MACQUARIE GROUP LIMITED
APPENDIX 4D HALF-YEAR REPORT
HALF-YEAR ENDED 30 SEPTEMBER 2011

MACQUARIE

MACQUARIE GROUP LIMITED ACN 122 169 279

Macquarie Group Limited

Appendix 4D Half-year report for the half-year ended 30 September 2011

1 Details of the reporting period and the prior corresponding period

Current period:	1 April 2011 to 30 September 2011
Prior corresponding period:	1 April 2010 to 30 September 2010

2 Results for announcement to the market

	Key information	Half-year ended 30 September 2011 $m	Half-year ended 30 September 2010 $m	Change %
2.1	Net operating income	**3,243**	3,661	(11)
2.2	Profit after income tax	**308**	411	(25)
2.3	Profit attributable to ordinary equity holders of Macquarie Group Limited	**305**	403	(24)

	Dividends per ordinary share	Amount per security	Franked amount per security
2.4	Interim dividend (resolved, not yet provided for at 30 September 2011)[1]	**65 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 11 November 2011.

2.6 Commentary

Review of operations

Consolidated profit attributable to ordinary equity holders of $305 million for the half-year ended 30 September 2011 decreased 24 per cent from $403 million in the prior corresponding period, and decreased 45 per cent from $553 million in the prior period. Challenging global market conditions during the period resulted in lower operating income compared with the prior corresponding period. The impact was partially offset through lower operating expenses resulting from factors including a number of cost initiatives undertaken during the period and lower staff profit share expense.

Net operating income of $3,243 million for the half-year ended 30 September 2011 decreased 11 per cent from $3,661 million in the prior corresponding period. The main drivers of this decrease were:

– an 11 per cent decrease in fee and commission income to $1,766 million for the half-year ended 30 September 2011 from $1,995 million in the prior corresponding period with weak investor confidence and increased market volatility adversely impacting fee income from mergers, acquisitions, advisory and underwriting transactions as well as brokerage and commissions income;

– a 38 per cent decrease in net trading income to $374 million for the half-year ended 30 September 2011 from $606 million in the prior corresponding period largely driven by the adverse impact of volatility in credit and financial markets due to the uncertainty in Europe and the US on interest rate products related trading income, compounded by concerns over global growth; and

– a 4 per cent decrease in other operating income and charges to $356 million for the half-year ended 30 September 2011 from $370 million in the prior corresponding period. This was in part due to the prior corresponding period including gains of $114 million on re-measurement of retained investments that were reclassified from an associate to available for sale due to the loss of significant influence, predominantly related to an investment in MAp Group. This has been offset by a 147 per cent increase in operating lease income to $188 million for the half-year ended 30 September 2011 from $76 million in the prior corresponding period, largely due to the acquisition of 44 aircraft assets and associated leases from International Lease Finance Corporation, and the acquisition of the remaining 62.5 per cent of Macquarie AirFinance, an aircraft leasing business with 91 aircraft assets and associated leases, in November 2010.

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2.6 Commentary (continued)

Review of operations (continued)

Total operating expenses of $2,828 million for the half-year ended 30 September 2011 decreased 11 per cent from $3,165 million in the prior corresponding period. The decrease was largely driven by:

- a 13 per cent decrease in employment expenses to $1,652 million for the half-year ended 30 September 2011 from $1,896 million in the prior corresponding period, impacted by a range of factors including a 3 per cent reduction in headcount from 15,533 at 30 September 2010 to 15,088 at 30 September 2011 and lower profit share expense. The compensation ratio of 47.2 per cent for the half-year ended 30 September 2011 compares with 47.9 per cent in the prior corresponding period; and
- a 12 per cent decrease in brokerage and commission expenses to $386 million from $441 million in the prior corresponding period due to reduced activity.

Income tax expense for the half-year ended 30 September 2011 of $107 million increased 26 per cent from $85 million in the prior corresponding period. The effective tax rate for the half-year ended 30 September 2011 was 26 per cent, up from 17 per cent in the prior corresponding period, largely due to changes in the mix of income combined with increased permanent differences relating to share-based payments.

2.7 Events after the Reporting Period

There were no material events subsequent to 30 September 2011 that have not been reflected in the financial statements.

Refer to the other 30 September 2011 interim result documents lodged with the ASX for further details.

3 Consolidated income statement

Refer to the 30 September 2011 Interim Financial Report.

4 Consolidated statement of financial position

Refer to the 30 September 2011 Interim Financial Report.

5 Consolidated statement of cash flows

Refer to the 30 September 2011 Interim Financial Report.

6 Consolidated statement of changes in equity

Refer to the 30 September 2011 Interim Financial Report.

7 Dividend details

	Half-year ended 30 September 2011 $m	Half-year ended 30 September 2010 $m
Ordinary share capital		
2011 final dividend:		
$1.00 (2010: $1.00) per share – paid 4 July 2011 (2010: 2 July 2010)[1]	**346**	344
$1.00 (2010: $1.00) per share – provided for[2]	**1**	2

1 Dividend paid by the Consolidated Entity includes $1 million (half-year to 31 March 2011: $1 million; half-year to 30 September 2010: $1 million) of dividends paid to holders of the exchangeable shares issued as consideration for the acquisition of Orion Financial Inc. as described in the 30 September 2011 Interim Financial Report, note 16 – Contributed equity.

2 Dividends provided for by the Consolidated Entity relate to the dividend on the exchangeable shares issued as consideration for the acquisition of Tristone Capital Global Inc. as described in note 16 – Contributed equity.

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7 Dividend details (continued)

The final dividend paid during the period was unfranked (half-year to 31 March 2011: unfranked; half-year to 30 September 2010: unfranked). The entire unfranked position of the dividend was Conduit Foreign Income.

There is no provision for the interim dividend in respect of the half-year ended 30 September 2011. 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 resolved.

Since the end of the period, the Directors have resolved to pay an interim dividend for the half-year ended 30 September 2011 of $0.65 per fully paid ordinary Macquarie Group Limited share on issue on 11 November 2011. The estimated amount of the dividend is $225 million (including $1 million to be paid by a subsidiary to the holders of the exchangeable shares and net of $2 million to be received on treasury shares). The dividend will be unfranked and is proposed to be paid on 14 December 2011. The entire dividend is Conduit Foreign Income.

Macquarie Income Securities

Distributions paid during the half-year ended 30 September 2011 (net of distributions previously provided for) were $7 million (half-year ended 30 September 2010: $7 million). Distributions provided for at 30 September 2011 are $6 million (30 September 2010: $6 million) which were paid on 17 October 2011.

Macquarie Income Preferred Securities

Distributions paid during the half-year ended 30 September 2011 (net of distributions previously provided for) were $167,202 (half-year ended 30 September 2010: $179,564). Distributions provided at 30 September 2011 are $2 million (30 September 2010: $2 million) which were paid on 17 October 2011.

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

8 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 allocated under the DRP will be acquired on market and rank pari-passu with other ordinary shares already on issue. The allocation 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 trading system 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 14 December 2011 must be received by the registry by 5:00 pm on the record date (11 November 2011) to be effective for that dividend.

9 Net tangible assets per ordinary share

Security	Half-year ended 30 September 2011 $	Half-year ended 30 September 2010 $
Ordinary shares	**28.14**	27.72

Net tangible assets include intangible assets within disposal groups and assets held for sale. Net tangible assets per ordinary share has been restated to include net deferred tax assets, in accordance with industry practice.

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

Name of entities where control was gained in the period

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

Name of entities where control was lost in the period

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

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11 Investments in associates and joint ventures

Name	Ownership interest (%)
Material interests in associates and joint ventures are as follows:	
Classified as associates and joint ventures using the equity method	
Brisconnections Unit Trusts	46
Diversified CMBS Investments Inc.	57
Macquarie Goodman Japan Pte Limited	50
MGPA Limited	56
Miclyn Express Offshore Limited	34
Redford Australian Investment Trust	29
Southern Cross Media Group	25
Classified as associates held for sale	
Retirement Villages Group	10
Soria Finance Co	22

The Consolidated Entity recognised profits of associates and joint ventures using the equity accounting method of $49 million in the half-year ended 30 September 2011 (half-year ended 30 September 2010: $85 million).

12 Other significant information

For more detailed information on the Consolidated Entity's financial performance and financial position, refer to the 30 September 2011 Management Discussion and Analysis.

13 Foreign entities, applicable accounting standards used

Not applicable.

14 Commentary on results for the financial period

Refer to the 30 September 2011 Management Discussion and Analysis.

15 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.