

MACQUARIE GROUP
APPENDIX 4D INTERIM REPORT
HALF-YEAR ENDED 30 SEPTEMBER 2012



MACQUARIE

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Macquarie Group Limited

Appendix 4D Half-year report for the half-year ended 30 September 2012

1 Details of the reporting period and the prior corresponding period

Current period: 1 April 2012 to 30 September 2012
 Prior corresponding period: 1 April 2011 to 30 September 2011

2 Results for announcement to the market

	Half-year ended 30 September 2012 \$m	Half-year ended 30 September 2011 \$m	Change %
Key information			
2.1 Net operating income	3,081	3,243	(5)
2.2 Profit after income tax	361	308	17
2.3 Profit attributable to ordinary equity holders of Macquarie Group Limited	361	305	18

	Amount per security	Franked amount per security
2.4 Dividends per ordinary share		
Interim dividend (resolved, not yet provided at 30 September 2012) ¹	75 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 9 November 2012.

2.6 Commentary

Review of operations

Profit attributable to ordinary equity holders of \$A361 million for the half-year ended 30 September 2012 increased 18 per cent from \$A305 million in the prior corresponding period and decreased 15 per cent from \$A425 million in the prior period¹.

Macquarie's annuity style businesses, Macquarie Funds, Corporate and Asset Finance and Banking and Financial Services, continue to perform well with the combined results for the half-year ended 30 September 2012 broadly in line with a strong prior corresponding period and up on the prior period.

Macquarie's capital markets facing businesses, Macquarie Securities, Macquarie Capital and Fixed Income, Currencies and Commodities, although continuing to face subdued market conditions, delivered a combined result that was up on the prior corresponding period due to improved conditions for Fixed Income, Currencies and Commodities. Macquarie Securities and Macquarie Capital continued to be impacted by low activity levels across Equity Capital Markets and Mergers & Acquisitions. Macquarie Securities was impacted by low levels of client activity combined with run-off costs in its legacy businesses, partially offset by ongoing cost efficiencies.

Net operating income of \$A3,081 million for the half-year ended 30 September 2012 decreased 5 per cent from \$A3,243 million in the prior corresponding period.

Operating expenses were down 9 per cent from \$A2,828 million in the prior corresponding period to \$A2,564 million for the half-year ended 30 September 2012, as a result of continued operating efficiencies.

Key movements from the prior corresponding period were:

- a 47 per cent increase in net trading income to \$A551 million for the half-year ended 30 September 2012 from \$A374 million in the prior corresponding period primarily in Fixed Income, Currencies and Commodities. In comparison, the prior corresponding period was adversely impacted by extreme volatility and uncertainty, particularly in fixed income markets;
- a 6 per cent decrease in fee and commission income to \$A1,667 million for the half-year ended 30 September 2012 from \$A1,766 million in the prior corresponding period. The institutional and retail equities businesses were particularly impacted by lower volumes across equity markets;

¹ Prior period refers to the six months to 31 March 2012.

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2.6 Commentary (continued)

- a 60 per cent decrease in other operating income and charges to \$A144 million for the half-year ended 30 September 2012 from \$A356 million in the prior corresponding period partly due to increased levels of impairment charges on equity investments in the Fixed Income, Currencies and Commodities business, reflecting weaker sentiment in resource equity investments, and legacy assets; and
- a 9 per cent reduction in total operating expenses achieved through ongoing cost management initiatives including the centralisation of support functions to generate scale benefits through improved operational efficiencies. The impact of these initiatives and business rationalisation activities were primarily responsible for an 11 per cent reduction in headcount from 15,088 at 30 September 2011 to 13,463 at 30 September 2012. The compensation ratio of 46.8 per cent for the half-year ended 30 September 2012 decreased from 47.2 per cent in the prior corresponding period.

Net operating income decreased 17 per cent from \$A3,720 million for the half-year ended 31 March 2012, which included a special distribution from Sydney Airport of \$A295 million.

The effective tax rate for the half-year ended 30 September 2012 was 30.2 per cent, up from 26.0 per cent in the prior corresponding period, largely due to changes in the mix and location of income.

2.7 Events after the Reporting Period

There were no material events subsequent to 30 September 2012 that have not been reflected in the financial statements.

Refer to the other 30 September 2012 interim result documents lodged with the ASX for further details.

3 Consolidated income statement

Refer to the 30 September 2012 Interim Financial Report.

4 Consolidated statement of financial position

Refer to the 30 September 2012 Interim Financial Report.

5 Consolidated statement of cash flows

Refer to the 30 September 2012 Interim Financial Report.

6 Consolidated statement of changes in equity

Refer to the 30 September 2012 Interim Financial Report.

7 Dividend details

	Half-year ended 30 September 2012 \$m	Half-year ended 30 September 2011 \$m
Ordinary share capital		
2012 final dividend:		
\$0.75 (2011: \$1.00) per share – paid 2 July 2012 (2011: 4 July 2011) ¹	259	346
Dividends (reversed)/provided for ²	(2)	1

¹ Dividend paid by the Consolidated Entity includes \$nil (half-year to 30 September 2011: \$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 2012 Interim Financial Report, note 15 – Contributed equity.

² Dividends (reversed)/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 the 30 September 2012 Interim Financial Report, note 15 – Contributed equity, was settled resulting in a reversal of excess provision.

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7 Dividend details (continued)

The final dividend paid during the period was unfranked (half-year to 30 September 2011: 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 2012. 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 2012 of \$0.75 per fully paid ordinary Macquarie Group Limited share on issue on 9 November 2012. The estimated amount of the dividend is \$252 million (including \$1 million to be paid by a subsidiary to the holders of the exchangeable shares and net of \$3 million to be received on treasury shares). The dividend will be unfranked and is proposed to be paid on 12 December 2012. The entire dividend is Conduit Foreign Income.

Macquarie Income Securities

Distributions paid during the half-year ended 30 September 2012 (net of distributions previously provided for) were \$7 million (half-year ended 30 September 2011: \$7 million). Distributions provided at 30 September 2012 are \$4 million (30 September 2011: \$6 million) which were paid on 15 October 2012.

Macquarie Income Preferred Securities

Distributions paid during the half-year ended 30 September 2012 (net of distributions previously provided for) were \$178,423 (half-year ended 30 September 2011: \$167,202). Distributions provided at 30 September 2012 are \$2 million (30 September 2011: \$2 million) which were paid on 15 October 2012.

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.

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 fourth 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 12 December 2012 must be received by the registry by 5:00 pm on the record date (9 November 2012) to be effective for that dividend.

9 Net tangible assets per ordinary share

Security	Half-year ended 30 September 2012 \$	Half-year ended 30 September 2011 \$
Ordinary shares	28.47	28.14

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:	
<i>Classified as associates and joint ventures using the equity method</i>	
BrisConnections Unit Trusts	46
Macquarie Goodman Japan Limited	50
MGPA Limited	56
Southern Cross Media Group	25

The Consolidated Entity recognised profits of associates and joint ventures using the equity accounting method of \$75 million in the half-year ended 30 September 2012 (half-year ended 30 September 2011: \$49 million).

12 Other significant information

For more detailed information on the Consolidated Entity's financial performance and financial position, refer to the 30 September 2012 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 2012 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.