



Macquarie Group Limited
(ABN 94 122 169 279)

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 Directors’ Report and Financial Report*” means our 2016 Interim Directors’ Report and Financial Report;
- “*2016 Half Year Management Discussion and Analysis Report*” means our Management Discussion and Analysis report dated October 30, 2015, which includes 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, has been posted on MGL’s U.S. Investors’ Website, and has been incorporated by reference herein; and
- “*2016 interim financial statements*” means our unaudited financial statements for the half year ended September 30, 2015 contained in 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 MGL’s U.S. Investors’ Website at www.macquarie.com/mgl/com/us/usinvestors/mgl (“*MGL’s U.S. Investors’ Website*”).

Our fiscal year ends on March 31, so references to years such as “*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 MGL and the Non-Banking Group;
- 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 MGL;
- 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 MGL to attract and retain employees;
- changes in the credit quality of MGL’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 MGL 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 MGL Group, investors and others should carefully consider the foregoing factors and other uncertainties and events and are cautioned not to place undue reliance on forward-looking statements.

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

Significant risk factors applicable to MGL Group are described under “Risk Factors” beginning on page 1 of our 2015 Annual U.S. Disclosure Report. Other factors are discussed in our 2016 Half Year Management Discussion and Analysis Report and in our 2015 Fiscal Year Management Discussion and Analysis Report.

EXCHANGE RATES

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

In providing these translations, we are not representing that the Australian dollar amounts actually represent these U.S. dollar amounts or that we could have converted those Australian dollars into U.S. dollars. Unless otherwise indicated, conversions of Australian dollars to U.S. dollars in this Report have been made at the noon buying rate on September 30, 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.

<u>Fiscal year</u>	<u>Period End</u>	<u>Average Rate¹</u>	<u>High</u>	<u>Low</u>
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

<u>Month</u>	<u>Period End</u>	<u>High</u>	<u>Low</u>
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 and our 2016 Half Year Management Discussion and Analysis 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 MGL’s U.S. Investors’ Website, including:

- the section of this Report under the heading “Recent Developments — Trading conditions and market update”, which includes a discussion of operating conditions during the half year ended September 30, 2015 and the impact of such operating conditions on MGL Group;
- the section of this Report under the heading “Management’s Discussion and Analysis of Interim Results of Operation and Financial Condition”, which incorporates by reference our 2016 Half Year Management Discussion and Analysis Report, which includes a comparative discussion and analysis of our results of operation and financial condition for the half year ended September 30, 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 and which has been posted on MGL’s U.S. Investors’ Website;
- MBL’s 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 this framework and which is posted on MGL’s U.S. Investors’ Website; and
- our historical financial statements, which are included in the extracts from our 2016 Interim Directors’ Report and Financial Report posted on MGL’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 financial information” 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, for the purposes of the results presented in this Report, the Macquarie Investment Management division is discussed and presented as part of the Non-Banking Group. See “Macquarie Group Limited — Overview — Recent developments” on page 13 of our 2015 Annual U.S. Disclosure Report for a more detailed discussion of this transaction.

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 “Financial Information Presentation — Critical accounting policies and significant judgments” beginning on page xii 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 MGL 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 MGL'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 xii 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 MGL 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 MGL 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 US\$m ¹	Sep 15 A\$m
CAPITALIZATION		
Borrowings²		
Debt issued — due greater than 12 months	28,812	41,042
Subordinated debt — due greater than 12 months	3,639	5,184
Total borrowings³	32,451	46,226
Equity⁴		
Contributed equity		
Ordinary share capital	4,852	6,911
Treasury shares	(764)	(1,088)
Exchangeable shares	9	13
Reserves	1,467	2,090
Retained earnings	4,707	6,705
Macquarie Income Preferred Securities	—	—
Macquarie Income Securities	274	391
Other non-controlling interests	137	195
Total equity	10,682	15,217
TOTAL CAPITALIZATION	43,133	61,443

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\$19.5 billion as at September 30, 2015 and securitizations totaled A\$16.6 billion as at September 30, 2015 compared to A\$19.4 billion and A\$15.5 billion, respectively, as at September 30, 2014.

⁴ Total equity does not include our recent A\$400 million institutional placement, which was completed on October 14, 2015, and associated share purchase plan for eligible shareholders, which opened on November 2, 2015. See “Recent Developments—Esanda portfolio acquisition” for more detail on this capital raising.

For details on our short-term debt position as at September 30, 2015, see section 5.4 of our 2016 Half Year Management Discussion and Analysis Report.

RECENT DEVELOPMENTS

The following are significant recent developments for MGL 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 Group Limited” beginning on page 13 of our 2015 Annual U.S. Disclosure Report and other information posted on MGL’s U.S. Investors’ Website.

Recent board changes

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

To succeed him, independent director, Mr. Peter Warne, has been appointed non-executive Chairman of the Boards of MGL and MBL, effective on Mr. McCann’s retirement. Mr. Warne was appointed an independent voting director of MGL in August 2007 and of MBL in July 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.

Organizational structure

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

The Banking Group comprises MBL Group and has five operating groups: Corporate & Asset Finance; Banking & Financial Services; Macquarie 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). See “Macquarie Group Limited — Overview — Recent developments” in our 2015 Annual U.S. Disclosure Report.

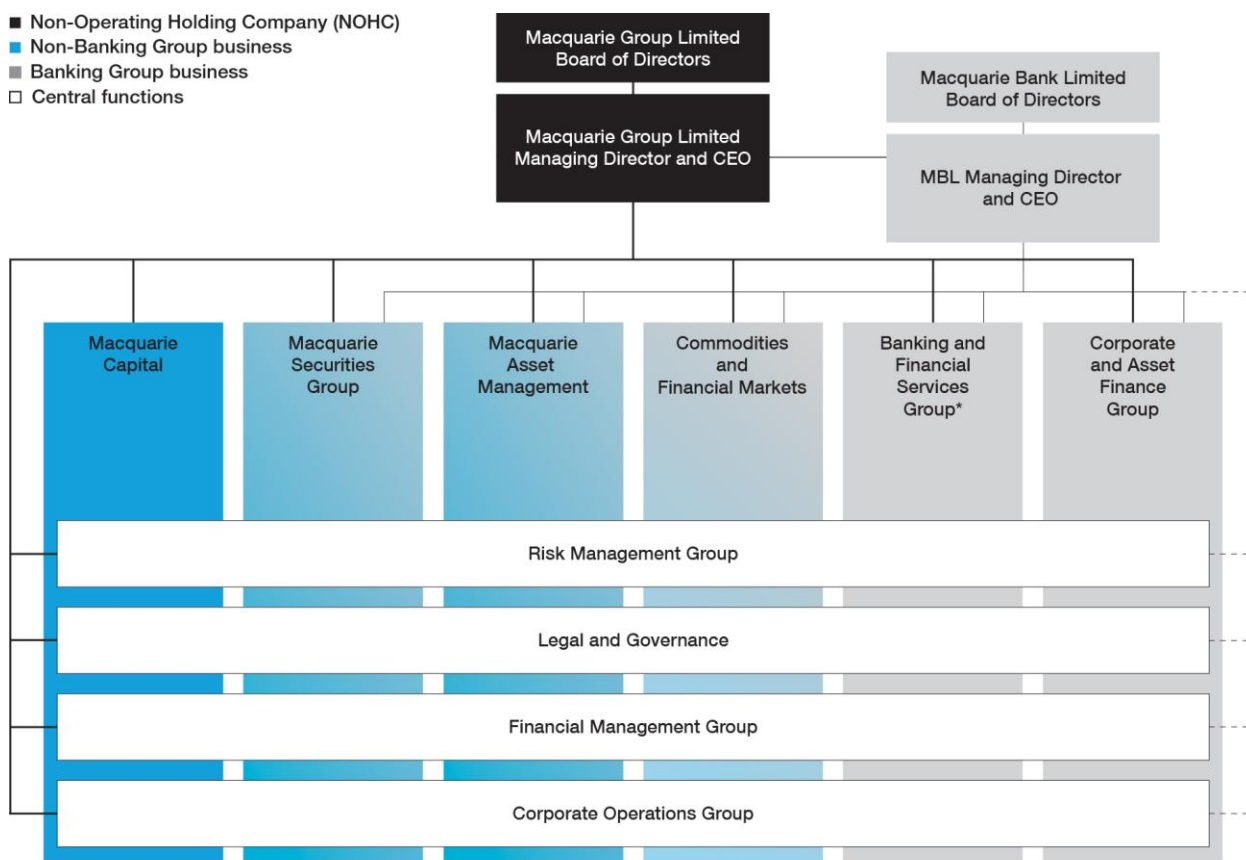
The Non-Banking Group consists of Macquarie Capital; the Macquarie Infrastructure and Real Assets division and the Macquarie Investment Management division of Macquarie Asset Management; the Cash division and certain activities of the Derivatives and Trading division of Macquarie Securities, in each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

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 Group, 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 in section 5.0 of our 2016 Half Year Management Discussion and Analysis Report. Although the Banking Group and the Non-Banking Group operate as separate sub-groups, both are integral to MGL Group’s identity and strategy as they assist MGL Group in continuing to pursue value adding and diversified business opportunities while meeting its obligations under APRA rules.

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



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

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

Our key strengths

For a description of our key strengths, see “Macquarie Group Limited — Our key strengths” beginning on page 13 of our 2015 Annual U.S. Disclosure Report.

At September 30, 2015, MGL had total regulatory capital of A\$16.9 billion, including A\$4.4 billion of capital in excess of MGL Group’s current minimum APRA regulatory requirement (calculated at the internal minimum Tier 1 ratio of the Banking Group, which is 7.0% on a Basel III basis) and A\$3.1 billion of capital in excess of MGL Group’s minimum APRA regulatory requirement (calculated at 8.5% of the Banking Group’s RWA on a Basel III basis). The 8.5% represents the Basel III minimum Tier 1 ratio of 6% plus 2.5% of capital conservation buffer, per the minimum requirements in the APRA Prudential Standard APS110 which will be required by APRA starting January 1, 2016. For further information, refer to the discussion under the heading “Regulation and Supervision — APRA” on page 35 of our 2015 Annual U.S. Disclosure Report. MGL Group continues to monitor regulatory and market developments in relation to liquidity and capital management. For further information on our regulatory capital position as at September 30, 2015, see our 2016 Half Year Management Discussion and Analysis Report.

Our strategy

Our strategy is set out under “Macquarie Group Limited — Our strategy” on page 17 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 MGL Group in the medium term.

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

Trading conditions and market update

During the half year ended September 30, 2015, trading conditions across MGL Group continued to improve and there was a weakening of the Australian dollar.

Each of MGL’s annuity-style businesses were favorably impacted by the depreciation of the Australian dollar. Macquarie Asset Management’s Assets under Management increased 4% to A\$502.3 billion compared to March 31, 2015. 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.

As with the annuity-style businesses, each of MGL’s capital markets-facing businesses benefited from the favorable impact of the depreciation of the Australian dollar. Macquarie Securities experienced improved trading opportunities driven by increased market volatility, particularly in China. Macquarie Capital benefited from increased mergers and acquisitions fee revenue, particularly in Australia and the United States, partially offset by increased impairment charges on certain underperforming principal investments. Commodities and Financial Markets experienced increased client activity resulting from price volatility, 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 our 2015 Half Year Management Discussion and Analysis Report for further information.

Overview of MGL Group

At September 30, 2015, MGL had total assets of A\$209.1 billion and total equity of A\$15.2 billion. For the half year ended September 30, 2015, our net operating income was A\$5.3 billion and profit after tax attributable to ordinary equity holders was A\$1,070 million, with 71% of our net operating income (excluding earnings on capital and other corporate items) derived from international income.

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

Net operating income of MGL Group by operating group for the half years ended September 30, 2015 and 2014¹

	Half year ended		Movement
	Sep 15	Sep 14	
	A\$m	A\$m	%
Macquarie Asset Management	1,669	1,225	36
Corporate & Asset Finance.....	863	688	25
Banking & Financial Services	736	665	11
Macquarie Securities	718	431	67
Macquarie Capital.....	516	439	18
Commodities & Financial Markets.....	811	725	12
Total net operating income from operating groups	5,313	4,173	27
Corporate ²	5	111	(95)
Total net operating income	5,318	4,284	24

Profit contribution of MGL Group by operating group for the half years ended September 30, 2015 and 2014¹

	Year ended		Movement
	Sep 15	Sep 14	
	A\$m	A\$m	%
Macquarie Asset Management	1,139	785	45
Corporate & Asset Finance.....	611	468	31
Banking & Financial Services	170	141	21
Macquarie Securities	240	17	1,312
Macquarie Capital.....	170	150	13
Commodities & Financial Markets	282	250	13
Total contribution to profit by operating group	2,612	1,811	44
Corporate ²	(1,542)	(1,133)	(36)
Net profit after tax.....	1,070	678	58

1 For further information on our segment reporting, see our 2015 Half Year Management Discussion and Analysis Report and Note 3 to our 2016 interim financial statements.

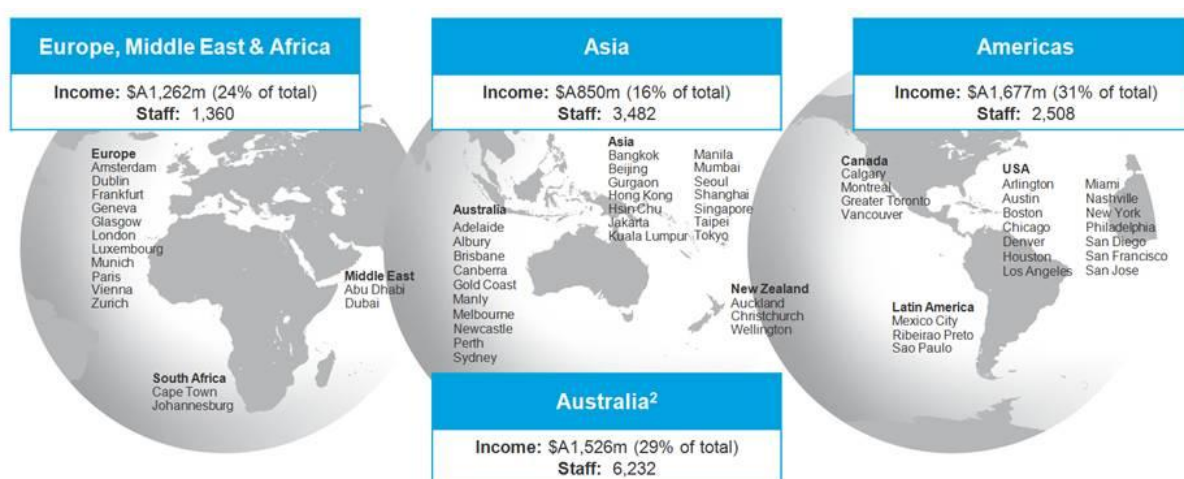
2 The Corporate segment includes earnings from the net impact of managing liquidity for Macquarie Group, earnings on capital, non-trading derivative volatility, earnings from investments, central overlay on impairment provisions or valuation of assets, allocated head office costs, performance-related 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, MGL Group employed over 13,500 staff globally and conducted its operations in 27 countries.

The chart below shows MGL Group's international income by region in the half year ended September 30, 2015.

International income of MGL Group¹ by region for the half year ended September 30, 2015



¹ Net operating income excluding earnings on capital and other corporate items.

² Includes New Zealand.

Australia and New Zealand. MBL Group, the predecessor of MGL Group, has its origins as the merchant bank Hill Samuel Australia Limited, created in 1969 as a wholly-owned subsidiary of Hill Samuel & Co. Limited, London, and began operations in Sydney in January 1970 with only three staff. As at September 30, 2015, MGL Group employed over 6,200 staff across Australia and New Zealand. In the half year ended September 30, 2015, Australia and New Zealand contributed A\$1.5 billion (29%) of our net operating income (excluding earnings on capital and other corporate items) as compared to A\$1.4 billion (34%) in the half year ended September 30, 2014.

Americas. MGL 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, FPK, Tristone, Blackmont and Constellation Energy, and the growth of our Energy Trading and Credit Markets businesses. As at September 30, 2015, MGL Group employed over 2,500 staff across the United States, Canada, Mexico and Brazil. In the half year ended September 30, 2015, the Americas contributed A\$1.7 billion (31%) of our net operating income (excluding earnings on capital and other corporate items) as compared to A\$1.3 billion (31%) in the half year ended September 30, 2014.

Asia. MGL 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, MGL Group employed over 3,400 staff across China, Hong Kong, India, Indonesia, Japan, South Korea, Malaysia, the Philippines, Singapore, Taiwan and Thailand. MGL has expanded the regional investment and product platforms of Macquarie Asset Management, Corporate & Asset Finance as well as Commodities & Financial Markets, which had established an Asian regional “hub” in Singapore in the 2011 fiscal year. In the half year ended September 30, 2015, Asia contributed A\$850 million (16%) of our net operating income (excluding earnings on capital and other corporate items) as compared to A\$423 million (10%) in the half year ended September 30, 2014.

Europe, Middle East & Africa. MGL Group has been active in Europe since the late 1980s, in Africa since 2000 and the Middle East since 2005. As at September 30, 2015, MGL Group employed over 1,300 staff across the United Kingdom, Germany, France, Luxembourg, the Netherlands, Sweden, Austria, Switzerland, South Africa, Abu Dhabi and Dubai. In the half year ended September 30, 2015, Europe, Middle East & Africa contributed A\$1.3 billion (24%) of our net operating income (excluding earnings on capital and other corporate items) as compared to A\$1.0 billion (25%) in the half year ended September 30, 2014.

For further information on our segment reporting, see section 3.0 of our 2016 Half Year Management Discussion and Analysis Report and Note 3 to our 2016 interim financial statements.

Recent developments within MGL Group

Macquarie Capital

Macquarie Capital is in the Non-Banking Group.

Macquarie Capital contributed A\$170 million to MGL Group's net profit in the half year ended September 30, 2015 and, as at September 30, 2015, had over 1,100 staff operating across 20 countries, including Australia, United States, United Kingdom, Germany, Canada, Hong Kong, South Korea and China. For further information on Macquarie Capital's results of operation and financial condition for the half year ended September 30, 2015, see section 3.6 of our 2016 Half Year Management Discussion and Analysis Report.

In the half year ended September 30, 2015, Macquarie Capital was involved in 208 transactions with an aggregate deal value of approximately A\$116 billion. Significant transactions that Macquarie Capital was involved in during the half year ended September 30, 2015 included National Australia Bank's A\$5.5 billion accelerated renounceable entitlement offer; Haitong Securities Co. Ltd's US\$4.2 billion H-share placement; Freeport LNG Development L.P.'s US\$4.6 billion project financing of Train 3 of its Liquefaction and Export Project; and Canada Pension Plan Investment Board and Hermes Infrastructure's £1.6 billion acquisition of a 33.3% stake in Associated British Ports.

For further information on Macquarie Capital, its divisions and products, see "Macquarie Group Limited — Operating groups — Macquarie Capital" beginning on page 23 of our 2015 Annual U.S. Disclosure Report.

Commodities & Financial Markets

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\$282 million to MGL Group's net profit for the half year ended September 30, 2015 and, as at September 30, 2015, had over 900 staff operating across 14 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 section 3.7 of our 2016 Half Year Management Discussion and Analysis 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 Group Limited — Operating groups — Commodities & Financial Markets" beginning on page 23 of our 2015 Annual U.S. Disclosure Report.

Macquarie Securities

Macquarie Securities operates businesses both in the Banking Group and Non-Banking Group. The Cash division's activities, which include cash equities broking and equity capital markets services, operate in both the Banking Group (in respect of the Cash division's activities in Hong Kong and 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). Generally, the Derivatives and Trading divisions 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\$240 million to MGL Group's net profit in the half year ended September 30, 2015 and, as at September 30, 2015, had over 900 staff operating across 19 countries, including Australia, Canada, China, Germany, India, Indonesia, Japan, South Korea, Malaysia, New Zealand, the Philippines, Singapore, South Africa, Switzerland, Taiwan, Thailand, the United Kingdom and the United States. For further information on Macquarie Securities' results of operation and financial condition for the half year ended September 30, 2015, see section 3.5 of our 2016 Half Year Management Discussion and Analysis 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 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 Group Limited — Operating groups — Macquarie Securities" 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 MGL Group's retail banking and financial services businesses, providing a diverse range of personal banking, wealth management and business banking products and services to retail customers, advisers, brokers and business clients.

Banking & Financial Services contributed A\$170 million to MGL 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 our 2016 Half Year Management Discussion and Analysis 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. This includes A\$1.2 billion in residential mortgage portfolios acquired during the half year.

Banking & Financial Services' platform assets under administration were broadly in line, from A\$48.0 billion at March 31, 2015 to A\$46.7 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 grown 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 on Banking & Financial Services' results of operation and financial condition for the half year ended September 30, 2015, see section 3.4 of our 2016 Half Year Management Discussion and Analysis Report.

For further information and a description of the divisions within Banking & Financial Services and their respective activities, see “Macquarie Group Limited — Operating groups — Banking & Financial Services” beginning on page 26 of our 2015 Annual U.S. Disclosure Report.

Macquarie Asset Management

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\$1,139 million to MGL Group’s profit for the half year ended September 30, 2015 and, as at September 30, 2015, had over 1,400 staff operating across 21 countries across Australia, the Americas, Europe and Asia.

As at September 30, 2015, Macquarie Asset Management had Assets under Management of A\$502.3 billion. For further information on Macquarie Asset Management’s results of operation and financial condition for the half year ended September 30, 2015, see section 3.2 of our 2016 Half Year Management Discussion and Analysis Report. For further information on Macquarie Asset Management’s Assets under Management, see “ — Funds management business — Assets under Management” beginning on page 30 of our 2015 Annual U.S. Disclosure Report.

In the Non-Banking Group, Macquarie Infrastructure and Real Assets continued its focus on investing capital strategically across the globe during the half year ended September 30, 2015, by raising A\$1.3 billion in new equity commitments, investing A\$2.5 billion in equity across 14 acquisitions and 6 follow-on investments in 7 countries and divesting managed assets of over A\$300 million. In addition, the Macquarie Investment Management division had Assets under Management of A\$351.2 billion as at September 30, 2015. Macquarie Investment Management base fees increased 23% on the half year ended September 30, 2014 and increased 7% on the half year ended March 31, 2015, driven by net inflows to higher fee earning products and favorable currency movements and market valuations.

In the Banking Group, Macquarie Specialised Investment Solutions 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 and a description of the divisions within Macquarie Asset Management, see “Macquarie Group Limited — Operating groups — Macquarie Asset Management” beginning on page 27 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\$611 million to MGL Group’s profit in the half year ended September 30, 2015 and, as at September 30, 2015, had over 900 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 section 3.3 of our 2016 Half Year Management Discussion and Analysis Report.

At September 30, 2015, Corporate & Asset Finance managed lease and loan assets of A\$32.3 billion, which represents an increase of 13% from A\$28.7 billion at March 31, 2015. The asset finance portfolio of A\$21.3 billion increased 22% from A\$17.5 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 Group Limited — Operating groups — Corporate & Asset Finance” beginning on page 28 of our 2015 Annual U.S. Disclosure Report.

Recent developments within the Corporate segment of MGL Group

The Corporate segment includes earnings from the net impact of managing liquidity for Macquarie Group, 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\$1.5 billion in the half year ended September 30, 2015 and, as at September 30, 2015, had over 5,800 staff operating across all countries in which MGL operates.

For further information on Corporate’s results of operation and financial condition for the half year ended September 30, 2015, see section 3.8 of our 2016 Half Year Management Discussion and Analysis Report.

Funds management business

For a description of MGL Group’s funds management businesses, see “Macquarie Group Limited — Funds management business” beginning on page 30 of our 2015 Annual U.S. Disclosure Report.

Assets under Management

For a description of MGL Group’s funds management fee income, see “Macquarie Group Limited — Funds management business — Assets under Management” beginning on page 30 of our 2015 Annual U.S. Disclosure Report. MGL Group’s policy is to recognize a performance fee only once the fee can be reliably measured and the risk of not receiving the fee is highly improbable. The timing and quantum of these fees are therefore unpredictable, can require significant judgment and will vary depending on the specific factors relevant for each fund.

For further detail on MGL Group's income from funds management for the half year ended September 30, 2015, see section 2.2 of our 2016 Half Year Management Discussion and Analysis Report and for further information on MGL Group's Assets under Management for the half year ended September 30, 2015, see section 7.1 of our 2016 Half Year Management Discussion and Analysis Report.

Equity under Management

For further information on MGL Group's Equity under Management for the half year ended September 30, 2015, see section 7.2 of our 2016 Half Year Management Discussion and Analysis Report.

Legal proceedings and other 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 19 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.

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

Competition

For a description of the competition MGL Group faces in the markets in which it operates, see "Macquarie Group Limited — Competition" beginning on page 32 of our 2015 Annual U.S. Disclosure Report.

Regulatory and supervision developments

A description of MGL Group's principal regulators and the regulatory regimes that MGL Group, its businesses and the funds it manages in, and outside of, Australia, are subject to is set out under "Regulation and Supervision" beginning on page 35 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 MGL 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 MGL 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.

Additional financial disclosures for the half year ended September 30, 2015

Euro-zone and other exposures

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

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

Financial instrument	As at Sep 30, 2015			
	Sovereign exposure	Non sovereign exposure		Total exposure ³
		Financial institutions	Corporate	
	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
Equity investments	—	—	86.0	86.0
Derivative assets ²	3.9	2.8	93.5	100.2
Spain totals	14.0	2.8	430.5	447.3
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	187.0	187.6
Total exposure	14.2	3.3	717.4	734.8

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, MGL's total credit and market exposure to Russia and Ukraine was not material.

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

Investors should refer to our 2016 Half Year Management Discussion and Analysis Report for a comparative discussion and analysis of our results of operation and financial condition for the half year ended September 30, 2015 compared to the half year ended September 30, 2014, along with other balance sheet, capital and liquidity disclosures as at and for the half year ended September 30, 2015, which is posted on MGL's U.S. Investors' Website. Such information should be read in conjunction with the discussion under "Management's Discussion and Analysis of Results of Operation and Financial Condition" beginning on page 47 of our 2015 Annual U.S. Disclosure Report.

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.

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

See sections 1.0 – 6.0 of our 2016 Half Year Management Discussion and Analysis Report for a discussion of our results of operation and financial condition for the half year ended September 30, 2015, which has been incorporated by reference herein.



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