MACQUARIE GROUP LIMITED

MACQUARIE

Interim Update

Half year ended 30 September 2012

Chairman and Managing Director's report

Result overview

For the six months to 30 September 2012, Macquarie Group (Macquarie) reported a consolidated net profit of $A361 million, an increase of 18 per cent on the prior corresponding period (pcp)[1] and a decrease of 15 per cent on the prior half[2].

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 the combined results for the first half broadly in line with the strong pcp and up on the prior half.

Although continuing to face subdued market conditions, Macquarie's capital markets facing businesses – Macquarie Securities Group (MSG), Macquarie Capital, and Fixed Income, Currencies and Commodities (FICC) – delivered a combined result up on the pcp due to improved conditions for FICC. MSG and Macquarie Capital continued to be impacted by low activity levels across the equity capital markets (ECM) and mergers and acquisitions (M&A) businesses. MSG was also impacted by low levels of client activity combined with run-off costs in its legacy businesses, partially offset by ongoing cost efficiencies.

Operating expenses of $A2.6 billion were down nine per cent on the pcp and down 17 per cent on the prior half as a result of continued operating efficiencies across the groups, including the centralisation of support functions to generate scale benefits through improved operational efficiencies.

The key areas of the result are outlined in the table at right.

[1] Prior corresponding period refers to the six months to 30 September 2011.
[2] Prior half refers to the six months to 31 March 2012.

	30 September 2012	Change on pcp	Change on prior half
Net profit	$A361m	18%	(15%)
Operating income	$A3.1b	(5%)	(17%)
Operating expenses	$A2.6b	(9%)	(17%)
Effective tax rate	30.2%	Up from 26.0%	Up from 29.8%
Earnings per share	$A1.06	22%	(15%)
Return on equity (annualised)	6.6%	Up from 5.7%	Down from 7.8%
Dividend per share	$A0.75	Up from $A0.65	In line $A0.75
Assets under management	$A341b	4%	4%

Operating group performance

Macquarie Funds Group (MFG) contributed $A356 million to Macquarie's profit from operating groups for the half year to 30 September 2012, a decrease of 11 per cent on the pcp. MFG's result was underpinned by strong base fees, as well as performance fee income predominantly earned as a result of a number of its direct infrastructure funds outperforming their respective benchmarks. The decrease from the pcp was mainly due to lower demand for financing facilities to external funds and their investors, as well as increased impairment charges relating to unlisted investments. For the half year to 30 September 2012, MFG's assets under management also increased by four per cent to $A337 billion. Macquarie Infrastructure and Real Assets continued its focus on investing capital strategically across the globe, with over $A1.6 billion of equity invested and over $A900 million of new equity commitments raised, including $US625 million committed to the Philippine Investment Alliance for Infrastructure. Macquarie Investment Management experienced broadly flat net inflows, launched a range of new funds and continued the build out of its global distribution team, while a majority of its funds outperformed their benchmarks over three years. Macquarie Specialised Investment Solutions established an infrastructure debt management business and raised over $A250 million for Australian retail capital protected investments.

Corporate and Asset Finance Group (CAF) contributed $A335 million to Macquarie's profit from operating groups for the half year to 30 September 2012, a decrease of six per cent on the pcp, principally due to lower prepayments on the corporate lending portfolio. CAF's asset and loan portfolio increased by four per cent to $A21.4 billion over the half year. The asset finance portfolio increased five per cent since 31 March 2012, driven by ongoing growth in the motor vehicle and equipment finance programs. CAF extended its finance offering through the customer value chain – from manufacturer to end user – for motor vehicle manufacturers and dealers in Australia and technology distributors globally. During the period, CAF sold selected assets within its aircraft and rail businesses at attractive values. Both the UK meters portfolio and the mining equipment finance business continued to expand. Strong securitisation activity was maintained over the half.

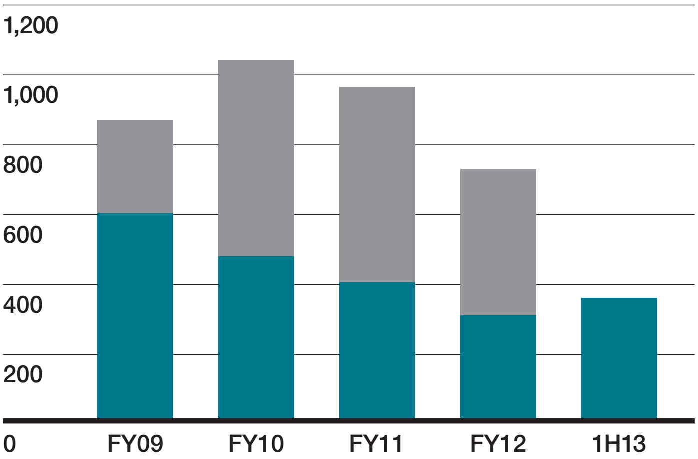
Banking and Financial Services Group (BFS) contributed $A185 million to Macquarie's profit from operating groups for the half year to 30 September 2012, an increase of 28 per cent on the pcp. BFS achieved a record first half profit through increased income and improved platform efficiencies, maintained its number one position for full-service retail stockbroking in Australia and grew its retail deposits over the half by six per cent to $A30.8 billion. The Macquarie Wrap Platform – ranked the top Australian platform for the second consecutive year[3] – launched a white label super wrap platform for Perpetual Limited, providing comprehensive systems and administration. Funds under administration on the Australian wrap platform reached $A22.6 billion and the mortgages business continued to grow through targeted distribution and quality products. The private wealth business in Canada increased funds under advice/management by three per cent.

Whilst its cash equities business delivered a break even result, **Macquarie Securities Group** (MSG) contributed a net loss of $A64 million to Macquarie's profit from operating groups for the half year to 30 September 2012, compared to the loss of $A19 million in the pcp. The loss incurred during the half year was impacted by low levels of client activity combined with run-off costs from legacy businesses, partially offset by ongoing cost efficiencies. MSG continued to be affected by a challenging market environment and weak investor confidence, primarily due to European sovereign debt and China growth concerns. Low client volumes continued across all equity products with cash, derivatives and ECM at historically low levels. With top tier rankings among Australian and Asia-Pacific 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.

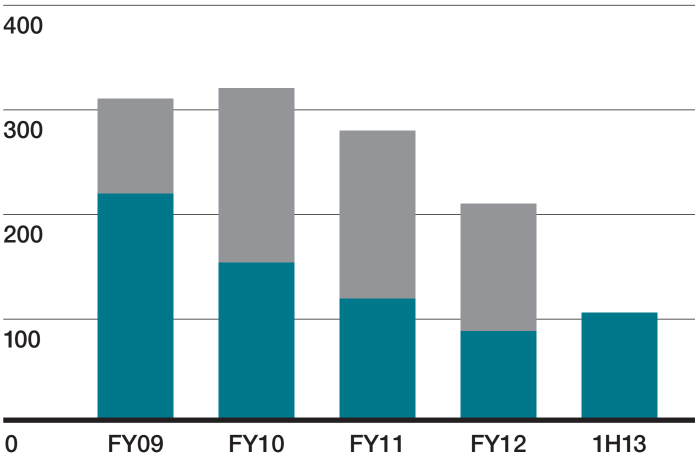
Macquarie Capital contributed $A10 million to Macquarie's profit from operating groups for the half year to 30 September 2012. Against a backdrop of subdued market conditions, Macquarie Capital advised on 205 transactions worth $A36 billion[4] during the half, and won a number of awards including best investment bank and best equity house (Australia)[5] and was ranked number one financial adviser for project finance deals (Americas)[6]. Notable transactions included advising a consortium on the $A1.9 billion privatisation of the Charter Hall Office REIT in Australia, advising Greentown China Holdings

[3] The Wealth Insights 2012 Platforms Service Level Report.
[4] Includes cross-border leasing.
[5] Capital CFO awards.
[6] Infrastructure Journal, 1H CY2012.

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 ■



Limited on the largest M&A property deal in the People's Republic of China, advising a consortium on the acquisition of Open Grid Europe, the largest gas network operator in Germany, and advising on the $US2.1 billion Downtown Tunnel/Midtown Tunnel/MLK extension project in the US, winning a best project and infrastructure finance sponsor (global) award[7]. Impairment charges increased during the half year period. In addition to this, a loss was recognised on an equity investment where Macquarie Capital's ownership interest changed as a result of an initial public offering. Ongoing cost saving initiatives and a strategic focus on core strengths ensures Macquarie's global corporate finance offering is well-placed for a return in investor confidence and activity.

Fixed Income, Currencies and Commodities (FICC) contributed $A219 million to Macquarie's profit from operating groups for the half year to 30 September 2012, a significant increase on the pcp which was impacted by challenging global market conditions. Improved trading income from credit, interest rate and foreign exchange activities and stronger customer flow and trading opportunities across the commodities platform in energy, metals and agriculture were recorded, with FICC maintaining its ranking as the number four US physical gas marketer in North America[8]. In resource equity markets, weak investor sentiment and confidence impacted the timing of asset realisations and resulted in impairments on some equity holdings. Initiatives included establishing a Commodity Investor Products business that will offer commodity index products to institutional clients globally, increased coverage of Latin American commodity products, and the integration of Latin American, Asian and G-10 currencies and rates into one platform within FICC's Fixed Income and Currencies Division.

Capital

Macquarie has a long-standing policy of holding a level of capital which supports its business. Harmonised Basel III Group capital at 30 September 2012 was $A12.6 billion, with a Group capital surplus of $A3.4 billion.

[7] Global Finance Magazine.

[8] Platts, June 2012.

Since 31 March 2012, Macquarie completed the on-market purchase of:

- $A242 million of Macquarie shares (at a weighted average price of $A26.97) to satisfy the requirements of the full year 2012 Macquarie Group Employee Retained Equity Plan
- $A31 million of Macquarie shares (weighted average price of $A26.04) for the second half 2012 Dividend Reinvestment Plan
- $A251 million of Macquarie shares (weighted average price of $A25.58) in a share buyback.

Of the $A500 million share buyback previously approved, $A249 million remains.

Funding

Macquarie maintains a diverse and stable funding base with minimal reliance on short-term wholesale funding markets. Its funded balance sheet remains strong. Total deposits increased to $A36.2 billion at 30 September 2012 from $A33.9 billion at 31 March 2012, representing 41 per cent of the Group's total funding sources. The Group raised $A5.9 billion of new term funding during the period.

Dividend

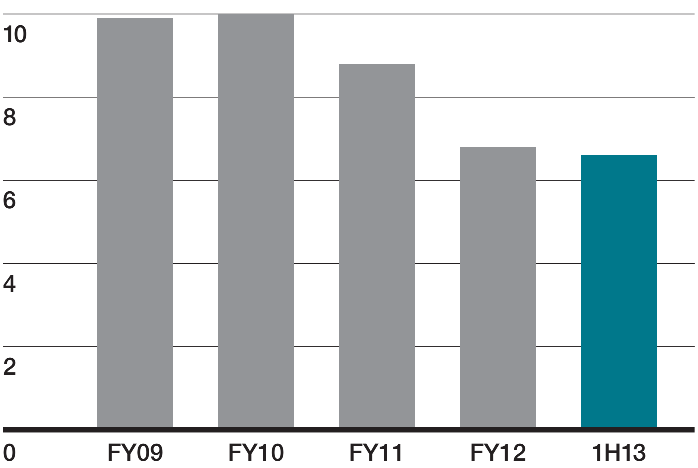
The Board has resolved to pay an interim unfranked dividend of $A0.75 per ordinary share, up from $A0.65 in the pcp, and in line with the dividend from the prior half of $A0.75. The interim dividend will be paid on 12 December 2012.

Risk management

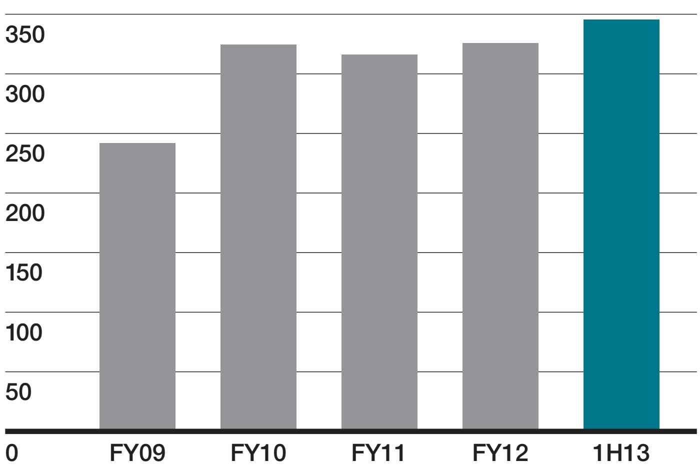
Macquarie's robust risk management framework is well-established and proven. The Group has always sought to clearly identify and understand the consequences of worst-case outcomes to determine whether such risks can be tolerated. This approach has remained largely consistent for more than 30 years and 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 business and ensuring they are managed appropriately, with oversight by an independent Risk Management Group.

Return on average ordinary equity holders' funds
% pa



Assets under management
$A billion



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 within 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.

Management

Macquarie's Head of the Market Operations and Technology Group (MOT), Nigel Smyth, will retire from his position effective 1 January 2013 and work on a part-time basis until he leaves the Group on 1 June 2013.

Nigel was appointed Chief Information Officer in October 2002 and assumed his current role in December 2011. He has played an instrumental role in developing the technology platforms that sustain and support Macquarie's businesses globally. The Board and management would like to thank Nigel for his hard work and commitment to the Group.

Nicole Sorbara, current Head of the Corporate Services Group (CSG), has been appointed Chief Operating Officer and will lead the newly formed Corporate Operations Group (COG), bringing together the divisions of CSG and MOT, effective 1 January 2013 when she will also join Macquarie's Executive Committee.

The formation of COG is the logical next step in the evolution of Macquarie's service and support operating model, providing further efficiency and integration benefits.

Outlook

The results for the full year ending 31 March 2013 will vary with market conditions, particularly for the capital markets facing businesses which continue to experience subdued market conditions.

Consistent with the statement included in Macquarie's full year 2012 result announcement on 27 April 2012, and reconfirmed at the Annual General Meeting on 25 July 2012, Macquarie continues to expect an improved result for the full year ending 31 March 2013 compared to the full year ended 31 March 2012, provided market conditions for the year ending 31 March 2013 are not worse than those experienced during the full year ended 31 March 2012.

The result for the year ending 31 March 2013 also remains subject to a range of other challenges including:

- the cost of our continued conservative approach to funding and capital
- regulation, including the potential for regulatory changes
- increased competition in some markets
- the overall cost of funding.

Macquarie remains well positioned to deliver superior performance in the medium term, due to its deep expertise in major markets, strength in diversity, ability to adapt our 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.

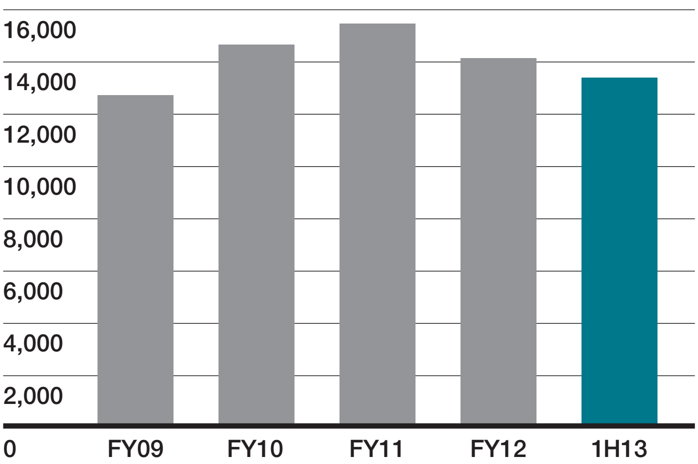
Macquarie's Board and management would like to take this opportunity to thank staff for their efforts during the period on behalf of the Group. We also thank our shareholders for their continued support.

H Kevin McCann, AM
Independent Director and Chairman

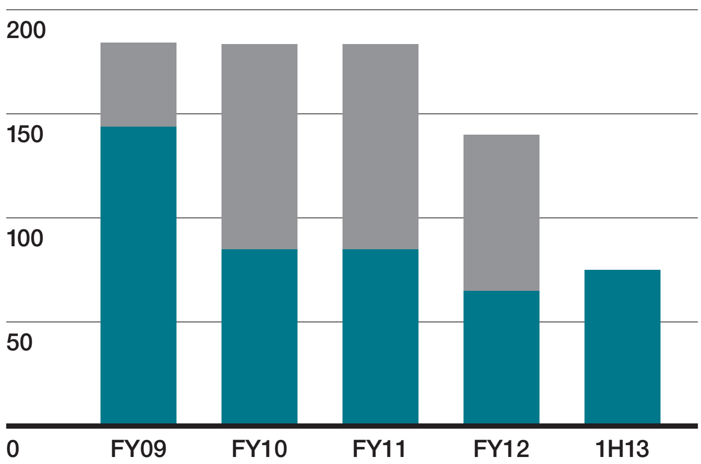
Nicholas Moore
Managing Director and Chief Executive Officer

Sydney
26 October 2012

Staff numbers



Cash dividends per share
A cents
30 Sept 31 Mar



Overview

Profit increase of 18 per cent on pcp, down 15 per cent on prior half

- Net profit of $A361 million
- Operating income of $A3.1 billion
- International income 61 per cent of total
- Earnings per share of $A1.06
- Interim dividend of $A0.75 per share, unfranked
- Annualised return on equity of 6.6 per cent
- Assets under management of $A341 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
- $A36.2 billion of total deposits
- $A5.9 billion of new term funding raised since 31 March 2012
- Group capital surplus of $A3.4 billion

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 2012, 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.

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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 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 2013 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.

2013 Annual General Meeting (AGM)

Macquarie Group's 2013 AGM is currently expected be held on 25 July 2013 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
(International) +61 3 9415 4137
www.investorcentre.com/contact

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

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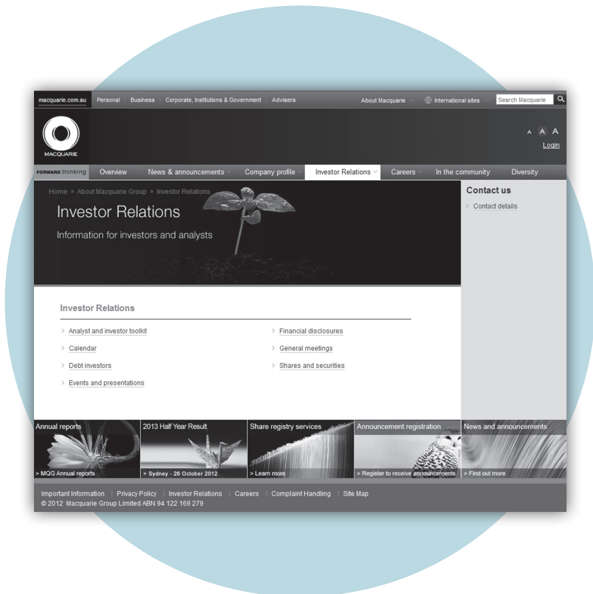

Indicative 2013 shareholder calendar

Date*	Event
3 May	Full-year result and final ordinary dividend announcement
17 May	Record date for final ordinary dividend
2 July	Payment date for final ordinary dividend
25 July	2013 Annual General Meeting
1 November	Half-year result and interim ordinary dividend announcement
15 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 Group is available on the website:

▸ **macquarie.com.au/investorrelations**