

Interim Financial Report

Macquarie Group
Half-year ended 30 September 2015



MACQUARIE GROUP 2015 INTERIM FINANCIAL REPORT

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

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

Interim Financial Report

for the half-year ended 30 September 2015

Contents

Directors' Report	1
Auditor's independence declaration	7
Consolidated income statement	9
Consolidated statement of comprehensive income	10
Consolidated statement of financial position	11
Consolidated statement of changes in equity	12
Consolidated statement of cash flows	14
Notes to the consolidated financial statements	15
1 Summary of significant accounting policies	15
2 Profit for the period	17
3 Segment reporting	21
4 Income tax expense	25
5 Dividends and distributions paid or provided for	26
6 Earnings per share	28
7 Trading portfolio assets	30
8 Investment securities available for sale	30
9 Other assets	30
10 Loan assets held at amortised cost	31
11 Impaired financial assets	32
12 Interests in associates and joint ventures accounted for using the equity method	32
13 Trading portfolio liabilities	32
14 Other liabilities	32
15 Debt issued at amortised cost	33
16 Contributed equity	34
17 Reserves, retained earnings and non-controlling interests	36
18 Notes to the consolidated statement of cash flows	38
19 Contingent liabilities and commitments	39
20 Fair values of financial assets and liabilities	40
21 Acquisitions and disposals of subsidiaries and businesses	51
22 Events after the reporting date	52
Directors' declaration	53
Independent auditor's review report	54
Ten year history	55

The Financial report was authorised for issue by the Directors on 30 October 2015.
The Consolidated Entity has the power to amend and reissue the Financial report.

Interim Financial Report

for the half-year ended 30 September 2015

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Directors' Report

for the half-year ended 30 September 2015

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

Directors

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

Independent Directors

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

Executive Director

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

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

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

Result

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

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

Operating and Financial Review

Review of Group performance and financial position

Group performance

Overview

Profit attributable to ordinary equity holders of \$A1,070 million for the half-year ended 30 September 2015 increased 58 percent from \$A678 million in the prior corresponding period⁽¹⁾ and increased 16 percent from \$A926 million in the prior period⁽²⁾.

	30 Sep 2015 \$A million	30 Sep 2014 \$A million	Movement %
Net operating income	5,318	4,284	24
Operating expenses	(3,699)	(3,163)	17
Income tax expense	(530)	(432)	23
Profit attributable to non-controlling interests	(19)	(11)	73
Profit attributable to ordinary equity holders	1,070	678	58

⁽¹⁾ Prior corresponding period refers to the six months to 30 September 2014.

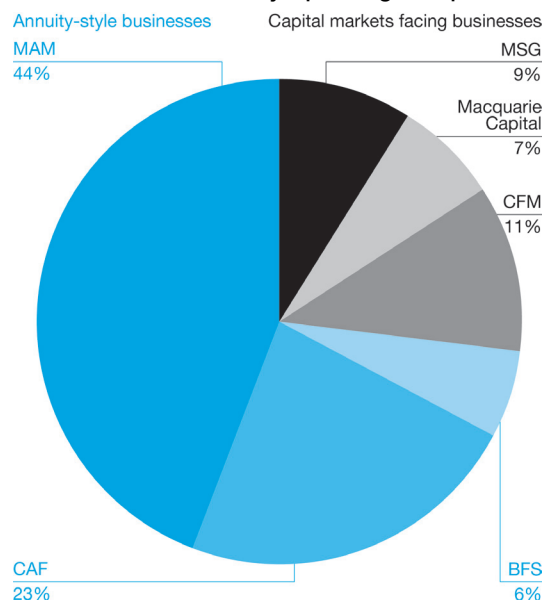
⁽²⁾ Prior period refers to the six months to 31 March 2015.

Directors' Report

for the half-year ended 30 September 2015

continued

Net Profit Contribution⁽³⁾ by Operating Group



⁽³⁾ Net profit contribution is management accounting profit before unallocated corporate costs, profit share and income tax.

All operating groups delivered an increased net profit contribution compared to the prior corresponding period.

Macquarie's annuity-style businesses – Macquarie Asset Management (MAM), Corporate and Asset Finance (CAF) and Banking and Financial Services (BFS) – continued to perform well, generating a combined net profit contribution for the half-year ended 30 September 2015 of \$A1,920 million, an increase of 38 percent on the prior corresponding period with most businesses favourably impacted by the depreciation of the Australian dollar relative to the prior corresponding period. MAM also benefited from increased performance fees and income from investment activities, while CAF's higher net profit contribution was in part driven by higher volumes and the accretion of interest income on loans acquired at a discount. BFS reported an improved net profit contribution largely driven by volume growth in Australian mortgages, business lending, deposits and the Wrap platform.

Macquarie's capital markets facing businesses – Macquarie Securities Group (MSG), Macquarie Capital and Commodities and Financial Markets (CFM) – delivered a combined net profit contribution for the half-year ended 30 September 2015 of \$A692 million, an increase of 66 percent on the prior corresponding period. In addition to the overall favourable impact of the depreciation of the Australian dollar on most businesses, MSG's net profit contribution was up significantly on the prior corresponding period due to increased income from improved trading opportunities driven by increased market volatility, particularly in China, while Macquarie Capital benefited from increased mergers and acquisitions fee revenue, particularly in Australia and the US, partially offset by increased impairment charges on underperforming principal investments. CFM reported an increased net profit contribution in part driven by improved trading conditions resulting from increased volatility in commodities markets during the period, partially offset by higher provisions for impairments taken on certain underperforming commodity related loans.

Net operating income

Net operating income of \$A5,318 million for the half-year ended 30 September 2015 increased 24 percent on the prior corresponding period. Key drivers of the movements from the prior corresponding period were:

- a 38 percent increase in combined net interest and trading income to \$A2,273 million for the half-year ended 30 September 2015 from \$A1,643 million in the prior corresponding period. Most operating groups contributed to the increase, with the key drivers being:
 - improved trading opportunities in MSG driven by increased market volatility, particularly in China
 - increased client activity across most of the platform as a result of price volatility for CFM
 - the accretion of interest income on loans acquired at a discount, the favourable impact of the depreciation of the Australian dollar, growth of the motor vehicle lease portfolio and the acquisition of Advantage Funding, partially offset by lower income as a result of the sale of the Macquarie Equipment Finance US Operations and increased funding costs associated with growth of the operating lease portfolio in CAF, and
 - strong volume growth in Australian mortgages, business lending and deposits in BFS.
- a 29 percent increase in fee and commission income to \$A2,794 million for the half-year ended 30 September 2015 from \$A2,167 million in the prior corresponding period primarily driven by:
 - a significant increase in performance fees to \$A629 million for the half-year ended 30 September 2015 from \$A373 million in the prior corresponding period, including performance fees from Macquarie European Infrastructure Fund 1 (MEIF1) and Macquarie Infrastructure Corporation (MIC), as well as performance fee income from co-investors in respect of a United Kingdom (UK) asset
 - a 22 percent increase in base fees to \$A791 million for the half-year ended 30 September 2015 from \$A650 million in the prior corresponding period, largely due to increased assets under management (AUM) that benefited from favourable currency and market movements. Base fee growth also reflects fund raisings and investments in the Macquarie Infrastructure and Real Assets (MIRA) business, as well as net flows into higher fee margin products in the Macquarie Investment Management (MIM) business
 - a 25 percent increase in mergers and acquisitions, advisory and underwriting fees to \$A537 million for the half-year ended 30 September 2015 from \$A429 million in the prior corresponding period, mainly due to an increase in mergers and acquisitions fee revenue in Macquarie Capital particularly in the United States (US) and Australia, and
 - a 16 percent increase in brokerage and commissions income to \$A461 million for the half-year ended 30 September 2015 from \$A396 million in the prior corresponding period, mainly due to the favourable impact of the depreciation of the Australian dollar and improved market turnover in MSG.
- a 31 percent decrease in other operating income and charges to \$A314 million for the half-year ended 30 September 2015 from \$A455 million in the prior corresponding period primarily driven by:

- an increase in net individually assessed provisions for impairment, write-offs and collective allowance for credit losses to \$A336 million for the half-year ended 30 September 2015 from \$A104 million in the prior corresponding period mainly due to the underperformance of certain commodity related loans in CFM and an increase to the collective provision central management overlay in Corporate⁽⁴⁾ to account for changes in current economic conditions
- a 37 percent increase in aggregate impairment charges on investment securities available for sale, associates and joint ventures, intangibles and other non-financial assets to \$A108 million for the half-year ended 30 September 2015 from \$A79 million in the prior corresponding period primarily due to impairments on certain underperforming principal investments in Macquarie Capital, partially offset by a 34 percent increase in net operating lease income to \$A381 million for the half-year ended 30 September 2015 from \$A285 million in the prior corresponding period primarily due to the favourable impact of the depreciation of the Australian dollar and the contribution of aircraft acquired to date from AWAS Aviation Capital Limited (AWAS) during the period, partially offset by the impact of the divestment of the North American railcar operating lease portfolio in January 2015.

Operating expenses

Total operating expenses increased 17 percent to \$A3,699 million for the half-year ended 30 September 2015 from \$A3,163 million in the prior corresponding period mainly due to the following key drivers:

- a 16 percent increase in employment expenses to \$A2,263 million for the half-year ended 30 September 2015 from \$A1,944 million in the prior corresponding period primarily due to higher staff compensation resulting from the improved performance of the Group and the impact of the depreciation of the Australian dollar on offshore expenses. This growth was partially offset by the effect of reduced headcount, down four percent from 14,138 at 30 September 2014 to 13,582 at 30 September 2015. The compensation ratio of 39.8 percent for the half-year ended 30 September 2015 decreased from 42.5 percent in the prior corresponding period
- a 15 percent increase in brokerage, commission and trading-related expenses to \$A444 million for the half-year ended 30 September 2015 from \$A387 million in the prior corresponding period mainly driven by increased trading activity in MSG
- a 39 percent increase in non-salary technology expenses to \$A287 million for the half-year ended 30 September 2015 from \$A206 million in the prior corresponding period primarily due to ongoing investment in technology projects to support business growth, including the development of a new Core Banking system in BFS, and
- a 12 percent increase in total other operating expenses to \$A503 million for the half-year ended 30 September 2015 from \$A448 million in the prior corresponding period largely driven by increased activity across the Group, the impact of the depreciation of the Australian dollar on offshore expenses and the amortisation of capitalised technology costs.

Income tax expense

Income tax expense for the half-year ended 30 September 2015 was \$A530 million, up 23 percent from \$A432 million in the prior corresponding period. The increase was mainly driven by a 44 percent increase in operating profit before income tax to \$A1,619 million in the half-year ended 30 September 2015 from \$A1,121 million in the prior corresponding period partly offset by a decrease in income tax permanent differences. The effective tax rate for the half-year ended 30 September 2015 was 33.1 percent, down from 38.9 percent in the prior corresponding period.

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

Group financial position

Balance Sheet

Growth in the Group's balance sheet has largely been driven by increased business activity across lending, asset financing and trading portfolios as well as the impact of the depreciation of the Australian dollar. Total assets of \$A209.1 billion at 30 September 2015 increased 11 percent from \$A188.0 billion at 31 March 2015, while total liabilities increased 12 percent from \$A173.6 billion at 31 March 2015 to \$A193.9 billion at 30 September 2015.

Other key drivers of the movement in the balance sheet include:

- Group Treasury funding and liquidity management initiatives during the half-year to 30 September 2015 including new issuances of long term debt issued at amortised cost (partially offset by a decrease in short term debt) that led to an increase in debt investments available for sale and cash and liquid asset holdings
- increased stock borrowing activity in MSG, particularly in Europe, resulting in an increase in receivables from financial institutions and trading liabilities
- changes in interest rates, foreign exchange rates and commodity prices during the period resulted in an increase in derivative assets and liabilities in CFM
- increased lending and asset financing activity across the Group, leading to growth in loan assets held at amortised cost, including:
 - BFS' Australian mortgage portfolio, which increased 13 percent from \$A24.5 billion at 31 March 2015 to \$A27.6 billion at 30 September 2015 and included the acquisition of a residential mortgage portfolio of \$A1.2 billion during the period. This growth was partially offset by a reduction in the Canadian and US mortgage portfolios, which are in run-off and closed at a combined \$A2.6 billion at 30 September 2015, down 32 percent from \$A3.8 billion at 31 March 2015, and
 - CAF's loan and finance lease portfolios, which increased three percent from \$A22.4 billion at 31 March 2015 to \$A23.1 billion at 30 September 2015 mainly driven by the impact of the depreciation of the Australian dollar and the acquisition of Advantage Funding in July 2015.

(4) Corporate includes head office and central support functions including Group Treasury.

Directors' Report

for the half-year ended 30 September 2015

continued

- aircraft acquired to date from AWAS and the impact of the depreciation of the Australian dollar resulted in growth of the operating lease portfolios within CAF of 46 percent from \$A6.3 billion at 31 March 2015 to \$A9.2 billion at 30 September 2015. The acquisition of aircraft from AWAS also led to an increase in payables to financial institutions as a result of funding requirements
- increased deposits in BFS' business banking mainly due to organic growth, and
- increased loan capital primarily due to a \$US750 million subordinated debt issuance that qualifies as Tier 2 capital under Basel III rules.

Total equity increased six percent from \$A14.4 billion at 31 March 2015 to \$A15.2 billion at 30 September 2015, largely due to net retained earnings generated during the period and a net increase in the foreign currency translation reserve that resulted from the depreciation of the Australian dollar during the period.

Funding

Macquarie has a stable funding base with minimal reliance on short term wholesale funding markets. At 30 September 2015, the Group's term assets were covered by term funding maturing beyond one year, stable deposits and equity.

The weighted average term to maturity of term funding maturing beyond one year (excluding equity which is a permanent source of funding) is 4.4 years as at 30 September 2015, unchanged from 31 March 2015.

As at 30 September 2015, customer deposits⁽⁵⁾ represented \$A42.8 billion, or 35 percent of the Group's total funding, short term (maturing in less than 12 months) wholesale issued paper represented \$A11.5 billion, or nine percent of total funding, and other debt funding maturing within 12 months represented \$A8.0 billion, or seven percent of total funding.

Macquarie has a liability-driven approach to balance sheet management, where funding is put in place before assets are taken on to the balance sheet. Since 31 March 2015, MGL and MBL have continued to raise term wholesale funding.

Macquarie has continued to develop and expand its major funding markets with new issuances in the US, Europe and Australia as well as opening new markets.

Since 31 March 2015, MGL Group raised \$A10.3 billion of term funding, including \$A6.2 billion of term wholesale funding, \$A2.9 billion of term secured finance and \$A1.2 billion of syndicated loan facilities. Wholesale term issuance of \$A6.2 billion includes \$A3.4 billion in unsecured debt issuance in the US market and \$A2.8 billion in private placements and structured notes. Term secured finance of \$A2.9 billion includes \$A1.9 billion of PUMA RMBS, \$A0.8 billion of SMART auto and equipment ABS and \$A0.2 billion other secured funding.

Macquarie also raised \$4.0 billion through the AWAS acquisition debt facility.

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

Capital

As an Australian Prudential Regulation Authority (APRA) authorised and regulated non-operating holding company, MGL is required to hold adequate regulatory capital to cover the risks for the whole Macquarie Group, including the Non-Bank Group. Macquarie and APRA have agreed a capital adequacy framework for MGL, based on Macquarie's Board-approved Economic Capital Adequacy Model (ECAM) and APRA's capital standards for authorised deposit-taking institutions (ADIs).

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

- the Bank Group's minimum Tier 1 capital requirement, based on a percentage of risk-weighted assets plus Tier 1 deductions using prevailing APRA ADI Prudential Standards, and
- the Non-Bank Group's capital requirement, calculated using Macquarie's ECAM. Transactions internal to the Macquarie Group are eliminated.

The Group has satisfied its regulatory capital requirements throughout the year. At 30 September 2015, the Macquarie Bank Group had a Harmonised Basel III Common Equity Tier 1 Capital Ratio of 11.6 percent and a Tier 1 Capital Ratio of 12.8 percent. The Bank Group's APRA Common Equity Tier 1 Capital Ratio was 9.9 percent and its APRA Tier 1 Capital Ratio was 11.1 percent as at 30 September 2015. The Group remains well capitalised with \$A3.1 billion of eligible capital in excess of the minimum regulatory capital requirements⁽⁶⁾.

Operations

For internal reporting and risk management purposes, Macquarie is divided into six operating groups and a corporate group. These segments have been set up based on the different core products and services offered.

A summary of the performance of Macquarie's operating segments is provided below. Further information on Macquarie's operating segments can be found in Note 3 to the financial statements in the Interim Financial Report.

Macquarie Asset Management is a global asset manager offering a diverse range of products.

MAM's net profit contribution of \$A1,139 million for the half-year ended 30 September 2015 increased 45 percent from \$A785 million in the prior corresponding period. MAM's base fee income of \$A784 million for the half-year ended 30 September 2015 increased 22 percent from \$A641 million in the prior corresponding period, largely due to increased AUM that benefited from favourable currency and market movements, fund raisings and investments in MIRA, together with net flows into higher fee margin products in MIM. Performance fees of \$A609 million for the half-year ended 30 September 2015, increased significantly from \$A373 million in the prior corresponding period, including performance fees from MEIF1 and MIC, as well as performance fee income from co-investors in respect of a UK asset.

⁽⁵⁾ Represents deposits available to fund Macquarie's assets. Excludes segregated client margin balances.

⁽⁶⁾ Calculated at 8.5 percent Risk Weighted Assets (RWA) including capital conservation buffer, per the 1 January 2016 minimum requirements in APRA Prudential Standard 110. The APRA Basel III Group capital surplus is \$A4.4 billion calculated at exiting requirements of 7.0 percent RWA, per the internal minimum Tier 1 ratio of the Bank Group.

Corporate and Asset Finance specialises in corporate debt and asset financing across aircraft, motor vehicles, technology, healthcare, manufacturing, industrial, energy, rail and mining equipment.

CAF's net profit contribution of \$A611 million for the half-year ended 30 September 2015 increased 31 percent from \$A468 million in the prior corresponding period. The improved result was largely driven by the favourable impact of the depreciation of the Australian dollar, the accretion of interest income on loans acquired at a discount in the Lending portfolio and increased net operating lease income mainly due to the contribution of aircraft acquired to date from AWAS. CAF's asset and loan portfolio increased 13 percent from \$A28.7 billion at 31 March 2015 to \$A32.3 billion at 30 September 2015 mainly driven by the impact of the depreciation of the Australian dollar, the acquisition of aircraft during the period as well as the acquisition of Advantage Funding in July 2015.

Banking and Financial Services provides a diverse range of personal banking, wealth management and business banking products and services to retail clients, advisers, brokers and business clients.

BFS' net profit contribution of \$A170 million for the half-year ended 30 September 2015 increased 21 percent from \$A141 million in the prior corresponding period. In the half-year ended 30 September 2015, BFS benefited from strong volume growth in Australian mortgages, business lending and deposits, partially offset by increased investment in technology projects to support growth in the business, including the development of a new Core Banking system. The Australian mortgage portfolio increased 13 percent from \$A24.5 billion at 31 March 2015 to \$A27.6 billion at 30 September 2015, representing approximately 1.8 percent of the Australian mortgage market. Macquarie platform assets under administration were broadly in line with 31 March 2015 at \$A46.7 billion.

Macquarie Securities is a global institutional securities house with strong Asia-Pacific foundations.

MSG's net profit contribution of \$A240 million for the half-year ended 30 September 2015 increased significantly from \$A17 million in the prior corresponding period. MSG benefited from improved market and trading conditions in Australia and Asia driven by increased market volatility, particularly in China, driving strong growth in trading-related income as well as increased brokerage and commissions income. Income growth was partly offset by increased operating expenses relative to the prior corresponding period driven by the depreciation of the Australian dollar.

Macquarie Capital offers expertise across a range of advisory and capital raising services.

Macquarie Capital's net profit contribution of \$A170 million for the half-year ended 30 September 2015 increased 13 percent from \$A150 million in the prior corresponding period predominately due to increased mergers and acquisitions fee revenue, particularly in Australia and the US, partially offset by increased impairment charges relating to certain underperforming principal investments. During the half-year ended 30 September 2015, Macquarie Capital advised on 208 transactions valued at \$A116 billion including acting as joint lead manager and joint underwriter on National Australia Bank's \$A5.5 billion accelerated renounceable entitlement offer and financial adviser, debt and equity arranger to Freeport LNG on

its \$US4.6 billion project financing of Train 3 of its Liquefaction and Export Project.

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

CFM's net profit contribution for the half-year ended 30 September 2015 was \$A282 million, an increase of 13 percent from \$A250 million in the prior corresponding period. The result reflected improved returns across the commodities trading platform and the favourable impact of the depreciation of the Australian dollar while income from credit, interest rates and foreign exchange markets remained flat compared with the prior corresponding period. These were partially offset by higher provisions for impairments taken on certain underperforming commodity related loans.

Business strategies

Consistent with the principles of Opportunity, Accountability and Integrity, Macquarie employs a business strategy focused on the medium term with the following key aspects:

- **conducting a mix of annuity-style and capital markets facing businesses** that deliver solid returns in a range of market conditions. In recent years Macquarie has strongly developed its annuity-style businesses, providing steady returns to the business and Macquarie shareholders and certainty to clients
- **operating a diversified set of businesses** across different locations and service offerings: banking, financial, advisory, investment and funds management services. Macquarie offers a range of services to government, institutional, corporate and retail clients. This diversity mitigates concentration risk and provides resilience to the Group, as highlighted in the challenging global markets of recent years
- **utilising proven deep expertise** has allowed Macquarie to establish leading market positions as a global specialist in sectors including resources and commodities, energy, financial institutions, infrastructure and real estate, with a deep knowledge of Asia-Pacific financial markets
- **expanding progressively by pursuing adjacencies** through new organic opportunities and selective acquisitions in products and geographies that are adjacent to its established areas of expertise, by building expertise in these disciplines and expanding into associated activities. This results in sustainable evolutionary growth
- **pursuing growth opportunities** through recognising the value of ideas and innovation. Macquarie starts with real knowledge and skill and encourages innovation, ingenuity and entrepreneurial spirit coupled with accountability. Macquarie seeks to identify opportunity and realise it for clients, community, shareholders and its people. Ideas for new businesses are typically generated in the operating businesses. Additionally, there are no specific businesses, markets, or regions in which Macquarie's strategy demands it operates. This means it retains operational flexibility and can adapt the portfolio mix to changing market conditions within the boundaries of the Board-approved Risk Appetite Statement
- **utilising a conservative approach to risk management** through Macquarie's strong risk management framework, embedded across all operating groups. This equips the business for unanticipated disruptions and ensures that both the relevant business and Macquarie can survive a worst-case outcome from any new or existing activity

Directors' Report

for the half-year ended 30 September 2015

continued

- **maintaining a strong and conservative balance sheet** consistent with its longstanding policy of holding a level of capital which supports its business and managing its capital base ahead of ordinary business requirements. Macquarie remains well funded, with diversified funding sources. It continues to pursue its strategy of diversifying funding sources by growing its deposit base and accessing different funding markets.

Outlook

While the impact of future market conditions makes forecasting difficult, it is currently expected that the combined net profit contribution from operating groups for the financial year ending 31 March 2016 will be up on the financial year ended 31 March 2015.

The tax rate for the financial year ending 31 March 2016 is currently expected to be broadly in line with the first half of the financial year ending 31 March 2016.

Given the earlier than expected recognition of additional performance fees in the first half of the financial year ending 31 March 2016, the result for the second half of the year ending 31 March 2016 is expected to be lower than the first half of the financial year ending 31 March 2016 but higher than the second half of the financial year ended 31 March 2015.

Accordingly, the Group continues to expect the result of the financial year ending 31 March 2016 to be up on the financial year ended 31 March 2015.

The Group's short term outlook remains subject to a range of challenges including: market conditions; the impact of foreign exchange; the cost of its continued conservative approach to funding and capital; and potential regulatory changes and tax uncertainties.

Macquarie remains well positioned to deliver superior performance in the medium term due to: its deep expertise in major markets; strength in diversity and ability to adapt its portfolio mix to changing market conditions; the ongoing benefits of continued cost initiatives; a strong and conservative balance sheet; and a proven risk management framework and culture.

Events after the reporting period

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

Interim dividend

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

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

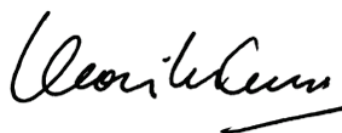
Auditor's independence declaration

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

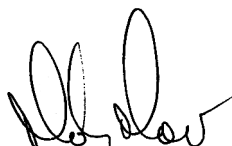
Rounding of amounts

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

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



H Kevin McCann AM
Independent Director and
Chairman



Nicholas Moore
Managing Director and
Chief Executive Officer
Sydney
30 October 2015

Auditor's independence declaration

for the half-year ended 30 September 2015



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

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

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

A handwritten signature in black ink, reading 'K. G. Smith'.

K.G. Smith
Partner
PricewaterhouseCoopers
Sydney
30 October 2015

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Consolidated income statement

for the half-year ended 30 September 2015

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

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

Consolidated statement of comprehensive income

for the half-year ended 30 September 2015

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

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

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

Consolidated statement of financial position

as at 30 September 2015

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

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

Consolidated statement of changes in equity

for the half-year ended 30 September 2015

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

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

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

Consolidated statement of cash flows

for the half-year ended 30 September 2015

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

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

Notes to the consolidated financial statements

for the half-year ended 30 September 2015

Note 1

Summary of significant accounting policies

Basis of preparation

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

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

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

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

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

Critical accounting estimates and significant judgements

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

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

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

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

AASB 9 Financial Instruments

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

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

- (i) have cash flows solely of principal and interest, and
- (ii) are held in a business model managed both to collect cash flows and for sale

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

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

Notes to the consolidated financial statements

for the half-year ended 30 September 2015

continued

Note 1

Summary of significant accounting policies continued

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

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

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

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

AASB 15 Revenue from Contracts with Customers

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

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

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

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

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

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

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

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

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

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

Half-year to 30 Sep 2015 \$m	Half-year to 31 Mar 2015 \$m	Half-year to 30 Sep 2014 \$m
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Note 2

Profit for the period

Net interest income

Interest and similar income received/receivable	2,677	2,613	2,396
Interest expense and similar charges paid/payable	(1,512)	(1,477)	(1,440)
Net interest income	1,165	1,136	956

Fee and commission income

Base fees	791	738	650
Performance fees	629	294	373
Mergers and acquisitions, advisory and underwriting fees	537	544	429
Brokerage and commissions ⁽¹⁾	461	440	396
Other fee and commission income	376	556	319
Total fee and commission income	2,794	2,572	2,167

Net trading income⁽²⁾

Equities	375	224	160
Commodities ⁽³⁾	540	657	382
Credit, interest rates and foreign exchange products	193	159	145
Net trading income	1,108	1,040	687

Share of net (losses)/profits of associates and joint ventures accounted for using the equity method

(63)	(14)	19
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⁽¹⁾ Includes life investment and insurance premium of \$173 million (half-year to 31 March 2015: \$113 million; half-year to 30 September 2014: \$113 million) and related expenses of \$115 million (half-year to 31 March 2015: \$70 million; half-year to 30 September 2014: \$69 million).

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

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

Notes to the consolidated financial statements

for the half-year ended 30 September 2015

continued

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

Half-year to 30 Sep 2015 \$m	Half-year to 31 Mar 2015 \$m	Half-year to 30 Sep 2014 \$m
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Note 2

Profit for the period continued

Employment expenses

Salary and salary related costs including commissions, superannuation and performance-related profit share

(1,923)	(1,915)	(1,626)
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Share-based payments⁽¹⁾

(184)	(160)	(180)
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(Provision for)/reversal of long service leave and annual leave

(11)	5	(15)
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Total compensation expenses

(2,118)	(2,070)	(1,821)
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Other employment expenses including on-costs, staff procurement and staff training

(145)	(129)	(123)
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Total employment expenses

(2,263)	(2,199)	(1,944)
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Brokerage, commission and trading-related expenses

Brokerage and other trading-related expenses

(345)	(341)	(299)
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Other fee and commission expenses

(99)	(96)	(88)
------	------	------

Total brokerage, commission and trading-related expenses

(444)	(437)	(387)
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Occupancy expenses

Operating lease rentals

(125)	(123)	(108)
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Depreciation: buildings, furniture, fittings and leasehold improvements

(34)	(38)	(34)
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Other occupancy expenses

(43)	(40)	(36)
------	------	------

Total occupancy expenses

(202)	(201)	(178)
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Non-salary technology expenses

Information services

(85)	(77)	(68)
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Depreciation: equipment

(12)	(9)	(7)
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Service provider and other non-salary technology expenses

(190)	(145)	(131)
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Total non-salary technology expenses

(287)	(231)	(206)
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Other operating expenses

Professional fees

(157)	(172)	(143)
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Auditor's remuneration

(13)	(16)	(11)
------	------	------

Travel and entertainment expenses

(83)	(83)	(75)
------	------	------

Advertising and promotional expenses

(39)	(44)	(35)
------	------	------

Communication expenses

(17)	(19)	(14)
------	------	------

Amortisation of intangibles

(41)	(67)	(28)
------	------	------

Other expenses

(153)	(108)	(142)
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Total other operating expenses

(503)	(509)	(448)
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Total operating expenses

(3,699)	(3,577)	(3,163)
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⁽¹⁾ Includes \$27 million (half-year to 31 March 2015: \$10 million; half-year to 30 September 2014: \$11 million) of share-based payment expense of cash settled awards.

Notes to the consolidated financial statements

for the half-year ended 30 September 2015

continued

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Note 3

Segment reporting

(i) Operating segments

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

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

The operating groups comprise:

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

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

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

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

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

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

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

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

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

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

Internal funding arrangements

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

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

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

Transactions between Operating Groups

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

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

Central support functions

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

Performance-related profit share and share-based payments expense

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

Income tax

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

Presentation of segment income statements

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

Notes to the consolidated financial statements

for the half-year ended 30 September 2015

continued

	Macquarie Asset Management \$m	Corporate and Asset Finance \$m	Banking and Financial Services \$m
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Note 3

Segment reporting continued

(i) Operating segments continued

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

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

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

Notes to the consolidated financial statements

for the half-year ended 30 September 2015

continued

Note 3

Segment reporting continued

(ii) Products and services

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

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

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

(iii) Geographical areas

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

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

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

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

(iv) Major customers

The Consolidated Entity does not rely on any major customer.

Half-year to 30 Sep 2015 \$m	Half-year to 31 Mar 2015 \$m	Half-year to 30 Sep 2014 \$m
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Note 4

Income tax expense

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

Prima facie income tax expense on operating profit ⁽¹⁾	(486)	(421)	(336)
Tax effect of amounts which are (non deductible)/non-assessable in calculating taxable income:			
Rate differential on offshore income	(30)	(50)	(79)
Other items	(14)	4	(17)
Total income tax expense	(530)	(467)	(432)

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

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

Available for sale reserves	19	(45)	(16)
Cash flow hedges	(11)	15	10
Foreign currency translation reserve	3	(20)	1
Share of other comprehensive income of associates and joint ventures	–	5	2
Total tax benefit/(expense) relating to items of other comprehensive income	11	(45)	(3)

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

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

Notes to the consolidated financial statements

for the half-year ended 30 September 2015

continued

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

Note 5

Dividends and distributions paid or provided for

(i) Dividends paid or provided for

Ordinary share capital and exchangeable shares

Interim dividend paid (half-year to 31 March 2015: \$1.30 per share) ⁽¹⁾	–	417	–
2015 final dividend paid \$2.00 per share (half-year to 30 September 2014: \$1.60 per share) ^{(2),(3)}	667	–	514
Total dividends paid (Note 17)	667	417	514

⁽¹⁾ Interim dividend paid by the Consolidated Entity includes \$nil (half-year to 31 March 2015: \$4 million; half-year to 30 September 2014: \$nil) of dividend equivalent amount paid during the period to Deferred Share Units (DSUs) holders.

⁽²⁾ Final dividend paid by the Consolidated Entity includes \$6 million (half-year to 31 March 2015: \$nil; half-year to 30 September 2014: \$5 million) of dividend equivalent amount paid during the period to Deferred Share Units (DSUs) holders.

⁽³⁾ Final dividend paid by the Consolidated Entity includes \$nil (half-year to 31 March 2015: \$nil; half-year to 30 September 2014: \$1 million) of dividend paid to holders of exchangeable shares issued as consideration for the acquisition of Orion Financial Inc. and Tristone Capital Global Inc. as described in Note 16 – Contributed equity.

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

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

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

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

Half-year to 30 Sep 2015	Half-year to 31 Mar 2015	Half-year to 30 Sep 2014
Dividend per ordinary share		

Cash dividend per ordinary share (distribution of current period profits)	\$1.60	\$2.00	\$1.30
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Half-year to 30 Sep 2015 \$m	Half-year to 31 Mar 2015 \$m	Half-year to 30 Sep 2014 \$m
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Note 5

Dividends and distributions paid or provided for continued

(iii) Distributions paid or provided for

Macquarie Income Securities

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

Macquarie Income Preferred Securities

Distributions paid (net of distributions previously provided for)	1	1	–
Distributions provided for	–	2	2
Total distributions paid or provided for	1	3	2

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

Notes to the consolidated financial statements

for the half-year ended 30 September 2015

continued

Half-year to
30 Sep 2015

Half-year to
31 Mar 2015

Half-year to
30 Sep 2014

Note 6

Earnings per share

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

	Number of shares		
	Half-year to 30 Sep 2015	Half-year to 31 Mar 2015	Half-year to 30 Sep 2014
Total weighted average number of externally held ordinary shares used in the calculation of basic earnings per share	310,604,171	300,888,857	295,358,984
Weighted average number of shares used in the calculation of diluted earnings per share	310,604,171	300,888,857	295,358,984
Weighted average fully paid externally held ordinary shares	310,604,171	300,888,857	295,358,984
Potential ordinary shares:			
Weighted average Macquarie Bank Capital Notes	5,663,489	5,516,313	–
Weighted average Macquarie Group Capital Notes	7,913,391	7,970,512	10,421,153
Weighted average Exchangeable Capital Securities	4,895,512	4,546,959	5,167,993
Weighted average unvested MEREP awards	18,027,083	18,795,969	19,939,884
Weighted average options	–	–	5,426
Total weighted average number of externally held ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share	347,103,646	337,718,610	330,893,440

Note 6

Earnings per share continued

Macquarie Group Employee Retained Equity Plan

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

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

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

Exchangeable Shares

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

Exchangeable Capital Securities (ECS)

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

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

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

Macquarie Group Capital Notes (MCN)

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

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

Macquarie Bank Capital Notes (BCN)

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

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

Notes to the consolidated financial statements

for the half-year ended 30 September 2015

continued

	As at 30 Sep 2015 \$m	As at 31 Mar 2015 \$m	As at 30 Sep 2014 \$m
Note 7			
Trading portfolio assets			
Equities			
Listed	14,610	14,832	10,095
Unlisted	54	63	72
Commodities	5,968	6,035	5,681
Commonwealth government securities	4,850	4,199	5,191
Corporate loans and securities	3,234	2,653	3,048
Foreign government securities	1,756	1,377	1,833
Treasury notes	785	1,133	240
Other ⁽¹⁾	80	114	150
Total trading portfolio assets	31,337	30,406	26,310

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

Note 8

Investment securities available for sale

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

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

Note 9

Other assets

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

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

Note 10

Loan assets held at amortised cost

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

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

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

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

Notes to the consolidated financial statements

for the half-year ended 30 September 2015

continued

	As at 30 Sep 2015 \$m	As at 31 Mar 2015 \$m	As at 30 Sep 2014 \$m
Note 11			
Impaired financial assets			
Impaired debt investment securities available for sale before individually assessed provisions for impairment	67	3	7
Less individually assessed provisions for impairment	(67)	(3)	(6)
Debt investment securities available for sale after individually assessed provisions for impairment	–	–	1
Impaired loan assets and other financial assets before individually assessed provisions for impairment	1,603	1,343	956
Less individually assessed provisions for impairment	(881)	(716)	(461)
Loan assets and other financial assets after individually assessed provisions for impairment	722	627	495
Total net impaired financial assets	722	627	496

Note 12

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

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

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

Note 13

Trading portfolio liabilities

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

Note 14

Other liabilities

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

As at 30 Sep 2015 \$m	As at 31 Mar 2015 \$m	As at 30 Sep 2014 \$m
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Note 15

Debt issued at amortised cost

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

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

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

Reconciliation of debt issued at amortised cost by major currency:

(In Australian dollar equivalent):

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

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

Notes to the consolidated financial statements

for the half-year ended 30 September 2015

continued

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

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

	Half-year to 30 Sep 2015 \$m	Half-year to 31 Mar 2015 \$m	Half-year to 30 Sep 2014 \$m
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Note 16

Contributed equity continued

Exchangeable shares

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

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

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

Notes to the consolidated financial statements

for the half-year ended 30 September 2015

continued

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

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

Note 17

Reserves, retained earnings and non-controlling interests continued

Non-controlling interests

Macquarie Income Securities

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

Macquarie Income Preferred Securities

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

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

Notes to the consolidated financial statements

for the half-year ended 30 September 2015

continued

As at 30 Sep 2015 \$m	As at 31 Mar 2015 \$m	As at 30 Sep 2014 \$m
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Note 18

Notes to the consolidated statement of cash flows

Reconciliation of cash and cash equivalents

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

Receivables from financial institutions ⁽¹⁾	9,897	10,681	10,474
Trading portfolio assets ⁽²⁾	807	1,155	567
Debt securities ⁽³⁾	2,562	1,129	1,129
Loan asset at amortised cost ⁽⁴⁾	3,192	4,008	2,769
Cash and cash equivalents at the end of the period⁽⁵⁾	16,458	16,973	14,939

⁽¹⁾ Includes cash at bank, overnight cash at bank, other loans to banks and amounts due from clearing houses.

⁽²⁾ Includes certificates of deposit, bank bills, treasury notes and other short-term debt securities.

⁽³⁾ Includes short-term debt securities.

⁽⁴⁾ Includes amounts due from clearing houses.

⁽⁵⁾ Cash and cash equivalents include \$6,011 million (31 March 2015: \$5,643 million; 30 September 2014: \$3,242 million) held by collateralised securitisation vehicles in segregated deposit fund and escrow accounts which are restricted for use.

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

As at 30 Sep 2015 \$m	As at 31 Mar 2015 \$m	As at 30 Sep 2014 \$m
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Note 19

Contingent liabilities and commitments

The following contingent liabilities and commitments exclude derivatives.

Contingent liabilities exist in respect of:

Letters of credit	719	611	521
Guarantees	291	601	277
Performance related contingents	268	276	341
Indemnities	259	155	138
Total contingent liabilities⁽¹⁾	1,537	1,643	1,277

Commitments exist in respect of:

Undrawn credit facilities and equity underwriting	10,474	5,956	5,801
Forward asset purchases	3,411	5,712	819
Total commitments⁽²⁾	13,885	11,668	6,620
Total contingent liabilities and commitments	15,422	13,311	7,897

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

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

Notes to the consolidated financial statements

for the half-year ended 30 September 2015

continued

Note 20

Fair values of financial assets and liabilities

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

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

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

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

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

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

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

- trading portfolio assets and liabilities, financial assets and liabilities at fair value through profit or loss, derivative financial instruments and other transactions undertaken for trading purposes are measured at fair value by reference to quoted market prices when available (e.g. listed securities). If quoted market prices are not available, then fair values are estimated on the basis of pricing models or other recognised valuation techniques
- investment securities classified as available for sale are measured at fair value by reference to quoted market prices when available (e.g. listed securities). If quoted market prices are not available, then fair values are estimated on the basis of pricing models or other recognised valuation techniques. Unrealised gains and losses, excluding impairment write-downs, are recorded in the available for sale reserve in equity until the asset is sold, collected or otherwise disposed of

- fair values of fixed rate loans and issued debt classified as at fair value through profit or loss is estimated by reference to current market rates offered on similar loans and issued debt
- for financial assets carried at fair value, in order to measure counterparty credit risk, a Credit Valuation Adjustment (CVA) is incorporated into the valuation. The CVA is calculated at a counterparty level taking into account all exposures to that counterparty
- for financial liabilities carried at fair value, in order to measure the Consolidated Entity's own credit risk, a Debit Valuation Adjustment (DVA) is incorporated into the valuations, and
- for uncollateralised derivative positions, the Consolidated Entity has incorporated the market implied funding costs for these uncollateralised derivative positions as a Funding Valuation Adjustment (FVA). FVA is determined by calculating the net expected exposures at a counterparty level and applying the Group's internal Treasury lending rates as an input into the calculation. The approach takes into account the probability of default of each counterparty, as well as any mandatory break clauses.

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

Note 20

Fair values of financial assets and liabilities continued

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

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

Notes to the consolidated financial statements

for the half-year ended 30 September 2015

continued

Carrying value
\$m

Fair value
\$m

Note 20

Fair values of financial assets and liabilities continued

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

	As at 30 September 2015	
Assets		
Receivables from financial institutions	36,954	36,954
Other financial assets	10,972	10,972
Loan assets held at amortised cost	76,690	76,797
Total assets	124,616	124,723

Liabilities		
Deposits	51,915	51,922
Other financial liabilities	10,720	10,720
Payables to financial institutions	23,525	23,542
Debt issued at amortised cost	65,466	65,926
Loan capital	5,782	5,860
Total liabilities	157,408	157,970

	As at 31 March 2015	
Assets		
Receivables from financial institutions	28,705	28,705
Other financial assets	11,236	11,236
Loan assets held at amortised cost	72,762	72,834
Total assets	112,703	112,775

Liabilities		
Deposits	47,386	47,359
Other financial liabilities	10,568	10,568
Payables to financial institutions	18,645	18,747
Debt issued at amortised cost	61,463	62,463
Loan capital	4,384	4,712
Total liabilities	142,446	143,849

	As at 30 September 2014	
Assets		
Receivables from financial institutions	20,775	20,775
Other financial assets	13,024	13,024
Loan assets held at amortised cost	64,435	64,945
Total assets	98,234	98,744

Liabilities		
Deposits	44,216	44,225
Other financial liabilities	13,287	13,287
Payables to financial institutions	16,961	17,006
Debt issued at amortised cost	51,076	51,965
Loan capital	3,604	3,778
Total liabilities	129,144	130,261

Note 20

Fair values of financial assets and liabilities continued

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

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

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

Notes to the consolidated financial statements

for the half-year ended 30 September 2015

continued

Note 20

Fair values of financial assets and liabilities continued

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

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

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

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Notes to the consolidated financial statements

for the half-year ended 30 September 2015

continued

Note 20

Fair values of financial assets and liabilities continued

Reconciliation of balances in Level 3 of the fair value hierarchy

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

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

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

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

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

Notes to the consolidated financial statements

for the half-year ended 30 September 2015

continued

Note 20

Fair values of financial assets and liabilities continued

Significant transfers between levels of the fair value hierarchy

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

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

Unrecognised gains

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

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

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

Sensitivity analysis of valuations using unobservable inputs

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

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

Note 20

Fair values of financial assets and liabilities continued

Significant unobservable inputs

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

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

Notes to the consolidated financial statements

for the half-year ended 30 September 2015

continued

Note 20

Fair values of financial assets and liabilities continued

Correlation

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

Volatility

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

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

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

Note 21

Acquisitions and disposals of subsidiaries and businesses

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

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

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

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

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

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

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

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

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

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

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

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

Notes to the consolidated financial statements

for the half-year ended 30 September 2015

continued

Note 21

Acquisitions and disposals of subsidiaries and businesses continued

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

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

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

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

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

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

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

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

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

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

Note 22

Events after the reporting date

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

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

Directors' declaration

for the half-year ended 30 September 2015

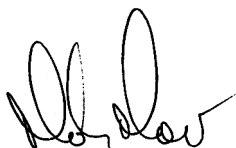
In the Directors' opinion

- a) the financial statements and notes for the half-year ended 30 September 2015 set out on pages 9 to 52 are in accordance with the *Corporations Act 2001* (Cth) including:
 - i) complying with the accounting standards, and
 - ii) giving a true and fair view of the Consolidated Entity's financial position as at 30 September 2015 and performance for the half-year ended on that date
- b) there are reasonable grounds to believe that Macquarie Group Limited will be able to pay its debts as and when they become due and payable, and
- c) the financial statements also comply with International Financial Reporting Standards (see Note 1 set out on page 15).

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



H Kevin McCann, AM
Independent Director and
Chairman



Nicholas Moore
Managing Director and
Chief Executive Officer

Sydney
30 October 2015

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



Report on the Half-Year Financial Report

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

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

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

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

Independence

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

Conclusion

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

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

The PricewaterhouseCoopers logo, which is a stylized, cursive script of the firm's name.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'K. G. Smith'.

K.G. Smith
Partner

Sydney
30 October 2015

Macquarie Group Limited

Ten year history

The financial information for the full years ended 31 March 2007–2015 and half-year ended 30 September 2015 is based on the reported results using the Australian Accounting Standards that also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Years ended 31 March	2007	2008	2009	2010	2011	2012	2013	2014	2015	First Half 2016
Income statement (\$ million)										
Total income	7,181	8,248	5,526	6,638	7,665	6,963	6,657	8,132	9,262	5,318
Total expenses	(5,253)	(6,043)	(4,537)	(5,344)	(6,394)	(5,914)	(5,252)	(6,026)	(6,740)	(3,699)
Operating profit before income tax	1,928	2,205	989	1,294	1,271	1,049	1,405	2,106	2,522	1,619
Income tax expense	(377)	(317)	(15)	(201)	(282)	(287)	(533)	(827)	(899)	(530)
Profit for the year	1,551	1,888	974	1,093	989	762	872	1,279	1,623	1,089
Macquarie Income Securities distributions	(31)	(34)	(33)	(21)	(26)	(26)	(21)	(18)	(18)	(8)
Macquarie Income Preferred Securities distributions	(54)	(50)	(45)	(8)	(4)	(4)	(4)	(4)	(5)	(1)
Other non-controlling interests	(3)	(1)	(25)	(14)	(3)	(2)	4	8	4	(10)
Profit attributable to ordinary equity holders	1,463	1,803	871	1,050	956	730	851	1,265	1,604	1,070
Statement of financial position (\$ million)										
Total assets	136,389	167,250	149,144	145,940	157,568	153,626	144,748	153,904	187,976	209,090
Total liabilities	128,870	157,189	139,584	134,171	145,636	141,894	132,793	141,990	173,580	193,873
Net assets	7,519	10,061	9,560	11,769	11,932	11,732	11,955	11,914	14,396	15,217
Total loan assets	45,939	53,213	47,080	45,660	47,222	46,380	50,793	58,712	72,762	76,690
Impaired loan assets (net of provisions)	46	121	916	551	340	357	368	365	594	705
Share information⁽¹⁾										
Dividends per share (cents per share)										
Interim	125	145	145	86	86	65	75	100	130	160
Final	190	200	40	100	100	75	125	160	200	n/a
Special	–	–	–	–	–	–	–	116	–	n/a
Total	315	345	185	186	186	140	200	376	330	160
Basic earnings per share (cents per share)	591.6	670.6	309.6	320.2	282.5	210.1	251.2	383.6	502.3	324.5
Share price at 31 March (\$) ^{(1),(2)}	82.75	52.82	27.05	47.25	36.60	29.08	37.15	57.93	76.67	76.66
Ordinary share capital (million shares)	253.9	274.6	283.4	344.2	346.8	348.6	339.5	321.1	333.5	333.5
Market capitalisation at 31 March (fully paid ordinary shares) (\$ million) ^{(1),(2)}	21,010	14,504	7,666	16,263	12,693	10,137	12,613	18,601	25,569	25,569
Net tangible assets per ordinary share (\$)	24.35	30.35	27.89	28.40	28.91	28.12	29.94	31.71	38.19	40.30
Ratios (%)										
Return on average ordinary shareholders' funds	28.1	23.7	9.9	10.1	8.8	6.8	7.8	11.1	14.0	15.8
Ordinary dividend payout ratio	54.3	52.2	60.2	60.4	67.3	66.4	79.0	66.8	67.6	50.6
Expense/income ratio	73.2	73.3	82.1	80.5	83.4	84.9	78.9	74.1	72.9	69.6
Net loan losses as % of loan assets (excluding securitisation SPVs and segregated futures funds)	0.1	0.3	1.9	0.8	0.4	0.5	0.4	0.4	0.7	0.6
Assets under management (\$ billion)	197.2	232.0	243.1	325.7	309.8	326.9	347.4	426.9	486.3	504.3
Staff numbers	10,023	13,107	12,716	14,657	15,556	14,202	13,663	13,913	14,085	13,582

⁽¹⁾ The MBL (now MGL) ordinary shares were quoted on the Australian Stock Exchange (now Australian Securities Exchange) on 29 July 1996.

⁽²⁾ At 30 September for the first half 2016.

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CONTACT DETAILS

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