

MACQUARIE GROUP LIMITED
APPENDIX 4D HALF-YEAR REPORT
HALF-YEAR ENDED 30 SEPTEMBER 2010



Macquarie Group Limited

Appendix 4D Half-year report for the half-year ended 30 September 2010

1 Details of the reporting period and the prior corresponding period

Current period: 1 April 2010 to 30 September 2010

Prior corresponding period: 1 April 2009 to 30 September 2009

2 Results for announcement to the market

	Half-year ended 30 September 2010 \$m	Half-year ended 30 September 2009 \$m	Change %
Key information			
2.1 Net operating income	3,661	3,105	18%
2.2 Profit after income tax	411	496	-17%
2.3 Profit attributable to ordinary equity holders of Macquarie Group Limited	403	479	-16%

2.4 Dividends per ordinary share	Amount per security	Franked amount per security
Interim dividend (resolved, not yet provided at 30 September 2010) ¹	86 cents	Nil
Final dividend	n/a	n/a

¹ The entire dividend is Conduit Foreign Income.

2.5 Record date for determining entitlements to the dividends

The record date for the interim dividend is 12 November 2010.

2.6 Commentary

Review of operations

Consolidated profit after income tax attributable to ordinary equity holders of \$403 million for the half-year ended 30 September 2010 decreased 16 per cent from \$479 million in the prior corresponding period. This was primarily due to increased net interest income and reduced charges for impairments and write-downs, offset by increased costs arising from headcount growth, including staff in recently acquired businesses as well as continued investment in our global platform.

The results for the half-year ended 30 September 2010 continued to be affected by challenging trading and market conditions.

Operating income

Net operating income of \$3,661 million for the half-year ended 30 September 2010 increased 18 percent from \$3,105 million in the prior corresponding period. The main drivers of this increase were:

- a 42 per cent increase in net interest income to \$605 million for the half-year ended 30 September 2010 from \$425 million in the prior corresponding period, primarily due to growth in the higher yielding lending portfolio and the acquisitions of the Ford Credit and GMAC lease portfolios;
- a 6 per cent increase in fee and commission income to \$1,995 million for the half-year ended 30 September 2010 from \$1,882 million in the prior corresponding period, mainly driven by the acquisition of Delaware Investments in January 2010, partially offset by a reduction in mergers and acquisitions, advisory and underwriting income;
- net gains from equity accounting of investments in associates and joint ventures of \$85 million for the half-year ended 30 September 2010, up from a net loss of \$197 million in the prior corresponding period driven by an improvement in the underlying results of investments;
- a gain on reclassification of retained investments of \$114 million which predominantly relates to the reclassification of an investment in MAp from an associate to available for sale due to loss of significant influence. On reclassification the retained stake was required to be re-measured to fair value; and
- a 2 per cent increase in other operating income to \$370 million for the half-year ended 30 September 2010 from \$362 million in the prior corresponding period, primarily due to an overall reduction in the level of write-downs and impairment charges (net expense of \$130 million, decreased 78 per cent from a net expense of \$602 million in the half-year ended 30 September 2009). The prior corresponding period also included income from listed fund initiatives that were significantly lower in the half-year ended 30 September 2010.

Macquarie Group Limited

Appendix 4D Half-year report for the half-year ended 30 September 2010

2.6 Commentary continued

Operating expenses

Total operating expenses of \$3,165 million for the half-year ended 30 September 2010 increased 23 per cent from \$2,573 million in the prior corresponding period. The increase was largely driven by:

- a 26 per cent increase in employment expenses to \$1,896 million for the half-year ended 30 September 2010 from \$1,509 million in the prior corresponding period, which was primarily due to a 22 per cent increase in headcount mainly from recent acquisitions and continued investment in our global platform;
- a 34 per cent increase in brokerage and commission expenses to \$441 million from \$329 million in the prior corresponding period primarily due to the acquisition of Delaware Investments and growth in futures execution and clearing volumes; and
- a 20 per cent increase in other operating expenses to \$432 million from \$359 million in the prior corresponding period primarily due to the contribution of recent acquisitions.

The compensation ratio of 47.9 per cent for the half-year ended 30 September 2010 increased from 45.2 per cent in the prior corresponding period due to increased employment expenses as described above.

Income tax expense for the half-year ended 30 September 2010 of \$85 million increased significantly from \$36 million in the prior corresponding period, as a result of lower levels of write-downs and impairment charges. As a result, the effective tax rate was 17 per cent, up from 7 per cent in the prior corresponding period.

Assets under management (AUM) of \$317 billion at 30 September 2010 decreased 3 per cent from \$326 billion at 31 March 2010. The overall net decrease in AUM was driven by the combined impact of the conversion of Cash Management Trust accounts to Cash Management Accounts and the strengthening of the Australian dollar.

Events subsequent to balance sheet date

There were no material events subsequent to 30 September 2010 that have not been reflected in the financial statements.

Refer to the September 2010 Interim Result Announcement for further details.

3 Net tangible assets per ordinary share

Security	Half-year ended 30 September 2010	Half-year ended 30 September 2009
	\$	\$
Ordinary shares	25.21	26.11

Net tangible assets includes intangibles (net of associated deferred tax assets and deferred tax liabilities) within assets and disposal groups held for sale.

Excluding intangible assets within held for sale businesses, the net tangible assets per ordinary share for the half-year ended 30 September 2010 was \$25.21 (2009: \$26.08).

4 Control gained or lost over entities in the period, and those having material effect

Name of entities where control was gained in the period	Date control gained
Sal. Oppenheim	7 April 2010

The above business did not contribute materially to the consolidated entity's profit after income tax.

Name of entities where control was lost in the period

There were no significant entities where control was lost in the period.

5 Dividend details

	Half-year ended 30 September 2010	Half-year ended 30 September 2009
	\$m	\$m
Ordinary share capital		
2010 final dividend:		
100 cents (2009: 40 cents) per share – paid 2 July 2010 (2009: 3 July 2009)	344	122
100 cents (2009: 40 cents) per share – provided	2	–

Macquarie Group Limited

Appendix 4D Half-year report for the half-year ended 30 September 2010

5 Dividend details continued

The final dividend paid during the half-year ended 30 September 2010 was unfranked (half-year ended 30 September 2009: 60 per cent franked at the 30 per cent corporate tax rate). The entire unfranked portion of the dividend was Conduit Foreign Income.

Dividends provided by the consolidated entity relate to the dividend on the exchangeable shares issued as consideration for the acquisition of Tristone Capital Global Inc. The dividends are payable within 60 days following the second anniversary of the closing date of acquisition.

There is no provision for the interim dividend in respect of the half-year ended 30 September 2010. Provisions for dividends to be paid by the Company are recognised on the balance sheet as a liability and a reduction in retained earnings when the dividend has been declared.

Since the end of the period, the Directors have resolved to pay an interim dividend for the half-year ended 30 September 2010 of \$0.86 per fully paid ordinary Macquarie Group Limited share on issue on 12 November 2010 (estimated to be \$297 million). The dividend will be unfranked and is expected to be paid on 15 December 2010. The entire dividend is Conduit Foreign Income.

Macquarie Income Securities

Distributions paid during the half-year ended 30 September 2010 (net of distributions previously provided) were \$7 million (half-year ended 30 September 2009: \$6 million). Distributions provided at 30 September 2010 are \$6 million (30 September 2009: \$4 million) which were paid on 15 October 2010.

Macquarie Income Preferred Securities

Distributions paid during the half-year ended 30 September 2010 (net of distributions previously provided) were \$179,564 (half-year ended 30 September 2009: \$4 million). Distributions provided at 30 September 2010 are \$2 million (30 September 2009: \$2 million) which were paid on 15 October 2010.

The Macquarie Income Preferred Securities and Macquarie Income Securities represent the non-controlling interests of a subsidiary. Accordingly, the distributions paid/provided in respect of these are recorded as a movement in non-controlling interests.

6 Dividend or distribution reinvestment plan details

The Company's Dividend Reinvestment Plan (DRP) remains activated. The DRP is optional and offers ordinary shareholders in Australia and New Zealand the opportunity to acquire fully paid ordinary shares without transaction costs. Shares issued under the DRP will rank pari-passu with other ordinary shares already on issue. The issue price will be determined in accordance with the DRP rules as the arithmetic average of the daily volume weighted average market price of all Macquarie Group shares sold through a normal trade on the ASX over the five business days commencing on the second business day after the record date. A shareholder can elect to participate in or terminate their involvement in the DRP at any time. Election notices for participation in the DRP in relation to the interim dividend to be paid on 15 December 2010 must be received by the registry by 5:00 pm on the record date (12 November 2010) to be effective for that dividend.

7 Investments in associates and joint ventures

Name	Ownership interest (%)
Material interests in associates and joint ventures are as follows:	
<i>Classified as associates and joint ventures using the equity method</i>	
Brisconnections Unit Trusts	46
Diversified CMBS Investments Inc.	57
European Directories SA	14
Macquarie AirFinance Limited	38
Macquarie Goodman Japan Limited	50
MGPA Limited	56
Miclyn Express Offshore Limited	34
Redford Australian Investment Trust	25
Southern Cross Media Group	26
<i>Classified as associates held for sale</i>	
Retirement Villages Group	10

The consolidated entity recognised profits of associates and joint ventures using the equity accounting method of \$85 million in the half-year ended 30 September 2010 (half-year ended 30 September 2009: \$197 million loss).

Macquarie Group Limited

Appendix 4D Half-year report for the half-year ended 30 September 2010

8 Foreign entities, applicable accounting standards used

Not applicable.

9 Statement if Financial report is subject to review dispute or qualification

The Financial report has been subject to review, and is not subject to dispute or qualifications.