Macquarie Bank Limited

(ABN 46 008 583 542)

Disclosure Report (U.S. Version)
for the half year ended September 30, 2015

Dated: November 13, 2015

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CERTAIN DEFINITIONS

In this Disclosure Report (U.S. Version) for the half year ended September 30, 2015 ("*2016 Interim U.S. Disclosure Report*" or this "*Report*"), unless otherwise specified or the context otherwise requires:

- "*2015 Annual U.S. Disclosure Report*" means our Disclosure Report (U.S. Version) for the fiscal year ended March 31, 2015 and the documents incorporated by reference therein;
- "*2015 Interim Directors' Report and Financial Report*" means our 2015 Interim Directors' Report and Financial Report;
- "*2016 interim financial statements*" means our unaudited financial statements for the half year ended September 30, 2015 contained in our 2015 Interim Directors' Report and Financial Report; and
- "*2016 Interim Directors' Report and Financial Report*" means our 2016 Interim Directors' Report and Financial Report.

In addition, you should refer to "Certain Definitions" beginning on page ii of our 2015 Annual U.S. Disclosure Report, which is posted on Macquarie Bank Limited's ("*MBL*") U.S. Investors' Website at www.macquarie.com/mgl/com/us/usinvestors/mbl ("*MBL's U.S. Investors' Website*").

Our fiscal year ends on March 31, so references to years such as "*2016*" 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;
- changes in market liquidity, volatility and investor confidence;
- inflation, and interest rate, exchange rate and other market fluctuations;
- our ability to deal effectively with an economic slowdown or other economic or market difficulties or disruptions;
- our ability to effectively manage our capital and liquidity and to adequately fund the operations of MBL;
- the effect of, and changes in, laws, regulations, taxation or accounting standards or practices, or government policy, including as a result of regulatory proposals for reform of the banking, life insurance and funds management industries in Australia and the other countries in which we conduct our operations or which we may enter in the future;
- our ability to complete, integrate or process acquisitions, disposals, mergers and other significant corporate transactions;
- our ability to effectively manage our growth;
- adverse impact on our reputation;
- the performance and financial condition of Macquarie Group Limited ("*MGL*"), our indirect parent company;
- the effects of competition in the geographic and business areas in which we conduct our operations or which we may enter in the future;
- our ability to maintain or to increase market share and control expenses;
- the ability of MBL to attract and retain employees;
- changes in the credit quality of MBL's clients and counterparties;
- changes to the credit ratings assigned to each of MGL and MBL;

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

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

When relying on forward-looking statements to make decisions with respect to MBL 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 MBL Group are described under “Risk Factors” beginning on page 1 of our 2015 Annual U.S. Disclosure Report. Other factors are discussed under “Management’s Discussion and Analysis of Interim Results of Operation and Financial Condition” in this Report and in the “Management’s Discussion and Analysis of Results of Operation and Financial Condition” in the 2015 Annual U.S. Disclosure Report.

EXCHANGE RATES

MBL 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 MBL 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, 2015, which was US$0.7020 per A$1.00. The noon buying rate on November 6, 2015 was US$0.7034 per A$1.00.

Fiscal year	Period End	Average Rate[1]	High	Low
2011	1.0358	0.9450	1.0358	0.8172
2012	1.0367	1.0456	1.1026	0.9453
2013	1.0409	1.0317	1.0591	0.9688
2014	0.9275	0.9339	1.0564	0.8715
2015	0.7020	0.7781	0.8904	0.6917

Month	Period End	High	Low
May 2015	0.7659	0.8118	0.7631
June 2015	0.7704	0.7831	0.7613
July 2015	0.7332	0.7664	0.7278
August 2015	0.7100	0.7419	0.7087
September 2015	0.7020	0.7222	0.6917
October 2015	0.7133	0.7328	0.7025
November 2015 (through November 6, 2015)	0.7034	0.7173	0.7034

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.

FINANCIAL INFORMATION PRESENTATION

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 2015 Annual U.S. Disclosure Report.

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 MBL's U.S. Investors' Website, including:

- the section of this Report under the heading "Management's Discussion and Analysis of Interim Results of Operation and Financial Condition", which includes a discussion of operating conditions during the half year ended September 30, 2015 and the impact of such operating conditions on MBL Group, a comparative discussion and analysis of our results of operation and financial condition for the half year ended September 30, 2015 compared to the half year ended September 30, 2014, along with other balance sheet, capital and liquidity disclosures as at or for the half year ended September 30, 2015;

- our Pillar 3 Disclosure Document dated June 2015, which describes the Bank'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 MBL's U.S. Investors' Website; and

- our historical financial statements, which are included in the extracts from our 2016 Interim Directors' Report and Financial Report posted on MBL's U.S. Investors' Website.

For further information on our historical financial information for the 2015 Fiscal Year and prior periods, refer to the discussion under the heading "Financial Information Presentation — Our historical financial statements" included in our 2015 Annual U.S. Disclosure Report.

Transfer of Macquarie Investment Management

Investors should note that on April 15, 2015, MGL transferred the Macquarie Investment Management division of Macquarie Asset Management to the Non-Banking Group. After April 15, 2015, results from the Macquarie Investment Management division have formed part of the Non-Banking Group's results. Accordingly, the Macquarie Investment Management business has been classified as discontinued operations in our 2015 audited financial statements and 2016 interim financial statements, including the restated figures for the 2015 interim financial statement numbers contained therein, but not for any prior period. Note that all figures in this Report exclude numbers attributable to Macquarie Investment Management, unless otherwise indicated.

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

For information on certain differences between Australian Accounting Standards and U.S. GAAP, see "Financial Information Presentation — Certain differences between Australian Accounting Standards and U.S. GAAP" beginning on page xi of our 2015 Annual U.S. Disclosure Report.

Critical accounting policies and significant judgments

For information on our critical accounting policies and significant judgments, see "Management's Discussion and Analysis of Results of Operation and Financial Condition — Critical accounting policies and significant judgments" beginning on page 45 of our 2015 Annual U.S. Disclosure Report.

Pending accounting standards changes

For a description of standards, interpretations and amendments to Australian Accounting Standards that are not yet effective, but could have a significant impact on our accounting policies see Note 1 to our 2016 interim financial statements.

Non-GAAP financial measures

We report our financial results in accordance with Australian Accounting Standards. However, we include certain financial measures and ratios that are not prepared in accordance with Australian Accounting Standards that we believe provide useful information to investors in measuring the financial performance and condition of our business for the reasons set out below. In addition, some of these non-GAAP financial measures are used by MBL Group in respect of our financial results. These non-GAAP financial measures do not have a standardized meaning prescribed by Australian Accounting Standards and, therefore, may not be comparable to similarly titled measures presented by other entities, nor should they be construed as an alternative to other financial measures determined in accordance with Australian Accounting Standards. You are cautioned, therefore, not to place undue reliance on any non-GAAP financial measures and ratios included or incorporated by reference into this Report and the additional information posted on MBL's U.S. Investors' Website. For further information on our non-GAAP financial measures, see "Financial Information Presentation — Non-GAAP financial measures" beginning on page xi of our 2015 Annual U.S. Disclosure Report.

RISK FACTORS

We are subject to a variety of risks that arise out of our financial services and other businesses. We manage our ongoing business risks in accordance with our risk management policies and procedures, some of which are described in Note 38 to our 2015 annual financial statements.

The significant risk factors applicable to MBL Group are described under "Risk Factors" beginning on page 1 of our 2015 Annual U.S. Disclosure Report.

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth our capitalization as at September 30, 2015.

The information relating to MBL Group in the following table is based on our 2016 interim financial statements, which were prepared in accordance with Australian Accounting Standards, and should be read in conjunction therewith.

	As at	
	Sep 15	**Sep 15**
	US$m[1]	**A$m**
CAPITALIZATION		
Borrowings[2]		
Debt issued — due greater than 12 months	19,928	28,388
Subordinated debt — due greater than 12 months	3,211	4,574
Total borrowings[3]	**23,139**	**32,962**
Equity		
Contributed equity		
Ordinary share capital	5,987	8,528
Equity contribution from ultimate parent entity	115	164
Macquarie Income Securities	274	391
Reserves	760	1,082
Retained earnings	1,186	1,689
Other non-controlling interests	11	16
Total equity	**8,333**	**11,870**
TOTAL CAPITALIZATION	**31,472**	**44,832**

1 Conversions of Australian dollars to U.S. dollars have been made at the noon buying rate on September 30, 2015, which was US$0.7020 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, 2015, we had A$3.4 billion of secured indebtedness due in greater than 12 months compared to A$2.5 billion at September 30, 2014.

3 Total borrowings do not include our short-term debt securities, including the current portion of long-term debt, or securitizations. Short-term debt totaled A$18.5 billion as at September 30, 2015 and securitizations totaled A$16.6 billion as at September 30, 2015 compared to A$19.0 billion and A$15.4 billion, respectively, as at September 30, 2014.

For details on our short-term debt position as at September 30, 2015, see “Management’s Discussion and Analysis of Interim Results of Operation and Financial Condition — Liquidity — Funding profile for the Banking Group” in this Report.

RECENT DEVELOPMENTS

The following are significant recent developments for MBL Group that have occurred since the release of our 2015 Annual U.S. Disclosure Report on May 22, 2015. 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 1 and under "Macquarie Bank Limited" beginning on page 13 of our 2015 Annual U.S. Disclosure Report and other information posted on MBL's U.S. Investors' Website.

Recent board changes

On September 24, 2015 MBL and MGL announced that Mr. H Kevin McCann AM will retire as Chairman and a voting director of MBL and MGL, effective March 31, 2016.

To succeed him, independent director, Mr. Peter Warne, has been appointed non-executive Chairman of the Boards of MBL and MGL, effective on Mr. McCann's retirement. Mr. Warne was appointed an independent voting director of MBL in July 2007 and of MGL in August 2007. Mr. Warne has extensive knowledge of, and experience in, financial services and investment banking, through a number of roles at Bankers Trust Australia Limited, including as Head of its Financial Markets Group from 1988 to 1999. Mr. Warne was a director of the Sydney Futures Exchange ("*SFE*") from 1990 to 1999, then from 2000 to 2006. He served as Deputy Chairman of the SFE from 1995 to 1999. When the SFE merged with the Australian Securities Exchange ("*ASX Limited*") in July 2006, he became a director of ASX Limited, a position he still holds. Mr. Warne is Chairman of ALE Property Group and OzForex Group Limited. He is also a director of New South Wales Treasury Corporation, a member of the Advisory Board of the Australian Office of Financial Management and a Patron of Macquarie University Foundation.

Esanda portfolio acquisition

On October 8, 2015, MGL announced that it had entered into an agreement to acquire the Esanda dealer finance portfolio ("*Portfolio*") from Australia and New Zealand Banking Group Limited ("*ANZ*") for A$8.2 billion. The acquisition is expected to be funded from existing funding sources combined with third-party financing arrangements. The initial capital requirement for the acquisition is expected to be A$0.8 billion, which will be funded from an A$400 million institutional placement, which was completed on October 14, 2015, and associated share purchase plan for eligible shareholders and existing capital. The Portfolio will become part of Macquarie Leasing, the automotive and equipment finance division of the Corporate & Asset Finance Group, which is part of the Banking Group.

Organizational structure

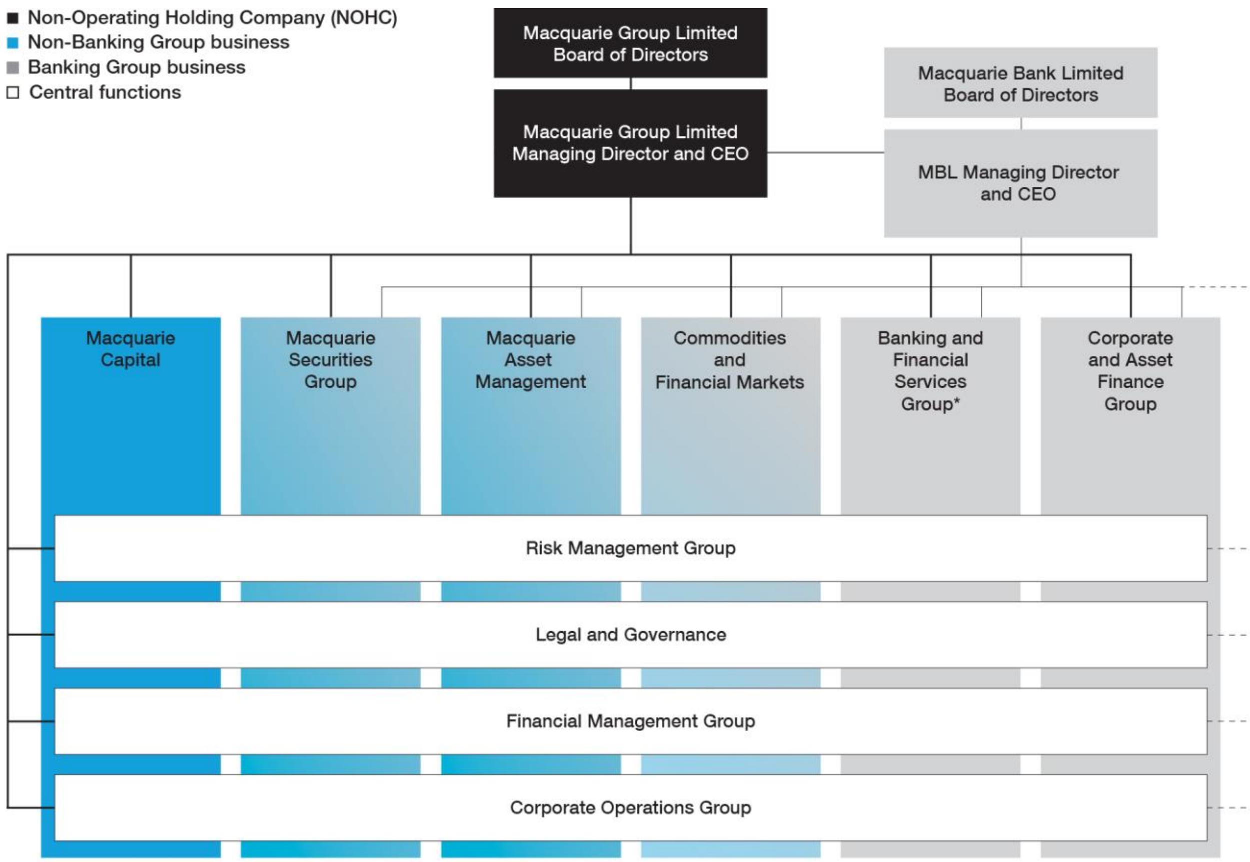
MBL is an indirect wholly owned subsidiary of MGL and forms part of the Banking Group. MBL comprises five operating groups: Corporate & Asset Finance; Banking & Financial Services; Macquarie Asset Management (excluding the Macquarie Infrastructure and Real Assets division and the Macquarie Investment Management division); Commodities & Financial Markets (excluding certain assets of the Credit Markets business and some other less financially significant activities); and Macquarie Securities (excluding certain activities of the Cash division and certain activities of the Derivatives and Trading division, in each case, in certain jurisdictions).

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

Items of income and expense within the Corporate segment include earnings from the net impact of managing liquidity for Macquarie Bank, earnings on capital, non-trading derivative volatility, earnings from investments, central overlay on impairment provisions or valuation of assets, allocated head office costs, 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.

MBL and MGL have corporate governance and policy frameworks that meet the Australian Prudential Regulation Authority's ("*APRA*") 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 under "Management's Discussion and Analysis of Interim Results of Operation and Financial Condition — Liquidity." Although the Banking Group and the Non-Banking Group operate as separate sub-groups, both are integral to MGL Group's identity and strategy as they assist MGL Group in continuing to pursue value adding and diversified business opportunities while meeting its obligations under APRA rules.

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



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

MGL and MBL 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 MGL's businesses between the Banking Group and the Non-Banking Group and within the Banking Group and the Non-Banking Group may be adjusted and MGL 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 Bank Limited — Our key strengths” on page 16 of our 2015 Annual U.S. Disclosure Report.

MBL has met all of its capital requirements throughout the half year ended September 30, 2015. At September 30, 2015, the Banking Group had a Harmonized Basel III Common Equity Tier 1 capital ratio of 11.6%, a Tier 1 capital ratio of 12.8% and a total capital ratio of 15.2%. The Banking Group’s APRA Basel III Common Equity Tier 1 capital ratio was 9.9%, Tier 1 capital ratio was 11.1%, and Tier 2 capital ratio was 13.6%. MBL Group continues to monitor regulatory and market developments in relation to liquidity and capital management. For further information on regulation and supervision, refer to the discussion under the heading “Regulation and Supervision — APRA” on page 32 of our 2015 Annual U.S. Disclosure Report and for further information on our regulatory capital position as at September 30, 2015, see “Management’s Discussion and Analysis of Interim Results of Operation and Financial Condition — Capital analysis” in this Report.

Our strategy

Our strategy is set out under “Macquarie Bank Limited — Our strategy” on page 18 of our 2015 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 MBL 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 MBL products to clients around the world. See “— Overview of MBL Group — Regional activity” below for further information on MBL’s performance across its key geographical regions.

Overview of MBL Group

At September 30, 2015, MBL had total assets of A$192.1 billion and total equity of A$11.9 billion. For the half year ended September 30, 2015, our net operating income from ordinary activities was A$2.8 billion and profit after tax attributable to ordinary equity holders was A$1,446 million, which includes profit from continuing operations of A$406 million and profit from discontinued operations of A$1,040 million. Of MBL Group’s revenues from external customers, 61% were derived from regions outside Australia.

The tables below show the relative net operating income and profit contribution from ordinary activities of each of our operating groups in the half years ended September 30, 2015 and 2014.

Net operating income from ordinary activities of MBL Group by operating group for the half years ended September 30, 2015 and 2014[1]

	Half year ended		
	Sep 15	**Sep 14**	**Movement**
	A$m	**A$m**	**%**
Commodities & Financial Markets [2]	750	681	10
Macquarie Securities[3]	407	156	161
Banking & Financial Services	735	661	11
Macquarie Asset Management[4]	100	95	5
Corporate & Asset Finance	855	682	25
Total net operating income from operating groups	**2,847**	**2,275**	**25**
Corporate[5]	(65)	111	*
Total net operating income	**2,782**	**2,386**	**17**

Profit from ordinary activities of MBL Group by operating group for the half years ended September 30, 2015 and 2014[1]

	Half year ended		
	Sep 15	**Sep 14**	**Movement**
	A$m	**A$m**	**%**
Commodities & Financial Markets[2]	247	231	7
Macquarie Securities[3]	184	(20)	*
Banking & Financial Services	169	136	24
Macquarie Asset Management[4]	43	39	10
Corporate & Asset Finance	606	464	31
Total contribution to profit from operating groups	**1,249**	**850**	**47**
Corporate[5]	(500)	(255)	96
Income tax expense	(338)	(245)	38
Net profit after tax	**411**	**350**	**17**

1 For further information on our segment reporting, see "Management's Discussion and Analysis of Interim Results of Operation and Financial Condition — Half year ended September 30, 2015 compared to half year ended September 30, 2014 — Segment overview" and Note 3 to our 2016 interim financial statements.

2 Commodities & Financial Markets as reported for MBL Group excludes certain assets of the Credit Markets business and some other less financially significant activities that remain part of the Non-Banking Group.

3 Macquarie Securities as reported for MBL Group excludes certain activities of the Cash division and certain activities of the Derivatives and Trading division, in each case, in certain jurisdictions that remain part of the Non-Banking Group.

4 Macquarie Asset Management as reported for MBL Group excludes the Macquarie Infrastructure and Real Assets and Macquarie Investment Management divisions that are part of the Non-Banking Group. See "Financial Information Presentation — Transfer of Macquarie Investment Management".

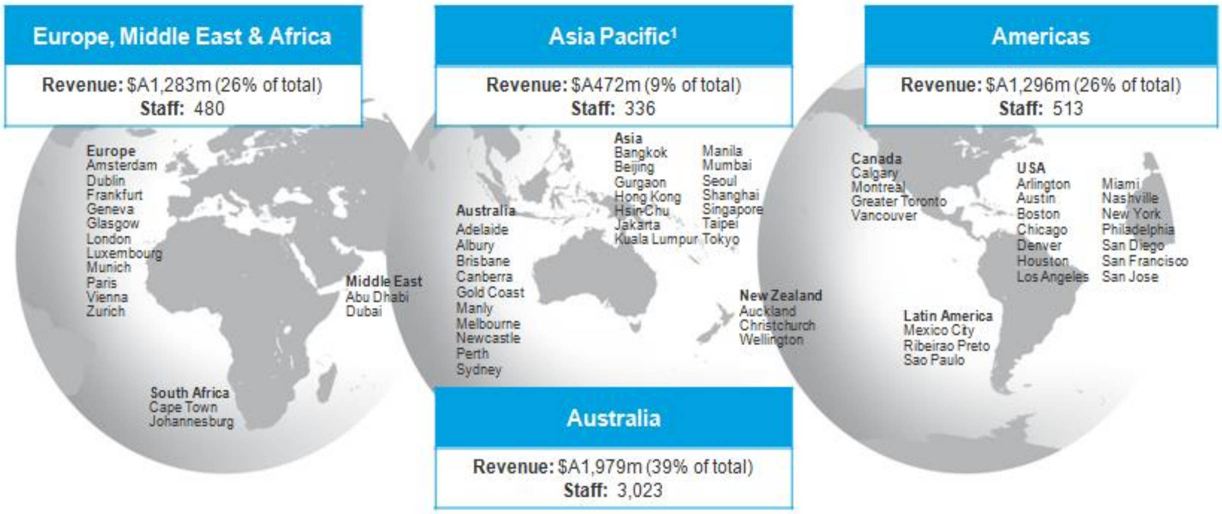
5 The Corporate segment includes earnings from the net impact of managing liquidity for Macquarie Bank, earnings on capital, non-trading derivative volatility, earnings from investments, central overlay on impairment provisions or valuation of assets, allocated head office costs, performance-related profit share and share-based payments expense, income tax expense and certain distributions attributable to non-controlling interests and holders of loan capital.

Regional activity

At September 30, 2015, MBL Group employed over 4,300 staff globally and conducted its operations in 19 countries.

The chart below shows MBL Group's revenues from external customers by region in the half year ended September 30, 2015.

Revenues from external customers of MBL Group[1] by region for the half year ended September 30, 2015



1 Includes New Zealand.

Australia. MBL 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, 2015, MBL Group employed over 3,000 staff across Australia and New Zealand. In the half year ended September 30, 2015, Australia contributed A$2.0 billion (39%) of our revenues from external customers as compared to A$2.2 billion (53%) in the half year ended September 30, 2014.

Americas. MBL Group has been active in the Americas for over 20 years, when we established our first office in New York in 1994, and has grown rapidly over the last several years, principally through acquisitions of Delaware Investments, Blackmont and Constellation Energy, and the growth of our Energy Trading and Credit Markets businesses. As at September 30, 2015, MBL Group employed over 500 staff across the United States, Canada and Brazil. In the half year ended September 30, 2015, the Americas contributed A$1.3 billion (26%) of our revenues from external customers as compared to A$792 million (19%) in the half year ended September 30, 2014.

Asia. MBL Group has been active in Asia for more than 20 years, when we established our first office in Hong Kong in 1995. As at September 30, 2015, MBL Group employed over 300 staff across China, Hong Kong, India, Indonesia, Japan, South Korea, Malaysia, Singapore and Taiwan. MBL has expanded the regional investment and product platforms of Corporate & Asset Finance as well as Commodities & Financial Markets (excluding certain assets of the Credit Markets business and some other less financially significant activities), which had established an Asian regional "*hub*" in Singapore in the 2011 fiscal year. In the half year ended September 30, 2015, Asia Pacific (including New Zealand) contributed A$472 million (9%) of our revenues from external customers as compared to A$270 million (6%) in the half year ended September 30, 2014.

Europe, Middle East & Africa. MBL Group has been active in Europe since the late 1980s, in Africa since 2000 and the Middle East since 2005. As at September 30, 2015, MBL Group employed over 400 staff across the United

Kingdom, Germany, Austria, Ireland, Switzerland, South Africa and Dubai. In the half year ended September 30, 2015, Europe, Middle East & Africa contributed A$1.3 billion (26%) of our revenues from external customers as compared to A$914 million (22%) in the half year ended September 30, 2014.

For further information on our segment reporting, see "Management's Discussion and Analysis of Interim Results of Operation and Financial Condition — Half year ended September 30, 2015 compared to half year ended September 30, 2014 — Segment overview" and Note 3 to our 2016 interim financial statements.

Recent developments within MBL Group

Commodities & Financial Markets (excluding certain assets of the Credit Markets business and some other less financially significant activities)

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

Commodities & Financial Markets contributed A$247 million to MBL Group's net profit for the half year ended September 30, 2015 and, as at September 30, 2015, had over 800 staff operating across 13 countries, with locations in Australia, Asia, the Middle East, North and South America, the United Kingdom and Europe. For further information on Commodities & Financial Markets ' results of operation and financial condition for the half year ended September 30, 2015, see "Management's Discussion and Analysis of Interim Results of Operation and Financial Condition — Half year ended September 30, 2015 compared to half year ended September 30, 2014 — Segment analysis — Commodities & Financial Markets (excluding certain assets of the Credit Markets business and some other less financially significant activities)" in this Report.

There were no significant developments for Commodities & Financial Markets during the half year ended September 30, 2015.

For further information and a description of the divisions within Commodities & Financial Markets and their respective activities, see "Macquarie Bank Limited — Operating groups — Commodities & Financial Markets (excluding certain assets of the Credit Markets business and some other less financially significant activities)" beginning on page 23 of our 2015 Annual U.S. Disclosure Report.

Macquarie Securities (excluding certain activities of the Cash division and certain activities of the Derivatives and Trading division, in each case, in certain jurisdictions)

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

Macquarie Securities contributed A$184 million to MBL Group's net profit in the half year ended September 30, 2015 and, as at September 30, 2015, had over 100 staff operating across 6 countries, including Australia, Hong Kong, India, Singapore, 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, 2015, see "Management's Discussion and Analysis of Interim Results of Operation and Financial Condition — Half year ended September 30, 2015 compared to half year ended September 30, 2014 — Segment analysis — Macquarie Securities (excluding certain activities of the Cash division and certain activities of the Derivatives and Trading division, in each case, in certain jurisdictions)" in this Report.

There were no significant developments for Macquarie Securities during the half year ended September 30, 2015. Macquarie Securities has continued its investment in technology in order to support the ongoing additional regulatory compliance requirements of the business, including in particular, increased reporting requirements to various regulators in the changing financial services environment.

For further information and a description of the divisions within Macquarie Securities and their respective activities, see "Macquarie Bank Limited — Operating groups — Macquarie Securities (excluding certain activities of the Cash division and certain activities of the Derivatives and Trading division, in each case, in certain jurisdictions)" beginning on page 25 of our 2015 Annual U.S. Disclosure Report.

Banking & Financial Services

Banking & Financial Services is in the Banking Group and comprises MBL 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$169 million to MBL Group's net profit in the half year ended September 30, 2015 and, as at September 30, 2015, had over 2,200 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, 2015, see "Management's Discussion and Analysis of Interim Results of Operation and Financial Condition — Half year ended September 30, 2015 compared to half year ended September 30, 2014 — Segment analysis — Banking & Financial Services" in this Report.

Banking & Financial Services' Australian mortgages business has grown from A$24.5 billion at March 31, 2015 to A$27.6 billion at September 30, 2015, representing 1.8% of the Australian mortgage market.

Banking & Financial Services' platform assets under administration were broadly in line, from A$48.0 billion at March 31, 2015 to $A46.7 billion at September 30, 2015, due to market movements. In addition, Macquarie Life insurance inforce premiums have increased from A$223 million at March 31, 2015 to A$239 million at September 30, 2015.

Banking & Financial Services' cash deposits have increased from A$37.3 billion at March 31, 2015 to A$38.7 billion at September 30, 2015. This was primarily due to increases in at call deposits and Macquarie Cash Management Account deposits.

During the half year ended September 30, 2015, Banking & Financial Services finalized the delivery of the new Macquarie Savings and Transaction account to provide an integrated banking experience for clients, which was launched to the public in October 2015.

During the half year ended September 30, 2015, Banking & Financial Services has continued its investment in technology projects to improve client experience and the scalability of its operating model, and is currently in year three of its five year program to deliver a Core Banking platform with real time capability.

For further information and a description of the divisions within Banking & Financial Services and their respective activities, see "Macquarie Bank Limited — Operating groups — Banking & Financial Services" beginning on page 25 of our 2015 Annual U.S. Disclosure Report.

Macquarie Asset Management (excluding the Macquarie Infrastructure and Real Assets division and the Macquarie Investment Management division)

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

Macquarie Asset Management contributed A$43 million to MBL Group's profit in the half year ended September 30, 2015 and, as at September 30, 2015, had over 100 staff operating across 8 countries across Australia, the Americas, Europe and Asia. As at September 30, 2015, Macquarie Asset Management had Assets under Management of A$3.3 billion. Macquarie Specialised Investment Solutions ("*MSIS*") continued to grow its infrastructure debt management business, raised over A$0.9 billion for Australian retail principal protected investments and specialist funds and successfully closed the sale of the Almond Orchard. For further information on Macquarie Asset Management' results of operation and financial condition for the half year ended September 30, 2015, see "Management's Discussion and Analysis of Interim Results of Operation and Financial Condition — Half year ended September 30, 2015 compared to half year ended September 30, 2014 — Segment analysis — Macquarie Asset Management (excluding the Macquarie Infrastructure and Real Assets division and the Macquarie Investment Management division)" in this Report. For further information on Macquarie Asset Management's Assets under Management, see "— Funds management business — Assets under Management" in this Report.

For further information and a description of the divisions within Macquarie Asset Management, see "Macquarie Bank Limited — Operating groups — Macquarie Asset Management (excluding the Macquarie Infrastructure and Real Assets division)" beginning on page 26 of our 2015 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$606 million to MBL Group's profit for the half year ended September 30, 2015 and, as at September 30, 2015, had over 800 staff operating across 18 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, 2015, see "Management's Discussion and Analysis of Interim Results of Operation and Financial Condition — Half year ended September 30, 2015 compared to half year ended September 30, 2014 — Segment analysis — Corporate & Asset Finance" in this Report.

At September 30, 2015, Corporate & Asset Finance managed lease and loan assets of A$32.1 billion, which represents an increase of 13% from A$28.5 billion at March 31, 2015. The asset finance portfolio of A$21.1 billion increased 22% from A$17.3 billion at March 31, 2015, which was driven by growth in the motor vehicle portfolio, the acquisition of aircraft from AWAS Aviation Capital Limited ("*AWAS*") and the impact of the weaker Australian dollar.

The funded loan portfolio of A$11.0 billion at September 30, 2015 decreased 2% from A$11.2 billion at March 31, 2015, driven by a larger number of repayments which have been offset by a weaker Australian dollar. During the half year ended September 30, 2015, there were A$1.7 billion of portfolio additions, comprising A$0.9 billion of new primary financings across corporate and real estate, weighted towards customized originations, A$0.7 billion of corporate loans and similar assets acquired in the secondary market and A$0.1 billion of commercial real estate loans acquired in the secondary market. Notable transactions included the further financing and investment in Energetics, a United Kingdom provider of utility connections, the provision of a US$85 million mezzanine financing that is supported by 31 stabilized apartment buildings located in nine states throughout the United States and the realization of the debt in a United States toll road asset that was previously acquired at a discount in the secondary market. Asset quality of the portfolio remains sound and the portfolio continues to generate strong overall returns.

Further to the commitment entered into in March 2015, Corporate & Asset Finance has acquired 39 of the aircraft from AWAS out of the portfolio of 89 as at September 30, 2015. The purchase of the remaining aircraft is expected to close over the next six months.

Corporate & Asset Finance's motor vehicle leasing portfolio continued to grow, with total contracts in excess of 310,000. Both its motor vehicle and equipment finance channels continued to expand through dealer networks and ongoing growth in the United Kingdom. The European Rail and Energy Leasing businesses continued to perform well.

On October 8, 2015, Corporate & Asset Finance announced that it had entered into an agreement to acquire the Portfolio from ANZ. See "—Esanda portfolio acquisition".

For further information on Corporate & Asset Finance's businesses, see "Macquarie Bank Limited — Operating groups — Corporate & Asset Finance" beginning on page 27 of our 2015 Annual U.S. Disclosure Report.

Recent developments within the Corporate segment of MBL Group

The Corporate segment includes earnings from the net impact of managing liquidity for Macquarie Bank, earnings on capital, non-trading derivative volatility, earnings from investments, central overlay on impairment provisions or valuation of assets, allocated head office costs, 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.

Corporate contributed a net loss of A$500 million in the half year ended September 30, 2015.

For further information on Corporate's results of operation and financial condition for the half year ended September 30, 2015, see "Management's Discussion and Analysis of Interim Results of Operation and Financial Condition — Half year ended September 30, 2015 compared to half year ended September 30, 2014 — Segment analysis — Corporate" in this Report.

Funds management business

For a description of MBL Group's funds management businesses, see "Macquarie Bank Limited — Funds management business" beginning on page 29 of our 2015 Annual U.S. Disclosure Report.

Assets under Management

On April 15, 2015, the Macquarie Investment Management division was transferred from the Banking Group to the Non-Banking Group. Accordingly, the numbers presented for the six months ended September 30, 2014 and the six months ended September 30, 2015, in this section and elsewhere in this Report are adjusted and reflect this transfer unless otherwise indicated. See "Macquarie Bank Limited — Overview — Recent developments" on page 14 of our 2015 Annual U.S. Disclosure Report and "Financial Information Presentation — Transfer of Macquarie Investment Management" for further information.

MBL Group had an aggregate of A$5.3 billion of Assets under Management as at September 30, 2015, a 36% increase from A$3.9 billion at September 30, 2014. The increase was largely due to net flows in the infrastructure debt management business.

Legal proceedings and other provisions

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 MBL 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 2016 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 MBL Group faces in the markets in which it operates, see "Macquarie Bank Limited — Competition" beginning on page 30 of our 2015 Annual U.S. Disclosure Report.

Regulatory and supervision developments

A description of MBL Group's principal regulators and the regulatory regimes that MBL 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 32 of our 2015 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 and regulatory policy or unintended consequences from such changes and increased 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 2, 7 and 9, respectively, of our 2015 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, the United States, the United Kingdom and other jurisdictions for MBL Group that have occurred since the release of our 2015 Annual U.S. Disclosure Report on May 22, 2015.

Australia

Financial System Inquiry

Over the course of 2014, the Australian Federal Government undertook a review of the Australian financial system, called the Financial System Inquiry ("*FSI*"). The FSI released its final report on December 7, 2014, which included 44 recommendations. On October 20, 2015, the Australian Federal Treasury responded to each of the recommendations made by the FSI, endorsing the majority of them, referring certain matters to key regulators and proposing a timetable for further public and industry consultation and, in certain cases, for implementation of reform measures. It is not currently possible to have any further certainty on the impact on the capital structure or businesses of MBL from any future policy changes resulting from the FSI or broader international regulatory developments.

International

United States

The Commodity Futures Trading Commission ("*CFTC*") continues to issue final and proposed regulations, statements of guidance and no-action letters that may affect certain members of the MGL Group, including MBL. For example, on November 14, 2013, the CFTC issued a staff advisory (the "*Advisory*") relating to the cross-border application of transaction-level swap requirements. However, through a series of no-action letters, the CFTC has delayed the effectiveness of the Advisory until September 30, 2016.

As a non-U.S. swap dealer registered with the CFTC, MBL currently benefits from relief from an obligation to report to the CFTC swaps with non-U.S. persons. This relief is due to expire on December 1, 2016. See "Regulation and Supervision—International—United States" in our 2015 Annual U.S. Disclosure Report for further information.

United Kingdom bank levy

The UK Government has announced its intention to implement a gradual reduction in the bank levy rates from January 1, 2016, ultimately reaching 0.10% for short term chargeable liabilities and 0.05% for long term chargeable equity and liabilities by January 1, 2021. The gradual reduction in UK bank levy rates will be combined with the introduction of a corporation tax surcharge (at 8%) on bank profits from January 1, 2016. However, legislation enacting this change is not yet in force and the details of the proposal may change.

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

Investors should be aware that the discussion set forth in this Report is not complete and should be read in conjunction with the discussion under "Management's Discussion and Analysis of Results of Operation and Financial Condition" beginning on page 45 of our 2015 Annual U.S. Disclosure Report.

For further information on the preparation of our 2016 interim financial statements, see "Financial Information Presentation" in this Report and the discussion in this Report under "— Half year ended September 30, 2015 compared to half year ended September 30, 2014 — Segment overview — Basis of preparation."

Recent developments post September 30, 2015

On October 8, 2015, MGL announced that it had entered into an agreement to acquire the Portfolio from ANZ for A$8.2 billion. The acquisition is expected to be funded from existing funding sources combined with third-party financing arrangements. The initial capital requirement for the acquisition is expected to be A$0.8 billion, which will be funded from an A$400 million institutional placement, which was completed on October 14, 2015, and associated share purchase plan for eligible shareholders and existing capital. The Portfolio will become part of Macquarie Leasing, the automotive and equipment finance division of the Corporate & Asset Finance Group, which is part of the Banking Group.

Critical accounting policies and significant judgments

Note 1 to our 2015 annual financial statements provides a list of the critical accounting policies and significant judgments. While we regard all of our significant accounting policies as important to consider in evaluating our financial statements, certain information on policies we have identified as particularly involving critical accounting estimates and requiring management's exercise of judgment is set out in detail under "Management's Discussion and Analysis of Results of Operation and Financial Condition" beginning on page 45 of our 2015 Annual U.S. Disclosure Report.

Critical accounting policies and significant judgments for the half year ended September 30, 2015 are otherwise consistent with those referred to above. These critical accounting policies should be read in conjunction with the discussion set out in our 2015 Annual U.S. Disclosure Report and Note 1 to our 2015 annual financial statements.

Trading conditions and market update

Operating conditions and impact on MBL Group

During the half year ended September 30, 2015, trading conditions across MBL Group continued to improve and most businesses were favorably impacted by the depreciation of the Australian dollar relative to the prior corresponding period.

Macquarie Asset Management also benefitted from increased activity in the MSIS business, while Corporate & Asset Finance's performance was in part driven by higher volumes and the accretion of interest income on loans acquired at a discount. Banking & Financial Services had continued volume growth across its mortgage business and growth in business lending and deposits, while Wrap platform funds under administration remained broadly in line with March 31, 2015.

In addition to the overall favorable impact of the depreciation of the Australian dollar on most of MBL's capital markets-facing businesses, Macquarie Securities also benefitted from improved trading opportunities driven by increased market volatility, particularly in China. Commodities & Financial Markets also benefitted from increased client activity resulting from price volatility, though that performance was partially offset by higher provisions for impairments taken on certain underperforming commodity-related loans.

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, 2015, see "— Half year ended September 30, 2015 compared to half year ended September 30, 2014 — Results overview" below for further information.

Half year ended September 30, 2015 compared to half year ended September 30, 2014

Results overview

	Half year ended			Movement	
	Sep 15	**Mar 15**	**Sep 14**	**Mar 15**	**Sep 14**
	A$m	**A$m**	**A$m**	**%**	**%**
Financial performance summary					
Net interest income	1,083	1,070	941	1	15
Fee and commission income	434	526	368	(17)	18
Net trading income	1,142	1,087	773	5	48
Share of net losses of associates and joint ventures accounted for using the equity method	(4)	(12)	(5)	(67)	(20)
Other operating income and charges	127	238	309	(47)	(59)
Net operating income	**2,782**	**2,909**	**2,386**	**(4)**	**17**
Employment expenses	(825)	(767)	(699)	8	18
Brokerage, commission and trading-related expenses	(320)	(318)	(283)	1	13
Occupancy expenses	(57)	(64)	(56)	(11)	2
Non-salary technology expenses	(92)	(65)	(45)	42	104
Other operating expenses	(739)	(772)	(708)	(4)	4
Total operating expenses	**(2,033)**	**(1,986)**	**(1,791)**	**2**	**14**
Operating profit before income tax	749	923	595	(19)	26
Income tax expense	(338)	(344)	(245)	(2)	38
Profit from ordinary activities after income tax	411	579	350	(29)	17
Profit from discontinued operations (net of income tax)	1,040	135	55	*	*
Profit from ordinary activities and discontinued operations after income tax	1,451	714	405	103	258
Loss/(profit) attributable to non-controlling interests	3	(3)	(2)	*	*
Profit attributable to equity holders of Macquarie Bank Limited	**1,454**	**711**	**403**	**105**	**261**
Distributions paid or provided for on Macquarie Income Securities	(8)	(9)	(9)	(11)	(11)
Profit attributable to ordinary equity holders of Macquarie Bank Limited	**1,446**	**702**	**394**	**106**	**267**
Profit from continuing operations	**406**	**567**	**339**	**(28)**	**20**
Profit from discontinued operations (net of income tax)	**1,040**	**135**	**55**	*****	*****

Profit attributable to ordinary equity holders of A$1,446 million for the half year ended September 30, 2015 increased 267% from A$394 million in the prior corresponding period and increased 106% from A$702 million in the prior period. The result represents profit from continuing operations of A$406 million (compared to A$339 million in the prior corresponding period) and profit from discontinued operations of A$1,040 million (compared to A$55 million in the prior corresponding period).

MBL's annuity style businesses – Macquarie Asset Management, Corporate & Asset Finance and Banking & Financial Services – continued to perform well, generating a combined net profit contribution for the half year ended September 30, 2015 of A$818 million, an increase of 28% on the prior corresponding period with most businesses favorably impacted by the depreciation of the Australian dollar relative to the prior corresponding period. Macquarie Asset Management benefitted from increased activity in the MSIS business, while Corporate & Asset Finance's higher net profit contribution was in part driven by higher volumes and the accretion of interest income on loans acquired at a discount. Banking & Financial Services reported an improved net profit contribution largely driven by volume growth in Australian mortgages, business lending, deposits, and the Wrap platform.

MBL's capital markets facing businesses – Macquarie Securities Group and Commodities & Financial Markets – delivered a combined net profit contribution for the half year ended September 30, 2015 of A$431 million, an increase of 104% on the prior corresponding period. In addition to the overall favorable impact of the depreciation of the Australian dollar on most businesses, Macquarie Securities Group's net profit contribution was up significantly on the prior corresponding period due to increased income from improved trading opportunities driven by increased market volatility, particularly in China. Commodities & Financial Markets reported an increased net profit contribution in part driven by improved trading conditions resulting from increased volatility in commodities markets during the period, partially offset by higher provisions for impairments taken on certain underperforming commodity related loans.

Net operating income of A$2,782 million for the half year ended September 30, 2015 increased 17% from A$2,386 million in the prior corresponding period. Key drivers of the changes from the prior corresponding period were:

- A 30% increase in combined net interest and trading income to A$2,225 million for the half year ended September 30, 2015 from A$1,714 million in the prior corresponding period. Most operating groups contributed to the increase, with key drivers of the result being:
  - improved trading opportunities in Macquarie Securities Group driven by increased market volatility, particularly in China;
  - increased volatility in commodities markets leading to improved trading conditions for Commodities & Financial Markets; and
  - the accretion of interest income on loans acquired at a discount and the favorable impact of the depreciation of the Australian dollar, partially offset by increased funding costs associated with the growth of the operating lease portfolio in Corporate & Asset Finance.
- An 18% increase in fee and commission income to A$434 million for the half year ended September 30, 2015 from A$368 million in the prior corresponding period primarily due to increased brokerage and commissions income resulting from improved market turnover and the favorable impact of the depreciation of the Australian dollar on fees earned in Macquarie Securities Group.
- A 59% decrease in other operating income and charges to A$127 million for the half year ended September 30, 2015 from A$309 million in the prior corresponding period primarily driven by:
  - an increase in net individually assessed provisions for impairment, write-offs and collective allowance for credit losses to A$265 million for the half year ended September 30, 2015 from A$82 million in the prior corresponding period mainly due to the underperformance of certain commodity related loans in Commodities & Financial Markets and an increase to the collective provision central management overlay in Corporate to account for changes in current economic conditions;
  - the non-recurrence of gains on the disposal of operating lease assets of A$90 million in Corporate & Asset Finance in the prior corresponding period;
  - partly offset by a 31% increase in net operating lease income to A$372 million for the half year ended September 30, 2015 from A$285 million in the prior corresponding period primarily due to the favorable impact of the depreciation of the Australian dollar and the contribution of aircraft acquired to date from AWAS during the period. This increase was partially offset by the impact of the divestment of the North American railcar operating lease portfolio in January 2015.

Total operating expenses increased 14% from A$1,791 million in the prior corresponding period to A$2,033 million for the half year ended September 30, 2015 mainly due to the following:

- an 18% increase in employment expenses to A$825 million for the half year ended September 30, 2015 from A$699 million in the prior corresponding period primarily due to higher staff compensation resulting from the improved performance of the Bank and the impact of the depreciation of the Australian dollar on offshore expenses;

- a 13% increase in brokerage, commission and trading-related expenses from A$283 million in the prior corresponding period to A$320 million for the half year ended September 30, 2015 mainly driven by increased trading activity in Macquarie Securities Group; and

- an increase in non-salary technology expenses from A$45 million in the prior corresponding period to A$92 million for the half year ended September 30, 2015 primarily due to ongoing investment in technology projects to support business growth, including the development of a new Core Banking system in Banking & Financial Services.

Income tax expense for the half year ended September 30, 2015 was A$338 million, up 38% from A$245 million in the prior corresponding period, resulting in an effective tax rate of 44.9%.

See "— Results analysis" below for further information on each of these drivers.

Discontinued operations

Profit from discontinued operations (net of income tax) of A$1,040 million for the half year ended September 30, 2015 represents profit from the sale of the Macquarie Investment Management business to Macquarie Financial Holdings Pty Limited and its subsidiaries on April 15, 2015, as well as profit earned by Macquarie Investment Management up until the sale date. Profit of A$55 million in the prior corresponding period and A$135 million in the prior period represents profit from the Macquarie Investment Management business.

Results analysis

MBL Group presents the information below relating to our financial results on a consolidated MBL Group basis.

Net interest and trading income

	Half year ended			Movement	
	Sep 15	**Mar 15**	**Sep 14**	**Mar 15**	**Sep 14**
	A$m	**A$m**	**A$m**	**%**	**%**
Net interest income	1,083	1,070	941	1	15
Net trading income	1,142	1,087	773	5	48
Net interest and trading income	**2,225**	**2,157**	**1,714**	**3**	**30**

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

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

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

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

See "— Segment analysis — Macquarie Securities (excluding certain activities of the Cash division and certain activities of the Derivatives and Trading division, in each case, in certain jurisdictions)" and "— Segment analysis — Commodities & Financial Markets (excluding certain assets of the Credit Markets business and some other less financially significant activities)" for further discussion of MBL's trading activities.

	Half year ended			Movement	
	Sep 15	Mar 15	Sep 14	Mar 15	Sep 14
	A$m	A$m	A$m	%	%
Macquarie Asset Management[1]	67	58	54	16	24
Corporate & Asset Finance	453	406	319	12	42
Banking & Financial Services	456	419	406	9	12
Macquarie Securities[2]	379	189	127	101	198
Commodities & Financial Markets [3]					
Commodities[4]	577	726	429	(21)	34
Credit, interest rates and foreign exchange	206	245	235	(16)	(12)
Corporate[5]	87	114	144	(24)	(40)
Net interest and trading income	**2,225**	**2,157**	**1,714**	**3**	**30**

1 Macquarie Asset Management as reported for MBL Group excludes the Macquarie Infrastructure and Real Assets and the Macquarie Investment Management divisions that are part of the Non-Banking Group.

2 Macquarie Securities as reported for MBL Group excludes certain activities of the Cash division and certain activities of the Derivatives and Trading division, in each case, in certain jurisdictions that remain part of the Non-Banking Group.

3 Commodities & Financial Markets as reported for MBL Group excludes certain assets of the Credit Markets business and some other less financially significant activities that remains part of the Non-Banking Group.

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

5 The Corporate segment includes earnings from the net impact of managing liquidity for Macquarie Bank, earnings on capital, non-trading derivative volatility, earnings from investments, central overlay on impairment provisions or valuation of assets, allocated head office costs, 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.

Net interest and trading income of A$2,225 million for the half year ended September 30, 2015 increased 30% from A$1,714 million in the prior corresponding period. Most operating groups contributed to the increase with key drivers being the impact of the depreciation of the Australian dollar, improved trading opportunities driven by increased market volatility in Macquarie Securities, increased client activity for certain businesses in Commodities & Financial Markets, accretion of interest income on loans acquired at a discount in the loan portfolio in Corporate & Asset Finance, and growth in lending and deposit volumes in Banking & Financial Services.

Macquarie Asset Management (excluding the Macquarie Infrastructure and Real Assets and the Macquarie Investment Management divisions)

Net interest and trading income in Macquarie Asset Management includes income on specialized retail products and interest income from the provision of financing facilities to external funds and their investors.

Net interest and trading income of A$67 million for the half year ended September 30, 2015 increased 24% from A$54 million in the prior corresponding period, primarily due to increased interest revenue in the Funds Linked Products ("*FLP*") and Macquarie Infrastructure Debt Investment Solutions ("*MIDIS*") businesses as a result of net flows and the impact of the depreciation of the Australian dollar.

Corporate & Asset Finance

Net interest and trading income in Corporate & Asset Finance predominantly relates to net income from the loan and finance lease portfolios, partially offset by the funding costs associated with operating lease portfolios.

Net interest and trading income of A$453 million for the half year ended September 30, 2015 increased 42% from A$319 million in the prior corresponding period. In the loan portfolio, net interest and trading income increased mainly due to the accretion of interest income on loans acquired at a discount, the favorable impact of the depreciation of the Australian dollar and income earned from the sale of loan assets and early repayments.

In the Asset Finance portfolio, net interest and trading income from finance leases increased mainly due to growth in the motor vehicle lease portfolio and the acquisition of Advantage Funding in July 2015, partially offset by lower income as a result of the sale of the Macquarie Equipment Finance United States operations in March 2015. The impact of these was offset by increased funding costs of the operating lease portfolio driven by foreign exchange movements and the acquisitions of aircraft from AWAS during the period.

Banking & Financial Services

Net interest and trading income in Banking & Financial Services relates to interest income earned from the loan portfolio that primarily comprises residential mortgages in Australia, loans to Australian businesses, insurance premium funding and credit cards. Banking & Financial Services also generates income from deposits by way of a deposit premium received from Group Treasury, which use the deposits as a source of funding for the Group.

Net interest and trading income of A$456 million for the half year ended September 30, 2015 increased 12% from A$406 million in the prior corresponding period, primarily due to growth in lending and deposit volumes, including:

- a 39% increase in Australian mortgage volumes from A$19.8 billion at September 30, 2014 to A$27.6 billion at September 30, 2015, including acquisitions of residential mortgage portfolios totaling A$3.7 billion since September 30, 2014;

- a 23% increase in business lending volumes from A$4.8 billion at September 30, 2014 to A$5.9 billion at September 30, 2015; and

- a 10% increase in Banking & Financial Services deposits from A$35.3 billion at September 30, 2014 to A$38.7 billion at September 30, 2015.

The increased net interest and trading income from volume growth was partially offset by lower deposit margins. Average net interest margins on deposits were impacted by the Reserve Bank of Australia ("*RBA*") interest rate cuts made in February 2015 and May 2015.

The legacy loan portfolios, which are primarily comprised of residential mortgages in Canada and the United States, are in run-off and closed at a combined A$2.6 billion at September 30, 2015, down 43% from A$4.6 billion at September 30, 2014.

Macquarie Securities

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

Net interest and trading income of A$379 million for the year ended September 30, 2015 increased significantly from A$127 million in the prior corresponding period. In the half year ended September 30, 2015 the business benefitted from improved trading opportunities that resulted from increased market volatility as markets reacted to the Greek financial issues and the Chinese share market growth earlier in the period, followed by the later sell-off of Chinese equities. The increased market volatility also drove increased client demand for Asia retail derivative products in the half year ended September 30, 2015.

Commodities & Financial Markets

Net interest and trading income in Commodities & Financial Markets is earned from the provision of risk and capital solutions across physical and financial markets:

Commodities

Net interest and trading income from commodities was A$577 million for the half year ended September 30, 2015, an increase of 34% from A$429 million in the prior corresponding period.

The Energy Markets business remained a significant contributor with revenues generated across its global platform driven by strong customer flow off the back of price volatility, particularly in the Global Oil and North American Gas and Power businesses.

Income from activities in other commodity markets, including base and precious metals and agricultural commodities, benefitted from increased client activity and continued business growth compared with the prior corresponding period.

Lending and financing income was up on the prior corresponding period predominantly due to the impact of the depreciation of the Australian dollar and increased activity in Energy Markets' Global Oil business. This was partially offset by lower income in relation to storage costs that are paid by Macquarie and recovered from clients as higher financing margins. For accounting purposes, the associated storage costs are recognized in brokerage, commission and trading-related expenses, which has the effect of grossing up both the income and the expense lines.

Inventory management income, transport and storage income was up significantly on the prior corresponding period. Tolling agreements and capacity contracts, which are managed on a fair value basis for financial and risk management purposes, are required to be accounted for on an accruals basis for statutory reporting purposes, which has resulted in some volatility with timing of reported income.

Credit, interest rates and foreign exchange

Net interest and trading income from credit, interest rates and foreign exchange products of A$206 million for the half year ended September 30, 2015 decreased 12% from A$235 million in the prior corresponding period.

Increased volatility in foreign exchange markets led to increased client activity, which was offset by the impact of lower levels of confidence experienced in high yield United States credit markets.

Corporate

Net interest and trading income in the Corporate segment includes the net result of managing liquidity and funding for the MBL Group, earnings on capital and accounting volatility arising from movements in underlying rates relating to economically hedged positions where designated hedge accounting is unable to be achieved for accounting purposes.

Net interest and trading income of A$87 million for the half year ended September 30, 2015 decreased from A$144 million in the prior corresponding period, mainly due to the non-recurrence of favorable accounting volatility recognized in the prior corresponding period on economically hedged positions that are unable to achieve designated hedge accounting.

Fee and commission income

	Half year ended			Movement	
	Sep 15	Mar 15	Sep 14	Mar 15	Sep 14
	A$m	A$m	A$m	%	%
Base fees	17	22	17	(23)	-
Performance fees	20	-	-	*	*
Mergers and acquisitions, advisory and underwriting fees	15	25	18	(40)	(17)
Brokerage and commissions	219	219	189	-	16
Other fee and commission income	163	260	144	(37)	13
Total fee and commission income	**434**	**526**	**368**	**(17)**	**18**

Base fees

Base fees of A$17 million for the half year ended September 30, 2015 were in line with the prior corresponding period.

Performance fees

Performance fees of A$20 million for the half year ended September 30, 2015 included performance fee income from co-investors in respect of a United Kingdom asset recognized in Banking & Financial Services.

Brokerage and commissions

Brokerage and commissions income of A$219 million for the half year ended September 30, 2015 increased 16% from A$189 million in the prior corresponding period. Macquarie Securities reported higher brokerage and commissions income, mainly driven by improved market turnover in Asia and Australia. Commodities & Financial Markets also reported higher brokerage and commissions income due to increased market volumes traded in offshore commodity futures markets driven by ongoing volatility.

Other fee and commission income

Other fee and commission income of A$163 million for the half year ended September 30, 2015 increased 13% from A$144 million in the prior corresponding period.

Banking & Financial Services reported increased platform commissions resulting from higher assets under administration on the Wrap platform. Macquarie platform assets under administration closed at A$46.7 billion on September 30, 2015, an increase of 12% from A$41.7 billion at September 30, 2014, mainly driven by market movements.

Share of (losses)/net profits of associates and joint ventures

	Half year ended			Movement	Movement
	Sep 15	Mar 15	Sep 14	Mar 15	Sep 14
	A$m	A$m	A$m	%	%
Share of net losses of associates and joint ventures accounted for using the equity method	**(4)**	**(12)**	**(5)**	**(67)**	**(20)**

Share of net losses of associates and joint ventures for the half year ended September 30, 2015 of A$4 million was broadly in line with the prior corresponding period. There were no significant items of note in the half year ended September 30, 2015.

Other operating income and charges

	Half year ended			Movement[1]	
	Sep 15	Mar 15	Sep 14	Mar 15	Sep 14
	A$m	A$m	A$m	%	%
Net gains on sale of investment securities available-for-sale	19	5	28	280	(32)
Impairment charge on investment securities available-for-sale	(7)	(35)	(19)	(80)	(63)
Net gains on sale of associates and joint ventures	19	26	12	(27)	58
Impairment (charge)/reversal on interest in associates and joint ventures	(2)	(24)	4	(92)	*
Gain on disposal of operating lease assets	3	141	90	(98)	(97)
(Loss)/Gain on acquiring, disposing, reclassification and change in ownership interest in subsidiaries, associates and businesses held for sale	(32)	140	4	*	*
Impairment charge on intangibles and other non-financial assets	(17)	(56)	(16)	(70)	6
Net operating lease income	372	325	285	14	31
Dividends/distributions received/receivable	17	20	7	(15)	143
Collective allowance for credit losses provided for during the period	(2)	(65)	(19)	(97)	(89)
Individually assessed provisions for impairment and write-offs	(263)	(260)	(63)	1	*
Other income/(charges)	20	21	(4)	(5)	*
Total other operating income and charges	**127**	**238**	**309**	**(47)**	**(59)**

1 "*" indicates that actual movement was greater than 300%, that the movement was positive to negative, or that the movement was negative to positive.

Total other operating income and charges of A$127 million for the half year ended September 30, 2015 decreased 59% from A$309 million in the prior corresponding period.

Net gains on sale of investments (including investment securities available-for-sale and investments in associates and joint ventures) of A$38 million for the half year ended September 30, 2015 were broadly in line with the prior corresponding period.

Impairment charges on investment securities available-for-sale, associates, joint ventures, intangibles and other non-financial assets of A$26 million in the half year ended September 30, 2015 decreased 16% from A$31 million in the prior corresponding period. The decrease predominantly relates to the improved performance of the residual equity investment portfolio in Commodities & Financial Markets.

Gain on disposal of operating lease assets of A$3 million for the half year ended September 30, 2015 decreased significantly from A$90 million in the prior corresponding period. The gain in the prior corresponding period predominantly relates to the restructure of a railcar logistics operating lease facility in August 2014, which resulted in the de-recognition of the operating lease assets and recognition of a finance lease receivable in Corporate & Asset Finance. The gain on disposal of operating lease assets of A$141 million in the prior period predominantly relates to the gain on disposal of the North American railcar operating lease portfolio in January 2015. There were no significant transactions during the half year ended September 30, 2015.

The loss on acquiring, disposing, reclassification and change in ownership interest in subsidiaries, associates and businesses held for sale of A$32 million in the half year ended September 30, 2015 predominantly relates to the reclassification of legacy assets in Corporate that are no longer held for strategic purposes in Corporate. The gain on acquiring, disposing, reclassification and change in ownership interest in subsidiaries, associates and businesses held for sale of A$140 million in the prior period primarily relates to the gain on the sale of the Macquarie Equipment Finance United States operations in March 2015 in Corporate & Asset Finance.

Net operating lease income, which is predominantly earned by Corporate & Asset Finance, of A$372 million for the half year ended September 30, 2015 increased 31% from A$285 million in the prior corresponding period. The increase was primarily due to the favorable impact of the depreciation of the Australian dollar and the contribution of aircraft acquired to date from AWAS, partially offset by the impact of the divestment of the North American railcar operating lease portfolio in January 2015.

Aggregate charges for individually assessed provisions for impairment, write-offs and collective allowance for credit losses provided for during the period of A$265 million for the half year ended September 30, 2015 increased significantly from A$82 million in the prior corresponding period, although were down from A$325 million in the prior period. The increase from the prior corresponding period was mainly due to the underperformance of certain commodity related loans in Commodities & Financial Markets and an increase to the central management overlay applied to the Group’s collective provision in Corporate to account for changes in current economic conditions.

Other income of A$20 million for the half year ended September 30, 2015 increased significantly from a loss of A$4 million in the prior corresponding period. This increase was primarily due to ancillary financing and service income earned on plant and equipment in Corporate & Asset Finance.

Operating expenses

	Half year ended			Movement	
	Sep 15	Mar 15	Sep 14	Mar 15	Sep 14
	A$m	A$m	A$m	%	%
Employment expenses:					
Salary and salary related costs including commissions, superannuation and performance-related profit share	(745)	(703)	(610)	6	22
Share- based payments	(78)	(65)	(83)	20	(6)
(Provision for)/reversal for long service leave and annual leave	(2)	1	(6)	*	(67)
Total employment expenses	**(825)**	**(767)**	**(699)**	**8**	**18**
Brokerage, commission and trading-related expenses	(320)	(318)	(283)	1	13
Occupancy expenses	(57)	(64)	(56)	(11)	2
Non-salary technology expenses	(92)	(65)	(45)	42	104
Other operating expenses:					
Professional fees	(77)	(92)	(71)	(16)	8
Auditor's remuneration	(9)	(9)	(7)	-	29
Travel and entertainment expenses	(28)	(29)	(26)	(3)	8
Advertising and communication expenses	(15)	(19)	(16)	(21)	(6)
Amortization of intangibles	(26)	(25)	(14)	4	86
Other expenses	(584)	(598)	(574)	(2)	2
Total other operating expenses	**(739)**	**(772)**	**(708)**	**(4)**	**4**
Total operating expenses	**(2,033)**	**(1,986)**	**(1,791)**	**2**	**14**

Total operating expenses of A$2,033 million for the half year ended September 30, 2015 increased 14% from A$1,791 million in the prior corresponding period, mainly due to the impact of the depreciation of the Australian dollar on offshore expenses and higher compensation expenses driven by the improved performance of MBL Group.

Total employment expenses of A$825 million for the half year ended September 30, 2015 increased 18% from A$699 million in the prior corresponding period, mainly reflecting higher staff compensation resulting from the improved performance of MBL Group, partly offset by a 9% reduction in headcount.

Brokerage, commission and trading related expenses of A$320 million for the half year ended September 30, 2015 increased 13% from A$283 million in the prior corresponding period. The increase was mainly due to increased trading-related activity in Macquarie Securities, partly offset by a reduction in storage costs for physical commodities in Commodities & Financial Markets.

Other operating expenses, which includes professional fees, auditor's remuneration, travel and entertainment, advertising and communication expenses, amortization of intangibles and other expenses, in aggregate increased 4% compared to the prior corresponding period. The increase was mainly due to increased business activity across the MBL Group, ongoing investment in technology projects to support business growth, particularly the new Core Banking system in Banking & Financial Services, and the amortization of capitalized costs on technology projects in Banking & Financial Services.

Headcount

	Half year ended			Movement	
	Sep 15	Mar 15	Sep 14	Mar 15	Sep 14
Headcount by operating group				%	%
Macquarie Asset Management	101	99	89	2	13
Corporate & Asset Finance	883	1,017	1,045	(13)	(16)
Banking & Financial Services	2,248	2,504	2,568	(10)	(12)
Macquarie Securities	162	152	148	7	9
Commodities & Financial Markets	827	828	803	(<1)	3
Total headcount — operating groups	**4,221**	**4,600**	**4,653**	**(8)**	**(9)**
Total headcount — discontinued operations	**89**	**880**	**887**	**(90)**	**(90)**
Total headcount — Corporate	**42**	**45**	**47**	**(7)**	**(11)**
Total headcount	**4,352**	**5,525**	**5,587**	**(21)**	**(22)**
Headcount by region					
Australia	3,023	3,537	3,605	(15)	(16)
International:					
Americas	513	1,177	1,188	(56)	(57)
Asia	336	352	349	(5)	(4)
Europe, Middle East and Africa	480	459	445	5	8
Total headcount — International	**1,329**	**1,988**	**1982**	**(33)**	**(33)**
Total headcount	**4,352**	**5,525**	**5,587**	**(21)**	**(22)**
International headcount ratio (%)	31	36	35		

Total headcount of 4,352 as at September 30, 2015 decreased 22% from 5,587 as at September 30, 2014, mainly due to the transfer of the Macquarie Investment Management division from the Banking Group to the Non-Banking Group on April 15, 2015, the realization of efficiencies in Banking & Financial Services and the sale of the Macquarie Equipment Finance United States operations in March 2015 by Corporate & Asset Finance.

Income tax expense

	Half year ended		
	Sep 15	Mar 15	Sep 14
	A$m		A$m
Operating profit from continuing operations before income tax	749	923	595
Prima facie tax @ 30%	225	277	179
Income tax permanent differences	113	67	66
Income tax expense	338	344	245
Effective tax rate (%)[1]	**44.9%**	**37.4%**	**41.3%**

1 The effective tax rate is calculated on net profit before income tax and after non-controlling interests. Non-controlling interests increased net profit before income tax by A$3 million for the half year ended September 30, 2015 (September 30, 2014: (A$2) million). The effective tax rate differs from the Australian company tax rate due to permanent tax differences arising from the income tax treatment of certain income and expenses as well as tax rate differentials on some of the income earned outside of Australia.

Income tax expense for the half year ended September 30, 2015 was A$338 million, up 38% from A$245 million in the prior corresponding period, with an effective tax rate of 44.9%.

The increase in income tax expense was mainly driven by a 26% increase in operating profit before income tax, from A$595 million in the prior corresponding period to A$749 million for the half year ended September 30, 2015, and a 71% increase in income tax permanent differences from A$66 million in the prior corresponding period to A$113 million in the half year ended September 30, 2015, which was mainly due to changes in the composition of earnings with an increase in the relative contribution of earnings from higher tax jurisdictions.

The effective tax rate relative to the Australian corporate tax rate of 30% reflects the nature and geographic mix of income, as well as tax uncertainties.

Segment overview

Summary of segment results

	Macquarie Asset Management[1]	Banking & Financial Services	Commodities & Financial Markets[2]	Macquarie Securities[3]	Corporate & Asset Finance	Corporate[4]	Total
	A$m	A$m	A$m	A$m	A$m	A$m	A$m
Half year ended September 30, 2015							
Net interest and trading income...	67	456	783	379	453	87	2,225
Fee and commission income/(expense)	22	281	99	35	14	(17)	434
Share of net profits/(losses) of associates and JVs accounted for using the equity method..........................	-	-	(4)	-	2	(2)	(4)
Other operating income and charges	11	(2)	(130)	(1)	384	(135)	127
Internal management revenue/(charge)......................	-	-	2	(6)	2	2	-
Net operating income/(charge)	**100**	**735**	**750**	**407**	**855**	**(65)**	**2,782**
Total operating expenses...........	**(57)**	**(566)**	**(503)**	**(223)**	**(249)**	**(435)**	**(2,033)**
Profit /(loss) before tax................	43	169	247	184	606	(500)	749
Tax expense							(338)
Loss attributable to non-controlling interests.................							3
Profit/(loss) attributable to equity holders	**43**	**169**	**247**	**184**	**606**	**(500)**	**414**
Distributions paid or provided for on MIS...............................							(8)
Net profit/(loss) contribution							**406**

	Macquarie Asset Management[1]	Banking & Financial Services	Commodities & Financial Markets[2]	Macquarie Securities[3]	Corporate & Asset Finance	Corporate[4]	Total
	A$m	A$m	A$m	A$m	A$m	A$m	A$m
Half year ended March 31, 2015							
Net interest and trading income	58	419	971	189	406	114	2,157
Fee and commission income/(expense)	53	269	293	30	12	(131)	526
Share of net (losses)/profits of associates and JVs accounted for using the equity method	(4)	2	(3)	-	3	(10)	(12)
Other operating income and charges	15	(14)	(223)	(3)	489	(26)	238
Internal management revenue/(charge)	1	3	(9)	(4)	(7)	16	-
Net operating income/(charge)	**123**	**679**	**1,029**	**212**	**903**	**(37)**	**2,909**
Total operating expenses	**(65)**	**(535)**	**(492)**	**(191)**	**(259)**	**(444)**	**(1,986)**
Profit /(loss) before tax	58	144	537	21	644	(481)	923
Tax expense							(344)
Profit attributable to non-controlling interests							(3)
Profit/(loss) attributable to equity holders	**58**	**144**	**537**	**21**	**644**	**(481)**	**576**
Distributions paid or provided for on MIS							(9)
Net profit/(loss) contribution	**58**	**144**	**537**	**21**	**644**	**(481)**	**567**
Half year ended September 30, 2014							
Net interest and trading income	54	406	664	127	319	144	1,714
Fee and commission income/(expense)	31	259	55	29	22	(28)	368
Share of net profits/(losses) of associates and JVs accounted for using the equity method	3	1	2	-	1	(12)	(5)
Other operating income and charges	9	(5)	(39)	-	337	7	309
Internal management (charge)/revenue	(2)	-	(1)	-	3	-	-
Net operating income	**95**	**661**	**681**	**156**	**682**	**111**	**2,386**
Total operating expenses	**(56)**	**(525)**	**(450)**	**(176)**	**(218)**	**(366)**	**(1,791)**
Profit /(loss) before tax	39	136	231	(20)	464	(255)	595
Tax expense							(245)
Profit attributable to non-controlling interests							(2)
Profit/(loss) attributable to equity holders	**39**	**136**	**231**	**(20)**	**464**	**(255)**	**348**
Distributions paid or provided for on MIS							(9)
Net profit/(loss) contribution	**39**	**136**	**231**	**(20)**	**464**	**(255)**	**339**

[1] Macquarie Asset Management as reported for MBL Group excludes the Macquarie Infrastructure and Real Assets division and the Macquarie Investment Management division that are part of the Non-Banking Group. See "Financial Information Presentation — Transfer of Macquarie Investment Management."

[2] Commodities & Financial Markets as reported for MBL Group excludes certain assets of the Credit Markets business and some other less financially significant activities that remain part of the Non-Banking Group.

[3] Macquarie Securities as reported for MBL Group excludes certain activities of the Cash division and certain activities of the Derivatives and Trading division, in each case, in certain jurisdictions that remain part of the Non-Banking Group, see "Macquarie Bank Limited — Overview — Recent developments" included in our 2015 Annual U.S. Disclosure Report.

[4] The Corporate segment includes earnings from the net impact of managing liquidity for Macquarie Bank, earnings on capital, non-trading derivative volatility, earnings from investments, central overlay on impairment provisions or valuation of assets, allocated head office costs, 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.

Basis of preparation

MBL Group segments

AASB 8 Operating Segments requires the 'management approach' to disclosing information about Macquarie Bank'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. The financial information disclosed relates to ordinary activities. Financial information relating to discontinued operations is included in Note 21 to our 2016 interim financial statements.

For internal reporting, performance measurement and risk management purposes, MBL Group is divided into five operating groups and a corporate segment. These segments have been set up based on the different core products and services offered. The operating groups comprise:

- Commodities & Financial Markets (excluding certain assets of the Credit Markets business and some other less financially significant activities);
- Macquarie Securities (excluding certain activities of the Cash division and certain activities of the Derivatives and Trading division, in each case, in certain jurisdictions);
- Banking & Financial Services;
- Macquarie Asset Management (excluding the Macquarie Infrastructure and Real Assets division and the Macquarie Investment Management division); and
- Corporate & Asset Finance.

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 the Macquarie Bank, earnings on capital, non-trading derivative volatility, earnings from investments, central overlay on impairment provisions or valuation of assets, allocated head office costs, 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 Bank.

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

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. There is a requirement for accounting symmetry in such transactions.

Internal transactions are recognized 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 Macquarie Group Employee Retained Equity Plan is recognized in the Corporate segment and not allocated to operating groups.

Income tax

Income tax expense and benefits are recognized in the Corporate segment and not allocated to operating groups. However, to recognize 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 recognized 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 summarized 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 the MBL Group's financial performance.

Segment analysis

Macquarie Asset Management (excluding the Macquarie Infrastructure and Real Assets and the Macquarie Investment Management divisions)[3]

	Half year ended			Movement[1]	
	Sep 15	Mar 15	Sep 14	Mar 15	Sep 14
	A$m	A$m	A$m	%	%
Net interest and trading income	**67**	**58**	**54**	**16**	**24**
Fee and commission income					
Base fees	9	14	9	(36)	-
Other fee and commission income	13	39	22	(67)	(41)
Total fee and commission income	**22**	**53**	**31**	**(58)**	**(29)**
Share of net profits/(losses) of associates and joint ventures accounted for using the equity method	**-**	**(4)**	**3**	**(100)**	**(100)**
Other operating income and charges					
Total other operating income and charges	**11**	**15**	**9**	**(27)**	**22**
Internal management revenue/(charge)[2]	**-**	**1**	**(2)**	**(100)**	**(100)**
Net operating income	**100**	**123**	**95**	**(19)**	**5**
Operating expenses					
Employment expenses	(15)	(10)	(11)	50	36
Brokerage, commission and trading-related expenses	(8)	(8)	(8)	-	-
Other operating expenses	(34)	(47)	(37)	(28)	(8)
Total operating expenses	**(57)**	**(65)**	**(56)**	**(12)**	**2**
Net profit contribution	**43**	**58**	**39**	**(26)**	**10**
Other metrics					
Assets under Management (A$ billion)	3.3	2.2	1.8	50	83
Headcount	101	99	89	2	13

1 "*" indicates that actual movement was greater than 300%, that the movement was positive to negative, or that the movement was negative to positive.

2 See "— Basis of preparation — Income tax".

3 On April 15, 2015 the Macquarie Investment Management division of Macquarie Asset Management was transferred to the Non-Banking Group. See "Macquarie Bank Limited — Operating groups — Macquarie Asset Management (excluding the Macquarie Infrastructure and Real Assets division)" included in our 2015 Annual U.S. Disclosure Report and "Financial Information Presentation — Transfer of Macquarie Investment Management" in this Report for details of this transfer and its expected impacts.

Macquarie Asset Management's net profit contribution of A$43 million for the half year ended September 30, 2015 increased 10% from A$39 million in the prior corresponding period, driven by increased activity across the MSIS business.

Net interest and trading income

Net interest and trading income of A$67 million for the half year ended September 30, 2015 increased 24% from A$54 million in the prior corresponding period, primarily due to increased interest revenue in the FLP and MIDIS businesses as a result of net flows and the impact of the depreciation of the Australian dollar.

Fee and commission income

Total fee and commission income includes base fees, distribution service fees, structuring fees, principal protection fees and brokerage and commission. Total fee and commission income of A$22 million for the half year ended September 30, 2015 decreased from A$31 million in the prior corresponding period, primarily due to the prior period including non-recurring revenue.

Operating expenses

Total operating expenses of A$57 million for the half year ended September 30, 2015 were broadly in line with the prior corresponding period.

Banking & Financial Services

	Half year ended			Movement[1]	
	Sep 15	Mar 15	Sep 14	Mar 15	Sep 14
	A$m	A$m	A$m	%	%
Net interest and trading income	**456**	**419**	**406**	**9**	**12**
Fee and commission income					
Base fees	6	6	6	-	-
Brokerage and commissions	50	58	64	(14)	(22)
Other fee and commission income	225	205	189	10	19
Total fee and commission income	**281**	**269**	**259**	**4**	**8**
Share of net profits of associates and joint ventures accounted for using the equity method	**-**	**2**	**1**	**(100)**	**(100)**
Other operating income and charges					
Impairment charge on equity investments and other non-financial assets	(2)	(4)	(1)	(50)	100
Provisions for impairment, write-offs and collective allowance for credit losses	(12)	(17)	(14)	(29)	(14)
Other income	12	7	10	71	20
Total other operating (charges)/income	**(2)**	**(14)**	**(5)**	**(86)**	**(60)**
Internal management revenue[2]	**-**	**3**	**-**	**(100)**	**-**
Net operating income	**735**	**679**	**661**	**8**	**11**
Operating expenses					
Employment expenses	(177)	(182)	(190)	(3)	(7)
Brokerage, commission and trading-related expenses	(102)	(103)	(95)	(1)	7
Technology expenses[3]	(139)	(105)	(106)	32	31
Other operating expenses	(148)	(145)	(134)	2	10
Total operating expenses	**(566)**	**(535)**	**(525)**	**6**	**8**
Net profit contribution	**169**	**144**	**136**	**17**	**24**
Other metrics					
Macquarie platform assets under administration (A$ billion)[4]	46.7	48.0	41.7	(3)	12
Australian loan portfolio (A$ billion)[5]	34.2	30.4	25.3	13	35
Legacy loan portfolio (A$ billion)[6]	2.6	3.8	4.6	(32)	(43)
Banking & Financial Services deposits (A$ billion)[7]	38.7	37.3	35.3	4	10
Headcount	2,248	2,504	2,568	(10)	(12)

1 "*" indicates that actual movement was greater than 300%, that the movement was positive to negative, or that the movement was negative to positive.

2 See "— Basis of preparation — Income tax".

3 Technology expenses include technology staff expenses, depreciation of technology assets, amortization of capitalised software and maintenance costs.

4 Macquarie platform assets under administration includes Macquarie Wrap funds under administration (including Perpetual and Equity Portfolio Services), Retail Superannuation and Industry Super Funds.

5 The Australian loan portfolio primarily comprises residential mortgages, loans to Australian businesses, insurance premium funding and credit cards.

6 The legacy loan portfolio primarily comprises residential mortgages in Canada and the United States.

7 Banking & Financial Services deposits excludes corporate/wholesale deposits.

Banking & Financial Services' net profit contribution of A$169 million for the half year ended September 30, 2015 increased 24% from A$136 million in the prior corresponding period.

In the half year ended September 30, 2015, Banking & Financial Services benefitted from increased income as a result of strong volume growth in Australian mortgages, business lending, deposits and the Wrap platform, partially offset by increased costs associated with investment in technology projects to support growth in the business, including the development of a new Core Banking system.

Net interest and trading income

Net interest and trading income of A$456 million for the half year ended September 30, 2015 increased 12% from A$406 million in the prior corresponding period primarily due to growth in lending and deposit volumes, including:

- a 39% increase in Australian mortgage volumes from A$19.8 billion at September 30, 2014 to A$27.6 billion at September 30, 2015, including acquisitions of residential mortgage portfolios totaling A$3.7 billion since September 30, 2014;
- a 23% increase in business lending volumes from A$4.8 billion at September 30, 2014 to A$5.9 billion at September 30, 2015; and
- a 10% increase in Banking & Financial Services deposits from A$35.3 billion at September 30, 2014 to A$38.7 billion at September 30, 2015.

The increased net interest and trading income from volume growth was partially offset by lower deposit margins. Average net interest margins on deposits were impacted by the RBA interest rate cuts made in February 2015 and May 2015.

The legacy loan portfolios, which are primarily comprised of residential mortgages in Canada and the United States, are in run-off and closed at a combined A$2.6 billion at September 30, 2015, down 43% from A$4.6 billion at September 30, 2014.

Fee and commission income

Brokerage and commissions

Brokerage and commissions income is largely derived from the provision of retail equities broking services in Australia. Brokerage and commissions income of A$50 million for the half year ended September 30, 2015 decreased 22% from A$64 million in the prior corresponding period mainly due to a reduction in adviser headcount.

Other fee and commission income

Other fee and commission income relates to fees earned on Macquarie platform assets under administration (including the Wrap platform), insurance, business lending, credit cards and mortgages.

Other fee and commission income of A$225 million for the half year ended September 30, 2015 increased 19% from A$189 million in the prior corresponding period, driven by increased platform commissions from higher assets under administration on the Wrap platform and performance fee income from co-investors in respect of a United Kingdom asset.

Macquarie platform assets under administration closed at A$46.7 billion on September 30, 2015, an increase of 12% from A$41.7 billion at September 30, 2014, mainly driven by market movements.

Other operating income and charges

Provisions for impairment, write-offs and collective allowance for credit losses

Provisions for impairment, write-offs and collective allowance for credit losses of A$12 million for the half year ended September 30, 2015 decreased 14% from A$14 million in the prior corresponding period due to lower credit losses in the Credit Cards business.

Operating expenses

Total operating expenses of A$566 million for the half year ended September 30, 2015 increased 8% from A$525 million in the prior corresponding period, primarily due to increased technology project costs.

Employment expenses

Employment expenses of A$177 million for the half year ended September 30, 2015 decreased 7% from A$190 million in the prior corresponding period, driven by lower headcount as the business realized efficiencies.

Brokerage, commission and trading-related expenses

Brokerage, commission and trading-related expenses are mainly amounts paid to external advisers for product distribution and the cost of credit cards partner and rewards programs. Brokerage, commission and trading-related expenses of A$102 million for the half year ended September 30, 2015 increased 7% from A$95 million in the prior corresponding period, primarily due to increased lending and deposit volumes that were largely introduced by external advisers.

Technology expenses

Technology expenses of A$139 million for the half year ended September 30, 2015 increased 31% from A$106 million in the prior corresponding period due to higher project activity and commencement of amortization of the Core Banking system.

Other operating expenses

Other operating expenses of A$148 million for the half year ended September 30, 2015 increased 10% from A$134 million in the prior corresponding period driven by an increase in business activity.

Corporate & Asset Finance

	Half year ended			Movement[1]	
	Sep 15	Mar 15	Sep 14	Mar 15	Sep 14
	A$m	A$m	A$m	%	%
Net interest and trading income	**453**	**406**	**319**	**12**	**42**
Fee and commission income	**14**	**12**	**22**	**17**	**(36)**
Share of net profits of associates and joint ventures accounted for using the equity method	**2**	**3**	**1**	**(33)**	**100**
Other operating income and charges					
Impairment charge on equity investments, intangibles and other non-financial assets	(4)	(32)	(17)	(88)	(76)
Gain on disposal of operating lease assets	3	141	90	(98)	(97)
Gain on acquiring, disposing, reclassification and change in ownership interest in subsidiaries, associates and businesses held for sale	6	141	-	(96)	*
Net operating lease income	363	309	278	17	31
Provisions for impairment, write-offs and collective allowance for credit losses	(20)	(85)	(18)	(76)	11
Other income	36	15	4	140	*
Total other operating income and charges	**384**	**489**	**337**	**(21)**	**14**
Internal management revenue/(charge)[2]	**2**	**(7)**	**3**	*****	**(33)**
Net operating income	**855**	**903**	**682**	**(5)**	**25**
Operating expenses					
Employment expenses	(106)	(114)	(96)	(7)	10
Brokerage, commission and trading-related expenses	(3)	(7)	(4)	(57)	(25)
Other operating expenses	(140)	(138)	(118)	1	19
Total operating expenses	**(249)**	**(259)**	**(218)**	**(4)**	**14**
Net profit contribution	**606**	**644**	**464**	**(6)**	**31**
Other metrics					
Loan and finance lease portfolio (A$ billion)	22.9	22.2	21.4	3	7
Operating lease portfolio (A$ billion)	9.2	6.3	5.9	46	56
Headcount	883	1,017	1,045	(13)	(16)

1 "*" indicates that actual movement was greater than 300%, that the movement was positive to negative, or that the movement was negative to positive.

2 See "— Basis of preparation — Income tax".

Corporate & Asset Finance's net profit contribution of A$606 million for the half year ended September 30, 2015 increased 31% from A$464 million in the prior corresponding period. The improved result was largely driven by the favorable impact of the depreciation of the Australian dollar, and the accretion of interest income on loans acquired at a discount in the Lending portfolio. These increases were partially offset by the non-recurrence of the gain on restructure of a railcar logistics operating lease facility in the prior corresponding period.

Net interest and trading income

Net interest and trading income in Corporate & Asset Finance predominantly relates to net income from the loan and finance lease portfolios, partially offset by the funding costs associated with operating lease portfolios.

Net interest and trading income of A$453 million for the half year ended September 30, 2015 increased 42% from A$319 million in the prior corresponding period. In the Lending portfolio, net interest and trading income increased mainly due to the accretion of interest income on loans acquired at a discount, the favorable impact of the depreciation of the Australian dollar and income earned from the sale of loan assets and early repayments.

In the Asset Finance portfolio, net interest and trading income from finance leases increased mainly due to growth in the motor vehicle lease portfolio and the acquisition of Advantage Funding in July 2015, partially offset by lower income as a result of the sale of the Macquarie Equipment Finance United States operations in March 2015. The impact of these was offset by increased funding costs of the operating lease portfolio driven by foreign exchange movements and the acquisitions of aircraft from AWAS during the period.

Other operating income and charges

Gain on disposal of operating lease assets

Gain on disposal of operating lease assets in the prior corresponding period of A$90 million predominantly relates to the restructure of a railcar logistics operating lease facility in August 2014 resulting in the de-recognition of the operating lease assets and recognition of a finance lease receivable. The gain on disposal of operating lease assets of A$141 million in the prior period predominantly relates to the gain on disposal of the North American railcar operating lease portfolio in January 2015. There were no significant transactions during the half year ended September 30, 2015.

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

Gain on acquiring, disposing, reclassification and change in ownership interest in subsidiaries, associates and businesses held for sale of A$141 million in the prior period primarily relates to the gain on the sale of the Macquarie Equipment Finance United States operations in March 2015. There were no significant transactions during the half year ended September 30, 2015.

Net operating lease income

Net operating lease income of A$363 million for the half year ended September 30, 2015 increased 31% from A$278 million in the prior corresponding period. The increase was primarily due to the favorable impact of the depreciation of the Australian dollar and the contribution of aircraft acquired to date from AWAS, partially offset by the impact of the divestment of the North American railcar operating lease portfolio in January 2015.

The operating lease portfolio was A$9.2 billion at September 30, 2015, up 56% from A$5.9 billion in the prior corresponding period.

Provisions for impairment, write-offs and collective allowance for credit losses

Provisions for impairment, write-offs and collective allowance for credit losses of A$20 million were in line with the prior corresponding period. The prior period included additional collective provisions reflecting portfolio growth and the changing mix of assets in the loan and finance lease portfolios.

Other income

Other income of A$36 million increased from A$4 million in the prior corresponding period, primarily due to ancillary financing and service income earned on plant and equipment.

Operating expenses

Total operating expenses of A$249 million for the half year ended September 30, 2015 increased 14% from A$218 million in the prior corresponding period. This was primarily driven by the impact of the depreciation of the

Australian dollar on offshore expenses, partially offset by a reduction in operating expenses due to the sale of Macquarie Equipment Finance United States operations in March 2015.

Commodities & Financial Markets (excluding certain assets of the Credit Markets business and some other less financially significant activities)

	Half year ended			Movement[1]	Movement[1]
	Sep 15	**Mar 15**	**Sep 14**	**Mar 15**	**Sep 14**
	A$m		**A$m**		**%**
Net interest and trading income					
Commodities[2]	577	726	429	(21)	34
Credit, interest rates and foreign exchange	206	245	235	(16)	(12)
Net interest and trading income	**783**	**971**	**664**	**(19)**	**18**
Fee and commission income					
Brokerage and commissions	65	62	49	5	33
Other fee and commission income	34	231	6	(85)	*
Total fee and commission income	**99**	**293**	**55**	**(66)**	**80**
Share of net (losses)/profits of associates and joint ventures accounted for using the equity method	**(4)**	**(3)**	**2**	**33**	*****
Other operating income and charges					
Impairment charge on equity investments, intangibles and other non-financial assets	(10)	(75)	(24)	(87)	(58)
Provisions for impairment and collective allowance for credit losses	(164)	(187)	(48)	(12)	242
Other income	44	39	33	13	33
Total other operating (charges)/income	**(130)**	**(223)**	**(39)**	**(42)**	**233**
Internal management revenue/(charge)[3]	**2**	**(9)**	**(1)**	*****	*****
Net operating income	**750**	**1,029**	**681**	**(27)**	**10**
Operating expenses					
Employment expenses	(141)	(126)	(113)	12	25
Brokerage, commission and trading-related expenses	(112)	(133)	(122)	(16)	(8)
Other operating expenses	(250)	(233)	(215)	7	16
Total operating expenses	**(503)**	**(492)**	**(450)**	**2**	**12**
Net profit contribution	**247**	**537**	**231**	**(54)**	**7**
Other metrics					
Headcount	827	828	803	(<1)	3

1 "*" indicates that actual movement was greater than 300%, that the movement was positive to negative, or that the movement was negative to positive.

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

3 See "— Basis of preparation — Income tax".

Commodities & Financial Markets' net profit contribution for the half year ended September 30, 2015 was A$247 million, an increase of 7% from A$231 million in the prior corresponding period. The result reflected increased client activity driven by price volatility and the favorable impact of the depreciation in the Australian dollar, partially offset by higher provisions for impairments taken on certain underperforming commodity-related loans.

Net interest and trading income

Commodities trading income

Net interest and trading income from commodities was A$577 million for the half year ended September 30, 2015, an increase of 34% from A$429 million in the prior corresponding period.

The Energy Markets business remained a significant contributor with revenues generated across its global platform, driven by strong customer flow off the back of price volatility, particularly in the Global Oil and North American Gas and Power businesses.

Income from activities in other commodity markets, including base and precious metals and agricultural commodities, benefitted from increased client activity and continued business growth compared to the prior corresponding period.

Lending and financing income was up on the prior corresponding period predominantly due to the impact of the depreciation of the Australian dollar and increased activity in Energy Markets' Global Oil business. This was partially offset by lower income in relation to storage costs that are paid by Macquarie and recovered from clients as higher financing margins. For accounting purposes, the associated storage costs are recognized in brokerage, commission and trading-related expenses, which has the effect of grossing up both the income and the expense lines.

Inventory management income, transport and storage income was up significantly on the prior corresponding period. Tolling agreements and capacity contracts, which are managed on a fair value basis for financial and risk management purposes, are required to be accounted for on an accruals basis for statutory reporting purposes, which has resulted in some volatility with timing of reported income.

Credit, interest rates and foreign exchange trading income

Net interest and trading income from credit, interest rates and foreign exchange products of A$206 million for the half year ended September 30, 2015 decreased 12% from A$235 million in the prior corresponding period.

Increased volatility in foreign exchange markets led to increased client activity, which was offset by the impact of lower levels of confidence experienced in high yield United States credit markets.

Brokerage, commissions and other fee income

Brokerage, commissions and other fee income of A$99 million for the half year ended September 30, 2015 increased 80% from A$55 million in the prior corresponding period due to increased market volumes traded in offshore commodity futures markets driven by ongoing volatility as well as an increase in fee income earned in the Energy Markets business.

Other operating income and charges

Impairment charge on equity investments, intangibles and other non-financial assets

Impairment charges on equity investments, intangibles and other non-financial assets of A$10 million for the half year ended September 30, 2015 decreased 58% from A$24 million in the prior corresponding period, mainly due to the improved performance of the residual equity investment portfolio.

Provisions for impairment and collective allowance for credit losses

Provisions for impairment and collective allowance for credit losses of A$164 million for the half year ended September 30, 2015 increased significantly from A$48 million in the prior corresponding period, mainly due to the underperformance of certain commodity-related loans.

Other income

Other income of A$44 million for the half year ended September 30, 2015 increased 33% from A$33 million in the prior corresponding period, mainly due to increased gains on the sale of equity investments and dividend income.

Operating expenses

Total operating expenses of A$503 million for the half year ended September 30, 2015, increased 12% from A$450 million in the prior corresponding period.

Employment expenses

Employment expenses of A$141 million for the half year ended September 30, 2015 increased 25% from A$113 million in the prior corresponding period, largely due to the impact of the depreciation of the Australian dollar on offshore expenses and an increase in headcount to support business growth.

Brokerage, commission and trading-related expenses

Brokerage, commission and trading-related expenses includes fees paid in relation to trading-related activities and storage costs of physical metals and other commodities. On certain client financing arrangements, storage costs are paid by Macquarie and recovered from clients as higher financing margins, which is included within commodities lending and financing income. Brokerage, commission and trading-related expenses of A$112 million for the half year ended September 30, 2015 decreased 8% from A$122 million in the prior corresponding period, mainly due to a reduction in storage costs for physical commodities as a result of a change in storage arrangements, with clients now largely paying for storage costs directly. This was partially offset by the impact of the depreciation of the Australian dollar on offshore expenses.

Other operating expenses

Other operating expenses of A$250 million for the half year ended September 30, 2015 increased 16% from A$215 million in the prior corresponding period, mainly due to the impact of the depreciation of the Australian dollar on offshore expenses and continued business growth.

Macquarie Securities (excluding certain activities of the Cash division and certain activities of the Derivatives and Trading division, in each case, in certain jurisdictions)

	Half year ended			Movement[1]	
	Sep 15	Mar 15	Sep 14	Mar 15	Sep 14
	A$m	A$m	A$m	%	%
Net interest and trading income	**379**	**189**	**127**	**101**	**198**
Fee and commission income					
Brokerage and commissions	104	88	76	18	37
Other fee and commission expense	(69)	(58)	(47)	19	47
Total fee and commission income	**35**	**30**	**29**	**17**	**21**
Share of net profits of associates and joint ventures accounted for using the equity method	**-**	**-**	**-**	**-**	**-**
Other operating (charges)/income	**(1)**	**(3)**	**-**	**(67)**	*****
Internal management (charge)/revenue[2]	**(6)**	**(4)**	**-**	**50**	*****
Net operating income	**407**	**212**	**156**	**92**	**161**
Operating expenses					
Employment expenses	(22)	(22)	(24)	-	(8)
Brokerage, commission and trading-related expenses	(93)	(66)	(51)	41	82
Other operating expenses	(108)	(103)	(101)	5	7
Total operating expenses	**(223)**	**(191)**	**(176)**	**17**	**27**
Net profit contribution	**184**	**21**	**(20)**	*****	*****
Other metrics					
Headcount	162	152	148	7	9

1 "*" indicates that actual movement was greater than 300%, that the movement was positive to negative, or that the movement was negative to positive.

2 See "— Basis of preparation — Income tax".

Macquarie Securities' net profit contribution of A$184 million for the half year ended September 30, 2015 increased significantly from a A$20 million loss in the prior corresponding period. Macquarie Securities benefitted from improved market and trading conditions, particularly in China, driving strong growth in trading related income. Operating expenses increased, largely due to increased trading-related activity and foreign currency movements.

Net interest and trading income

Net interest and trading income of A$379 million for the half year ended September 30, 2015 increased significantly from A$127 million in the prior corresponding period.

In the half year ended September 30, 2015 the business benefitted from improved trading opportunities that resulted from increased market volatility as markets reacted to the Greek financial issues and the Chinese share market growth earlier in the period, followed by the later sell-off of Chinese equities. The increased market volatility also drove increased client demand for Asia retail derivative products in the half year ended September 30, 2015.

Total fee and commission income

Brokerage and commissions

Brokerage and commissions income of A$104 million for the half year ended September 30, 2015 increased 37% from A$76 million in the prior corresponding period driven by improved market turnover in Asia and Australia.

Other fee and commission expense

Other fee and commission expense, which mainly consists of tax transfer pricing charges, of A$69 million for the half year ended September 30, 2015 increased 47% from A$47 million in the prior corresponding period due to an increase in transfer pricing payments arising from the growth in trading income.

Operating expenses

Total operating expenses of A$223 million for the half year ended September 30, 2015 increased 27% from A$176 million in the prior corresponding period, predominantly due to an increase in trading-related expenses and the impact of the depreciation of the Australian dollar on offshore expenses. These factors were partly offset by the non-recurrence of restructuring costs recognized in the prior corresponding period associated with the exit of the Structured Products business.

Corporate

	Half year ended			Movement[1]	
	Sep 15	Mar 15	Sep 14	Mar 15	Sep 14
	A$m	A$m	A$m	%	%
Net interest and trading income	**87**	**114**	**144**	**(24)**	**(40)**
Fee and commission expense	**(17)**	**(131)**	**(28)**	**(87)**	**(39)**
Share of net losses of associates and joint ventures accounted for using the equity method	**(2)**	**(10)**	**(12)**	**(80)**	**(83)**
Other operating income and charges					
Net (losses)/gains on sale and reclassification of debt and equity securities	(32)	11	15	*	*
Impairment charge on investments, intangibles and other non-financial assets	(10)	(2)	7	*	*
Provisions for impairment and collective allowance for credit losses	(70)	(29)	-	141	*
Other expense	(23)	(6)	(15)	283	53
Total other operating (charges)/income	**(135)**	**(26)**	**7**	*****	*****
Internal management revenue[2]	**2**	**16**	**-**	**(88)**	*****
Net operating (loss)/income	**(65)**	**(37)**	**111**	**76**	*****
Operating expenses					
Employment expenses	(364)	(313)	(265)	16	37
Brokerage, commission and trading-related expenses	(2)	(1)	(3)	100	(33)
Other operating expenses	(69)	(130)	(98)	(47)	(30)
Total operating expenses	**(435)**	**(444)**	**(366)**	**(2)**	**19**
Net loss contribution	**(500)**	**(481)**	**(255)**	**4**	**96**
Other metrics					
Headcount	42	45	47	(7)	(11)

1 "*" indicates that actual movement was greater than 300%, that the movement was positive to negative, or that the movement was negative to positive.

2 See "— Basis of preparation — Income tax".

The Corporate segment comprises head office and central support functions, including Group Treasury, certain legacy investments, assets and businesses that are no longer core for strategic reasons and costs that are not allocated to operating groups, including performance-related profit share and share based payments expense, and income tax expense.

The Corporate segment's result for the half year ended September 30, 2015 was a net loss of A$500 million, an increase of 96% from a net loss of A$255 million in the prior corresponding period, mainly driven by higher staff compensation resulting from the improved performance of the MBL Group and an increase to the central management collective provision overlay to account for changes in current economic conditions.

Net interest and trading income

Net interest and trading income in the Corporate segment includes the net result of managing liquidity and funding for the MBL Group, earnings on capital and accounting volatility arising from movements in underlying rates relating to economically hedged positions where designated hedge accounting is unable to be achieved for accounting purposes.

Net interest and trading income of A$87 million for the half year ended September 30, 2015 decreased from A$144 million in the prior corresponding period, mainly due to the non-recurrence of favorable accounting volatility recognized in the prior corresponding period on economically hedged positions that are unable to achieve designated hedge accounting.

Fee and commission expense

Fee and commission expense primarily relates to internal transactions with operating groups. External fee and commission expense/income is minimal. Fee and commission expense of A$17 million for the half year ended September 30, 2015 decreased from A$28 million in the prior corresponding period, representing a lower level of internal fees paid out of the Corporate segment.

Share of net losses of associates and joint ventures accounted for using the equity method

Share of net losses of associates and joint ventures of A$2 million for the half year ended September 30, 2015 decreased from A$12 million in the prior corresponding period. The movement reflects changes in the underlying performance of legacy investments. There were no individually significant items during the current period.

Other operating income and charges

Net (losses)/gains on sale and reclassification of debt and equity securities

Net losses on sale and reclassification of debt and equity securities of A$32 million for the half year ended September 30, 2015, compared to net gains of A$15 million in the prior corresponding period. The loss in the current period largely resulted from the reclassification of legacy assets that are no longer held for strategic purposes. The prior corresponding period included gains from the disposal of securities undertaken in managing the MBL Group's liquidity.

Provisions for impairment and collective allowance for credit losses

Provisions for impairment and collective allowance for credit losses were A$70 million for the half year ended September 30, 2015. The increase from the prior corresponding period was mainly due to an increase to the central management overlay applied to the Bank's collective provision to account for changes in current economic conditions and other asset impairments.

Operating expenses

Total operating expenses of A$435 million for the half year ended September 30, 2015 increased 19% from A$366 million in the prior corresponding period.

Employment expenses

Employment expenses in the Corporate segment relate to employment costs associated with the MBL Group's central support functions, including COG, FMG, RMG, Legal and Governance, and Central Executive, as well as performance-related profit share and share based payments expense and the impact of fair value adjustments to Directors' Profit Share liabilities.

Employment expenses of A$364 million for the half year ended September 30, 2015 increased 37% from A$265 million in the prior corresponding period. The increase was mainly attributable to higher staff compensation resulting from the improved performance of the MBL Group and the impact of the depreciation of the Australian dollar on offshore expenses.

Other operating expenses

Other operating expenses in the Corporate segment includes non-employment related operating costs of central support functions, offset by the recovery of central support function costs from the operating groups. Other operating expenses of A$69 million for the half year ended September 30, 2015 decreased from A$98 million in the prior corresponding period. The reduction in other operating expenses reflects the increased recovery of central support function costs from the operating groups.

Capital analysis

Overview

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

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

- The Banking Group's minimum Tier 1 Capital requirement, based on a percentage of risk-weighted assets plus Tier 1 deductions (using prevailing APRA ADI Prudential Standards); and
- The Non-Banking Group capital requirement, calculated using MGL's ECAM.

Transactions internal to MGL Group are eliminated.

Banking Group capital

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

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

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

Common Equity Tier 1 Capital

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

Tier 1 Capital

Tier 1 Capital consists of Common Equity Tier 1 Capital and Additional Tier 1 Capital (hybrids). Additional Tier 1 Capital as at September 30, 2015 consists of MIS, ECS and BCN. MBL periodically pays dividends to MGL, and is recapitalized by MGL as required to support projected business growth.

MIS are a perpetual instrument with no conversion rights. MIS were listed for trading on the Australian Stock Exchange (now known as the "*Australian Securities Exchange*") in 1999. MIS distributions are paid quarterly at a

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

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

floating rate of BBSW plus 1.7% per annum and payment is subject to certain conditions including profitability of MBL. MIS are eligible for transitional arrangements under APRA Basel III rules.

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

BCN were issued by MBL in October 2014 and are quoted on the Australian Securities Exchange. The BCN pay discretionary, semi-annual floating rate cash distributions equal to six month BBSW plus 330 basis points margin, adjusted for franking credits. These instruments are non-cumulative and unsecured and may be redeemed at face value on March 24, 2020, September 24, 2020 and March 24, 2021 (subject to certain conditions being satisfied) or earlier in specified circumstances. The BCN can be converted into a variable number of MGL ordinary shares (subject to certain conditions being satisfied) on these redemption dates; mandatorily exchanged on March 24, 2023; exchanged earlier upon an acquisition event (with the acquirer gaining control of MGL or MBL); or where APRA determines MBL would be non-viable without an exchange or a public sector injection of capital (or equivalent support). APRA has confirmed that BCN are eligible for inclusion as Additional Tier 1 capital.

Pillar 3

The APRA Prudential Standard APS 330 Capital Adequacy: Public Disclosure of Prudential Information (Pillar 3) details the market disclosure requirements for Australian domiciled banks. APS 330 requires qualitative and quantitative disclosure of risk management practices and capital adequacy. Pillar 3 documents are available on MBL's U.S. Investors' Website.

Banking Group Basel III Tier 1 Capital

	As at Sep 15	
	Harmonized Basel III	APRA Basel III
	A$m	A$m
Common Equity Tier 1 Capital		
Paid-up ordinary share capital	8,692	8,692
Retained earnings	1,751	1,751
Reserves	1,113	1,113
Gross Common Equity Tier 1 Capital	**11,556**	**11,556**
Regulatory adjustments to Common Equity Tier 1 Capital:		
Goodwill	51	51
Deferred tax assets	115	241
Net other fair value adjustments	(40)	(40)
Intangible component of investments in non-consolidated subsidiaries and other entities	42	42
Loan and lease origination fees and commissions paid to mortgage originators and brokers	-	265
Shortfall in provisions for credit losses	221	259
Equity exposures	-	1,474
Other Common Equity Tier 1 Capital deductions	92	196
Total Common Equity Tier 1 Capital deductions	**481**	**2,488**
Net Common Equity Tier 1 Capital	**11,075**	**9,068**
Additional Tier 1		
Additional Tier 1 Capital	1,112	1,112
Gross Additional Tier 1 Capital	**1,112**	**1,112**
Deduction from Additional Tier 1 Capital	-	-
Net Additional Tier 1 Capital	**1,112**	**1,112**
Total Net Tier 1 Capital	**12,187**	**10,180**

Banking Group Basel III Risk-Weighted Assets (RWA)

	As at Sep 15	
	Harmonized Basel III	APRA Basel III
	A$m	A$m
Credit risk – Risk-Weighted Assets (RWA)		
Subject to IRB approach:		
Corporate	28,592	28,592
SME Corporate	2,466	2,466
Sovereign	371	371
Bank	1,792	1,792
Residential mortgage	4,325	6,150
Other retail	3,502	3,502
Retail SME	2,624	2,624
Total RWA subject to IRB approach	**43,672**	**45,497**
Specialized lending exposures subject to slotting criteria	**7,902**	**7,902**
Subject to Standardized approach:		
Corporate	892	892
Residential mortgage	3,259	3,259
Other retail	1,690	1,690
Total RWA subject to Standardized approach	**5,841**	**5,841**
Credit risk RWA for Securitization exposures	943	783
Credit Valuation Adjustment RWA	3,153	3,153
Exposures to Central Counterparties RWA	1,490	1,490
RWA for other assets	11,143	10,558
Total credit risk RWA	**74,144**	**75,224**
Equity risk exposures RWA	5,108	-
Market risk RWA	5,487	5,487
Operational risk RWA	10,389	10,389
Interest rate risk in banking book RWA	-	812
Total Banking Group RWA	**95,128**	**91,912**
Capital ratios		
MBL Group Common equity Tier 1 Capital ratio (%)	**11.6**	**9.9**
MBL Group Tier 1 Capital ratio (%)	**12.8**	**11.1**

Statutory consolidated statement of financial position

	As at			Movement	
	Sep 15	**Mar 15**	**Sep 14**	**Mar 15**	**Sep 14**
	A$m	**A$m**	**A$m**	**%**	**%**
Assets					
Receivables from financial institutions	33,904	25,981	18,070	30	88
Trading portfolio assets	31,224	30,039	25,384	4	23
Derivative assets	22,200	19,952	14,518	11	53
Investment securities available-for-sale	8,188	6,345	7,289	29	12
Other assets	7,472	7,818	7,458	(4)	<1
Loan assets held at amortized cost	75,098	71,206	62,800	5	20
Other financial assets at fair value through profit or loss	1,242	1,323	1,798	(6)	(31)
Due from related body corporate entities	1,710	1,163	1,395	47	23
Property, plant and equipment	10,009	6,743	6,339	48	58
Interests in associates and joint ventures accounted for using the equity method	652	471	563	38	16
Intangible assets	185	229	784	(19)	(76)
Deferred tax assets	231	238	185	(3)	25
Assets of disposals group classified as held for sale	—	1,072	—	*	*
Total assets	**192,115**	**172,580**	**146,583**	**11**	**31**
Liabilities					
Trading portfolio liabilities	8,504	5,045	3,679	69	131
Derivative liabilities	19,906	18,100	14,412	10	38
Deposits	51,899	47,333	44,122	10	18
Other liabilities	9,326	9,179	7,814	2	19
Payables to financial institutions	19,112	14,874	13,086	28	46
Other financial liabilities at fair value through profit or loss	1,841	1,237	841	49	119
Due to related body corporate entities	8,298	7,700	6,240	8	33
Debt issued at amortized cost	56,264	53,033	43,608	6	29
Provisions	82	83	102	(1)	(20)
Deferred tax liabilities	422	378	710	12	(41)
Liabilities of disposals group classified as held for sale	—	779	—	*	*
Total liabilities excluding loan capital	**175,654**	**157,741**	**134,614**	**11**	**30**
Loan capital					
Subordinated debt at amortized cost	4,591	3,240	2,534	42	81
Total loan capital	**4,591**	**3,240**	**2,534**	**42**	**81**
Total liabilities	**180,245**	**160,981**	**137,148**	**12**	**31**
Net assets	**11,870**	**11,599**	**9,435**	**2**	**26**
Equity					
Contributed equity	9,083	9,082	8,101	<1	12
Reserves	1,082	603	126	79	*
Retained earnings	1,689	1,831	1,129	(8)	50
Total capital and reserves attributable to equity holders of MBL	11,854	11,516	9,356	3	27
Non-controlling interests	16	83	79	(81)	(80)
Total equity	**11,870**	**11,599**	**9,435**	**2**	**26**

Growth in the Bank's balance sheet has largely been driven by increased business activity across lending, asset financing and trading portfolios as well as the impact of the depreciation of the Australian dollar. Total assets of A$192.1 billion at September 30, 2015 increased 11% from A$172.6 billion at March 31, 2015, while total liabilities increased 12% from A$161.0 billion at March 31, 2015 to A$180.2 billion at September 30, 2015. Key drivers of the movement in the balance sheet include:

- Group Treasury funding and liquidity management initiatives during the half year to September 30, 2015 including new issuances of long term debt issued at amortized cost (partially offset by a decrease in short term debt) that led to an increase in debt investments available for sale and cash and liquid asset holdings;

- Increased stock borrowing activity in Macquarie Securities, particularly in Europe, resulting in an increase in receivables from financial institutions and trading liabilities;

- Changes in interest rates, foreign exchange rates and commodity prices during the period resulted in an increase in derivative assets and liabilities in Commodities & Financial Markets;

- Increased lending and asset financing activity across the Bank, leading to growth in loan assets held at amortized cost, including:

  - Banking & Financial Services' Australian mortgage portfolio, which increased 13% from A$24.5 billion at March 31, 2015 to A$27.6 billion at September 30, 2015 and included the acquisition of a residential mortgage portfolio of A$1.2 billion during the period. This growth was partially offset by a reduction in the Canadian and United States mortgage portfolios, which are in run-off and closed at a combined A$2.6 billion at September 30, 2015, down 32% from A$3.8 billion at March 31, 2015; and

  - Corporate & Asset Finance's loan and finance lease portfolios, which increased 3% from A$22.2 billion at March 31, 2015 to A$22.9 billion at September 30, 2015, mainly driven by the impact of the depreciation of the Australian dollar and the acquisition of Advantage Funding in July 2015;

- Aircraft acquired to date from AWAS and the impact of the depreciation of the Australian dollar resulted in growth of the operating lease portfolios within Corporate & Asset Finance of 46% from A$6.3 billion at March 31, 2015 to A$9.2 billion at September 30, 2015. The acquisition of aircraft from AWAS also led to an increase in payables to financial institutions as a result of funding requirements;

- Increased deposits in Banking & Financial Services' business banking, mainly due to organic growth; and

- Increased loan capital primarily due to a US$750 million subordinated debt issuance that qualifies as Tier 2 capital under Basel III rules.

Total equity increased A$0.3 billion from A$11.6 billion at March 31, 2015 to A$11.9 billion at September 30, 2015, largely due to a net increase in the foreign currency translation reserve that resulted from the depreciation of the Australian dollar during the period.

Loan assets

This description of our funded loan assets is based on the funded balance sheet of MBL Group and not the statutory balance sheet classification.

	Half year ended			Movement	
	Sep 15	Mar 15	Sep 14	Mar 15	Sep 14
	A$b	A$b	A$b	%	%
Loan assets at amortized cost per statutory balance sheet	75.1	71.2	62.8	5	20
Other loans held at fair value[1]	0.2	0.3	0.4	(33)	(50)
Operating lease assets	9.2	6.3	6.0	46	53
Other reclassifications[2]	1.6	1.4	0.5	14	220
Less: loans held by consolidated SPEs which are available as security to noteholders and debt providers[3]	(17.2)	(16.5)	(15.3)	4	12
Less: segregated funds[4]	(4.2)	(3.8)	(2.2)	11	91
Less: margin balances (reclassed to trading)[5]	(5.2)	(4.8)	(3.5)	8	49
Total per funded balance sheet[6]	**59.5**	**54.1**	**48.7**	10	22

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

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

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

4 These represent the assets and liabilities that are recognized where MBL holds segregated client monies. The client monies will be matched by assets held to the same amount and hence does not require funding.

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

6 Total loan assets per the funded balance sheet include self-securitization assets.

For the half years ended September 30, 2015, March 31, 2015 and September 30, 2014, funded loan assets of MBL Group consisted of:

	Half year ended			Movement	
	Sep 15	Mar 15	Sep 14	Mar 15	Sep 14
	A$b	A$b	A$b	%	%
Mortgages:					
Australia	19.3	16.7	12.6	16	53
United States	0.5	0.6	0.6	(17)	(17)
Canada	2.1	3.2	4.1	(34)	(49)
Other	0.4	0.7	0.5	(43)	(20)
Total mortgages	**22.3**	**21.2**	**17.8**	5	25
Structured investments	1.6	2.1	2.1	(24)	(24)
Business banking	5.8	5.2	4.9	12	18
Real estate	3.6	3.5	2.9	3	24
Resources and commodities	3.2	3.0	2.6	7	23
Leasing (financing and operating)	14.8	11.0	10.5	35	41
Corporate lending	6.4	6.0	5.7	7	12
Other lending	1.8	2.1	2.2	(14)	(18)
Total	**59.5**	**54.1**	**48.7**	10	22

Our funded loan asset portfolio comprises diverse, secured assets:

Loan category	**Asset security**
Mortgages	Secured by residential property and generally supported by mortgage insurance. • Australia: most loans are fully mortgage insured; • United States: majority of loans where loan to value ratio is greater than 80% are mortgage insured; and • Canada: most loans are fully insured with underlying government support.
Structured investments	Loans to retail and wholesale counterparties that are secured against equities, investment funds or cash, or are protected by capital guarantees at maturity.
Business banking	Secured relationship managed loan portfolio to professional and financial services firms, real estate industry clients, insurance premium funding and other small business clients. Secured largely by real estate, working capital, business cash flows and credit insurance. The portfolio also includes other consumer lending including credit cards.
Real estate	Loans secured against real estate assets, generally subject to independent valuations.
Resources and commodities	Diversified loan portfolio primarily to the resources sector that are secured by the underlying assets.
Leasing (finance and operating)	Secured by underlying leased assets (aircraft, motor vehicles and specialized equipment).
Corporate lending	Diversified corporate lending, generally secured.
Other lending	Includes deposits with financial institutions held as collateral for trading positions.

Equity investments

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

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

The classification is driven by a combination of the level of influence MBL Group has over the investment and management's intention with respect to the holding of the asset in the short-term.

The tables below set out the composition of these categories of equity investments for the half years ended September 30, 2015, March 31, 2015 and September 30, 2014.

Equity investments reconciliation

	As at		
	Sep 15	**Mar 15**	**Sep 14**
	A$m	**A$m**	**A$m**
Equity investments			
Statutory balance sheet			
Equity investments within other financial assets at fair value through profit or loss	893	828	1,150
Equity investments within investment securities available-for-sale	394	330	392
Interests in associates and joint ventures accounted for using the equity method	652	471	563
Total equity investments per statement of financial position	**1,939**	**1,629**	**2,105**
Adjustment for funded balance sheet			
Equity hedge positions[1]	(861)	(787)	(1,037)
Total funded equity investments	**1,078**	**842**	**1,068**
Adjustments for equity investments analysis			
Available-for-sale reserves[2]	(122)	(77)	(78)
Associates reserves[3]	(2)	(1)	-
Total adjusted equity investments[4]	**954**	**764**	**990**

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

2 Available-for-sale reserves on equity investments (gross of tax) that will be released to income upon realization of the investment, excluding investments in which MBL Group has no economic exposure.

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

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

Euro-zone and other exposures

This table includes MBL Group's exposures to certain 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.

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

	As at Sep 30, 2015			
		Non sovereign exposure		
Financial instrument	**Sovereign exposure**	**Financial institutions**	**Corporate**	**Total exposure[3]**
	A$m	**A$m**	**A$m**	**A$m**
Italy				
Loans, receivables & commitments[1]	—	—	20.4	20.4
Derivative assets[2]	—	—	32.4	32.4
Italy totals	**—**	**—**	**52.9**	**52.9**
Spain				
Loans, receivables & commitments[1]	10.1	—	251.0	261.1
Derivative assets[2]	3.9	2.8	93.5	100.2
Spain totals	**14.0**	**2.8**	**344.5**	**361.3**
Portugal				
Loans, receivables & commitments[1]	—	—	46.3	46.3
Derivative assets[2]	—	—	0.7	0.7
Portugal totals	**—**	**—**	**47.0**	**47.0**
Ireland				
Loans, receivables & commitments[1]	0.2	0.5	182.4	183.0
Derivative assets[2]	—	—	4.6	4.6
Ireland totals	**0.2**	**0.5**	**186.9**	**187.6**
Total exposure	**14.2**	**3.3**	**631.3**	**648.8**

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

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

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

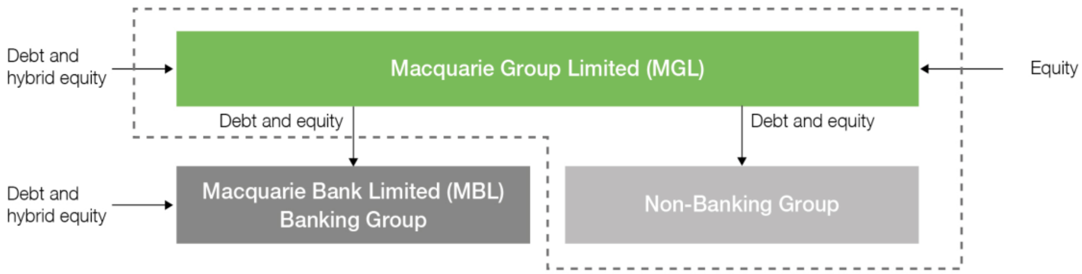
In addition, during the half year ended September 30, 2015, the political situation in Russia and Ukraine negatively affected market sentiment toward those countries. As of September 30, 2015, MBL's total credit and market exposure to Russia and Ukraine was not material.

Liquidity risk governance and management framework

Governance and Oversight

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

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



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

Liquidity management is performed centrally by Group Treasury, with oversight from the Asset and Liability Committee ("*ALCO*") and RMG. MGL Group and MBL Group's liquidity policies are approved by their respective Boards after endorsement by ALCO, and liquidity reporting is provided to the MGL and MBL Boards on a monthly basis. ALCO includes the Chief Executive Officer, MBL Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, Group Treasurer, Head of Balance Sheet Management and Business Group Heads. RMG provides independent prudential oversight of liquidity risk management, including validating liquidity scenario assumptions, liquidity policies and the required funding maturity profile.

Liquidity policy and risk appetite

MBL's liquidity risk appetite is set so that MBL is able to meet all of its liquidity obligations during a period of liquidity stress, which is defined as a 12 month period of constrained access to funding markets and with only a limited impact on franchise businesses. MBL is an Authorised Deposit-taking Institution ("*ADI*") and is funded mainly by capital, long term liabilities and deposits.

The liquidity risk appetite is supported by a number of risk tolerances and principles MBL applies to managing liquidity risk in MBL:

Risk Tolerances

- Term assets must be funded by term liabilities and short term assets must exceed short term wholesale liabilities;
- Cash and liquid assets must be sufficient to cover a 12 month stress scenario and meet minimum regulatory requirements;
- Cash and liquid assets held to meet stress scenarios and regulatory minimums must be high quality unencumbered liquid assets and cash;
- Diversity and stability of funding sources is a key priority;
- Balance sheet currency mismatches are managed within set tolerances; and

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- Funding and liquidity exposures between entities (including MBL) in MGL are subject to constraints where required.

Liquidity Management Principles

- MGL has a centralized approach to liquidity management;
- Liquidity risk is managed through stress scenario analysis and setting limits on the composition and maturity of assets and liabilities;
- A regional liquidity framework is maintained that outlines MGL's and MBL's approach to managing funding and liquidity requirements in offshore subsidiaries and branches;
- The liquidity position is managed to ensure all obligations can be met as required on an intra-day basis;
- A liquidity contingency plan is maintained that provides an action plan in the event of a liquidity 'crisis';
- A funding strategy is prepared annually and monitored on a regular basis;
- Internal pricing allocates liquidity costs, benefits and risks to areas responsible for generating them;
- Strong relationships are maintained to assist with managing confidence and liquidity; and
- The MBL and MGL Boards and senior management receive regular reporting on MGL's and MBL's liquidity position, including compliance with liquidity policy and regulatory requirements.

Liquidity Contingency Plan

MGL Treasury maintains a liquidity contingency plan ("*LCP*"), which outlines how a liquidity stress would be managed across MGL. The LCP defines roles and responsibilities and actions to be taken in a liquidity event, including identifying key information requirements and appropriate communication plans with both internal and external parties.

Specifically, the LCP details factors that may constitute a crisis, the officer responsible for enacting the contingency management, a committee of senior executives who would be responsible for managing a crisis, the information required to effectively manage a crisis, a public relations strategy and a high level check list of possible actions to conserve or raise additional liquidity and contact lists to facilitate prompt communication with all key internal and external stakeholders. The LCP also incorporates a retail run management plan that outlines the Bank's processes and operational plans for managing a significant increase in customer withdrawals during a potential deposit 'run' on Macquarie.

In addition, Macquarie monitors a range of early warning indicators on a daily basis that might assist in identifying emerging risks in Macquarie's liquidity position. These indicators are reviewed by senior management and are used to inform any decisions regarding invoking the LCP.

The LCP is subject to regular review (at least annually) by both MGL Treasury and RMG, and is submitted to the Board for approval.

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

Funding strategy

Macquarie prepares a funding strategy on an annual basis and monitor progress against the strategies throughout the year. The funding strategy aims to maintain Macquarie's diversity of current and projected funding sources, ensure ongoing compliance with all liquidity policy requirements and facilitate forecast asset growth. The funding strategy is reviewed by ALCO and approved by the respective Boards.

Management of liquidity risk

Scenario analysis

Scenario analysis is central to Macquarie's liquidity risk management framework. In addition to regulatory scenarios, Group Treasury models a number of additional liquidity scenarios covering both market-wide and firm-specific crises. Scenario analysis performs a range of functions within the liquidity risk management framework, including:

- Monitoring compliance with internal liquidity risk appetite statements by ensuring all repayment obligations can be met in each scenario;

- Monitoring compliance with internal liquidity risk appetite statements by ensuring all repayment obligations can be met in each scenario;

- Determining Macquarie's minimum level of cash and liquid assets;

- Determining the appropriate minimum tenor of funding for Macquarie's assets; and

- Determining the overall capacity for future asset growth.

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

As an example, one internal scenario projects the expected cash and liquid asset position during a combined market-wide and firm specific crisis over a 12 month time frame. This scenario assumes no access to new funding sources, a significant loss of customer deposits and contingent funding outflows resulting from undrawn commitments, market moves impacting derivatives and other margined positions combined with a multiple notch credit rating downgrade. Macquarie's cash and liquid asset portfolio must exceed the minimum requirement as calculated in this scenario at all times.

Liquid asset holdings

MGL Treasury centrally maintains a portfolio of highly liquid unencumbered assets in both MGL and MBL to ensure adequate liquidity is available in all funding environments, including worst case wholesale and retail market conditions. The minimum level of cash and liquid assets is calculated with reference to internal scenario projections and minimum regulatory requirements.

The cash and liquid asset portfolio contains only unencumbered assets that can be relied on to maintain their liquidity in a crisis scenario. Specifically, cash and liquid assets held to meet minimum internal and regulatory requirements must be held in cash, qualifying High-Quality Liquid Assets ("*HQLA*") or be an asset type that is eligible as collateral in the RBA's Committed Liquidity Facility ("*CLF*"). Composition constraints are also applied to ensure appropriate diversity and quality of the assets in the portfolio.

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

The cash and liquid asset portfolio is denominated and held in both Australian dollars and a range of other currencies to ensure Macquarie's liquidity requirements are broadly matched by currency. MBL Group had A$26.5 billion cash and liquid assets as at September 30, 2015 (September 30, 2014: A$19.5 billion).

Funds transfer pricing

An internal funds transfer pricing framework is in place that has been designed to produce appropriate incentives for business decision-making by reflecting the true funding costs arising from business actions. Under this framework, each business is allocated the full cost of the funding required to support its products and business lines, recognizing the actual and contingent funding-related exposures their activities create for the Group as a whole. Businesses that raise funding are rewarded at a level that is appropriate for the liquidity benefit provided by the funding.

Credit ratings

As at September 30, 2015, the credit ratings for MBL Group were as follows:

	Macquarie Bank Limited		
Rating agency[1]	**Short-term**	**Long-term**	**Outlook**
Fitch Ratings.........................	F-1	A	Stable
Moody's Investors Service.......	P-1	A2	Stable
Standard & Poor's[2]..................	A-1	A	Stable

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

2 Standard & Poor's does not make outlook statements on short-term ratings.

Regulatory developments

The APRA liquidity standard (APS-210) details the local implementation of the Basel III liquidity framework for Australian banks. The standard incorporates the Liquidity Coverage Ratio ("*LCR*") as well as a range of additional qualitative requirements.

Liquidity Coverage Ratio

The LCR requires sufficient HQLA to be held to meet expected net cash outflows under a combined 'idiosyncratic' and market-wide stress scenario lasting 30 calendar days. The LCR became a minimum prudential requirement in full for Australian banks on January 1, 2015. In Australia, HQLA includes cash, balances held with the RBA, Commonwealth Government and semi-government securities, and any CLF allocation. The LCR determines MBL's regulatory minimum required level of cash and liquid assets.

Macquarie has been compliant with the LCR at all times since the ratio became a minimum requirement on January 1, 2015. MBL's 3-month average LCR as at September 30, 2015 was 170% (average based on month end observations).

Net Stable Funding Ratio

The NSFR is a 12-month structural funding metric, requiring that "available stable funding" be sufficient to cover "required stable funding", where "stable" funding has an actual or assumed maturity of greater than 12 months. The NSFR is currently subject to an observation period prior to being introduced as a requirement in 2018. APRA has yet to provide details as to how the ratio will be implemented into local standards.

MBL has minimal reliance on short-term funding and has sufficient cash and liquid assets to repay all short-term wholesale funding. In addition, MBL's internal liquidity policy requires that term assets are funded with term liabilities. MBL expects that it will meet the overall requirements of the NSFR, however, the impact will remain uncertain until the ratio is implemented into local standards.

MBL continues to monitor developing liquidity regulations. See "Regulation and Supervision — Australia — APRA" for further information.

Funded balance sheet

MBL's statement of financial position is prepared based on Australian Accounting Standards and includes certain accounting gross-ups and non-recourse self-funded assets that do not represent a funding requirement of MBL.

The table below reconciles the reported assets of the consolidated MBL Group to the net funded assets at September 30, 2015.

MBL Group	**As at**
	Sep 15
	A$b
Total assets per MBL statement of financial position	**192.1**
Accounting deductions:	
Self-funded trading assets[1]	(24.8)
Derivative revaluation accounting gross-ups[2]	(19.7)
Life investment contracts and other segregated assets[3]	(8.5)
Outstanding trade settlement balances[4]	(4.7)
Short-term working capital assets[5]	(3.4)
Intercompany gross-ups	(8.2)
Non-recourse funded assets:	
Securitized assets and other non-recourse funding[6]	(16.6)
Net funded assets	106.2

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

2. *Derivative re-valuation accounting gross-ups.* MBL Group's derivative activities are mostly client driven with client positions hedged by offsetting positions with a variety of counterparties. The derivatives are largely matched and this adjustment reflects that the matched positions do not require funding.

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

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

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

6. *Securitized assets and other non-recourse funding.* These represent assets that are funded by third parties with no recourse to MBL including lending assets (mortgages and leasing) sold down into external securitization entities.

Term funding initiatives

The table below sets out MBL Group's term funding transactions since March 31, 2015:

Funding source	Banking Group
	A$bn
Secured Funding	
Term securitization and other secured finance................................	2.9
Issued paper	
Senior and subordinated debt...........	6.1
Total...	**9.0**

Since March 31, 2015, MBL raised $A9.0 billion of term funding, including $A6.1 billion of term wholesale funding and $A2.9 billion of term secured finance. Wholesale term issuance of $A6.1 billion includes $A3.4 billion in unsecured debt issuance in the United States market and $A2.7 billion in private placements and structured notes. Term secured finance of $A2.9 billion includes $A1.9 billion of PUMA RMBS, $A0.8 billion of SMART auto and equipment ABS and $A0.2 billion other secured funding.

Macquarie also secured A$4.0 billion through the AWAS acquisition debt facility.

Funding profile for the Banking Group

The funded balance sheet of the Banking Group as at September 30, 2015:

	As at	
	Sep 15	Sep 14
Banking Group	**A$b**	**A$b**
Funding sources		
Wholesale issued paper:[1]		
Negotiable certificates of deposit	0.7	1.7
Commercial paper	10.8	10.0
Net trade creditors[2]	1.1	1.0
Structured notes[3]	2.6	1.7
Secured funding[4]	5.3	6.0
Bonds[5]	26.2	13.0
Other loans[6]	0.2	0.6
Customer Deposits[7]	42.8	38.8
Loan capital[8]	4.6	2.5
Equity and hybrids[9]	11.9	9.4
Total	**106.2**	**84.7**
Funded assets		
Cash and liquid assets[10]	26.5	19.5
Self securitization[11]	10.4	7.9
Net trading assets[12]	22.4	15.2
Loan assets less than one year[13]	10.7	11.0
Loan assets greater than one year[13]	38.4	29.8
Debt investment securities[14]	2.4	2.7
Non-Banking Group deposit with MBL	(6.3)	(3.7)
Co-investment in Macquarie-managed funds and other equity investments[15]	1.1	1.1
Property, plant and equipment and intangibles	0.6	1.2
Net trade debtors[16]	-	-
Total	**106.2**	**84.7**

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

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

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

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

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

6 *Other loans.* Unsecured loans provided by financial institutions and other counterparties.

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

8 *Loan capital.* Long-term subordinated debt, Macquarie Capital Notes, Bank Capital Notes, Preferred Membership Interests and Exchangeable Capital Securities.

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

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

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

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

13 *Loan assets.* This represents loans provided to retail and wholesale borrowers, as well as assets held under operating leases. See "— Capital analysis — Loan assets" in this Report for further information.

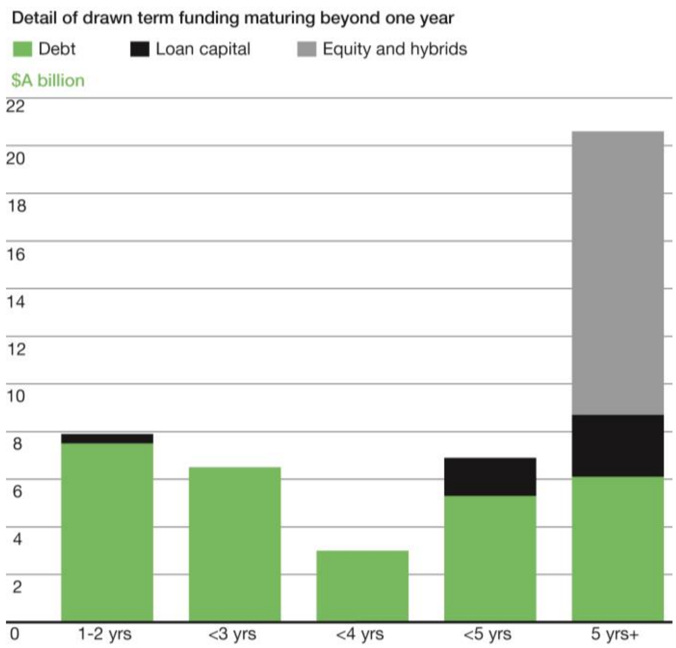
[14] *Debt investment securities.* These include various categories of debt securities including asset backed securities, bonds, commercial mortgage backed securities and residential mortgage backed securities.

[15] *Co-investment in Macquarie-managed funds and other equity investments.* These equity securities include co-investments in Macquarie-managed funds.

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

As at September 30, 2015, total deposits represented A$42.8 billion, or 40% of total funding, short-term (maturing in less than 12 months) wholesale issued paper represented A$11.5 billion, or 11% of total funding, and other debt funding maturing within 12 months represented A$7.0 billion, or 7% of total funding.

The following chart and table provides details of the Banking Group's term funding (drawn and committed but undrawn) maturing beyond one year, at September 30, 2015:



	As at Sep 15					
	1-2 yrs	**2-3 yrs**	**3-4 yrs**	**4-5 yrs**	**5 yrs+**	**Total**
Banking Group	**A$b**	**A$b**	**A$b**	**A$b**	**A$b**	**A$b**
Structured notes	0.4	0.2	-	0.2	1.7	2.5
Secured funding	0.4	2.5	0.1	-	0.4	3.4
Bonds	6.7	3.8	2.9	5.1	4.0	22.5
Other loans	-	-	-	-	-	-
Total debt	**7.5**	**6.5**	**3.0**	**5.3**	**6.1**	**28.4**
Loan capital	0.4	-	-	1.6	2.6	4.6
Equity and hybrid	-	-	-	-	11.9	11.9
Total funding sources drawn	**7.9**	**6.5**	**3.0**	**6.9**	**20.6**	**44.9**
Undrawn	-	2.2	-	-	-	2.2
Total funding sources drawn and undrawn	**7.9**	**8.7**	**3.0**	**6.9**	**20.6**	**47.1**

The Banking Group has diversity of funding by both source and maturity. Term funding beyond one year (excluding equity) has a weighted average term to maturity of 4.1 years.

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

- US$25 billion Regulation S Debt Instrument Program, including Euro Commercial Paper, Euro Certificates of Deposit, Euro Medium Term Notes, senior and subordinated fixed/floating rate notes, and Transferable Deposits. The Debt Instrument Program had US$12.8 billion of debt securities outstanding at September 30, 2015;

- US$10 billion Commercial Paper Program under which US$5.2 billion of debt securities were outstanding at September 30, 2015;

- US$20 billion Rule 144A/Regulation S Medium Term Note Program incorporating both Government guaranteed and unguaranteed securities. At September 30, 2015, US$10.6 billion had been issued under the Rule 144A/Regulation S Medium Term Note Program;

- US$5 billion Structured Note Program under which US$1.7 billion of funding from structured notes was outstanding at September 30, 2015; and

- US$3 billion AWAS acquisition debt facility, under which US$1.5 billion of secured funding was outstanding as at September 30, 2015.

MBL Group accesses the Australian capital markets through the issuance of Negotiable Certificates of Deposits. At September 30, 2015, MBL Group had A$0.7 billion of these securities outstanding.

At September 30, 2015, MBL Group had internally securitized A$10.4 billion of its own mortgages. MBL, as an ADI, has access to liquidity from the RBA's daily market operations.

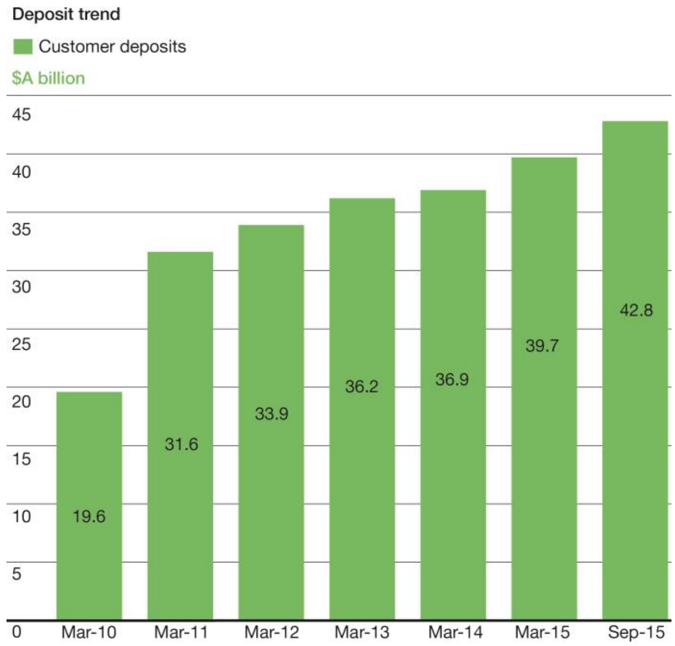
Deposit strategy

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

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

The majority of MBL's deposits continue to be covered by the Financial Claims Scheme. The value cap on the deposits is set at A$250,000 per account holder.

The chart below illustrates the customer deposit growth since March 31, 2010:



Lease commitments, contingent liabilities and assets

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

As at September 30, 2015, MBL Group had A$8.0 billion of contingent liabilities and commitments, including A$1.2 billion of contingent liabilities and A$6.8 billion of commitments under undrawn credit facilities. See Note 18 "Contingent liabilities and commitments" to our 2016 interim financial statements which shows MBL Group's contingent liabilities and commitments at September 30, 2015.

Quantitative and qualitative disclosures about market risk

Each year we prepare a detailed analysis of market risk as it applies to MBL Group and a quantitative analysis of MBL Group's value at risk for equities, interest rates, foreign exchange and bullion, and commodities, individually and in the aggregate thereof. See Note 38 "Financial risk management" to MBL Group's 2015 annual financial statements for a quantitative and qualitative discussion of these risks.

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