

Interim Update

Half-year ended 30 September 2011

Chairman and Managing Director's report

Result overview

In a difficult operating environment for capital markets facing businesses, Macquarie Group (Macquarie) reported a consolidated after-tax profit of \$A305 million for the half-year ended 30 September 2011, a decrease of 24 per cent on the prior corresponding period and 45 per cent on the prior half. The key areas of the result are outlined in the table below.

	Result	Change on prior corresponding period	Change on prior half
Net profit	\$A305m	(24%)	(45%)
Operating income	\$A3.2b	(11%)	(19%)
Operating expenses	\$A2.8b	(11%)	(12%)
Effective tax rate	26%	Up from 17%	Up from 25%
Earnings per share	\$A0.87	(27%)	(47%)
Return on equity (annualised)	5.7%	Down from 7.4%	Down from 10.2%
Dividend	\$A0.65	Down from \$A0.86	Down from \$A1.00
Assets under management	\$A327b	3%	6%

Performance of operating groups

The half-year presented challenging conditions for the financial services industry globally, as a number of world events adversely impacted global markets and investor confidence. Within Macquarie, the effects were particularly evident in the capital markets facing businesses – Macquarie Securities Group, Macquarie Capital and Fixed Income, Currencies and Commodities – which reported significantly lower results for the half-year.

At an operating level, this was largely offset by Macquarie's annuity style businesses – Macquarie Funds Group, Corporate and Asset Finance Group and Banking and Financial Services Group – which continued to perform well in a difficult environment. This reflects years of investment in these businesses, as well as the benefits of acquisitions made in recent years.

Macquarie Funds Group (MFG) received strong retail and institutional net inflows during the half-year, particularly in Australia and the US, with its assets under management increasing by six per cent to \$A324 billion. The Macquarie Infrastructure and Real Assets business raised more than \$A1.5 billion in commitments and made over \$A750 million in equity investments during the half-year. Macquarie Investment Management achieved top quartile performance over three years in 18 Delaware Investments branded funds and across several flagship strategies in Australia. Macquarie Specialised Investment Solutions continued to expand its wholesale business in the US and Europe with total loans and assets under risk management now exceeding \$A2.0 billion. MFG also realised a number of operational efficiencies as a result of the consolidation of asset management businesses within Macquarie.

Corporate and Asset Finance Group's (CAF) lease and corporate lending portfolio increased to \$A20.5 billion, reflecting contributions from recent acquisitions, increased corporate lending activities, the consolidation of Macquarie's aircraft operating leasing within CAF and organic growth. Initiatives during the half-year included the extension of finance to motor vehicle manufacturers and dealers in Australia and technology distributors globally and the commencement of mining equipment financing. CAF is also implementing standard lending and leasing systems across its global portfolios to deliver platform efficiencies.

Banking and Financial Services Group (BFS) continued to grow its global client numbers and market share. Total retail deposits increased by eight per cent to \$A28.6 billion during the half-year, while BFS maintained its number one position for full-service retail stockbroking in Australia. Since balance date, Macquarie Wrap has entered an agreement to provide administration services for Perpetual Limited's \$A8.7 billion platform business. Macquarie has also entered a strategic collaboration with Swiss private bank Julius Baer, under which Macquarie's Asian Private Wealth business is transferred to Julius Baer. Platform efficiencies during the half-year included the outsourcing of the servicing and origination functions of the Canadian mortgage portfolio.

Macquarie Securities Group (MSG) experienced a challenging environment, with weak investor confidence and difficult market conditions affecting the cash and derivatives businesses and equity capital markets (ECM) activity globally. MSG reviewed and restructured a number of activities, exiting retail structured products in Australia, institutional derivatives in South Africa and Europe and rationalising its cash distribution platform in Europe. With top tier rankings among institutional clients for its research and sales strength, a strong Asia-Pacific ECM franchise and a global institutional securities platform, MSG is well positioned for an improvement in market conditions.

Macquarie Capital experienced significantly weaker markets for mergers and acquisitions transactions (M&A) and ECM raisings. It advised on 214 transactions worth \$A41 billion during the period, including the SA Health Partnership Consortium bid on the \$A1.85 billion New Royal Adelaide Hospital project in Australia and the Cumulus Media Inc. acquisition of Citadel Broadcasting Corporation to create the second largest radio broadcasting company in the US. Continued staff and operational efficiencies resulted in a significant reduction in expenses on the prior corresponding period. Macquarie Capital has a global corporate finance capability and is well placed for a return in investor confidence, with top tier positions for M&A in Australia/New Zealand and Asia ex-Japan and a strong Asia-Pacific ECM franchise.

In **Fixed Income, Currencies and Commodities** (FICC), heightened volatility resulted in reduced volumes and activity in many businesses, with credit and interest rate markets most affected. Market conditions were dominated by uncertainty and concerns over global growth prompting dislocation in certain markets. Notably a flight to safety was evidenced by a widening in credit spreads which negatively impacted trading results in some areas. Initiatives during the half-year included the establishment of a G10 currencies sales and trading platform in Singapore, the granting of a Dubai branch licence and the expansion of Macquarie's global agricultural commodities offering to include physical sugar. Having completed the build-out of its global operations, FICC is focused on leveraging this platform and managing costs to ensure the most efficient operating structure.

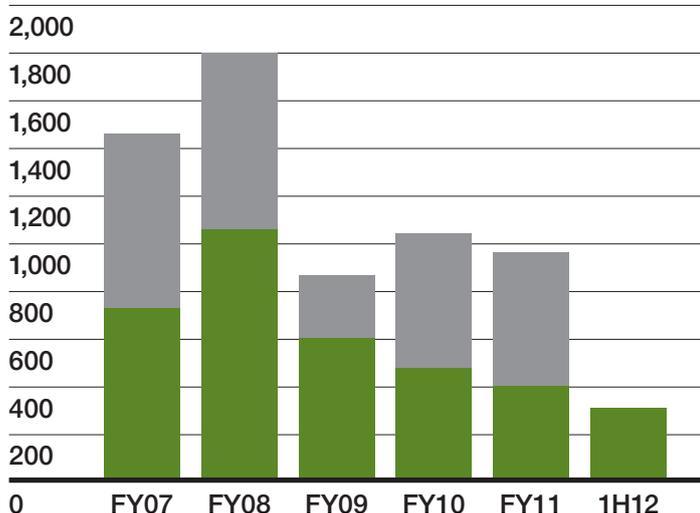
Capital

Macquarie has a long-standing policy of holding a level of capital which supports its business and has consistently grown its capital base ahead of business requirements. The Group's capital at 30 September 2011 was \$A12.4 billion, which was \$A3.5 billion in excess of the Group's minimum regulatory capital requirement.

Reported net profit after tax attributable to ordinary equity holders

\$A million

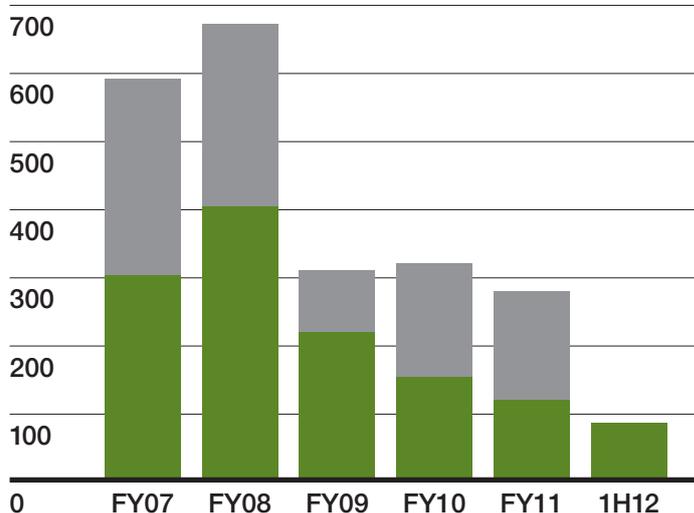
30 Sept ■ 31 Mar ■



Basic earnings per share

A cents

30 Sept ■ 31 Mar ■



The Australian Prudential Regulation Authority (APRA) has released a discussion paper outlining its proposed implementation of the Basel III capital reforms in Australia. Macquarie's current assessment is that it has sufficient capital to meet the minimum APRA Basel III capital requirements (including capital conservation buffer).

Funding

Macquarie remains very well funded, with diversified funding sources. Total deposits increased to \$A34.5 billion at 30 September 2011 from \$A31.6 billion at 31 March 2011. This deposit base represents a diverse and stable source of funding. Short-term wholesale issued paper remains a very small portion of overall funding, with term assets covered by term funding and equity. This reflects the Group's conservative approach to funding.

The Group has raised \$A6.3 billion in new term funding since 31 March 2011, including the recently completed \$A2.6 billion refinancing of its Senior Credit Facility, which was supported by 17 global banks.

Dividend

The Board has resolved to pay an interim unfranked dividend of \$A0.65 per ordinary share, down 24 per cent from \$A0.86 on the prior corresponding period, to be paid on 14 December 2011.

Risk management

Macquarie's robust risk management framework is a key factor in the Group's record of unbroken profitability. The Group has always sought to clearly identify and understand the consequences of worst-case outcomes to determine whether such risks can be tolerated. This approach has remained largely consistent for more than 30 years and has served the Group well through a range of market cycles.

Macquarie's strong culture of risk management is embedded across all operating groups and divisions. Business heads are

responsible for identifying risks within their businesses and ensuring they are managed appropriately, with oversight by an independent Risk Management Group.

As Macquarie's operating groups build on global growth and transaction opportunities, the risk management framework adapts to maintain effective risk oversight.

Our people

Macquarie's culture and people remain the foundation for the long-term growth and success of the business. The Group has always focused on its ability to attract and retain high quality staff. However, in light of recent market conditions, it has undertaken a range of initiatives to ensure the business is operating efficiently in the current challenging environment.

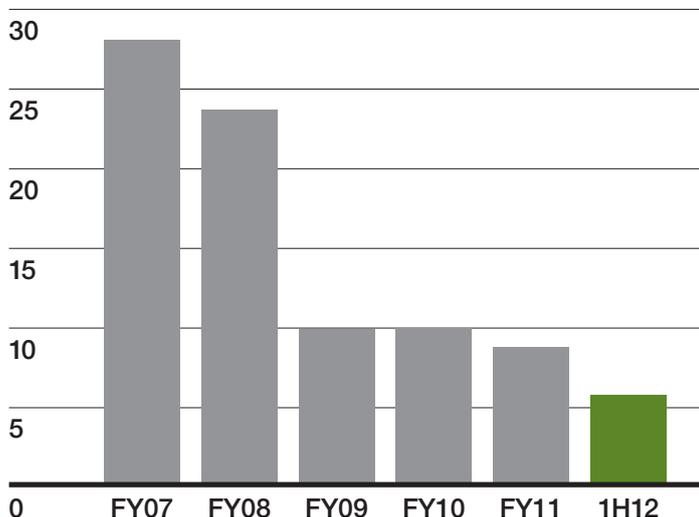
This has resulted in a reduction in staff numbers during the half-year to 15,088 at 30 September 2011 from 15,556 at 31 March 2011. Fifty-four per cent of staff are now based outside Australia, with the Americas accounting for 24 per cent of staff, Asia 20 per cent and the Europe, Middle East and Africa region 10 per cent. International income now accounts for 61 per cent of Macquarie's total income.

Sustainability

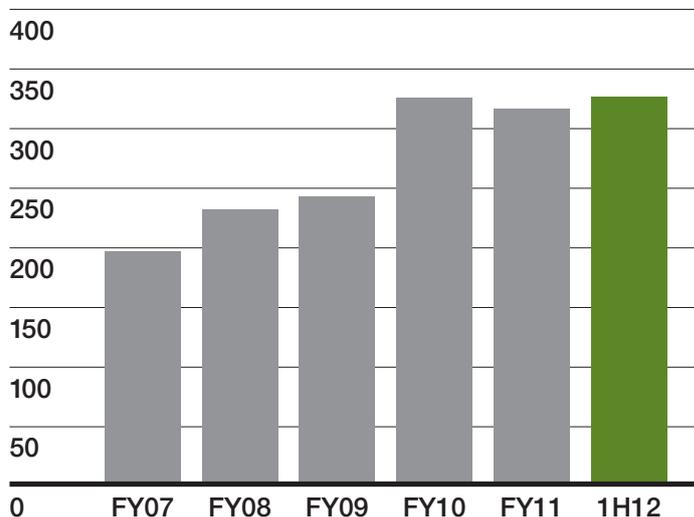
In all of its activities, Macquarie seeks to act responsibly. It recognises that a company is assessed not only on its financial performance but by its standards of corporate governance, the conduct of its staff, the quality of its workplace, its environmental footprint and its level of community engagement.

Further information regarding Macquarie's performance against these wider environmental, social and governance objectives is summarised in the **Sustainability** report of the Macquarie Group Annual Report, which is available on the Macquarie website. The Annual Report also contains a full index listing relevant disclosures in the Global Reporting Initiative index.

Return on average ordinary equity holders' funds
% pa



Assets under management
\$A billion



Board and management

The Board wishes to announce the retirement of Richard Sheppard, Deputy Managing Director of Macquarie Group Limited and Managing Director and Chief Executive Officer of Macquarie Bank Limited, and Roy Laidlaw, Executive Chairman of Macquarie Securities Group and Head of Macquarie Capital.

Richard has had a distinguished career with Macquarie spanning 36 years, including 25 years as a member of the Group Executive Committee. He has served in a variety of roles, including as head of Macquarie's Melbourne office and corporate banking activities, before his appointment as Deputy Managing Director in 1996. He is also Chairman of the Macquarie Group Foundation. Richard will retire on 20 December 2011.

Roy joined Macquarie in 2003 and has led the growth of Macquarie's global institutional securities business. He was appointed to the Group Executive Committee in 2008. His more than 20 years experience in corporate finance, equity capital markets and institutional equities has greatly benefited the Macquarie business. Roy will retire on 31 March 2012.

Both Richard and Roy have played an integral role in Macquarie's growth and success and the Board wishes them both every success for the future.

Greg Ward, currently Chief Financial Officer of Macquarie Group and Head of the Corporate Affairs Group, will become Deputy Managing Director of Macquarie Group Limited and Managing Director and Chief Executive Officer of Macquarie Bank Limited.

Tim Bishop, currently US Country Head and Chief Executive Officer of Macquarie Capital (USA), has been appointed Head of Macquarie Capital.

Patrick Upfold, currently Group Treasurer, will also assume responsibilities as Chief Financial Officer of Macquarie Group. Michael McLaughlin will become US Country Head and Head of US Management Committee and will join the Group Executive Committee.

Outlook

Uncertain market conditions means that short-term forecasting remains very difficult, particularly for Macquarie's capital markets facing businesses.

Macquarie currently expects that if market conditions remain unchanged in the second half, the result for the year to 31 March 2012 will be lower than the prior year. However, should markets recover to those experienced in the second half of the prior year, the result is expected to be broadly in line with the prior year.

Notwithstanding the difficult environment, Macquarie is well positioned to deliver superior performance in the medium term, with an ability to adapt its portfolio mix to changing market conditions, a strong and conservative balance sheet and a proven risk management framework and culture.

Macquarie's Board and management would like to take this opportunity to thank staff for their efforts and shareholders for their support.



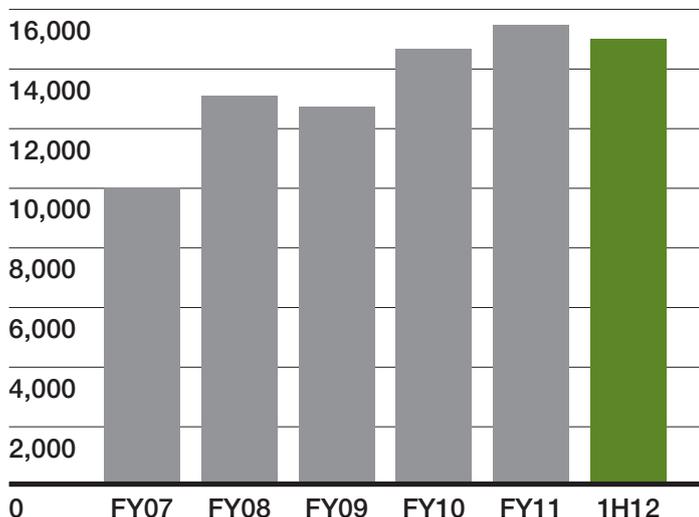
Kevin McCann AM
Chairman



Nicholas Moore
Managing Director and Chief Executive Officer

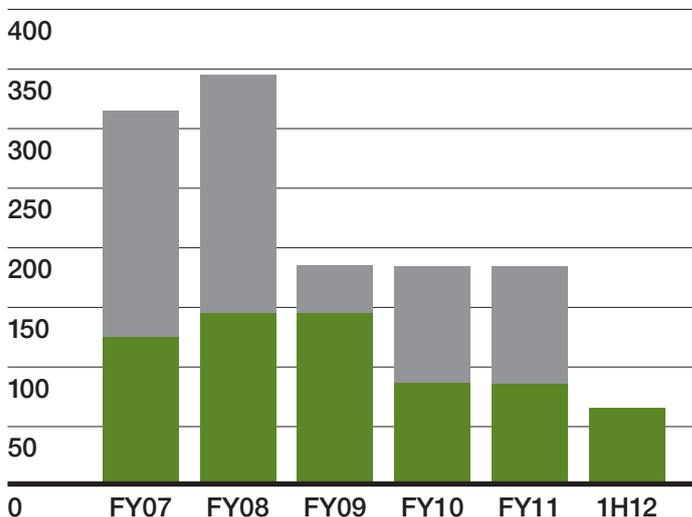
Sydney
28 October 2011

Staff numbers



Cash dividends per share

A cents
30 Sept ■ 31 Mar ■



Overview

Half-year result impacted by heightened global financial market uncertainty

- ▶ Profit of \$A305 million
- ▶ Operating income of \$A3.2 billion
- ▶ International income 61 per cent of total
- ▶ Continued growth of annuity style businesses
- ▶ Earnings per share of \$A0.87
- ▶ Interim dividend of \$A0.65 per share, unfranked
- ▶ Assets under management of \$A327 billion

Strong funding and balance sheet position

- ▶ \$A34.5 billion of total deposits
- ▶ \$A6.3 billion of new term funding raised since 31 March 2011
- ▶ \$A3.5 billion of capital in excess of minimum regulatory capital requirement
- ▶ Diverse and stable funding base
- ▶ Minimal reliance on short term wholesale funding markets
- ▶ Solid and conservative balance sheet
- ▶ Sufficient capital to meet the minimum APRA Basel III capital requirements based on current assessment

This interim update should be read in conjunction with the annual report of Macquarie Group Limited ABN 94 122 169 279 (Macquarie) for the financial year ended 31 March 2011, which was prepared in accordance with Australian Accounting Standards. In addition, reference should be made to any public announcements made by Macquarie during the interim reporting period and in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The material in this update has been prepared by Macquarie and is current at the date of this update. 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.

This update contains forward-looking statements including statements regarding Macquarie's intent, belief or current expectations with respect to its businesses and operations, market conditions, results of operation and financial condition, capital adequacy, specific provisions and risk management practices. Readers are cautioned not to place undue reliance on these forward-looking statements and no representation is made or will be made that any forward-looking statements will be achieved or will prove to be correct. Macquarie does not undertake any obligation to publicly release the result of any revisions to these forward-looking statements to reflect events or circumstances after the date hereof to reflect the occurrence of unanticipated events.

The Macquarie name and Holey Dollar device are registered trade marks of Macquarie Group Limited ACN 122 169 279.



MACQUARIE

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Investor information

Stock exchange listing

Macquarie Group Limited is listed on the ASX and its ordinary shares trade under the code MQG. Macquarie Convertible Preference Securities are quoted on the ASX and trade under the code MQCPA.

Dividend details

Macquarie Group generally pays a dividend on its fully paid ordinary shares twice a year following the interim and final result announcements. The current proposed relevant dates for the 2012 dividends are as per the Shareholder calendar below.

Dividend Reinvestment Plan (DRP)

The DRP allows shareholders to apply their dividends to acquire new Macquarie shares rather than receiving dividends in cash.

2012 Annual General Meeting (AGM)

Macquarie Group's 2012 AGM is currently expected to be held on Wednesday, 25 July 2012 but is subject to confirmation. Details of the business of the meeting will be forwarded to shareholders separately.

Enquiries

Investors who wish to enquire about any administrative matter relating to their Macquarie Group Limited shareholding are invited to contact the share registry office at:

Computershare Investor Services Pty Limited

GPO Box 2975 Melbourne
 Victoria 3001 Australia
 Enquiries (within Australia) 1300 554 096
 (outside Australia) + 61 3 9415 4137
www.investorcentre.com/contact

All other enquiries relating to a Macquarie Group Limited share investment can be directed to:

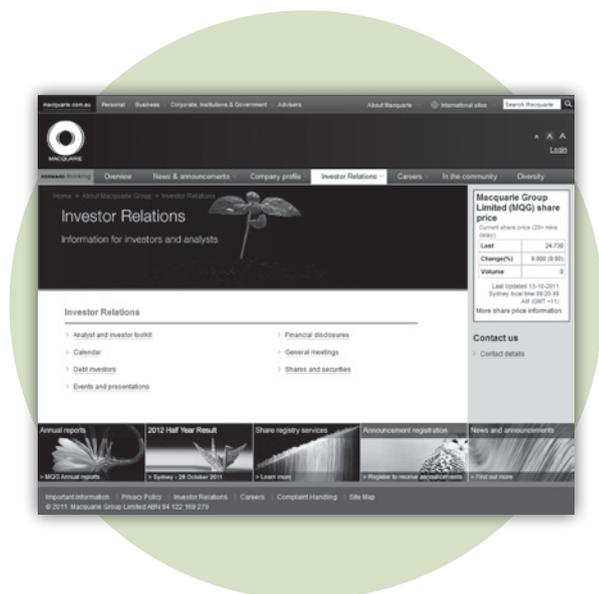
Investor Relations

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Indicative 2012 Shareholder calendar

Date*	Event
27 April	Full-year result and final ordinary dividend announcement
11 May	Record date for final ordinary dividend
2 July	Payment date for final ordinary dividend
25 July	2012 Annual General Meeting
26 October	Half-year result and interim ordinary dividend announcement
9 November	Record date for interim ordinary dividend
12 December	Payment date of interim ordinary dividend

* Dates are subject to change



Further information

Further information on Macquarie's operating groups, regional activity and 10 year history is available on Macquarie's website from 11 November 2011.

► macquarie.com.au/investorrelations