

MACQUARIE GROUP LIMITED

Interim Update

Half year ended 30 September 2014

Chairman and Managing Director's report

Result overview

Macquarie Group (Macquarie) recorded a net profit after tax attributable to ordinary shareholders of \$A678 million for the half year to 30 September 2014, up 35 per cent on the prior corresponding period¹ and down 11 per cent on the prior half². The net profit increase for the half year to 30 September 2014 compared to the prior corresponding period was stronger than previously expected given the timing of transactions.

Macquarie's annuity-style businesses – Macquarie Funds Group (MFG), Corporate and Asset Finance Group (CAF) and Banking and Financial Services Group (BFS) – continued to perform well, with a combined net profit contribution³ up on the prior corresponding period and the prior half. MFG benefited from strong annuity base fee income and a significant increase in performance fees, while CAF's higher profit contribution was largely driven by increased income earned from early repayments, the sale of loan assets and a gain on disposal of operating lease assets. BFS experienced continued volume growth across its mortgage business and Wrap platform, as well as business lending and deposits.

Macquarie's capital markets facing businesses – Macquarie Securities Group (MSG), Macquarie Capital and Fixed Income, Currencies and Commodities (FICC) – delivered a combined net profit contribution up on the prior corresponding period but down on the prior half, which benefited from strong results in the Energy Markets business. MSG's net profit contribution was down on the prior corresponding period, due mainly to technology costs associated with additional regulatory compliance requirements and the exit of the Structured Products business. Macquarie Capital benefited from the continued global improvement in mergers and acquisitions (M&A) and equity capital markets (ECM) activity. FICC improved returns across its commodities and credit, interest rates and foreign exchange platforms, while equity impairments were significantly down on the prior corresponding period.

Net operating income of \$A4.3 billion was up 17 per cent on the prior corresponding period and down three per cent on the prior half, while operating expenses of \$A3.2 billion were up 11 per cent on the prior corresponding period and in line with the prior half.

The effective tax rate of 38.9 per cent was broadly in line with the full year ended 31 March 2014.

¹ Prior corresponding period refers to the six months to 30 September 2013.

² Prior half refers to the six months to 31 March 2014.

The key features of the result are outlined in the table below.

	30 September 2014	Change on pcp	Change on prior half
Net profit	\$A678m	35%	-11%
Operating income	\$A4.3b	17%	-3%
Operating expenses	\$A3.2b	11%	1%
Effective tax rate	38.9%	Up from 38.0%	Down from 40.5%
Earnings per share	\$A2.13	42%	-9%
Return on equity (annualised)	12.5%	Up from 8.7%	Down from 13.5%
Dividend per share	\$1.30	Up from \$A1.00	Down from \$A1.60 ⁴
Assets under management	\$A425b	11%	In line

Operating group performance

Macquarie Funds Group (MFG) delivered a net profit contribution of \$A785 million for the half year to 30 September 2014, up 57 per cent on the prior corresponding period. MFG generated strong annuity base fee income and a significant increase in performance fees, earned predominantly from Macquarie European Infrastructure Fund 1, Macquarie Infrastructure Company and Macquarie Atlas Roads. Assets under management of \$A423 billion remained broadly in line with 31 March 2014, with investments and positive valuation movements in Macquarie Infrastructure and Real Assets (MIRA) as well as favourable foreign exchange and market movements in Macquarie Investment Management (MIM) offsetting the impact of the formation of the Jackson Square Partners joint venture, the management buyout of the MIM Private Markets business and other asset disposals. MIRA raised \$A4.1 billion in new equity commitments and invested \$A3.4 billion of equity across the world. MIM launched multiple new funds and continued its strong investment performance. Macquarie Specialised Investment Solutions continued to grow its infrastructure debt management business and raised approximately \$A600 million for Australian capital protected investments and specialist funds.

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

⁴ In addition, eligible shareholders benefited from the Sydney Airport distribution in January 2014 which comprised a special dividend of \$A1.16 (40 per cent franked) and a return of capital of \$A2.57 per share.

Corporate and Asset Finance Group (CAF) delivered a net profit contribution of \$A468 million for the half year to 30 September 2014, up 18 per cent on the prior corresponding period. CAF's asset and loan portfolio increased by eight per cent to \$A27.5 billion during the half. There were \$A2.0 billion of portfolio additions in corporate and real estate lending, including the provision of \$US150 million in financing to Vertex Pharmaceutical and the £77 million financing of a portfolio of hospitality properties on long term leases. CAF continued to expand its asset finance portfolio to \$A17.5 billion mostly through the continued expansion of the motor vehicle portfolio and acquisitions made in the aircraft leasing portfolio. Securitisation activity continued during the half, with \$A2.0 billion of motor vehicle and equipment leases and loans securitised.

Banking and Financial Services Group (BFS) delivered a net profit contribution of \$A141 million for the half year to 30 September 2014, up 27 per cent on the prior corresponding period. Macquarie platform assets under administration increased by three per cent during the half to \$A41.7 billion, while the Australian mortgage portfolio increased 16 per cent to \$A19.8 billion, representing approximately one per cent of the Australian mortgage market. BFS grew retail deposits by six per cent during the half to \$A35.3 billion, while average business banking deposit and loan volumes increased 13 per cent and 10 per cent respectively. BFS also signed an agreement with Woolworths to become the credit card issuing partner for the Woolworths Money Everyday and Woolworths Money Qantas Credit Cards.

Macquarie Securities Group (MSG) delivered a net profit contribution of \$A17 million for the half year to 30 September 2014, down from \$A71 million in the prior corresponding period, largely due to increased technology spending driven by additional regulatory compliance requirements, as well as restructuring costs relating to the exit of the Structured Products business during the period. Secondary equity and derivative market volumes remained subdued across most regions. Macquarie benefited from continued improvement in ECM activity, particularly in Australia, which included the \$A3.6 billion initial public offering (IPO) of Healthscope Limited, the largest IPO on the ASX since 2010. MSG remains well positioned for an improvement in market conditions by continuing to focus on its core businesses, including its top tier research and sales, strong Asia-Pacific ECM franchise and its global institutional securities platform.

Macquarie Capital delivered a net profit contribution of \$A150 million for the half year to 30 September 2014, up 49 per cent on the prior corresponding period. Macquarie Capital advised on 219 transactions valued at \$A63 billion during the half. Macquarie Capital was ranked No.1 in Australia for announced and completed M&A deals⁵ and No.1 for IPOs⁶ for the nine months ending 30 September 2014. Major transactions in each region included QIC's \$A7 billion sale of Queensland Motorways; Sampo Japan's \$US967 million acquisition of Canopus, a Lloyd's of London insurance group; Covanta Energy's financing of the approximately €500 million Dublin Waste-to-Energy project; and Amaya Gaming Group Inc.'s \$US4.9 billion acquisition of Rational Group.

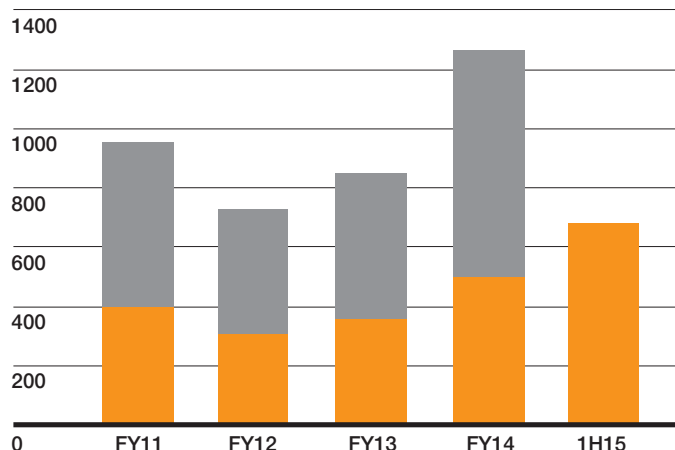
Fixed Income, Currencies and Commodities (FICC) delivered a net profit contribution of \$A250 million for the half year to 30 September 2014, up 23 per cent on the prior corresponding period. The result reflected improved income across the commodities and credit, interest rates and foreign exchange platforms and significantly lower impairments. Subdued mining equity markets and low prices in metals and bulk commodities continued to impact the timing of asset realisations and new project financings. Commodities trading income rose, underpinned by continued growth in the financing and trading of physical commodities, while lower levels of volatility in certain markets impacted client hedging activity. Volatility and volumes improved in foreign exchange markets. The credit environment was mixed, however, debt origination and issuances continued to increase in the UK and Europe.

⁵ Dealogic, Thomson, by number (CY2014).

⁶ Dealogic, Thomson, by number and value (CY2014).

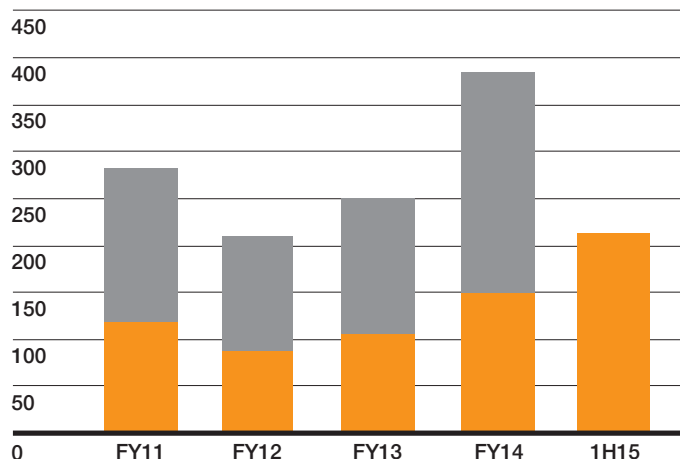
Reported net profit after tax attributable to ordinary equity holders
\$A million

31 Mar ■ 30 Sept ■



Basic earnings per share
A cents

31 Mar ■ 30 Sept ■



Funding and balance sheet position

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.

Total deposits increased five per cent to \$A38.8 billion at 30 September 2014 from \$A36.9 billion at 31 March 2014, representing 40 per cent of the Group's total funding sources. The Group raised \$A11.2 billion⁷ of new term funding since 31 March 2014.

Short term wholesale issued paper remains a small portion of overall funding, with term assets covered by term funding, stable deposits and equity, reflecting the Group's conservative approach to funding.

Capital management

During the half, Macquarie completed the on-market purchase of shares to satisfy both the Macquarie Group Employee Retained Equity Plan requirements for the year to 31 March 2014 of \$A265 million at a weighted average price of \$A59.56, as well as the Dividend Reinvestment Plan (DRP) for the six months to 31 March 2014 of \$A63 million at a weighted average price of \$A59.94.

On 8 October 2014, \$A429 million Macquarie Bank Capital Notes (BCN) were issued by Macquarie Bank Limited and have been confirmed eligible for inclusion as Additional Tier 1 capital by the Australian Prudential Regulation Authority (APRA).

Given the business growth, the Board has resolved to issue shares to satisfy the DRP for the dividend for the six months to 30 September 2014 and has reintroduced a discount to the prevailing market price⁸ of 1.5 per cent.

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. APRA Basel III Group capital at 30 September 2014 was \$A13.7 billion⁹, a \$A1.8 billion surplus to Macquarie's minimum regulatory capital requirements from 1 January 2016¹⁰, and a \$A2.9 billion surplus to Macquarie's existing¹¹ minimum regulatory capital requirements.

⁷ Includes BCN (\$A0.4 billion) and MBL three year USD bond (\$A2.0 billion) issuances completed in October 2014.

⁸ Determined in accordance with the DRP rules as the average of the daily volume weighted average price over the nine business days commencing on the third business day after the relevant election date.

⁹ Pro forma including \$A429 million of BCN issued on 8 October 2014.

Regulatory update

In August 2014, APRA issued its final rules for Conglomerates with the implementation timing dependent on the outcomes of Australia's Financial System Inquiry. Macquarie continues to work through the application of these rules with APRA, however, its current assessment is that it has sufficient capital to meet the minimum APRA capital requirements for Conglomerates.

Based on finalised Bank for International Settlements leverage ratio requirements released in January 2014, the Bank Group is well in excess of the currently proposed Basel III three per cent minimum, with an estimated 5.5 per cent¹² leverage ratio, 5.7 per cent including the BCN⁹. APRA published draft standards relating to the leverage ratio in September 2014 and is currently undertaking industry consultation regarding its final form.

Liquidity Coverage Ratio (LCR) requirements will become effective from 1 January 2015. With its Committed Liquidity Facility allocation in place, the Bank Group's LCR would exceed 120 per cent as at 30 September 2014.

Dividend

The Board resolved to pay an interim dividend of \$A1.30 per ordinary share (40 per cent franked), up from the dividend of \$A1.00 per share in the prior corresponding period and down from the dividend of \$A1.60 per share in the prior half, both 40 per cent franked. The interim dividend will be paid on 16 December 2014.

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.

¹⁰ Calculated at 8.5 per cent Risk Weighted Assets (RWA) including capital conservation buffer (CCB), per the 1 January 2016 minimum requirements in the APRA Prudential Standard APS 110.

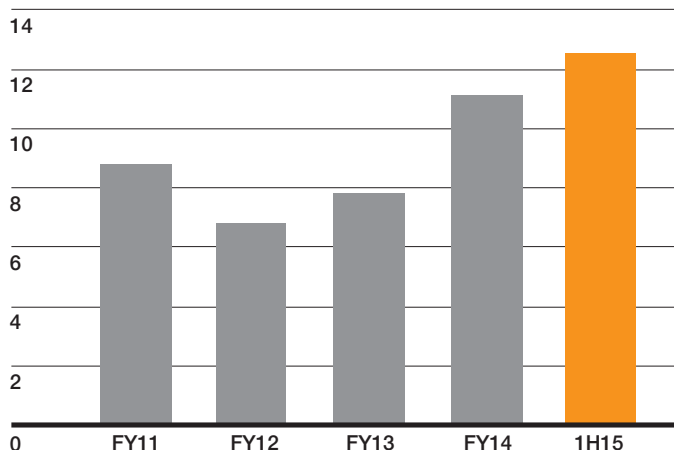
¹¹ Calculated at 7.0 per cent RWA, per the internal minimum Tier 1 ratio of the Bank Group.

¹² As at 30 September 2014.

Return on average ordinary equity holders' funds

%pa

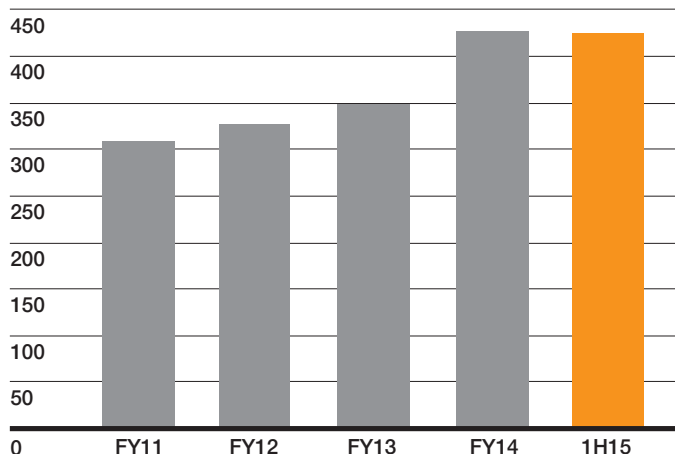
31 Mar ■ 30 Sept ■



Assets under management

\$A billion

31 Mar ■ 30 Sept ■



Environmental, Social and Governance

Macquarie's Board and management view the commitment to Environmental, Social and Governance (ESG) performance as part of the Group's broader responsibility to clients, shareholders and the communities in which it operates. Macquarie's ESG priorities have been shaped by their materiality to business performance, value creation and stakeholder interest.

Details of Macquarie's ESG approach are included in the Annual Financial Report and Annual Review.

Board and management

Macquarie has advised that Gordon Cairns has been appointed to the Macquarie Group Limited and Macquarie Bank Limited Boards as an independent director, effective 1 November 2014.

Mr Cairns has held a wide range of management and executive roles throughout his career including Chief Executive Officer of Lion Nathan Limited. He is currently the chairman of Origin Energy Limited, Quick Service Restaurants and the Origin Foundation. He has also served as a director on the boards of Westpac Banking Corporation, Seven Network Australia Limited and Lion Nathan Limited, as well as the chairman of David Jones Limited and Rebel Group Pty Limited.

Outlook

While the impact of future market conditions makes forecasting difficult, Macquarie continues to expect that the combined net profit contribution from operating groups for the year to 31 March 2015 will be up on the year to 31 March 2014, offsetting the realised gain relating to the Sydney Airport distribution in the result for the year to 31 March 2014.

The tax rate for the year to 31 March 2015 is currently expected to be broadly in line with the year to 31 March 2014.

Accordingly, the result for the Group for the year to 31 March 2015 is currently expected to be slightly up on the year to 31 March 2014.

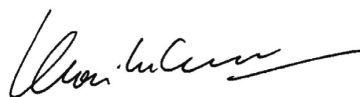
Macquarie's short term outlook remains subject to a range of challenges including market conditions, the impact of foreign exchange, the cost of Macquarie's continued conservative approach to funding and capital, and potential regulatory changes and tax uncertainties.

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.

Macquarie's Board and management would like to take this opportunity to thank staff for their efforts during the period on behalf of the Group. We also thank our shareholders for their continued support.

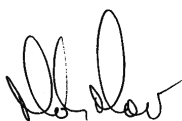
H Kevin McCann, AM

Independent Director and Chairman



Nicholas Moore

Managing Director and Chief Executive Officer

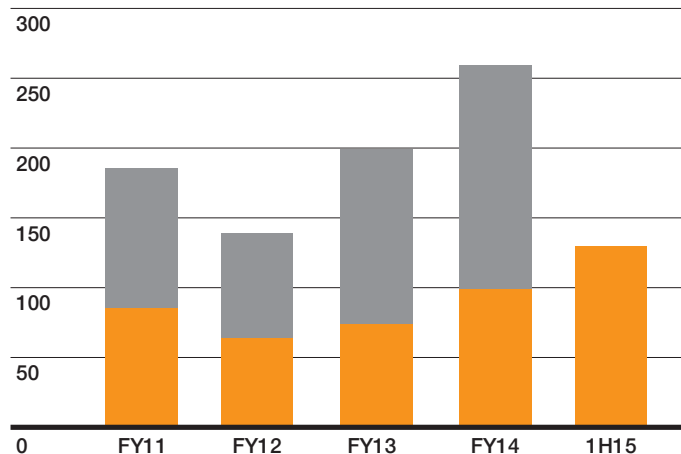


Sydney
31 October 2014

Cash dividend per share

A cents

31 Mar ■ 30 Sept ■



Overview

Net profit up 35 per cent on prior corresponding period, down 11 per cent on prior half

- ▶ Net profit of \$A678 million
- ▶ Operating income of \$A4.3 billion
- ▶ International income¹³ 65 per cent of total
- ▶ Earnings per share of \$A2.13
- ▶ Interim dividend of \$A1.30 per share, 40 per cent franked
- ▶ Annualised return on equity of 12.5 per cent
- ▶ Assets under management of \$A425 billion

Strong funding and balance sheet position

- ▶ Diverse and stable funding base
- ▶ Minimal reliance on short term wholesale funding markets
- ▶ Solid and conservative balance sheet
- ▶ \$A38.8 billion of total deposits
- ▶ \$A11.2 billion of new term funding raised since 31 March 2014¹⁴
- ▶ APRA Basel III Group capital surplus (including BCN) of \$A1.8 billion (1 January 2016 requirements¹⁵), \$A2.9 billion (existing requirements¹⁶)

¹³ Net operating income excluding earnings on capital and other corporate items.

¹⁴ Includes BCN (\$A0.4 billion) and MBL three year USD bond (\$A2.0 billion) issuances completed in October 2014.

¹⁵ Calculated at 8.5 per cent RWA including CCB, per the 1 January 2016 minimum requirements in the APRA Prudential Standard APS 110.

¹⁶ Calculated at 7.0 per cent RWA, per the internal minimum Tier 1 ratio of the Bank Group.

This Interim Update should be read in conjunction with the Annual Financial Report of Macquarie Group Limited ABN 94 122 169 279 (Macquarie) for the financial year ended 31 March 2014, 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

Macquarie Group Head Office

50 Martin Place
Sydney NSW 2000
Australia

Tel: +61 2 8232 3333

Registered Office

Macquarie Group Limited
Level 6, 50 Martin Place
Sydney NSW 2000
Australia

Tel: +61 2 8232 3333

Fax: +61 2 8232 4330

Investor Information

Stock exchange listing

Macquarie Group Limited is listed on the Australian Securities Exchange (ASX) and its ordinary shares trade under the code MQG.

Macquarie Group Capital Notes are quoted on the ASX and trade under the code MQGPA.

Macquarie Income Securities are listed on the ASX and trade under the code MBLHB.

Macquarie Preferred Membership Interests are listed on the Singapore Stock Exchange and trade under the stock code 40RB.

Macquarie Exchangeable Capital Securities are listed on the Singapore Stock Exchange and trade under the stock code 2AQB.

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 2015 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.

2015 Annual General Meeting (AGM)

Macquarie Group's 2015 AGM is currently expected to be held on 23 July 2015, subject to confirmation. Details of the business of the meeting will be contained in the Notice of Annual General Meeting, to be sent 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
(International) +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

Macquarie Group Limited
Level 6, 50 Martin Place
Sydney New South Wales 2000 Australia
Telephone: +61 2 8232 3333
Facsimile: +61 2 8232 7780
Email: macquarie.shareholders@macquarie.com
Website: macquarie.com.au/investorrelations

Indicative 2015 shareholder calendar

Date*	Event
8 May	Full-year result and final ordinary dividend announcement
20 May	Record date for final ordinary dividend
2 July	Payment date for final ordinary dividend
23 July	2015 Annual General Meeting
30 October	Half-year result and interim ordinary dividend announcement
11 November	Record date for interim ordinary dividend
16 December	Payment date of interim ordinary dividend

* Dates are subject to change.



Website

Further information on Macquarie Group, and to access the Investor Relations mobile site visit

► macquarie.com.au/investorrelations