Macquarie Group Limited

(ABN 94 122 169 279)

Disclosure Report (U.S. Version)
for the half year ended September 30, 2012

Dated: November 2, 2012

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CERTAIN DEFINITIONS

In this Disclosure Report (U.S. Version) for the half year ended September 30, 2012 ("*2013 Interim U.S. Disclosure Report*" or this "*Report*"), unless otherwise specified or the context otherwise requires:

- *"2012 Annual U.S. Disclosure Report"* means our Disclosure Report (U.S. Version) for the fiscal year ended March 31, 2012 and the documents incorporated by reference therein;
- *"2012 Interim Directors' Report and Financial Report"* means our 2012 Interim Directors' Report and Financial Report;
- *"2013 Interim Directors' Report and Financial Report"* means our 2013 Interim Directors' Report and Financial Report;
- *"2013 Half Year Management's Discussion and Analysis Report"* means our Management's Discussion and Analysis report dated October 26, 2012, which includes a comparative discussion and analysis of our results of operation and financial condition for the half year ended September 30, 2012 compared to the half year ended September 30, 2011, along with other balance sheet, capital and liquidity disclosures as at or for the half year ended September 30, 2012, has been posted on MGL's U.S. Investors' Website, and has been incorporated by reference herein; and
- *"2013 interim financial statements"* means our unaudited financial statements for the half year ended September 30, 2012 contained in our 2013 Interim Directors' Report and Financial Report.

In addition, you should refer to "Certain definitions" beginning on page ii of our 2012 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 "2013" or "fiscal year" and like references in the discussion of our financial statements, results of operation and financial condition are to the 12 months ending on March 31 of the applicable year; and, in connection with our interim financial statements, results of operation and financial condition, references such as "half year" and like references are to the six months ending on September 30 of the preceding year.

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

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

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

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

- the ability of MGL to attract and retain employees;

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

- adverse impact on our reputation; and

- various other factors beyond our control.

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

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

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

Significant risk factors applicable to MGL Group are described under “Risk factors” beginning on page 10 of our 2012 Annual U.S. Disclosure Report. Other factors are discussed in our 2013 Half Year Management’s Discussion and Analysis Report and in our 2012 Fiscal Year Management’s 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, 2012, which was US$1.0388 per A$1.00. The noon buying rate on October 26, 2012, was US$1.0358 per A$1.00.

Fiscal year	Period End	Average Rate[1]	High	Low
2008	0.9132	0.8683	0.9463	0.7860
2009	0.6925	0.7948	0.9797	0.6073
2010	0.9169	0.8507	0.9369	0.6941
2011	1.0358	0.9450	1.0358	0.8172
2012	1.0367	1.0546	1.0803	1.0326
Month	**Period End**		**High**	**Low**
May 2012	0.9711		1.0345	0.9709
June 2012	1.0236		1.0236	0.9688
July 2012	1.0522		1.0522	1.0131
August 2012	1.0334		1.0591	1.0301
September 2012	1.0388		1.0561	1.0195
October 2012 (through October 26)	1.0358		1.0397	1.0188

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, 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 which is available to the public at the Department's website at http://www.dfat.gov.au/icat/UNSC_financial_sanctions.html and a list of all persons and entities that are subject to autonomous sanctions (which include economic sanctions) at http://www.dfat.gov.au/un/unsc_sanctions/autonomous_sanctions_measures.html.

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 2012 Annual U.S. Disclosure Report and our 2013 Half Year Management's 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 "Selected Financial Information", which presents summary consolidated statement of financial position data as at September 30, 2012 and 2011, income statement data for the half years ended September 30, 2012 and 2011 and other historical financial data and metrics;

- the section of this Report under the heading "Recent Developments — Trading conditions and market update", which includes a discussion of operating conditions during the half year ended September 30, 2012 and the impact of such operating conditions on MGL Group;

- our 2013 Half Year Management's 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, 2012 compared to the half year ended September 30, 2011, along with other balance sheet, capital and liquidity disclosures as at or for the half year ended September 30, 2012 and which is posted on MGL's U.S. Investors' Website;

- the section of this Report under the heading "Management's Discussion and Analysis of Results of Operation and Financial Condition" in this Report;

- MBL's Pillar 3 Disclosure Document dated June 30, 2012, which describes MBL's capital position, risk management policies and risk management framework and the measures adopted to monitor and report within the framework and which is posted on MGL's U.S. Investors' Website; and

- our historical financial statements, which are included in the extracts from our 2013 Interim Directors' Report and Financial Report posted on MGL's U.S. Investors' Website.

For further information on our historical financial information for the 2012 Fiscal Year and prior periods, refer to the discussion under the heading "Financial information presentation — Our financial information" included in our 2012 Annual U.S. Disclosure Report.

Recent changes to operating groups and reporting segments

During the half year ended September 30, 2012, there were a number of business and asset transfers between operating segments. These transfers were undertaken to better align the relevant assets with the expertise in each Operating Group. As part of this realignment, the Real Estate Banking division is now reported as part of the Corporate segment. Comparative information presented in this document has been restated to reflect the current operating structure.

Investors should note that while the unaudited financial information for the half year ended September 30, 2012 presents our current operating segments in accordance with AASB 8 “Operating Segments” following internal asset transfers, and while in our 2013 interim financial statements we restated the comparative information for the half year ended September 30, 2011 to reflect these internal asset transfers, we were not required to restate the operating segment presentation in the financial statements for earlier fiscal years or interim periods. As a result, the operating segment presentation reported in our 2012 annual financial statements and our financial statements for prior fiscal years or interim periods have not been restated to reflect our current reportable operating segments as at September 30, 2012. Further, the audit and review reports on those historical financial statements report on historical financial statements that have not been re presented on the same basis that our 2013 interim financial statements have been prepared.

For further detail on our segment reporting, see Note 3 to our 2013 interim financial statements.

Certain differences between AGAAP and US GAAP

For further information on certain differences between AGAAP and US GAAP, see “Financial information presentation — Certain differences between AGAAP and US GAAP” beginning on page xii of our 2012 Annual U.S. Disclosure Report.

Critical accounting policies and significant judgments

For further information on our critical accounting policies and significant judgments, see “Financial information presentation — Critical accounting policies and significant judgments” beginning on page xii of our 2012 Annual U.S. Disclosure Report.

Non-GAAP financial measures

We report our financial results in accordance with AGAAP. However, we include certain financial measures and ratios that are not prepared in accordance with AGAAP that we believe provide useful information to users in measuring the financial performance and condition of our business for the reasons set out below. In addition, some of these non-GAAP financial measures are used by MGL Group in respect of our financial results. These non-GAAP financial measures do not have a standardized meaning prescribed by AGAAP and, therefore, may not be comparable to similarly titled measures presented by other entities, nor should they be construed as an alternative to other financial measures determined in accordance with AGAAP. You are cautioned, therefore, not to place undue reliance on any non-GAAP financial measures and ratios included or incorporated by reference into this Report. For further information on our non-GAAP financial measures, see “Financial information presentation — Non-GAAP financial measures” beginning on page xviii of our 2012 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 41 to our 2012 annual financial statements.

The significant risk factors applicable to MGL Group are described under "Risk factors" beginning on page 10 of our 2012 Annual U.S. Disclosure Report.

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth our capitalization as at September 30, 2012.

The information relating to MGL Group in the following table is based on our 2013 interim financial statements, which were prepared in accordance with AGAAP, and should be read in conjunction therewith.

	As at	
	Sep 12	**Sep 12**
	US$m[1]	**A$m**
CAPITALIZATION		
Borrowings[2]		
Debt issued — due greater than 12 months	27,699	26,664
Subordinated debt — due greater than 12 months	2,470	2,378
Total borrowings[3]	**30,169**	**29,042**
Equity		
Contributed equity	6,110	5,882
Reserves	(52)	(50)
Retained earnings	5,355	5,155
Macquarie Income Preferred Securities	67	64
Macquarie Income Securities	406	391
Other non-controlling interests	59	57
Total equity	11,945	11,499
TOTAL CAPITALIZATION	**42,114**	**40,541**

1 Conversions of Australian dollars to U.S. dollars have been made at the noon buying rate on September 30, 2012, which was US$1.0388 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, 2012, we had A$7.3 billion of secured indebtedness due in greater than 12 months compared to A$8.5 billion at March 31, 2012.

3 Total borrowings do not include our short-term debt securities, including the current portion of long-term debt, or securitizations. Short-term debt totaled A$11.6 billion as at September 30, 2012 and securitizations totaled A$12.0 billion as at September 30, 2012 compared to A$12.5 billion and A$13.0 billion, respectively, as at March 31, 2012.

For details on our short-term debt position as at September 30, 2012, see section 5.3 of our 2013 Half Year Management's Discussion and Analysis Report.

SELECTED FINANCIAL INFORMATION

Half years ended September 30, 2012 and 2011

The summary consolidated statement of financial position data as at September 30, 2012 and 2011 and income statement data for the half years ended September 30, 2012 and 2011 presented in this Report have been derived from our 2013 interim financial statements, which PricewaterhouseCoopers has reviewed but not audited and which, in the opinion of our management, have been prepared on the same basis as our audited consolidated historical financial statements and include all adjustments necessary for a fair statement of our operating results and financial position for those periods and as of those dates. See "Financial information presentation" in this Report for further information. In addition, investors should read the following selected financial information together with the discussion under "Selected financial information" beginning on page 22 of our 2012 Annual U.S. Disclosure Report, our 2013 Half Year Management's Discussion and Analysis Report and our 2012 Fiscal Year Management's Discussion and Analysis Report. The summary unaudited financial data for the half year ended September 30, 2012 is not necessarily indicative of our results for the fiscal year ending March 31, 2013 and our historical results are not necessarily indicative of our results for any future period.

The historical interim financial information in the following tables has been extracted from our 2013 interim financial statements.

Income statements

	Half year ended		
	Sep 12	**Sep 12**	**Sep 11**
	US$m[1]	**A$m**	**A$m**
Interest and similar income	2,410	2,320	2,789
Interest expense and similar charges	(1,741)	(1,676)	(2,091)
Net interest income	**669**	**644**	**698**
Fee and commission income	1,732	1,667	1,766
Net trading income	572	551	374
Share of net profits of associates and joint ventures accounted for using the equity method	78	75	49
Other operating income and charges	150	144	356
Net operating income	**3,201**	**3,081**	**3,243**
Employment expenses	(1,598)	(1,538)	(1,652)
Brokerage, commission and trading-related expenses	(360)	(347)	(386)
Occupancy expenses	(195)	(188)	(213)
Non-salary technology expenses	(135)	(130)	(149)
Other operating expenses	(376)	(361)	(428)
Total operating expenses	**(2,664)**	**(2,564)**	**(2,828)**
Operating profit before income tax	**537**	**517**	**415**
Income tax expense	(162)	(156)	(107)
Profit after income tax	**375**	**361**	**308**
(Profit)/loss attributable to non-controlling interests:			
Macquarie Income Securities	(11)	(11)	(13)
Macquarie Income Preferred Securities	(2)	(2)	(2)
Other non-controlling interests	13	13	12
Profit attributable to non-controlling interests	-	-	(3)
Profit attributable to ordinary equity holders of Macquarie Group Limited	**375**	**361**	**305**

[1] Conversions of Australian dollars to U.S. dollars have been made at the noon buying rate on September 30, 2012, which was US$1.0388 per A$1.00. See "Exchange rates" for further information on the historical rates of exchange between the Australian dollar and the U.S. dollar.

Statements of financial position

	As at		
	Sep 12	Sep 12	Sep 11
	US$m[1]	A$m	A$m
ASSETS			
Receivables from financial institutions	10,900	10,493	11,525
Cash collateral on securities borrowed and reverse repurchase agreements	8,033	7,733	6,696
Trading portfolio assets	16,149	15,546	14,616
Derivative assets	22,533	21,691	34,201
Investment securities available for sale	21,302	20,506	21,334
Other assets	12,593	12,123	15,049
Loan assets held at amortized cost	49,404	47,559	45,843
Other financial assets at fair value through profit or loss	5,534	5,327	9,998
Life investment contracts and other unitholder investment assets	6,294	6,059	4,758
Property, plant and equipment	5,333	5,134	5,133
Interests in associates and joint ventures accounted for using the equity method	2,374	2,285	2,891
Intangible assets	1,355	1,304	1,393
Deferred tax assets	1,296	1,248	1,251
Total assets	**163,100**	**157,008**	**174,688**
LIABILITIES			
Cash collateral on securities lent and repurchase agreements	9,101	8,761	8,844
Trading portfolio liabilities	3,782	3,641	4,425
Derivative liabilities	21,864	21,047	32,240
Deposits	41,509	39,959	38,050
Current tax liabilities	71	68	72
Other liabilities	12,468	12,002	15,180
Payables to financial institutions	8,250	7,942	9,557
Other financial liabilities at fair value through profit or loss	1,655	1,593	3,334
Life investment contracts and other unitholder liabilities	6,282	6,047	4,759
Debt issued at amortized cost	42,293	40,714	42,258
Provisions	237	228	232
Deferred tax liabilities	534	514	351
Total liabilities excluding loan capital	**148,046**	**142,516**	**159,302**
Loan capital			
Macquarie Convertible Preference Securities	639	615	596
Subordinated debt at amortized cost	2,470	2,378	2,877
Subordinated debt at fair value through profit or loss	-	-	149
Total loan capital	**3,109**	**2,993**	**3,622**
Total liabilities	**151,155**	**145,509**	**162,924**
Net assets	**11,945**	**11,499**	**11,764**
EQUITY			
Contributed equity	6,110	5,882	6,208
Reserves	(52)	(50)	504
Retained earnings	5,355	5,155	4,539
Total capital and reserves attributable to ordinary equity holders of Macquarie Group Limited	**11,413**	**10,987**	**11,251**
Non-controlling interests			
Macquarie Income Securities	406	391	391
Macquarie Income Preferred Securities	67	64	66
Other non-controlling interests	59	57	56
Total equity	**11,945**	**11,499**	**11,764**

[1] Conversions of Australian dollars to U.S. dollars have been made at the noon buying rate on September 30, 2012, which was US$1.0388 per A$1.00. See "Exchange rates" for further information on the historical rates of exchange between the Australian dollar and the U.S. dollar.

Other financial data

	As at		
	Sep 12	**Mar 12**	**Sep 11**
<u>Per share information</u>			
(Amounts in A$)			
Basic earnings per share (cents per share)	105.5	123.6	86.6
Diluted earnings per share (cents per share)	99.7	119.1	85.3
(Amounts in US$)[1]			
Basic earnings per share (cents per share)	109.6	128.1	84.4
Diluted earnings per share (cents per share)	103.6	123.5	83.1
Number of shares on issue (in millions)	339.0	348.6	348.3
<u>Ratios</u>			
Net loan losses as a percentage of loan assets (annualized %)[2]	0.5	0.5	0.3
Ratio of earnings to fixed charges[3]	1.3x	1.3x	1.2x
Expense/income ratio (%)[4]	83.2	83.0	87.2
Return on equity (%)[5]	6.6	7.8	5.7
Dividend payout ratio (%)	69.8	61.2	73.8

1 Conversions of Australian dollars to U.S. dollars for the current period have been made at the noon buying rate on September 30, 2012, which was US$1.0388 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 Net loan losses as a percentage of loan assets excludes amounts relating to mortgage securitization special purpose entities. MGL’s exposure in relation to these entities is largely mitigated by credit insurance. As a result, any loan losses in these vehicles do not have a material effect on our results.

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

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

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

RECENT DEVELOPMENTS

The following are significant recent developments for MGL Group that have occurred since the release of our 2012 Annual U.S. Disclosure Report on May 11, 2012. 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 10 and under "Macquarie Group Limited" beginning on page 25 of our 2012 Annual U.S. Disclosure Report and other information posted on MGL's U.S. Investors' Website.

Recent management changes

In addition to the board and management changes described under "Macquarie Group Limited — Recent Board and management changes during the 2012 fiscal year" on page 25 of our 2012 Annual U.S. Disclosure Report, MGL Group appointed David Bennett to the role of Group Treasurer, effective October 8, 2012. Mr. Bennett joined MGL in 1999 following the acquisition of Bankers Trust and was appointed an Executive Director in 2001. He holds a Bachelor of Commerce and has over 30 years of experience in debt markets.

Organizational structure

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

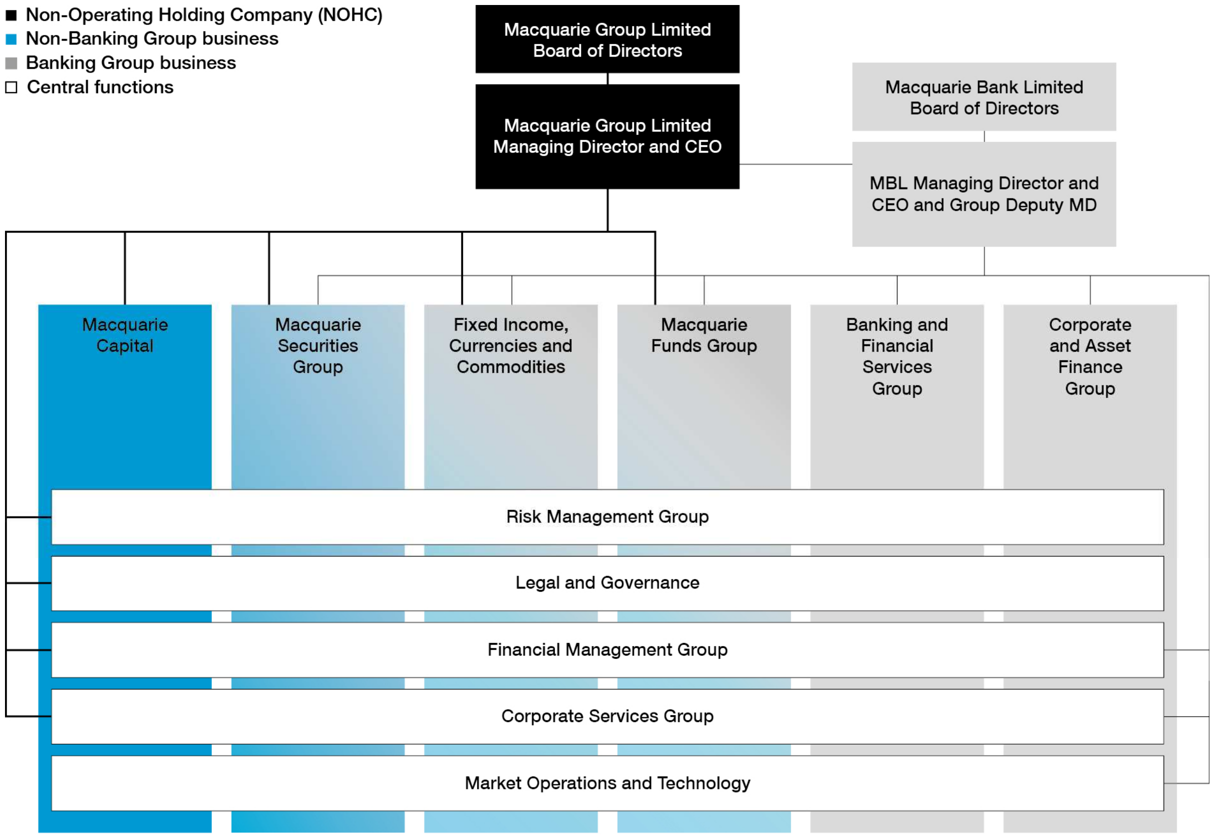
The Banking Group comprises MBL Group and has five operating groups: Corporate & Asset Finance; Banking & Financial Services; Macquarie Funds (excluding the Macquarie Infrastructure and Real Assets division); Fixed Income, Currencies & Commodities (excluding certain assets of the Credit Trading business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

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

MGL Group provides shared services to both the Banking Group and the Non-Banking Group through the Corporate segment. The Corporate segment is not considered an operating group and currently comprises five central functions: Risk Management, Legal and Governance, Financial Management, Corporate Services, and Market Operations and Technology. From January 1, 2013, the Corporate Services and Market Operations and Technology divisions will combine to form the Corporate Operations Group. Shared services include: Risk Management, Finance, Information Technology, Group Treasury, Settlement Services, Equity Markets Operations, Human Resources Services, Business Services, Company Secretarial, Media Relations, Corporate Communications and Investor Relations Services, Taxation Services, Business Improvement and Strategy Services, Central Executive Services, Other Group-wide Services, Business Shared Services, and other services as may be agreed from time to time.

MBL and MGL have corporate governance and policy frameworks that meet APRA's 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 2013 Half Year Management's 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 of April 2011, the Real Estate Banking division is no longer included in MGL Group's organisational chart above, reflecting the reduced size of this business following the transfer of the real estate lending and development finance business to Corporate & Asset Finance in July 2010, as well as the transfer of certain unlisted funds management products to Macquarie Funds in November 2010.

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

Our key strengths

For a description of our key strengths, see "Macquarie Group Limited — Our key strengths" on page 28 of our 2012 Annual U.S. Disclosure Report.

At September 30, 2012, MGL had total regulatory capital of A$12.4 billion, including A$4.1 billion of capital in excess of MGL Group's minimum APRA regulatory requirement on a Basel II basis. MGL Group continues to monitor regulatory and market developments in relation to liquidity and capital management. For further information on our regulatory capital position as at September 30, 2012, see our 2013 Half Year Management's Discussion and Analysis Report.

Our strategy

Our strategy is set out under "Macquarie Group Limited — Our strategy" on page 31 of our 2012 Annual U.S. Disclosure Report. We expect to continue to assess strategic acquisition and merger opportunities and other corporate transactions as they arise, along with exploring opportunities for further organic growth in our existing and related businesses as an avenue of growth and diversification for MGL Group in the medium term.

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

Trading conditions and market update

The half year ended September 30, 2012 was characterized by global economic uncertainty, which impacted upon the capital markets businesses of MGL. Macquarie Securities continued to be affected by a challenging market environment and weak investor confidence, primarily due to European sovereign debt and China growth concerns. Low client volumes continued across all equity products within cash, derivatives and equity capital markets. Macquarie Capital operated against a backdrop of subdued market conditions, but benefitted from ongoing cost saving initiatives and a strategic focus on its strengths in the industries in which it specializes, principally Infrastructure, Utilities and Renewables, Resources (mining and energy), Real Estate, Telecommunications, Media, Entertainment and Technology, Industrials, and Financial Institutions. Fixed Income, Currencies & Commodities experienced improved trading income from credit, interest rate and foreign exchange activities and stronger customer flow and trading opportunities across the commodities platform in energy, metals and agriculture were recorded. In resource equity markets, weak investor sentiment and confidence impacted the timing of asset realizations and resulted in impairments on certain equity holdings.

MGL Group's annuity-style businesses, which comprises Macquarie Funds, Corporate & Asset Finance and Banking & Financial Services, continued to perform well despite the challenging environment. The performance of these businesses highlighted the benefits of MGL Group's diversified global platform, which provided a buffer during a period of market uncertainty and volatility.

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, 2012, see our 2013 Half Year Management's Discussion and Analysis Report for further information.

Overview of MGL Group

At September 30, 2012, MGL employed 13,463 staff, had total assets of A$157.0 billion and total equity of A$11.5 billion. For the half year ended September 30, 2012, our net operating income was A$3.1 billion and profit after tax attributable to ordinary equity holders was A$361 million, with 64% of our total operating income (excluding earnings on capital and other corporate items) derived from international income.

The tables below show the relative revenues from external customers and profit contribution of each of our operating groups in the half years ended September 30, 2012 and 2011.

Revenues from external customers of MGL Group by operating group for the half years ended September 30, 2012 and 2011[1]

	Half year ended		
	Sep 12	**Sep 11**	**Movement**
	A$m	**A$m**	**%**
Macquarie Funds	1,058	889	19
Corporate & Asset Finance	924	958	(4)
Banking & Financial Services	1,065	1,058	<1
Macquarie Securities	427	609	(30)
Macquarie Capital	430	364	18
Fixed Income, Currencies & Commodities	916	783	17
Total revenues from external customers by operating group	**4,820**	**4,661**	3
Corporate[2]	525	705	(26)
Total revenues from external customers	**5,345**	**5,366**	<1

1 For further information on our segment reporting, see our 2013 Half Year Management's Discussion and Analysis Report and Note 3 to our 2013 interim financial statements.

2 The Corporate segment includes earnings on capital, group treasury operations, certain corporate costs not recharged to operating businesses, employment related costs, options expense, income tax expense, profit attributable to non-controlling interests and internal management accounting adjustments and charges. During the half year ended September 30, 2012, the legacy assets of the former Real Estate Banking division were also transferred to the Corporate segment. Revenues from external customers reflected above for the Corporate segment represent net interest income on deposits held with external banks.

Profit contribution of MGL Group by operating group for the half years ended September 30, 2012 and 2011[1]

	Half year ended		
	Sep 12	**Sep 11**	**Movement**[3]
	A$m	**A$m**	**%**
Macquarie Funds	356	401	(11)
Corporate & Asset Finance	335	358	(6)
Banking & Financial Services	185	145	28
Macquarie Securities	(64)	(19)	237
Macquarie Capital	10	8	25
Fixed Income, Currencies & Commodities	219	6	*
Total contribution to profit by operating group	**1,041**	**899**	16
Corporate[2]	(680)	(594)	14
Net profit after tax	**361**	**305**	18

1 For further information on our segment reporting, see our 2013 Half Year Management's Discussion and Analysis Report and Note 3 to our 2013 interim financial statements.

2 The Corporate segment includes earnings on capital, group treasury operations, certain corporate costs not recharged to operating businesses, employment related costs, options expense, income tax expense, profit attributable to non-controlling interests and internal management accounting adjustments and charges. During the half year ended September 30, 2012, the legacy assets of the former Real Estate Banking division were also transferred to the Corporate segment. Profit contribution reflected above for the Corporate segment represent net interest income on deposits held with external banks.

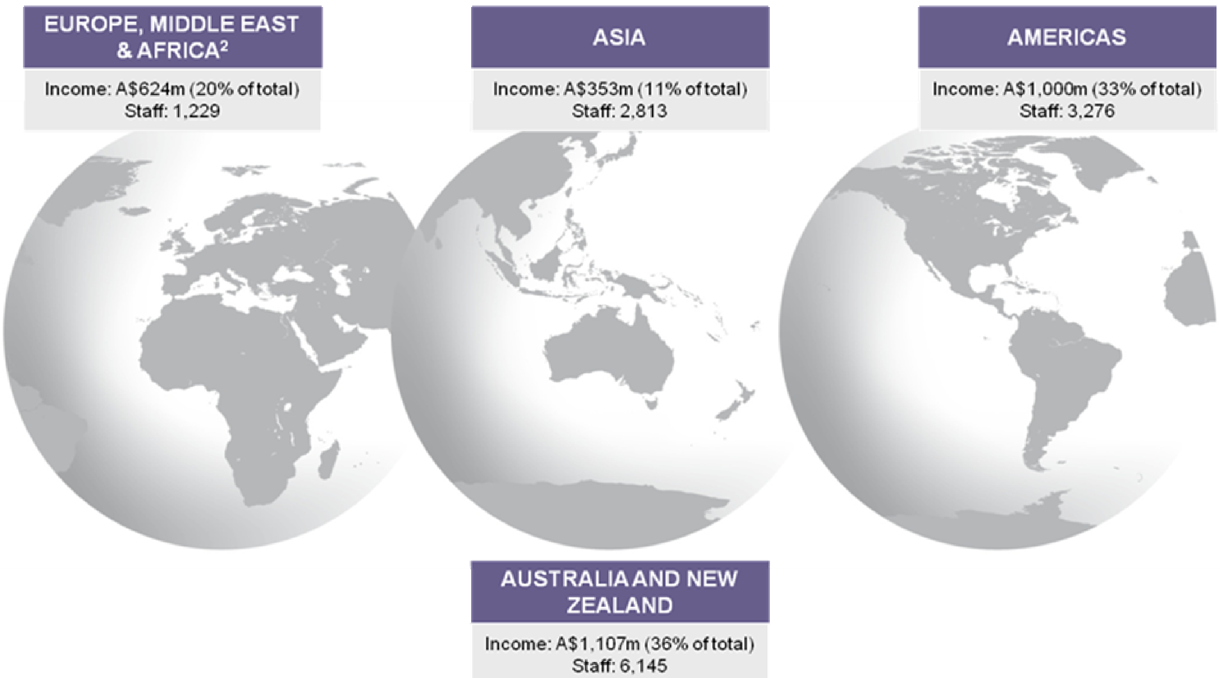
3 "*" indicates that the absolute percentage change in the balance was greater than 300% or indicates the result was a gain in one period but a loss in another, or vice versa.

Regional activity

At September 30, 2012, MGL Group employed 13,463 staff globally and conducted its operations in 28 countries.

The chart below shows MGL Group's international income by region in the half year ended September 30, 2012.

International income of MGL Group[1] by region for the half year ended September 30, 2012



1 For further information on our segment reporting, see section 3.0 of our 2013 Half Year Management's Discussion and Analysis Report and Note 3 to our 2013 interim financial statements.

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

Australia and New Zealand. MBL Group, the predecessor of MGL Group, has its origins as the merchant bank Hill Samuel Australia Limited, created in 1969 as a wholly-owned subsidiary of Hill Samuel & Co. Limited, London, and began operations in Sydney in January 1970 with only three staff. As at September 30, 2012, MGL Group employed over 6,100 staff across Australia and New Zealand. In the half year ended September 30, 2012, Australia and New Zealand contributed A$1.1 billion (36%) of our net operating income (excluding earnings on capital and other corporate items) as compared to A$1.3 billion (39%) in the half year ended September 30, 2011.

Americas. MGL Group has been active in the Americas for over a decade, when we established our first office in New York in 1994, and has grown rapidly over the last three years, principally through acquisitions of Delaware Investments, FPK, Tristone, Blackmont and Constellation Energy, and the growth of our Energy Trading and Credit Trading businesses. As at September 30, 2012, MGL Group employed over 3,200 staff across the United States, Canada, Mexico and Brazil. In the half year ended September 30, 2012, the Americas contributed A$1.0 billion (33%) of our net operating income (excluding earnings on capital and other corporate items) as compared to A$919 million (29%) in the half year ended September 30, 2011.

Asia. MGL Group has been active in Asia for more than 15 years, when we established our first office in Hong Kong. As at September 30, 2012, MGL Group employed over 2,800 staff across China, Hong Kong, India, Indonesia, Japan, South Korea, Malaysia, the Philippines, Singapore, Taiwan and Thailand. MGL has expanded the regional investment and product platforms of Macquarie Funds (including the Macquarie Infrastructure and Real Assets division), Corporate & Asset Finance as well as Fixed Income, Currencies & Commodities, which established an Asian regional "hub" in Singapore in the 2011 fiscal year. In the half year ended September 30, 2012, Asia contributed A$353 million (11%) of our net operating income (excluding earnings on capital and other corporate items) as compared to A$401 million (13%) in the half year ended September 30, 2011.

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, 2012, MGL Group employed over 1,200 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, 2012, Europe, Middle East & Africa contributed A$624 million (20%) of our net operating income (excluding earnings on capital and other corporate items) as compared to A$621 million (19%) in the half year ended September 30, 2011.

For further information on our segment reporting, see section 3.0 of our 2013 Half Year Management's Discussion and Analysis Report and Note 3 to our 2013 interim financial statements.

Recent developments within MGL Group

Macquarie Capital

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

Macquarie Capital contributed A$10 million to MGL Group's profit for the half year ended September 30, 2012 and, as at September 30, 2012, had over 1,100 staff operating across 22 countries, including Australia, United States, United Kingdom, Canada, Hong Kong, South Korea, Singapore and China. For further information on Macquarie Capital's results of operation and financial condition for the half year ended September 30, 2012, see section 3.6 of our 2013 Half Year Management's Discussion and Analysis Report.

In the half year ended September 30, 2012, Macquarie Capital was involved in 205 transactions with an aggregate deal value of approximately A$36 billion. Significant transactions that Macquarie Capital was involved in during the half year ended September 30, 2012 are described in section 3.6 of our 2013 Half Year Management's Discussion and Analysis Report.

For further information on Macquarie Capital, its divisions and products, see "Macquarie Group Limited — Operating groups — Macquarie Capital" beginning on page 36 of our 2012 Annual U.S. Disclosure Report.

Fixed Income, Currencies & Commodities

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

Fixed Income, Currencies & Commodities contributed A$219 million to MGL Group's profit for the half year ended September 30, 2012 and, as at September 30, 2012, had over 900 staff operating across 14 countries, with locations in Australia, Asia, the Middle East, North and South America, and the United Kingdom and Europe. For further information on Fixed Income, Currencies & Commodities' results of operation and financial condition for the half year ended September 30, 2012, see section 3.7 of our 2013 Half Year Management's Discussion and Analysis Report.

During the half year ended September 30, 2012, the Metals & Agriculture Sales and Trading division of Fixed Income, Currencies & Commodities commenced the establishment of a commodity investor products business that will offer commodity index products to institutional clients globally. In addition, Fixed Income, Currencies & Commodities increased coverage of Latin American commodity products and integrated its Latin American, Asian and G-10 currencies and foreign exchange and interest rate activities into a single platform within the Fixed Income & Currencies division.

For further information and a description of the divisions within Fixed Income, Currencies & Commodities and their respective activities, see “Macquarie Group Limited — Operating groups — Fixed Income, Currencies & Commodities” beginning on page 37 of our 2012 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, are in the Non-Banking Group. Generally, the Derivatives division’s activities, which include sales of retail derivatives, arbitrage trading, equity finance and capital management, are in the Banking Group, however, certain of these activities form part of the Non-Banking Group in certain jurisdictions due to local regulation. Effective October 1, 2012, Macquarie Securities transferred its Asian derivatives sales and cash equities sales activities from the Non-Banking Group to the Banking Group.

Macquarie Securities contributed a net loss of A$64 million to MGL Group’s profit for the half year ended September 30, 2012 and, as at September 30, 2012, had over 1,000 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, 2012, see section 3.5 of our 2013 Half Year Management’s Discussion and Analysis Report.

During the half year ended September 30, 2012, Macquarie Securities ceased systematic trading activities in North America and announced the closure of its structured products and exotics business in Germany. The remaining positions will be managed through to expiry in order to meet obligations to clients and regulators.

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 39 of our 2012 Annual U.S. Disclosure Report.

Banking & Financial Services

Banking & Financial Services is in the Banking Group and is the primary relationship manager for MGL Group’s retail client base. Banking & Financial Services brings together MGL Group’s retail banking and financial services businesses, providing a diverse range of wealth management products and services to financial advisers, stockbrokers, mortgage brokers, professional service industries and the end consumer.

Banking & Financial Services’ business strategy is to offer an integrated suite of advice, wealth management and lending products and services and to build broader and more valuable client relationships.

Banking & Financial Services contributed A$185 million to MGL Group’s profit for the half year ended September 30, 2012 and, as at September 30, 2012, had over 2,900 staff operating across eight countries, including Australia, Canada, the United Kingdom, New Zealand and India. For further information on Banking & Financial Services’ results of operation and financial condition for the half year ended September 30, 2012, see our 2013 Half Year Management’s Discussion and Analysis Report.

Cash deposits continued to be a major focus of Banking & Financial Services, with retail cash deposits growing from A$28.6 billion at September 30, 2011 to A$30.8 billion at September 30, 2012. This was primarily due to increased investor appetite for lower risk cash deposits, driven by continuing volatility in equity markets.

The division also offers the Macquarie Australian Wrap platform, which had A$116.7 billion in funds under administration at September 30, 2012. See “— Funds management business”. For further information on Banking & Financial Services’ results of operation and financial condition for the half year ended September 30, 2012 see section 3.4 of our 2013 Half Year Management’s Discussion and Analysis Report.

During the period from April 1, 2012 to October 1, 2012, the Macquarie Agricultural Funds Management and the Macquarie Professional Series businesses were migrated from Banking & Financial Services to Macquarie Funds as further consolidation of the funds businesses within MGL.

In addition, Banking & Financial Services sold 100% of its share capital in the Coin Financial Planning Software business to financial software company Rubik and also sold its Macquarie Premium Funding Canada business to WinTrust Financial Corporation. Both sales were made because those businesses were no longer considered core to Banking & Financial Services' offering.

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 40 of our 2012 Annual U.S. Disclosure Report.

Macquarie Funds

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

Macquarie Funds contributed A$356 million to MGL Group's profit for the half year ended September 30, 2012 and, as at September 30, 2012, had over 1,400 staff operating across 20 countries, including Australia, the United States, the United Kingdom and Hong Kong. As at September 30, 2012, Macquarie Funds had Assets under Management of A$336.8 billion. For further information on Macquarie Funds' results of operation and financial condition for the half year ended September 30, 2012, see section 3.2 of our 2013 Half Year Management's Discussion and Analysis Report.

In the Non-Banking Group, Macquarie Funds continued its focus on investing capital strategically across the globe, with over A$1.6 billion of equity invested and over A$900 million of new equity commitments raised, including US$625 million committed to the Philippine Investment Alliance for Infrastructure during the half year ended September 30, 2012. In the Banking Group, Macquarie Funds established an infrastructure debt management business and continued to expand its global distribution platform, particularly in Asia and the United States.

During the period from April 1, 2012 to October 1, 2012, the Macquarie Agricultural Funds Management and the Macquarie Professional Series businesses were migrated from Banking & Financial Services to Macquarie Funds as further consolidation of the funds businesses within MGL.

For further information and a description of the divisions within Macquarie Funds, see "Macquarie Group Limited — Operating groups — Macquarie Funds" beginning on page 42 of our 2012 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$335 million to MGL Group's profit for the half year ended September 30, 2012 and, as at September 30, 2012, had over 900 staff operating across 13 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, 2012, see section 3.3 of our 2013 Half Year Management's Discussion and Analysis Report.

At September 30, 2012, Corporate & Asset Finance managed lease and loan assets of A$21.4 billion, which represents an increase of 4% from A$20.6 billion at March 31, 2012. The asset finance portfolio of A$13.3 billion increased 6% from A$12.6 billion at March 31, 2012, which was driven by ongoing growth in the motor vehicle and equipment finance programs. The loan portfolio of A$8.1 billion at September 30, 2012 was broadly in line with the prior period.

During the half year ended September 30, 2012, Corporate & Asset Finance finalized the sale of five leased aircraft engines to Engine Lease Finance Corporation. In addition, Corporate & Asset Finance sold selected assets within its aircraft and rail portfolio.

During the half year ended September 30, 2012, the meters portfolio and the mining equipment finance business continued to expand. Securitization activity was maintained during the half year ended September 30, 2012, with A$0.8 billion of motor vehicle and equipment leases and loans securitized during the period.

For further information on Corporate & Asset Finance's businesses, see "Macquarie Group Limited — Operating groups — Corporate & Asset Finance" beginning on page 43 of our 2012 Annual U.S. Disclosure Report.

Recent developments within the Corporate segment of MGL Group

Corporate

The Corporate segment includes earnings on capital, group treasury operations, certain corporate costs not recharged to operating businesses, employment related costs, share based payments expense, income tax expense, amounts attributable to non-controlling interests and internal management accounting adjustments and charges. In addition, during the half year ended September 30, 2012, the legacy assets of the former Real Estate Banking division were transferred to the Corporate segment.

Corporate contributed a net loss of A$680 million to MGL Group's profit for the half year ended September 30, 2012 and, as at September 30, 2012, had over 5,000 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, 2012, see section 3.8 of our 2013 Half Year Management's 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 46 of our 2012 Annual U.S. Disclosure Report.

Assets under Management

For further information on MGL Group's Assets under Management for the half year ended September 30, 2012, see section 7.1 of our 2013 Half Year Management's Discussion and Analysis Report.

Equity under Management

For further information on MGL Group's Equity under Management for the half year ended September 30, 2012, see section 7.2 of our 2013 Half Year Management's Discussion and Analysis Report.

Legal proceedings and other provisions

On December 22, 2010, ASIC commenced legal proceedings in the Federal Court of Australia against a number of banking institutions, including MBL. In one proceeding, ASIC is seeking compensation for investors arising out of the collapse of Storm Financial Limited ("*Storm*") for an alleged breach of contract, contravention of the statutory prohibitions against unconscionable conduct and liability as linked credit providers of Storm under section 73 of the Trade Practices Act 1974 of Australia. In another, ASIC alleges there was an unregistered managed investment scheme in which the banks were involved.

Representative legal action has also been brought through a private law firm in the same court claiming an unregistered managed investment scheme involving Storm on a similar basis as ASIC's action and claiming compensation for those investors.

As at the date of this Report, the hearing of ASIC's allegation that there was an unregistered managed investment scheme and the representative legal action had commenced and was scheduled to run for the rest of the 2012 calendar year. The business day before commencement of the hearing, the Commonwealth Bank of Australia ("*CBA*") and ASIC reached a settlement regarding its involvement in the case relating to the allegations of an unregistered management investment scheme. The proceeding against CBA was dismissed with no admission of liability by CBA. CBA agreed to contribute a further A$136 million to its customers who were advised by Storm alongside its existing compensation scheme (under which CBA has announced publicly that it has already paid out A$132 million).

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 and consider that MGL Group currently holds appropriate provisions.

We have contingent liabilities in respect of actual and potential claims and proceedings that have not been determined. An assessment of likely losses is made on a case-by-case basis for the purposes of our financial statements and specific provisions that we consider appropriate are made, as described in Note 18 to our 2013 interim financial statements. Having regard to the details which we have in relation to any of those claims and proceedings, we do not believe that the outcome of any of them, either individually or in the aggregate, are likely to have a material effect on our operations or financial condition.

Competition

For a description of the competition MGL Group faces in the markets in which it operates, see "Macquarie Group Limited — Competition" beginning on page 50 of our 2012 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 53 of our 2012 Annual U.S. Disclosure Report. Our businesses are increasingly subject to greater regulatory scrutiny as we continue to grow our businesses both organically and through acquisitions. For a description of certain regulatory risks our businesses face, see "Risk factors — Many of our businesses are highly regulated and we could be adversely affected by temporary and permanent changes in regulations, regulatory policy and by compliance requirements, particularly for financial institutions, in the markets in which we operate", "Risk factors — We may incur losses as a result of ineffective risk management processes and strategies" and "Risk factors — We may incur financial loss, adverse regulatory consequences or reputational damage due to inadequate or failed internal or external operational systems, processes, people or systems or external events" on pages 11, 16 and 18, respectively, of our 2012 Annual U.S. Disclosure Report.

Significant regulatory changes that may affect our businesses are expected in the various markets in which we operate. The following is a summary of significant regulatory and supervision developments in Australia and the United States for MGL Group that have occurred since the release of our 2012 Annual U.S. Disclosure Report on May 11, 2012.

Australia

APRA

APRA has stipulated a capital adequacy framework that applies to MBL as an ADI and MGL as a NOHC. In the case of MGL Group, this framework is set out in MGL's NOHC Authority. Measurement of capital adequacy and our economic capital model are more fully described in Section 4 of the MBL Pillar 3 Disclosure Document dated June 30, 2012 posted on MGL's U.S. Investors' Website. APRA has advised that it will monitor the overall MGL Group and may increase the prudential requirements it applies to MBL if the activities of MGL Group place financial strain on MBL.

MGL models twelve month liquidity scenarios for MGL Group, MBL Group and the Non-Banking Group to ensure that sufficient liquidity is available in each part of its business. See Section 5.1 of our 2013 Half Year Management's Discussion and Analysis Report for further information on our liquidity policies and principles.

Crisis management

On September 28, 2012, the Australian Government released a consultation paper titled "Strengthening APRA's Crisis Management Powers" seeking comments on a range of options to enhance Australia's financial sector, particularly prudential regulation. The options canvassed in the paper aim to strengthen APRA's crisis management powers in relation to NOHCs, ADIs, superannuation entities and general and life insurers. Implementation of these options is intended to bring Australia's regulatory framework more closely into line with the new G20 endorsed international standard for crisis management arrangements published by the Financial Stability Board ("*FSB*") in its "Key Attributes of Effective Resolution Regimes for Financial Institutions". If implemented, the key implications for MGL and MBL are likely to be an increase in APRA's powers to intervene in the affairs of MGL and MBL during periods of stress.

APRA's approach to capital frameworks – release of final prudential standards

On September 28, 2012, APRA released four final prudential standards implementing the Basel III capital reforms in Australia. This follows APRA's release of five draft discussion papers for industry consultation in March 2012 and a further two in June 2012. These new standards come into effect on January 1, 2013. The final standards are consistent with the draft standards.

APRA has also announced that other prudential and reporting standards incorporating new counterparty credit risk requirements (see below) and other elements of the Basel III capital reforms, including a discussion paper on the regulation of conglomerates, will be released in November 2012. For more information, see “Regulation and supervision —Australia — APRA — APRA’s approach to the Basel III liquidity framework” beginning on page 56 of our 2012 Annual U.S. Disclosure Report.

APRA’s approach to Basel III capital requirements for counterparty credit risk

In August 2012, APRA released a consultation paper and draft prudential standards on its implementation of the Basel III reforms to the capital framework for counterparty credit risk and other credit exposures. In its discussion paper, APRA indicated that it proposes to extend its existing capital framework for counterparty credit risk in bilateral transactions to be the sum of the existing counterparty credit default component that applies under its existing prudential standards and a risk capital Credit Value Adjustment (“*CVA*”) risk capital charge introduced as part of the Basel III reforms. The CVA risk capital charge is intended to cover the risk of mark-to-market losses on the expected counterparty credit risk arising from bilateral OTC derivatives. APRA also proposed to adopt Basel III reforms on capital charges for exposure to central counterparties arising from over the counter derivatives, exchange traded derivatives and securities financing transactions. APRA has indicated that it intends to release final prudential standards by the end of the 2012 calendar year to take effect from January 1, 2013. These proposals are expected to require MBL to hold more capital for its counterparty credit risk exposures and other credit exposures.

Central clearing of OTC derivatives

On July 25, 2012, the Australian Government released draft legislation to introduce the framework required by the Australian Government to meet its G20 obligations on derivatives regulation. Its release follows consultation papers published by the Australian Treasury in April 2012. The legislation allows the Australian Government and its regulators to prescribe, when it determines that it becomes appropriate, one or more of the following as mandatory obligations: (1) the reporting of OTC derivatives to trade repositories, (2) the clearing of standardized OTC derivatives through central counterparties, and (3) the execution of standardized OTC derivatives on exchanges or electronic platforms. On September 12, 2012, the Corporations Legislation Amendment (Derivative Transactions) Bill 2012 was introduced into Parliament. The legislation is not intended to impose any of these obligations itself but rather introduces a framework under which they can be prescribed. As a result, the extent, timing and implications of these reforms on MGL and its businesses are unclear.

United States

Over the past year, the Commodity Futures Trading Commodity (“*CFTC*”) issued final rules to implement Title VII of the Dodd-Frank Act (i) defining such terms as “swap”, “swap dealer”, and “major swap participant”, (ii) requiring the registration of swap dealers and major swap participants, and (iii) implementing certain recordkeeping and reporting requirements and rules on internal and external business conduct standards for swap dealers and major swap participants. Subject to possible phase-in provisions, certain of these requirements are scheduled to become effective by the end of 2012.

On July 12, 2012, the CFTC published proposed interpretive guidance regarding the cross-border application of certain entity-level and transaction-level requirements which would apply to non-U.S. swap dealers and major swap participants and to swap transactions with “U.S. persons”. If adopted as proposed, such requirements will be applicable to MBL.

The Foreign Account Tax Compliance Act (“*FATCA*”) was enacted in 2010 as part of the Hiring Incentives to Restore Employment Act (the “*Hire Act*”). FATCA is intended to assist U.S. efforts to improve compliance with U.S. tax laws, and requires foreign financial institutions (“*FFIs*”), such as MGL, to enter into an agreement with the U.S. Internal Revenue Service (the “*IRS*”) and agree to provide the IRS with certain information on accounts held by U.S. persons and U.S.-owned foreign entities, or otherwise face a 30% withholding tax on certain payments made to the FFI from U.S. sources. The term FFI is broadly defined and includes such entities as banks, brokers, hedge funds, private equity funds and foreign investment entities. FATCA generally requires substantial investment in a compliance and reporting framework in order to meet the HIRE Act standards.

In response to the impact of the FATCA obligations of the HIRE Act, the Australian Government has been exploring the feasibility of an intergovernmental agreement with the United States as an alternative means for financial institutions such as MGL to comply with FATCA while reducing compliance burdens. On July 26, 2012, the U.S. Department of the Treasury published a model form for such an intergovernmental agreement.

Other regulators

During the 2012 fiscal year, MBL was granted a banking license by the Hong Kong Monetary Authority and in March 2012, the Hong Kong Monetary Authority confirmed MBL Hong Kong Branch's "Registered Institution" status. The branch became operational on October 1, 2012 and is regulated by the Hong Kong Monetary Authority.

Additional financial disclosures for the half year ended September 30, 2012

Euro-zone exposures

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

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

Financial instrument	As at Sep 30, 2012			
		Non sovereign exposure		
	Sovereign exposure	Financial institutions	Corporate	Total exposure
	A$m	A$m	A$m	A$m
Italy				
Loans, receivables & commitments[1]	-	0.4	8.9	9.3
Derivative assets[2]	-	-	2.1	2.1
Italy totals	**-**	**0.4**	**11.0**	**11.4**
Spain				
Loans, receivables & commitments and leases[1]	-	19.6	79.8	99.4
Derivative assets[2]	-	1.1	5.3	6.4
Spain totals	**-**	**20.7**	**85.1**	**105.8**
Portugal				
Loans, receivables & commitments[1]	-	0.3	93.7	94.0
Derivative assets[2]	-	-	8.0	8.0
Portugal totals	**-**	**0.3**	**101.7**	**102.0**
Ireland				
Loans, receivables & commitments[1]	-	14.5	193.1	207.6
Derivative assets[2]	-	1.4	1.3	2.7
Traded debt securities	-	7.9	3.6	11.5
Ireland totals	**-**	**23.8**	**198.0**	**221.8**
Greece				
Loans, receivables & commitments[1]	-	-	-	-
Derivative assets[2]	-	-	-	-
Greece totals	-	-	-	-
Total exposure	-	**45.2**	**395.8**	**441.0**

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

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

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

Investors should refer to our 2013 Half Year Management's 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, 2012 compared to the half year ended September 30, 2011, along with other balance sheet, capital and liquidity disclosures as at and for the half year ended September 30, 2012, 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 63 of our 2012 Annual Disclosure Report.

Half year ended September 30, 2012 compared to half year ended September 30, 2011

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