate derivatives denominated in U.S. dollars, Euros, Pounds Sterling or Yen, primarily on international consistency grounds as the largest Australian banks are already clearing these products because of requirements of other jurisdictions. As there is a relatively low level of activity in North American and European referenced credit derivatives, the regulators did not recommend mandating clearing for these products as at the time of this Report.

On July 11, 2013, ASIC finalized its Derivative Transaction Rules (Reporting) (the “Reporting Rules”) and the Derivative Trade Repository Rules (the “Trade Repository Rules”, and, together with the Reporting Rules, the “Rules”). The Reporting Rules establish which entities are required to report, and what information is required to be reported to trade repositories. They specify when the reporting obligation commences for each class of reporting entities and the types of instrument which are reportable. The Trade Repository Rules cover application requirements and conditions for electronic databases of records of derivative transactions. They also regulate the manner in which repositories provide their services, and ASIC’s approach to regulation of overseas-based repositories. The Rules are largely consistent with international requirements. The Reporting Rules have staggered compliance dates, depending on the classification of the relevant entity and the type of derivative. Reporting for Australian entities, which includes two MGL affiliates, that are provisionally registered (or registered) as swap dealers with the U.S. Commodity Futures Trading Commission began on October 1, 2013.

Additional financial disclosures for the half year ended September 30, 2013

Euro-zone exposures

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

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

Financial instrument	Sovereign exposure	Non sovereign exposure: Financial institutions	Non sovereign exposure: Corporate	Total exposure
	As at Sep 30, 2013			
	A$m	A$m	A$m	A$m
Italy				
Loans, receivables & commitments[1]	-	-	7.2	7.2
Derivative assets[2]	-	-	15.8	15.8
Italy totals	**-**	**-**	**23.0**	**23.0**
Spain				
Loans, receivables & commitments[1]	-	11.7	90.0	101.7
Derivative assets[2]	-	3.6	15.3	19.0
Spain totals	**-**	**15.3**	**105.4**	**120.6**
Portugal				
Loans, receivables & commitments[1]	-	-	82.0	82.0
Derivative assets[2]	-	-	8.1	8.1
Portugal totals	**-**	**-**	**90.1**	**90.1**
Ireland				
Loans, receivables & commitments[1]	-	3.5	97.3	100.8
Derivative assets[2]	-	-	7.5	7.5
Traded debt securities	-	-	4.9	4.9
Ireland totals	**-**	**3.5**	**109.8**	**113.2**
Greece				
Loans, receivables & commitments[1]	-	-	-	-
Derivative assets[2]	-	-	-	-
Greece totals	**-**	**-**	**-**	**-**
Cyprus				
Loans, receivables & commitments[1]	-	-	-	-
Derivative assets[2]	-	-	-	-
Cyprus totals	**-**	**-**	**-**	**-**
Total exposure	**-**	**18.7**	**328.3**	**347.0**

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

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

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

Investors should refer to our 2014 Half Year Management Discussion and Analysis Report for a comparative discussion and analysis of our results of operation and financial condition for the half year ended September 30, 2013 compared to the half year ended September 30, 2012, along with other balance sheet, capital and liquidity disclosures as at and for the half year ended September 30, 2013, which is posted on MGL's U.S. Investors' Website. Such information should be read in conjunction with the discussion under "Management's Discussion and Analysis of Results of Operation and Financial Condition" beginning on page 58 of our 2013 Annual Disclosure Report.

Half year ended September 30, 2013 compared to half year ended September 30, 2012

See sections 1.0 – 7.0 of our 2014 Half Year Management Discussion and Analysis Report for a discussion of our results of operation and financial condition for the half year ended September 30, 2013, which has been incorporated by reference herein.

Impact of the proposed Sydney Airport distribution

See "Recent Developments" for a description of the impact that the proposed distribution of Sydney Airport securities to MGL shareholders is expected to have on MGL Group's financial results and capital position.

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