



Interim Financial Report 2023

Macquarie Bank
Half year ended
30 September 2022

Macquarie Bank 2023 Interim Financial Report

This Interim Financial Report has been prepared in accordance with Australian Accounting Standards and the *Corporations Act 2001* (Cth) and does not include all the notes of the type normally included in an annual financial report.

The material in this report has been prepared by MBL ABN 46 008 583 542 and is current at the date of this report. It is general background information about Macquarie Bank's (MBL and its subsidiaries, the Consolidated Entity) activities, is provided in summary form in terms of the requirements of AASB 134 *Interim Financial Reporting* 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.

The Interim Financial Report was authorised for issue by MBL's Voting Directors (Directors) on 28 October 2022. The Board of Directors has the power to amend and reissue the Financial Report.

The Macquarie name and Holey Dollar device are registered trade marks of Macquarie Group Limited ACN 122 169 279.

Cover image

We remain committed to supporting and educating our customers through changing economic conditions. We regularly share relevant and practical content to help our customers make informed financial decisions and understand how to adapt their household finances amid a tougher financial environment.



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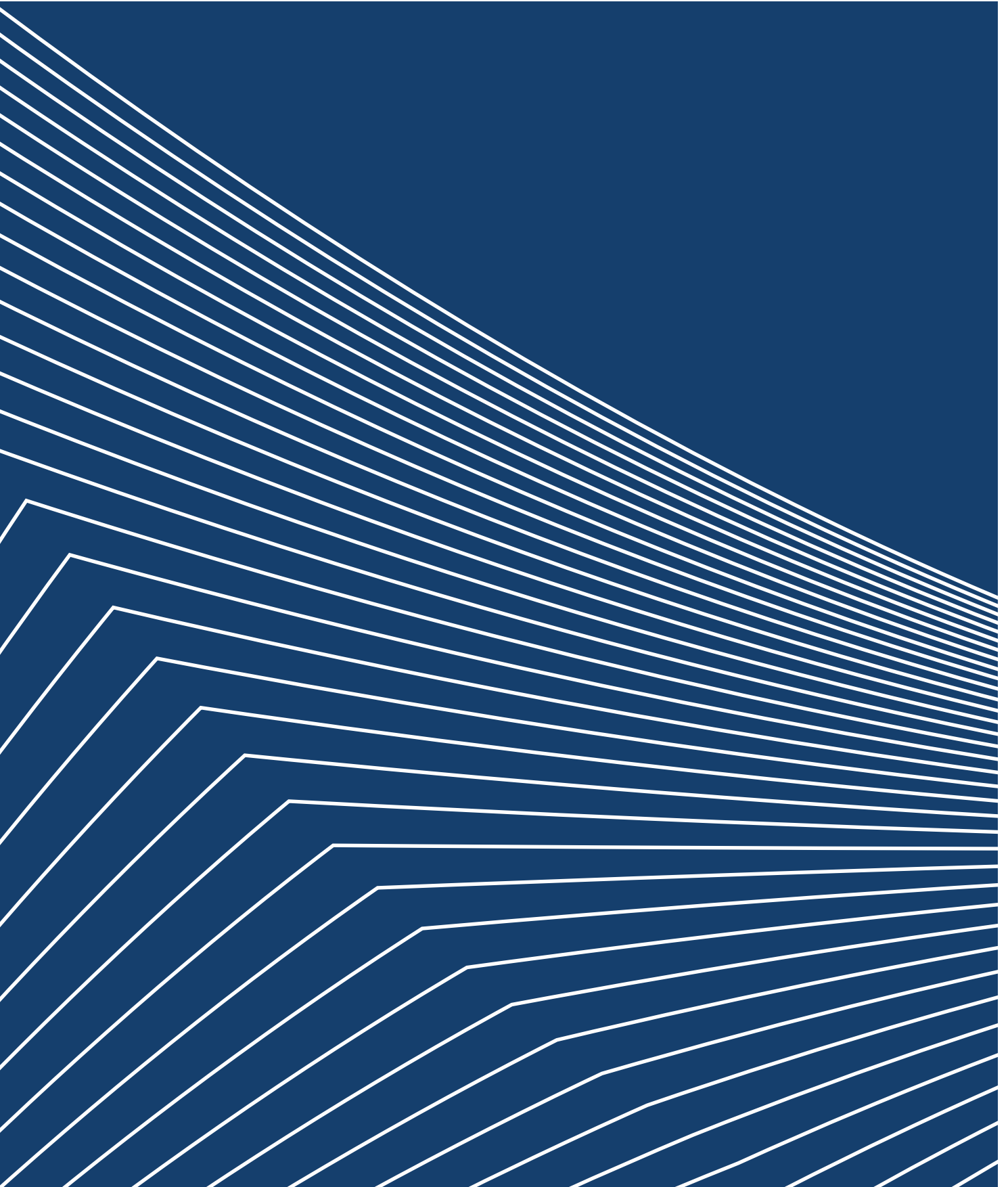
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01

**Directors'
Report**



Directors' Report

For the half year ended 30 September 2022

The Directors of MBL submit their report with the financial report of the Consolidated Entity for the half year ended 30 September 2022.

Directors

At the date of this report, the Directors of MBL are:

Independent Directors

G.R. Stevens AC, Chairman

J.R. Broadbent AC

P.M. Coffey

M.J. Coleman

M.A. Hinchliffe

R.J. McGrath

M. Roche

I.M. Saines

N.M. Wakefield Evans

Executive Voting Directors

S.D. Green, Managing Director and Chief Executive Officer

S.R. Wikramanayake

Other than Mr I.M. Saines, the Directors listed above each held office as a Director of MBL throughout the period and until the date of this report.

Mr P.H. Warne retired from his role as Chairman and as an Independent Director on 9 May 2022. Mr G.R. Stevens became Chairman on 10 May 2022. Mr I.M. Saines was appointed as an Independent Director on 1 June 2022.

Those Directors listed as Independent Directors have been independent throughout the period of their appointment.

Result

The financial report for the half year ended 30 September 2022 and the results herein are prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001* (Cth).

The consolidated profit attributable to the ordinary equity holder of Macquarie Bank, in accordance with Australian Accounting Standards, for the period was \$A1,275 million (half year to 31 March 2022: \$A1,474 million; half year to 30 September 2021: \$A1,243 million).

Events after the reporting date

There were no material events subsequent to 30 September 2022 and up until the authorisation of the financial statements for issue, requiring a disclosure in the interim financial report, other than those that have been disclosed elsewhere in the financial statements.

Interim dividend

No dividends were paid during the current period.


Rounding of amounts

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, amounts in the Directors' Report and the Interim Financial Report have been rounded off to the nearest million dollars unless otherwise indicated.

This report is made in accordance with a resolution of the Directors.



Glenn Stevens AC
Independent Director and Chairman



Stuart Green
Managing Director and Chief Executive Officer

Sydney
28 October 2022

Auditor's independence declaration

For the half year ended 30 September 2022



As lead auditor for the review of Macquarie Bank Limited for the half year ended 30 September 2022, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001 (Cth)* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Macquarie Bank Limited and the entities it controlled during the period.

K. Stubbins

Kristin Stubbins
Partner
PricewaterhouseCoopers

Sydney
28 October 2022

PricewaterhouseCoopers, ABN 52 780 433 757
One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

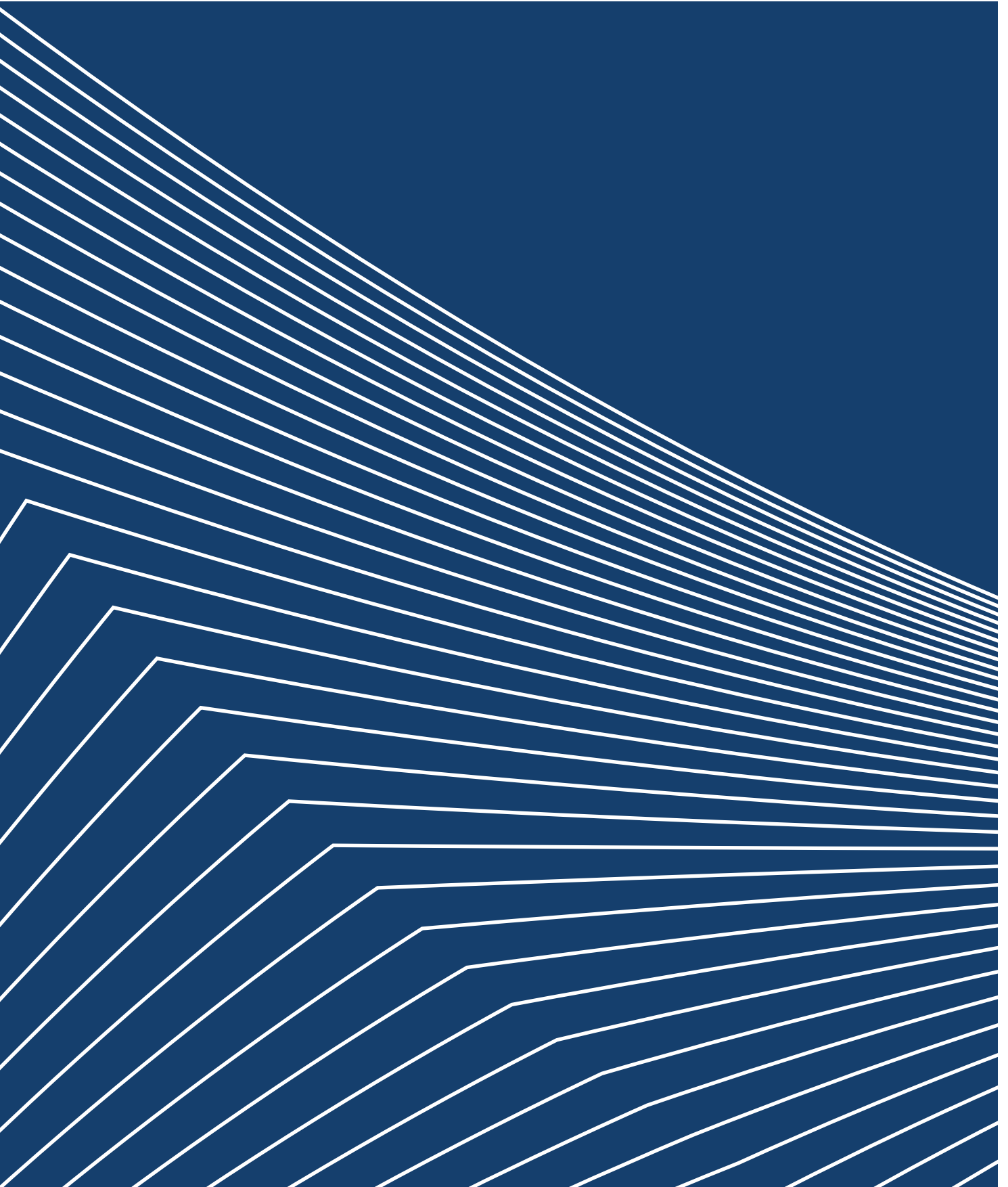
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The background features a complex geometric pattern of blue and white lines. On the right side, there are several concentric, nested chevron-like shapes pointing towards the right. On the left side, there are several parallel, slightly curved lines. A large, solid black rectangle is positioned in the lower-left quadrant, containing the text '02 Financial Report'.

02

**Financial
Report**



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The Financial Report was authorised for issue by the Board of Directors on 28 October 2022.

The Board of Directors has the power to amend and reissue the Financial Report.

Consolidated income statement

For the half year ended 30 September 2022

	Notes	Half year to 30 Sep 22 \$m	Half year to 31 Mar 22 \$m	Half year to 30 Sep 21 \$m
Interest and similar income:				
Effective interest rate method	2	2,623	1,615	1,595
Other	2	295	146	118
Interest and similar expense	2	(1,653)	(523)	(498)
Net interest income		1,265	1,238	1,215
Net trading income	2	2,532	2,512	1,702
Fee and commission income	2	1,118	1,058	896
Net credit impairment (charges)/reversals	2	(68)	78	(94)
Net other impairment reversals/(charges)	2	1	(22)	11
Net other operating income	2	202	278	682
Net operating income		5,050	5,142	4,412
Employment expenses	2	(2,164)	(1,900)	(1,796)
Brokerage, commission and fee expenses	2	(261)	(254)	(251)
Non-salary technology expenses	2	(440)	(396)	(320)
Other operating expenses	2	(430)	(554)	(416)
Total operating expenses		(3,295)	(3,104)	(2,783)
Operating profit before income tax		1,755	2,038	1,629
Income tax expense	4	(480)	(564)	(386)
Profit after income tax		1,275	1,474	1,243
Profit attributable to the ordinary equity holder of Macquarie Bank Limited		1,275	1,474	1,243

The above consolidated income statement should be read in conjunction with the accompanying notes.

Consolidated statement of comprehensive income

For the half year ended 30 September 2022

	Notes	Half year to 30 Sep 22 \$m	Half year to 31 Mar 22 \$m	Half year to 30 Sep 21 \$m
Profit after income tax		1,275	1,474	1,243
Other comprehensive income/(loss) ⁽¹⁾				
Movements in items that may be subsequently reclassified to the income statement:				
Fair value through other comprehensive (FVOCI) reserve:				
Revaluation movement	17	(28)	(28)	-
Changes in expected credit losses allowance	17	7	-	(3)
Cash flow hedge reserve and cost of hedging reserve:				
Net movement recognised in other comprehensive income (OCI)	17	80	71	(2)
Transferred to income statement on realisation	17	32	19	25
Other reserves:				
Transferred to income statement on realisation	17	3	3	-
Foreign exchange movements on translation and hedge accounting of foreign operations		789	(146)	187
Movements in items that will not be subsequently reclassified to the income statement:				
Fair value changes attributable to own credit risk on debt designated as fair value through profit or loss (DFVTPL)	17	1	15	(3)
Total other comprehensive income/(loss)		884	(66)	204
Total comprehensive income attributable to the ordinary equity holder of Macquarie Bank Limited		2,159	1,408	1,447

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

(1) All items are net of tax, where applicable.

Consolidated statement of financial position

As at 30 September 2022

	Notes	As at 30 Sep 22 \$m	As at 31 Mar 22 \$m	As at 30 Sep 21 \$m
Assets				
Cash and bank balances		49,803	48,972	28,769
Cash collateralised lending and reverse repurchase agreements		65,628	42,548	32,805
Trading assets	5	12,392	11,719	20,964
Margin money and settlement assets	6	25,009	19,410	16,092
Derivative assets	7	111,509	84,616	77,124
Financial investments		18,297	6,511	8,853
Held for sale and other assets	8	6,089	4,990	5,315
Loan assets	9	134,059	123,004	109,501
Due from related body corporate entities		5,759	3,425	3,017
Property, plant and equipment and right-of-use assets		3,580	3,536	2,899
Deferred tax assets		936	897	788
Total assets		433,061	349,628	306,127
Liabilities				
Cash collateralised borrowing and repurchase agreements		22,410	16,947	13,809
Trading liabilities	11	6,378	5,206	5,431
Margin money and settlement liabilities	12	36,033	21,577	20,610
Derivative liabilities	13	111,260	84,191	77,801
Deposits		122,136	101,614	91,683
Held for sale and other liabilities	14	6,249	5,744	4,106
Borrowings		6,305	5,713	2,214
Due to related body corporate entities		15,178	11,637	9,634
Issued debt securities	15	78,289	72,107	57,406
Deferred tax liabilities		23	28	49
Total liabilities excluding loan capital		404,261	324,764	282,743
Loan capital		8,094	6,896	7,345
Total liabilities		412,355	331,660	290,088
Net assets		20,706	17,968	16,039
Equity				
Contributed equity	16	10,141	9,562	9,041
Reserves	17	1,315	432	513
Retained earnings	17	9,250	7,974	6,485
Total capital and reserves attributable to the ordinary equity holder of Macquarie Bank Limited		20,706	17,968	16,039
Total equity		20,706	17,968	16,039

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

For the half year ended 30 September 2022

	Notes	Contributed equity \$m	Reserves \$m	Retained earnings \$m	Total equity \$m
Balance as at 1 Apr 2021		8,523	306	5,245	14,074
Profit after income tax		-	-	1,243	1,243
Other comprehensive income/(loss), net of tax		-	207	(3)	204
Total comprehensive income		-	207	1,240	1,447
Contribution of ordinary equity by the equity holder	16	500	-	-	500
Other equity movements	16	18	-	-	18
		518	-	-	518
Balance as at 30 Sep 2021		9,041	513	6,485	16,039
Profit after income tax		-	-	1,474	1,474
Other comprehensive (loss)/income, net of tax		-	(81)	15	(66)
Total comprehensive (loss)/income		-	(81)	1,489	1,408
Contribution of ordinary equity by the equity holder	16	500	-	-	500
Other equity movements	16	21	-	-	21
		521	-	-	521
Balance as at 31 Mar 2022		9,562	432	7,974	17,968
Profit after income tax		-	-	1,275	1,275
Other comprehensive income, net of tax		-	883	1	884
Total comprehensive income		-	883	1,276	2,159
Contribution of ordinary equity by the equity holder	16	600	-	-	600
Other equity movements	16	(21)	-	-	(21)
		579	-	-	579
Balance as at 30 Sep 2022		10,141	1,315	9,250	20,706

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

For the half year ended 30 September 2022

	Half year to 30 Sep 22 \$m	Half year to 31 Mar 22 \$m	Half year to 30 Sep 21 \$m
Cash flows generated from/(utilised in) operating activities			
Interest income and expense:			
Received	2,806	1,740	1,726
Paid	(1,325)	(513)	(518)
Fees, commission, other income and charges:			
Received	1,185	1,065	882
Paid	(274)	(215)	(256)
Operating lease income received	341	547	294
Operating expenses paid:			
Employment expenses	(2,618)	(1,337)	(1,966)
Other operating expenses including brokerage, commission and fee expenses	(895)	(327)	(751)
Income tax paid	(370)	(162)	(233)
Changes in operating assets:			
Loan assets, receivables and balances with related parties	(9,213)	(11,557)	(18,159)
Other assets	208	(1,015)	(553)
Assets under operating lease	(166)	(879)	(236)
Trading and related assets, liquid investments and collateralised lending balances (net of liabilities)	(1,919)	13,222	867
Changes in operating liabilities:			
Issued debt securities	(629)	16,316	11,053
Deposits	20,111	10,001	7,471
Other liabilities	(41)	(328)	30
Borrowings and other funding	(798)	4,428	8,902
Net cash flows generated from operating activities	6,403	30,986	8,553
Cash flows (utilised in)/generated from investing activities			
Net (payments for)/proceeds from financial investments	(3,784)	2,638	50
Associates, joint ventures, subsidiaries, and businesses:			
Proceeds from the distribution or disposal, net of cash deconsolidated	4	-	536
Payments for additional capital contribution or acquisitions, net of cash acquired	(30)	(41)	(12)
Property, plant and equipment and intangible assets:			
Proceeds from disposals	2	-	-
Payments for acquisitions	(138)	(106)	(58)
Net cash flows (utilised in)/generated from investing activities	(3,946)	2,491	516
Cash flows generated/(utilised in) from financing activities			
Proceeds from issue of ordinary shares	600	500	500
Loan Capital:			
Issuance	850	-	1,405
Redemption	-	(17)	(1,084)
Net cash flows generated from financing activities	1,450	483	821
Net increase in cash and cash equivalents	3,907	33,960	9,890
Cash and cash equivalents at the beginning of the period	72,361	39,950	29,318
Effect of exchange rate movements on cash and cash equivalents	4,100	(1,549)	742
Cash and cash equivalents at the end of the period	80,368	72,361	39,950

Notes to the consolidated financial statements

For the half year ended 30 September 2022

Note 1

Basis of preparation

This general purpose interim financial report for the half year reporting period ended 30 September 2022 has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* (AASB 134) and the *Corporations Act 2001 (Cth)*. Compliance with AASB 134 ensures compliance with International Accounting Standard IAS 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board (IASB).

This interim financial report comprises the consolidated financial report of Macquarie Bank Limited (MBL or the Company) and the entities it controlled at the end of, or during the half year ended 30 September 2022 (the Consolidated Entity).

This interim financial report does not include all the disclosures of the type that are normally included in the Consolidated Entity's annual financial report. Accordingly, this report is to be read in conjunction with the Consolidated Entity's annual financial report for the year ended 31 March 2022 and any public announcements made by the Consolidated Entity during the reporting period in accordance with the continuous disclosure requirements issued by the Australian Securities Exchange (ASX).

In accordance with *ASIC Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191*, amounts in the Directors' Report and the interim financial report have been rounded to the nearest million Australian dollars (\$) unless otherwise indicated.

The accounting policies adopted in the preparation of the interim financial report are consistent with those adopted and disclosed in the Consolidated Entity's annual financial report for the year ended 31 March 2022.

(i) Critical accounting estimates and significant judgements

The preparation of this interim financial report in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Consolidated Entity's accounting policies.

Areas of estimation uncertainty and the basis of key judgements applied by management in preparing the interim financial report are consistent with those that were applied and disclosed in the Consolidated Entity's annual financial report for the year ended 31 March 2022.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. During the period, an increased level of estimation uncertainty was involved in the preparation of the Interim Report arising from emerging risks such as geopolitical tensions, the energy security crisis and changing economic environment and market conditions.

Management believes that the estimates used in preparing the interim financial report are reasonable. It is however reasonably possible that future outcomes that are different from the Consolidated Entity's assumptions and estimates at 30 September 2022, other than adjusting events that provide evidence of conditions that existed at the end of the reporting period, could require an adjustment to the carrying amounts of the reported assets and liabilities in future reporting periods.

(ii) Coronavirus (COVID-19)

The impact of COVID-19 has been incorporated into the determination of the Consolidated Entity's results of operations and measurement of its assets and liabilities at the reporting date.

The Consolidated Entity's processes to determine the impact of COVID-19 for this interim financial report are consistent with the processes disclosed and applied in the Consolidated Entity's annual financial report for the year ended 31 March 2022. Those processes identified that *Expected credit losses* (Note 10) required continued judgement as a result of the impact of COVID-19.

(iii) New Australian Accounting Standards and amendments to Australian Accounting Standards and interpretations that are either effective in the current period or have been early adopted

The amendments made to existing standards that were mandatorily effective or have been early adopted for the annual reporting period beginning on 1 April 2022 did not result in a material impact on this interim financial report.

There were no new Australian accounting standards that were mandatorily effective or have been early adopted for the interim financial report.

(iv) Other developments

IBOR reform: Transition from inter-bank offered rates (IBOR) to alternative reference rates (ARRs)

IBOR interest rate benchmarks that are used in a wide variety of financial instruments (such as derivatives and lending arrangements) are undergoing reform. The nature of such reforms varies by benchmark and jurisdiction.

IBOR including the GBP, JPY, EUR and CHF London Inter-bank Offered Rate ('LIBOR'), and the 1-week and 2-month tenors for USD LIBOR ceased publication on 31 December 2021. The Consolidated Entity's IBOR reform project oversaw the transition of such exposures and ceased the use of LIBOR in new products in accordance with industry and regulatory guidance.

Note 1

Basis of preparation continued

(iv) Other developments continued

The remaining USD LIBOR tenors and IBOR for other minor currencies, other than Canadian Dollar Offered Rate will cease publication on 30 June 2023. CDOR will cease publication on 28 June 2024. Similar to the transition of LIBORs ceasing in 2021, the transition approach will vary by product and nature of the counterparty. The Consolidated Entity will utilise active conversion of exposures or the inclusion of fallback provisions where necessary to support the transition of bilateral products. For products cleared through Central Clearing Counterparties ('CCPs'), the transition will align to the CCP requirements and market-wide approach to reform. The Consolidated Entity has actively begun to engage with clients to support them through the transition from USD LIBOR to SOFR. USD LIBOR transition activity is expected to increase during the second half of FY23, broadly in line with markets as the cessation date approaches. New products must not reference USD LIBOR, other than a few exceptional cases that are permitted regulatory exceptions.

Whilst IBOR reforms are important changes for the Consolidated Entity, the risks associated with the transition are managed within the Consolidated Entity's existing risk management framework. The Consolidated Entity's exposure to IBOR transition risk has not changed materially during the period to 30 September 2022.

(v) Comparatives

Where necessary, comparative information has been re-presented to conform to changes in presentation in the current period.

Notes to the consolidated financial statements

For the half year ended 30 September 2022 continued

Note 2

Operating profit before income tax

	Half year to 30 Sep 22 \$m	Half year to 31 Mar 22 \$m	Half year to 30 Sep 21 \$m
Net interest income			
Interest and similar income			
Effective interest rate method ⁽¹⁾	2,623	1,615	1,595
Other	295	146	118
Interest and similar expense ⁽²⁾	(1,653)	(523)	(498)
Net interest income	1,265	1,238	1,215
Net trading income			
Commodities trading ⁽³⁾	1,863	2,017	1,216
Credit, interest rate, foreign exchange and other products	493	353	292
Equities trading	176	142	194
Net trading income	2,532	2,512	1,702
Fee and commission income			
Service fee from related parties	598	546	460
Brokerage and other trading-related fees	141	143	132
Portfolio administration fees	125	129	118
Lending fees	74	68	65
Other fee and commission income	180	172	121
Total fee and commission income	1,118	1,058	896

(1) Includes interest income of \$2,468 million (half year to 31 March 2022: \$1,591 million; half year to 30 September 2021: \$1,566 million) on financial assets measured at amortised cost and \$155 million (half year to 31 March 2022: \$24 million; half year to 30 September 2021: \$29 million) on financial assets measured at FVOCI.

(2) Includes interest expense on financial liabilities measured at amortised cost calculated using the effective interest rate method of \$1,606 million (half year to 31 March 2022: \$492 million; half year to 30 September 2021: \$471 million).

(3) Includes \$190 million (half year to 31 March 2022: \$219 million; half year to 30 September 2021: \$190 million) of transportation, storage and certain other trading-related costs.

Note 2

Operating profit before income tax continued

	Half year to 30 Sep 22 \$m	Half year to 31 Mar 22 \$m	Half year to 30 Sep 21 \$m
Credit and other impairment (charges)/reversals			
Credit impairment (charges)/reversals			
Loan assets	(37)	118	(41)
Margin money and settlement assets	(6)	(17)	(11)
Financial investments, other assets, off balance sheet exposures	(26)	(25)	(42)
Gross credit impairment (charges)/reversals	(69)	76	(94)
Recovery of amounts previously written off	1	2	-
Net credit impairment (charges)/reversals	(68)	78	(94)
Other impairment (charges)/reversals			
Intangible and other non-financial assets	1	(22)	11
Net other impairment reversals/(charges)	1	(22)	11
Total credit and other impairment (charges)/reversals	(67)	56	(83)
Net other operating income			
Investment (loss)/income			
Net (loss)/gain from:			
Disposal of businesses and subsidiaries	-	5	455
Financial investments and other assets	(32)	37	24
Total investment (loss)/income	(32)	42	479
Net operating lease income			
Rental income	337	346	310
Depreciation	(162)	(161)	(156)
Net operating lease income	175	185	154
Share of net profits from associates and joint ventures	14	24	15
Other income	45	27	34
Total net other operating income	202	278	682
Net operating income	5,050	5,142	4,412

Notes to the consolidated financial statements

For the half year ended 30 September 2022 continued

Note 2

Operating profit before income tax continued

	Half year to 30 Sep 22 \$m	Half year to 31 Mar 22 \$m	Half year to 30 Sep 21 \$m
Employment expenses			
Salary and related costs including commissions, superannuation and performance-related profit share	(1,935)	(1,713)	(1,602)
Share-based payments	(208)	(168)	(156)
Provision for long service leave and annual leave	(21)	(19)	(38)
Total employment expenses	(2,164)	(1,900)	(1,796)
Brokerage, commission and fee expenses			
Brokerage and other trading-related fee expenses	(207)	(195)	(202)
Other fee and commission expenses	(54)	(59)	(49)
Total brokerage, commission and fee expenses	(261)	(254)	(251)
Non-salary technology expenses			
Information services	(62)	(55)	(52)
Depreciation on own use assets: equipment	(9)	(9)	(9)
Service provider and other non-salary technology expenses	(369)	(332)	(259)
Total non-salary technology expenses	(440)	(396)	(320)
Other operating expenses			
Occupancy expenses			
Lease and other occupancy expenses	(89)	(82)	(81)
Depreciation on own use assets: buildings, furniture, fittings and leasehold improvements	(17)	(20)	(18)
Total occupancy expenses	(106)	(102)	(99)
Other expenses			
Professional fees	(107)	(133)	(90)
Travel and entertainment expenses	(37)	(10)	(6)
Indirect and other taxes	(35)	(55)	(60)
Advertising and promotional expenses	(27)	(25)	(20)
Audit fees	(15)	(15)	(14)
Amortisation of intangible assets	(6)	(11)	(12)
Other	(97)	(203)	(115)
Total other expenses	(324)	(452)	(317)
Total other operating expenses	(430)	(554)	(416)
Total operating expenses	(3,295)	(3,104)	(2,783)
Operating profit before income tax	1,755	2,038	1,629

Note 3 Segment reporting

(i) Operating Segments

AASB 8 Operating Segments requires the 'management approach' to disclosing information about the Consolidated Entity's reportable segments. The financial information is reported on the same basis as used internally by Senior Management for evaluating Operating Segment performance and for deciding how to allocate resources to Operating Segments. Such information may be produced using different measures to that used in preparing the statutory income statement.

For internal reporting, performance measurement and risk management purposes, the Consolidated Entity is divided into Operating Groups and a Corporate segment (reportable segments).

The financial information disclosed relates to the Consolidated Entity's ordinary activities.

These segments have been set up based on the different core products and services offered. The Operating Groups comprise:

- **BFS** which provides a diverse range of personal banking, wealth management, and business banking products and services to retail clients, advisers, brokers and business clients
- **CGM** which is a global business offering capital and financing, risk management, market access, physical execution and logistics solutions to its diverse client base across Commodities, Financial Markets and Asset Finance.

The Corporate segment, which is not considered an Operating Group, comprises head office and Central Service Groups, including Group Treasury, and holds certain legacy and strategic investments, assets and businesses that are not allocated to any of the Operating Groups. Any balances pertaining to an operating segment that are not individually material are also reported as part of the Corporate segment.

Items of income and expense within the Corporate segment include the net result of managing Macquarie Bank's liquidity and funding requirements, earnings on capital and the residual accounting volatility relating to economically hedged positions where hedge accounting is applied, as well as accounting volatility for other economically hedged positions where hedge accounting is not applicable.

Other items of income and expenses within the Corporate segment include earnings from investments, changes in central overlays to impairments or valuation of assets, unallocated head office costs and costs of Central Service Groups, the Consolidated Entity's performance-related profit share and share-based payments expense and income tax expense.

Below is a selection of key policies applied in determining the Operating segment results.

Internal funding arrangements

Group Treasury has the responsibility for managing funding for the Consolidated Entity, and Operating Groups obtain their funding from Group Treasury. The interest rates charged by Group Treasury are determined by the currency and term of the funding. Break costs may be charged to Operating Groups for the early repayment of term funding.

Generally, Operating Groups may only source funding directly from external sources where the funding is secured by the Operating Group's assets. In such cases the Operating Group bears the funding costs directly and Group Treasury may levy additional charges where appropriate.

Deposits are a funding source for the Bank Group. The value of deposits that the Bank Group generates is recognised within Net interest and trading income for segment reporting purposes.

Transactions between Operating Segments

Operating Segments that enter into arrangements with other Operating Segments must do so on commercial terms or as agreed by the Consolidated Entity's Chief Executive Officer or Chief Financial Officer.

Internal transactions are recognised in each of the relevant categories of income and expense and eliminated on consolidation as appropriate.

Accounting for derivatives that hedge interest rate risk

With respect to businesses that predominantly earn income from lending activities, derivatives that hedge interest rate risk are measured at Fair Value Through Profit or Loss (FVTPL). Changes in fair value are presented in net trading income and gives rise to income statement volatility unless designated in a hedge accounting relationship, in which case the carrying value of the hedged item is adjusted for changes in fair value attributable to the hedged risk to reduce volatility in the income statement. If designated in a cash flow hedge accounting relationship, the effective portion of the derivative's fair value gains or losses is deferred in the cash flow hedge reserve as part of OCI, and subsequently recognised in the income statement at the time at which the hedged item affects the income statement for the hedged risk. For segment reporting purposes, derivatives are accounted for on an accrual basis in the results of the Operating Groups to the extent that the Corporate segment manages the derivative volatility, either through the application of hedge accounting or where the derivative volatility may offset the volatility of other positions managed within the Corporate segment.

Notes to the consolidated financial statements

For the half year ended 30 September 2022 continued

Note 3 Segment reporting continued

(i) Operating Segments continued

Central Service Groups

The Central Service Groups provide a range of functions supporting Macquarie Group Limited's (MGL) Operating Groups, ensuring they have the appropriate workplace support and systems to operate effectively and the necessary resources to meet their regulatory, compliance, financial reporting, legal and risk management requirements.

Central Service Groups recover their costs from Operating Groups generally on either a time and effort allocation basis or a fee for service basis. Central Service Groups include the Corporate Operations Group (COG), Financial Management Group (FMG), Risk Management Group (RMG), Legal and Governance Group (LGG) and Central Executive.

In November 2020, MGL's service entities were transferred from the Non-Bank Group to the Consolidated Entity following approval from both the MGL and MBL Boards.

The transfer was achieved through execution of sale and purchase agreements whereby the Consolidated Entity acquired a 100% interest in Macquarie Group Services Australia (MGSA) and its subsidiaries from MGL and a 100% interest in Macquarie Global Services Private Limited (MGSP) from Macquarie Global Finance Services (Mauritius) Limited (an indirect subsidiary of MGL).

The service entities largely employ staff in Central Service Groups, together with some back and middle office staff from MGL's Operating Groups. The transfer resulted in an increase of approximately 7,500 permanent headcount for the Consolidated Entity. Where staff provide services to the Non-Bank Group, the Consolidated Entity earns fees for these services, which are charged on arms-length basis.

Performance-related profit share and share-based payments expense

Performance-related profit share and share-based payments expense relating to the Macquarie Group Employee Retained Equity Plan (MEREP) are recognised in the Corporate segment and not allocated to Operating Groups.

Income tax

Income tax expense and benefits are recognised in the Corporate segment and are not allocated to the Operating Groups. However, to recognise an Operating Group's contribution to permanent income tax differences, the internal management revenue/charge category is used.

This internal management revenue/charge category, which is primarily used for permanent income tax differences generated by the Operating Groups, are offset by an equal and opposite amount recognised in the Corporate segment such that they are eliminated on consolidation.

Presentation of segment income statements

The income statements on the following pages for each of the reported segments are in some cases summarised by grouping non-material balances together. Where appropriate, all material or key balances have been reported separately to provide users with information relevant to the understanding of the Consolidated Entity's financial performance. The financial information disclosed relates to the Consolidated Entity's ordinary activities.

Reportable segment assets

Segment assets are the external operating assets that are employed by a segment in its operating activities.

Note 3

Segment reporting continued

(i) Operating Segments continued

The following is an analysis of the Consolidated Entity's revenue and results by reportable segment:

	Banking and Financial Services \$m	Commodities and Global Markets \$m	Corporate \$m	Total \$m
HALF YEAR TO 30 SEP 22				
Net interest and trading income/(expense)	1,214	2,601	(18)	3,797
Fee and commission income	233	287	598	1,118
Net other operating income:				
Net credit and other impairment charges	(9)	(34)	(24)	(67)
Other operating income and charges	(16)	197	21	202
Internal management revenue/(charges)	1	(1)	-	-
Net operating income	1,423	3,050	577	5,050
Total operating expenses	(843)	(1,156)	(1,296)	(3,295)
Operating profit/(loss) before income tax	580	1,894	(719)	1,755
Income tax expense	-	-	(480)	(480)
Net profit/(loss) contribution	580	1,894	(1,199)	1,275
Reportable segment assets	122,243	235,737	75,081	433,061
HALF YEAR TO 31 MAR 22				
Net interest and trading income/(expense)	998	2,765	(13)	3,750
Fee and commission income	237	270	551	1,058
Net other operating income:				
Net credit and other impairment reversals/(charges)	53	(6)	9	56
Other operating income and charges	9	280	(11)	278
Internal management revenue/(charges)	1	(8)	7	-
Net operating income	1,298	3,301	543	5,142
Total operating expenses	(779)	(1,141)	(1,184)	(3,104)
Operating profit/(loss) before income tax	519	2,160	(641)	2,038
Income tax expense	-	-	(564)	(564)
Net profit/(loss) contribution	519	2,160	(1,205)	1,474
Reportable segment assets	111,106	171,741	66,781	349,628

Notes to the consolidated financial statements

For the half year ended 30 September 2022 continued

Note 3

Segment reporting continued

(i) Operating Segments continued

	Banking and Financial Services \$m	Commodities and Global Markets \$m	Corporate \$m	Total \$m
HALF YEAR TO 30 SEP 21				
Net interest and trading income	974	1,868	75	2,917
Fee and commission income	220	216	460	896
Net other operating income:				
Net credit and other impairment (charges)/reversals	(31)	(60)	8	(83)
Other operating income and charges	-	662	20	682
Internal management revenue/(charges)	-	34	(34)	-
Net operating income	1,163	2,720	529	4,412
Total operating expenses	(681)	(948)	(1,154)	(2,783)
Operating profit/(loss) before income tax	482	1,772	(625)	1,629
Income tax expense	-	-	(386)	(386)
Net profit/(loss) contribution	482	1,772	(1,011)	1,243
Reportable segment assets	100,067	162,829	43,231	306,127

Note 3 Segment reporting continued

(ii) Fee and commission income relating to contracts with customers

The following is an analysis of the Consolidated Entity's fee and commission income/(expense) by reportable segment:

	Banking and Financial Services \$m	Commodities and Global Markets \$m	Corporate \$m	Total \$m
Fee and commission income	HALF YEAR TO 30 SEP 22			
Service fee from related parties	-	-	598	598
Brokerage and other trading-related fees	20	121	-	141
Portfolio administration fees	124	1	-	125
Lending fees	69	5	-	74
Other fee and commission income	20	160	-	180
Total fee and commission income	233	287	598	1,118
Fee and commission income	HALF YEAR TO 31 MAR 22			
Service fee from related parties	-	-	546	546
Brokerage and other trading-related fees	21	122	-	143
Portfolio administration fees	128	1	-	129
Lending fees	61	7	-	68
Other fee and commission income	27	140	5	172
Total fee and commission income	237	270	551	1,058
Fee and commission income	HALF YEAR TO 30 SEP 21			
Service fee from related parties	-	-	460	460
Brokerage and other trading-related fees	24	108	-	132
Portfolio administration fees	117	1	-	118
Lending fees	60	5	-	65
Other fee and commission income	19	102	-	121
Total fee and commission income	220	216	460	896

Notes to the consolidated financial statements

For the half year ended 30 September 2022 continued

Note 4 Income tax expense

	Half year to 30 Sep 22 \$m	Half year to 31 Mar 22 \$m	Half year to 30 Sep 21 \$m
(i) Reconciliation of income tax expense to <i>prima facie</i> income tax expense			
<i>Prima facie</i> income tax expense on operating profit @30% (31 March 2022: 30%; 30 September 2021: 30%)	(526)	(611)	(489)
Tax effect of amounts which are non-assessable/(non-deductible) in calculating taxable income:			
Rate differential on offshore income	62	46	110
Other items	(16)	1	(7)
Total income tax expense	(480)	(564)	(386)

(ii) Tax benefit/(expense) relating to OCI			
FVOCI reserve	10	12	-
Own credit risk	-	(7)	2
Cash flow hedges and cost of hedging	(5)	(8)	(3)
Foreign currency translation reserve	-	1	-
Share of other comprehensive income of associates and joint ventures	(1)	-	-
Total tax benefit/(expense) relating to OCI	4	(2)	(1)

Revenue authorities undertake risk reviews and audits as part of their normal activities. The Consolidated Entity has assessed these and other taxation claims and litigation, including seeking advice where appropriate, and considers that it holds appropriate provisions.

Note 5 Trading assets

	As at 30 Sep 22 \$m	As at 31 Mar 22 \$m	As at 30 Sep 21 \$m
Listed equity securities	5,429	4,733	7,090
Commodity contracts	3,398	3,261	4,104
Commodities	2,718	3,119	6,982
Debt securities	847	606	2,788
Total trading assets	12,392	11,719	20,964

Note 6 Margin money and settlement assets

Margin money	19,379	14,088	10,152
Commodity settlements	3,723	4,294	2,680
Security settlements	1,907	1,028	3,260
Total margin money and settlement assets	25,009	19,410	16,092

Note 7

Derivative assets

	As at 30 Sep 22 \$m	As at 31 Mar 22 \$m	As at 30 Sep 21 \$m
Held for trading	110,043	84,171	76,488
Designated in hedge relationships	1,466	445	636
Total derivative assets	111,509	84,616	77,124

Note 8

Held for sale and other assets

Held for sale assets			
Assets held for sale	89	3	665
Other financial assets			
Commodity-related receivables	3,398	2,508	2,556
Trade debtors and other receivables	1,104	1,125	683
Fee and commission receivables	150	175	165
Other	18	23	13
Total other financial assets	4,670	3,831	3,417
Other non-financial assets			
Interests in associates and joint ventures	364	379	308
Prepayments	329	287	334
Income tax receivables	259	180	347
Indirect tax receivables	217	155	62
Intangible assets	103	101	143
Other	58	54	39
Total other non-financial assets	1,330	1,156	1,233
Total held for sale and other assets	6,089	4,990	5,315

Note 9

Loan assets

	AS AT 30 SEP 22			AS AT 31 MAR 22			AS AT 30 SEP 21		
	Gross \$m	ECL allowance \$m	Net \$m	Gross \$m	ECL allowance \$m	Net \$m	Gross \$m	ECL allowance \$m	Net \$m
Home loans ⁽¹⁾	107,109	(111)	106,998	94,922	(76)	94,846	81,365	(73)	81,292
Corporate, commercial, and other lending	19,441	(314)	19,127	18,590	(290)	18,300	16,911	(334)	16,577
Asset financing ⁽¹⁾	8,119	(185)	7,934	10,082	(224)	9,858	11,976	(344)	11,632
Total loan assets	134,669	(610)	134,059	123,594	(590)	123,004	110,252	(751)	109,501

(1) Includes \$18,832 million (31 March 2022: \$15,013 million; 30 September 2021: \$13,580 million) loans that are held by consolidated Structured Entities (SEs), and which are available as security to note holders and debt providers. Refer to Note 15 *Issued debt securities*.

Notes to the consolidated financial statements

For the half year ended 30 September 2022 continued

Note 10 Expected credit losses

The Consolidated Entity models the ECL for on-balance sheet financial assets measured at amortised cost or FVOCI such as loans, debt securities and lease receivables, as well as off-balance sheet items such as undrawn loan commitments, certain financial guarantee contracts and letters of credit.

Model Inputs

The Consolidated Entity segments its credit portfolio between retail and wholesale exposures, and further splits these portfolios into representative groupings which are typically based on shared risk characteristics.

The Consolidated Entity has developed several models to predict the ECL. These models incorporate a range of inputs notably that of Exposure at Default (EAD), Probability of Default (PD) and Loss Given Default (LGD) ('credit inputs') as well as Forward Looking Indicators (FLI).

For retail portfolios, behavioural variables are also considered in the determination of inputs for ECL modelling.

The key model components used in measuring the ECL include:

- exposure at default (EAD): The EAD represents the estimated exposure in the event of a default
- probability of default (PD): The calculation of PDs for retail and wholesale exposures is generally performed at a facility level. Retail exposures are segmented based on product type and shared characteristics that are highly correlated to credit risk such as region, product, counterparty groupings, loan-to-value ratio (LVR) and other similar criteria. Wholesale portfolio PDs are a function of industry type, internal credit ratings, region and transition matrices are used to determine a point in time PD estimate. PD estimates for both retail and wholesale portfolios are also adjusted for FLI
- loss given default (LGD): The LGD associated with the PD used is the magnitude of the ECL in a default event. The LGD is estimated using historical loss rates considering relevant factors for individual exposures or portfolios.

Significant increase in credit risk (SICR)

The Consolidated Entity periodically assesses exposures to determine whether there has been a SICR, which may be evidenced by either qualitative or quantitative factors. Qualitative factors include, but are not limited to, whether an exposure has been identified and placed on Credit Watch, an internal credit monitoring mechanism supervised by the Credit Watch Management Committee to closely monitor exposures showing signs of stress. All exposures on Credit Watch are classified as stage II or, if defaulted, as stage III.

SICR thresholds, which require judgement, are used to determine whether an exposure's credit risk has increased significantly. The SICR methodology is based on relative credit risk approach which considers changes in an underlying exposure's credit risk since origination. This may result in exposures being classified in Stage II that are of a higher credit quality than other similar exposures that are classified as Stage I. Accordingly, while increases in the quantum of Stage II exposures will suggest a relative deterioration of credit quality, it should not necessarily be inferred that the assets are of a lower credit quality.

Retail exposures

Exposures are assigned a behavioural score which considers the exposures' lifetime PD on initial recognition. This behavioural score is periodically assessed and updated to reflect changes in the underlying exposures' credit behaviour. SICR movement thresholds between origination and reporting date of behavioural score movements have been established that, where exceeded, result in the exposure being categorised as stage II.

Wholesale exposures

The Consolidated Entity assigns an internal credit rating to each exposure at origination based on information available at that date. These internal ratings are broadly aligned to external credit rating agencies such as Standard & Poor's and Moody's. Where an exposures' assigned credit rating deteriorates beyond pre-defined thresholds per credit rating at origination, the exposure is categorised as stage II. The methodology has been calibrated so that a larger change in rating is required for higher quality credit rated exposures than for lower quality credit rated exposures to be classified as stage II.

For both retail and wholesale portfolios:

- the AASB 9 'low credit risk' exemption is not applied by the Consolidated Entity to material portfolios
- for material retail portfolios, the credit risk for an exposure or portfolio is generally deemed to have increased significantly if the exposure is more than 30 days past due, unless there are product specific characteristics that indicate that this threshold should be rebutted.

Definition of default

The Consolidated Entity's definition of default determines the reference point for the calculation of the ECL components, and in particular the PD. Default is generally defined as the point when the borrower is unlikely to pay its credit obligations in full, without recourse by the Consolidated Entity to actions such as realisation of available security; or the borrower is 90 days or more past due on an obligation to the Consolidated Entity.

The Consolidated Entity periodically monitors its exposures for potential indicators of default such as significant financial difficulty of the borrower including breaches of lending covenants; it is probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for that financial asset because of financial difficulties; or the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Note 10

Expected credit losses continued

Forward-looking information (FLI)

The inclusion of FLI in calculating ECL allowances adjusts the PD, the determination of SICR as well as the LGD (that is relevant to the determination of the recovery rates on collateral). The predicted relationships between these key indicators and the key model components (EAD, PD and LGD) in measuring the ECL have been developed by analysing historical data as part of the development of internal models, and the calibration and validation process.

The Consolidated Entity applies its professional judgement in determining whether there are any inherent risks in the models' predictive outcomes. The overlays primarily reflect management's assessment of the current economic and credit environment relative to the FLI credit cycle model. These overlays account for the risk that underlying credit risk events have occurred, but observable modelled inputs are yet to reflect those events, as well as risks that are specific to regions, counterparties or industries which are difficult to account for within the modelled outcomes. Overtime the credit models are recalibrated to enhance the predictive capability. At the reporting date this overlay was approximately \$300 million (31 March 2022: \$275 million, 31 September 2021: \$400 million). These judgements are reviewed by FMG and RMG at each reporting date.

RMG is responsible for the FLI including the development of scenarios and recommending the range of probability weights to apply to those scenarios. For this purpose, four possible economic scenarios have been developed for this period, being an upside, downside, more severe downside, and baseline scenario. In calculating the ECL, each of the scenarios is probability weighted and then applied to the exposures' PDs and LGDs.

The scenarios have been developed using a combination of publicly available data, internal forecasts, and third-party information to form the initial baseline. Internal specialists within the Consolidated Entity are consulted to assist in refining and challenging the baseline and the alternate scenarios. For the current reporting period, the Consolidated Entity has generated three alternate scenarios in addition to the baseline scenario, to which the alternate scenarios are anchored on a relative basis.

Refinement of the scenarios includes benchmarking to external data from reputable sources. These sources, includes forecasts published from a range of market economists and official data sources, including major central banks, where available.

Where there are limited official data sources against which to benchmark key economic indicators on a forward-looking basis, management exercises judgement when determining the duration, severity and impact of the macroeconomic scenarios used by the Consolidated Entity.

Assigning probabilities to these scenarios requires professional judgement which draws on internal risk and economics' specialist input and comparison to general market outlooks and publicly available market commentary.

The scenarios and the associated probabilities are ultimately approved by senior risk and finance executives.

The scenarios for each of the key regions where the Consolidated Entity's ECL is derived have been set out on the following pages. Noting the diversity of possible scenarios and macroeconomic outcomes, and the continuing uncertainty regarding implications of events in Ukraine, broader inflationary pressures, and the path of monetary policy, these scenarios represent plausible forward-looking views as at the reporting date.

These scenarios impact the modelled ECL provisioning levels through determination of PDs and determination of losses that may be incurred should a default occur. The ability of borrowers to service their obligations through personal or business income is generally estimated using unemployment rates, GDP, commodity prices and interest rates. The losses that the Consolidated Entity may incur should a default occur, and the collateral utilised is generally estimated through property and share price index outlooks.

Future economic conditions may differ to the scenarios outlined, the impact of which will be accounted for in future reporting periods.

Notes to the consolidated financial statements

For the half year ended 30 September 2022 continued

Note 10

Expected credit losses continued

Forward-looking information continued

Scenario	Weighting	Expectation
Baseline A 100% weighting to this scenario would result in an estimated total expected credit loss provision on balance sheet at the reporting date of ~\$800 million ⁽¹⁾	Probable	<p>Global: The baseline scenario assumes a slowing economy due to expected impacts from inflation, monetary tightening, and a slowdown in China. Uncertainty remains significant regarding the trajectory of commodity prices and the pace of global interest rate hikes two key sources of uncertainty. Unemployment rates, currently at recent lows in many countries, are expected to rise as growth slows and many advanced economies enter recessions.</p> <p>Australia: Growth in 2022 continues as the economy recovers from the impacts of pandemic-related disruptions, however the pace of this growth will fall significantly over the coming year. A recession is not forecast, but annual growth in 2023 is forecast to be just 1.2%. Tightening from the Reserve Bank of Australia (RBA) is forecast to push the cash rate to 3.35% and result in a fall in house prices of approximately 16.5%. Weak growth is forecast to result in unemployment rising steadily to 4.5% by mid-2025, but remain below pre-pandemic levels.</p> <p>United States: A recession is forecast in the baseline scenario, with four consecutive quarters of contraction from mid 2023 as the US Federal Reserve rates increases impacts all aspects of the economy. Interest rate increases are expected to stop when the Federal funds rate reaches 3.75 to 4.0% in the first quarter of 2023. GDP is forecast to contract by 1.5% year-on-year, with unemployment rising to 6% in 2024.</p> <p>Europe: Having only just returned output to pre-pandemic levels, Europe has been negatively impacted by the conflict between Russia and Ukraine. Energy prices have surged, and supply concerns have increased as winter approaches. In this scenario price pressures are forecast to weigh on consumer and business activity, and Europe is expected to enter a recession during 2022. The recovery is forecast to be slow, with tighter monetary conditions from the European Central Bank (ECB) necessitated by high inflation, and with weak growth outlooks in much of the rest of the world.</p>
Downside A 100% weighting to this scenario would result in an estimated total expected credit loss provision on balance sheet at the reporting date of ~\$900 million ⁽¹⁾	Possible	<p>Global: The downside scenario forecasts growth in global GDP that is approximately 1% lower than the baseline scenario through to 2026.</p> <p>Australia: The scenario projects that Australia is unable to avoid a recession, with GDP contracting 0.75% during 2023 as a result of slowing global growth and the impact of restrictive monetary policy from the RBA. House prices are forecast to fall 14% but are supported by a reversal in RBA policy as the economy slows.</p> <p>United States: The scenario projects a longer and more significant contraction in GDP, falling by 2.2% to the end of 2023, despite Federal Reserve rate cuts beginning in early 2023 as signs emerge of faltering growth. The unemployment rate is forecast to continue to rise, peaking at over 7% in 2024.</p> <p>Europe: The scenario projects GDP to fall by slightly more than 2% in 2023, with a prolonged recovery through to 2026. Price pressures are forecast to continue to restrict household and business activity, and unemployment is forecast to exceed 9% in 2024.</p>
More Severe Downside A 100% weighting to this scenario would result in an estimated total expected credit loss provision on balance sheet at the reporting date of ~\$1,150 million ⁽¹⁾	Unlikely	<p>Global: The scenario projects negative global growth for most of 2023 as a result of persistent inflation, tighter global monetary conditions, and a slowdown in China. Commodity prices remain elevated for the first half of 2023 before global economic weakness leads to significant falls, pushing oil prices below \$US50/barrel. Equity markets also falter as the depth of the slowdown becomes clear.</p> <p>Australia: The scenario projects GDP to fall by 2.5% in 2023 and recover only slowly at 1% year-on-year in 2024. In spite of RBA loosening as a recession occurs, the economy continues to struggle and house prices stabilise in 2024 after declining 25%.</p> <p>United States: The scenario projects a severe downturn starting in late 2022 with output falling by 3.5% to during 2023. The Federal Reserve is forecast to cut rates sharply, but this fails to sufficiently stimulate the economy and unemployment in this scenario rises to 8.4% in early 2024.</p> <p>Europe: The scenario projects the Eurozone economy to contract 3.7% to by the end of 2023 as the energy price strain and a global slowdown have a significant impact on Europe. Unemployment is forecast to reach 10% across Europe in late 2024, while equity and housing markets are impacted by material downturns.</p>
Upside A 100% weighting to this scenario would result in an estimated total expected credit loss provision on balance sheet at the reporting date of ~\$750 million ⁽¹⁾	Unlikely	<p>Global: The upside scenario projects growth in global GDP that is approximately 1% higher than the baseline scenario throughout the forecast period to 2026.</p> <p>Australia: The scenario projects growth to continue but slow to around 1.5% year-on-year. RBA rate hikes are forecast to slow the economy sufficiently to ease inflationary pressures but without a sharp increase in unemployment, which slowly rises to 4.3%.</p> <p>United States: The scenario projects growth slows sharply in mid 2023 to approximately 0.1% quarterly growth, but a recession is avoided. The Federal Reserve broadly achieves its 'soft landing' goal and is not required to rapidly cut rates to stimulate growth. Equity prices take a decline in the short-term hit due to higher rates but recover as a recession is avoided.</p> <p>Europe: The scenario projects recession is narrowly avoided, but growth falls to less than 0.5% year-on-year. Price pressures are forecast to ease as monetary policy is tightened and global commodity prices decline, with unemployment forecast to rise to 7.5%.</p>

(1) This number provides comparative ECL provision information as at the reporting date assuming the scenarios outlined, but does not reflect changes in the credit rating of the counterparties that may occur if these scenarios were to occur. Changes in credit ratings may have a material impact on these ECL provisions.

Note 10

Expected credit losses continued

The table below presents the gross exposure and related ECL allowance for assets measured at amortised cost or FVOCI and off balance sheet exposures subject to the impairment requirements of AASB 9 *Financial Instruments*.

	GROSS EXPOSURE FOR FINANCIAL ASSETS CARRIED AT			Gross exposure \$m	ECL ALLOWANCE ON FINANCIAL ASSETS CARRIED AT			Total ECL allowance \$m
	Amortised cost \$m	FVOCI \$m	Other \$m		Amortised cost \$m	FVOCI \$m	Other \$m	
AS AT 30 SEP 22								
Cash and bank balances	49,803	-	-	49,803	-	-	-	-
Cash collateralised lending and reverse repurchase agreements	22,688	34,318	-	57,006	-	-	-	-
Margin money and settlement assets	24,829	-	-	24,829	90	-	-	90
Financial investments	750	14,506	-	15,256	-	11	-	11
Held for sale and other assets	2,209	-	-	2,209	114	-	-	114
Loan assets	134,471	-	-	134,471	610	-	-	610
Due from related body corporate entities	649	-	-	649	-	-	-	-
Off balance sheet exposures	-	-	7,231	7,231	-	-	35	35
Total	235,399	48,824	7,231	291,454	814	11	35	860
AS AT 31 MAR 22								
Cash and bank balances	48,972	-	-	48,972	-	-	-	-
Cash collateralised lending and reverse repurchase agreements	11,155	27,223	-	38,378	-	-	-	-
Margin money and settlement assets	18,967	-	-	18,967	81	-	-	81
Financial investments	4	6,262	-	6,266	-	1	-	1
Held for sale and other assets	2,316	-	-	2,316	158	-	-	158
Loan assets	123,435	-	-	123,435	590	-	-	590
Due from related body corporate entities	1,399	-	-	1,399	-	-	-	-
Off balance sheet exposures	-	-	6,630	6,630	-	-	17	17
Total	206,248	33,485	6,630	246,363	829	1	17	847

Notes to the consolidated financial statements

For the half year ended 30 September 2022 continued

Note 10

Expected credit losses continued

	GROSS EXPOSURE FOR FINANCIAL ASSETS CARRIED AT			Gross exposure \$m	ECL ALLOWANCE ON FINANCIAL ASSETS CARRIED AT			Total ECL allowances \$m
	Amortised cost \$m	FVOCI \$m	Other \$m		Amortised cost \$m	FVOCI \$m	Other \$m	
								AS AT 30 SEP 21
Cash and bank balances	28,769	-	-	28,769	-	-	-	-
Cash collateralised lending and reverse repurchase agreements	12,259	14,846	-	27,105	-	-	-	-
Margin money and settlement assets	15,569	-	-	15,569	65	-	-	65
Financial investments	10	8,566	-	8,576	-	4	-	4
Held for sale and other assets	2,282	-	-	2,282	167	-	-	167
Loan assets	110,096	-	-	110,096	750	-	-	750
Due from related body corporate entities	2,066	-	-	2,066	1	-	-	1
Off balance sheet exposures	-	-	6,813	6,813	-	-	24	24
Total	171,051	23,412	6,813	201,276	983	4	24	1,011

Note 10

Expected credit losses continued

The table below provides a reconciliation from the opening and closing balance of the ECL allowance:

	Margin money and settlement assets \$m	Financial investments \$m	Held for sale and other assets \$m	Loan assets \$m	Due from related body corporate entities \$m	Off balance sheet exposures \$m	Total \$m
Balance as at 1 Apr 2021	54	6	111	776	1	24	972
Credit impairment charges/ (reversals) (Note 2)	11	3	40	41	-	(1)	94
Amounts written off, previously provided for	-	-	(4)	(51)	-	-	(55)
Reclassifications, foreign exchange and other movements	-	(5)	20	(16)	-	1	-
Balance as at 30 Sep 2021	65	4	167	750	1	24	1,011
Credit impairment charges/ (reversals) (Note 2)	17	(3)	34	(118)	-	(6)	(76)
Amounts written off, previously provided for	-	-	(22)	(23)	-	-	(45)
Reclassifications, foreign exchange and other movements	(1)	-	(21)	(19)	(1)	(1)	(43)
Balance as at 31 Mar 2022	81	1	158	590	-	17	847
Credit impairment charges (Note 2)	6	10	-	37	-	16	69
Amounts written off, previously provided for	-	-	(61)	(20)	-	-	(81)
Reclassifications, foreign exchange and other movements	3	-	17	3	-	2	25
Balance as at 30 Sep 2022	90	11	114	610	-	35	860

Notes to the consolidated financial statements

For the half year ended 30 September 2022 continued

Note 10

Expected credit losses continued

ECL on loan assets

The table below represents the reconciliation of the ECL allowance on loan assets to which the impairment requirements under AASB 9 *Financial Instruments* are applied.

	LIFETIME ECL			Total \$m
	Stage I 12 month ECL	Stage II Not credit impaired	Stage III Credit impaired	
	\$m	\$m	\$m	
Balance as at 1 Apr 2021	315	202	259	776
Transfers during the period	18	1	(19)	-
Credit impairment charges/(reversals) (Note 2)	20	(29)	50	41
Amounts written off, previously provided for	-	-	(51)	(51)
Reclassifications, foreign exchange and other movements	(8)	(2)	(6)	(16)
Balance as at 30 Sep 2021	345	172	233	750
Transfers during the period	15	(4)	(11)	-
Credit impairment reversals (Note 2)	(127)	18	(9)	(118)
Amounts written off, previously provided for	-	-	(23)	(23)
Reclassifications, foreign exchange and other movements	(19)	1	(1)	(19)
Balance as at 31 Mar 2022	214	187	189	590
Transfers during the period	18	(15)	(3)	-
Credit impairment charges/(reversals) (Note 2)	36	(7)	8	37
Amounts written off, previously provided for	-	-	(20)	(20)
Reclassifications, foreign exchange and other movements	3	-	-	3
Balance as at 30 Sep 2022	271	165	174	610

Note 11

Trading liabilities

	As at 30 Sep 22 \$m	As at 31 Mar 22 \$m	As at 30 Sep 21 \$m
Listed equity securities	6,207	5,173	5,402
Commodities	136	-	-
Debt securities	35	33	29
Total trading liabilities	6,378	5,206	5,431

Note 12

Margin money and settlement liabilities

	As at 30 Sep 22 \$m	As at 31 Mar 22 \$m	As at 30 Sep 21 \$m
Margin money	29,991	16,244	15,572
Commodity settlements	3,771	4,370	2,473
Security settlements	2,271	963	2,565
Total margin money and settlement liabilities	36,033	21,577	20,610

Note 13

Derivative liabilities

Held for trading	109,973	83,584	77,392
Designated in hedge relationships	1,287	607	409
Total derivative liabilities	111,260	84,191	77,801

Note 14

Held for sale and other liabilities

Held for sale liabilities			
Liabilities held for sale	9	-	-
Other financial liabilities			
Commodity-related payables	1,955	1,208	544
Creditors	582	609	523
Lease liabilities	349	357	428
Unitholder liabilities	-	10	11
Total other financial liabilities	2,886	2,184	1,506
Other non-financial liabilities			
Accrued charges and provisions ⁽¹⁾	1,452	1,202	1,015
Employment-related liabilities	1,063	1,465	932
Indirect taxes payable	53	64	90
Income tax payable	419	460	375
Other	367	369	188
Total other non-financial liabilities	3,354	3,560	2,600
Total held for sale and other liabilities	6,249	5,744	4,106

(1) Includes provisions recognised for actual and potential claims and proceedings that arise in the ordinary course of business. The range of likely outcomes and increase in provisions during the current period in each of these matters did not have and is not currently expected to have a material impact on the Consolidated Entity.

Notes to the consolidated financial statements

For the half year ended 30 September 2022 continued

Note 15 Issued debt securities

	As at 30 Sep 22 \$m	As at 31 Mar 22 \$m	As at 30 Sep 21 \$m
Bonds, negotiable certificate of deposits and commercial paper ⁽¹⁾	77,029	70,522	55,587
Structured notes	1,260	1,585	1,819
Total issued debt securities^{(2),(3)}	78,289	72,107	57,406

The Consolidated Entity has not had any defaults of principal, interest, or other breaches with respect to its issued debt securities during the reported periods.

Reconciliation of issued debt securities by major currency (In Australian dollar equivalent)

United States dollar	47,832	40,422	32,790
Australian dollar	23,152	22,144	19,374
Euro	3,045	4,689	2,238
Pound sterling	2,546	3,317	1,444
Swiss franc	1,160	1,060	1,100
Other	554	475	460
Total issued debt securities	78,289	72,107	57,406

(1) Includes \$14,208 million (31 March 2022: \$13,380 million; 30 September 2021: \$12,170 million) payable to note holders and debt holders for which loan assets are held by consolidated SEs and are available as security. Refer to Note 9 *Loan assets*.

(2) The amount that would be contractually required to be paid at maturity to the holders of issued debt securities which are measured at DFVTPL is \$1,465 million (31 March 2022: \$1,706 million, 30 September 2021: \$1,996 million). This amount is based on the final notional amount rather than the fair value. Refer to Note 19 *Measurement categories of financial instruments* for the carrying value of issued debt securities measured at DFVTPL.

(3) Includes a cumulative fair value loss of \$5 million (31 March 2022: \$6 million loss, 30 September 2021: \$27 million loss) due to changes in own credit risk on DFVTPL debt securities recognised in OCI. The fair value movement is recognised in OCI.

Note 16

Contributed equity

	As at 30 Sep 22 \$m	As at 31 Mar 22 \$m	As at 30 Sep 21 \$m
Ordinary share capital	9,879	9,279	8,779
Other equity	262	283	262
Total contributed equity	10,141	9,562	9,041

	Half year to 30 Sep 22 \$m	Half year to 31 Mar 22 \$m	Half year to 30 Sep 21 \$m
(i) Ordinary share capital⁽¹⁾⁽²⁾			
Opening balance of 674,817,171 (1 October 2021: 655,108,854; 1 April 2021: 634,361,966) fully paid ordinary shares	9,279	8,779	8,279
Issue of 21,786,493 shares on 30 June 2022 at \$27.54 per share	600	-	-
Issue of 19,708,317 shares on 30 December 2021 at \$25.37 per share	-	500	-
Issue of 20,746,888 shares on 30 September 2021 at \$24.10 per share	-	-	500
Closing balance of 696,603,664 (31 March 2022: 674,817,171; 30 September 2021: 655,108,854) fully paid ordinary shares	9,879	9,279	8,779
(ii) Other equity⁽³⁾			
Equity contribution from ultimate parent entity			
Balance at the beginning of the period	283	262	244
Change attributable to deferred tax on share-based payment expense	(21)	21	18
Balance at the end of the period	262	283	262

(1) Ordinary shares have no par value.

(2) All of the shares are held by parent entity, Macquarie B.H. Pty Limited.

(3) Capital contribution by ultimate parent MGL towards MEREP awards issued to employees of the Consolidated Entity, where MGL is not subsequently reimbursed by the Consolidated Entity.

Notes to the consolidated financial statements

For the half year ended 30 September 2022 continued

Note 17

Reserves and retained earnings

	Half year to 30 Sep 22 \$m	Half year to 31 Mar 22 \$m	Half year to 30 Sep 21 \$m
(i) Reserves			
Foreign currency translation reserve			
Balance at the beginning of the period	438	584	397
Foreign exchange movement on translation and hedge accounting of foreign operations, net of tax	789	(146)	187
Balance at the end of the period	1,227	438	584
FVOCI reserve			
Balance at the beginning of the period	4	32	35
Revaluation movement for the period, net of tax	(28)	(28)	-
Changes in ECL allowance, net of tax	7	-	(3)
Balance at the end of the period	(17)	4	32
Cash flow hedge reserve			
Balance at the beginning of the period	8	(90)	(113)
Net movement recognised in OCI during the financial year, net of tax	124	79	(2)
Transferred to income statement on realisation, net of tax	25	19	25
Balance at the end of the period	157	8	(90)
Cost of hedging and other reserves			
Balance at the beginning of the period	(18)	(13)	(13)
Net movement recognised in OCI during the period, net of tax	(44)	(8)	-
Transferred to income statement on realisation, net of tax	10	3	-
Balance at the end of the period	(52)	(18)	(13)
Total reserves at the end of the period	1,315	432	513
(ii) Retained earnings			
Balance at the beginning of the period	7,974	6,485	5,245
Profit attributable to the ordinary equity holder of MBL	1,275	1,474	1,243
Fair value changes attributable to own credit risk on debt classified at DFVTPL, net of tax	1	15	(3)
Balance at the end of the period	9,250	7,974	6,485

Note 18

Contingent liabilities and commitments

	As at 30 Sep 22 \$m	As at 31 Mar 22 \$m	As at 30 Sep 21 \$m
Contingent liabilities:			
Letters of credit	1,828	1,464	1,385
Performance-related contingencies	871	971	841
Indemnities	251	383	183
Guarantees	81	62	76
Total contingent liabilities⁽¹⁾	3,031	2,880	2,485
Commitments:			
Undrawn credit facilities and securities commitments ⁽²⁾	6,489	5,810	6,013
Other asset developments and purchase commitments	1,052	1,086	1,111
Total commitments	7,541	6,896	7,124
Total contingent liabilities and commitments	10,572	9,776	9,609

The Consolidated Entity operates in a number of regulated markets and is subject to regular regulatory reviews and inquiries. From time to time these may result in litigation, fines or other regulatory enforcement actions. At the reporting date there are no matters of this nature which are expected to result in a material economic outflow of resources that has not been provided for. The Consolidated Entity considers the probability of there being a material adverse effect in respect of litigation or claims that have not been provided for to be remote.

(1) It is not practicable to ascertain the timing of any outflow and the possibility of any reimbursement related to these contingent liabilities.

(2) Undrawn credit facilities are irrevocably extended to clients. These amounts include fully or partially undrawn commitments that are legally binding and cannot be unconditionally cancelled by the Consolidated Entity. Securities commitments represent firm commitments to underwrite debt and equity securities issuances and private equity commitments.

Notes to the consolidated financial statements

For the half year ended 30 September 2022 continued

Note 19

Measurement categories of financial instruments

The following table contains information relating to the measurement categories (i.e. Held for Trading (HFT), FVTPL, DFVTPL, FVOCI or Amortised cost) of assets and liabilities of the Consolidated Entity. The description of measurement categories are included in Note 41(vii) *Financial Instruments* in the Consolidated Entity's March 2022 Annual Financial Statements.

The methods and significant assumptions that have been applied in determining the fair values of assets and liabilities are disclosed in Note 20 *Fair values of assets and liabilities*.

	FINANCIAL INSTRUMENTS CARRIED AT							FAIR VALUE OF ITEMS CARRIED AT	
	FAIR VALUE				Amortised cost	Non-financial instruments	Statement of financial position total	Fair value	Amortised cost
	HFT	DFVTPL	FVTPL	FVOCI					
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	
Assets									AS AT 30 SEP 22
Cash and bank balances	-	-	-	-	49,803	-	49,803	-	49,803
Cash collateralised lending and reverse repurchase agreements	-	-	8,622	34,318	22,688	-	65,628	42,940	22,688
Trading assets ⁽¹⁾	9,674	-	-	-	-	2,718	12,392	12,392	-
Margin money and settlement assets	-	-	270	-	24,739	-	25,009	270	24,739
Derivative assets	110,043	-	1,466	-	-	-	111,509	111,509	-
Financial investments									
Equity	-	-	197	-	-	-	197	197	-
Debt ⁽²⁾	-	-	2,937	14,413	750	-	18,100	17,350	750
Held for sale and other assets	-	2,557	29	-	2,095	1,408	6,089	2,586	2,095
Loan assets ⁽²⁾	-	74	329	-	133,656	-	134,059	403	133,043
Due from related body corporate entities ⁽³⁾	4,540	-	-	-	649	570	5,759	4,540	649
Property, plant and equipment and right-of-use assets ⁽²⁾	-	-	-	-	-	3,580	3,580	-	-
Deferred tax assets	-	-	-	-	-	936	936	-	-
Total assets	124,257	2,631	13,850	48,731	234,380	9,212	433,061	192,187	233,767
Liabilities									
Cash collateralised borrowing and repurchase agreements	-	256	-	-	22,154	-	22,410	256	22,154
Trading liabilities	6,378	-	-	-	-	-	6,378	6,378	-
Margin money and settlement liabilities	-	-	-	-	36,033	-	36,033	-	36,033
Derivative liabilities	109,973	-	1,287	-	-	-	111,260	111,260	-
Deposits	-	-	-	-	122,136	-	122,136	-	122,367
Held for sale and other liabilities ⁽⁴⁾	-	1,905	-	-	981	3,363	6,249	1,905	632
Borrowings	-	-	-	-	6,305	-	6,305	-	6,323
Due to related body corporate entities ⁽³⁾	658	-	-	-	14,381	139	15,178	658	14,381
Issued debt securities ⁽²⁾	-	1,260	-	-	77,029	-	78,289	1,260	76,782
Deferred tax liabilities	-	-	-	-	-	23	23	-	-
Loan capital ⁽²⁾	-	-	-	-	8,094	-	8,094	-	7,992
Total liabilities	117,009	3,421	1,287	-	287,113	3,525	412,355	121,717	286,664

(1) Non-financial assets under 'Trading assets' represent commodities carried at fair value less costs to sell.

(2) Items measured at amortised cost or cost includes, where applicable, fair value hedge accounting adjustments for the designated hedged risk.

(3) Due from related body corporate entities and due to related body corporate entities includes derivatives and trading positions classified as HFT. All other receivables or intercompany payables are carried at amortised cost except for non-financial assets and liabilities.

(4) The fair value of other liabilities carried at amortised cost excludes lease liabilities.

Note 19

Measurement categories of financial instruments continued

	FINANCIAL INSTRUMENTS CARRIED AT							FAIR VALUE OF ITEMS CARRIED AT	
	FAIR VALUE				Amortised cost	Non-financial instruments	Statement of financial position total	Fair value	Amortised cost
	HFT	DFVTPL	FVTPL	FVOCI					
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Assets									AS AT 31 MAR 22
Cash and bank balances	-	-	-	-	48,972	-	48,972	-	48,972
Cash collateralised lending and reverse repurchase agreements	-	-	4,170	27,223	11,155	-	42,548	31,393	11,155
Trading assets ⁽¹⁾	8,601	-	-	-	-	3,118	11,719	11,719	-
Margin money and settlement assets	-	-	524	-	18,886	-	19,410	524	18,886
Derivative assets	84,171	-	445	-	-	-	84,616	84,616	-
Financial investments									
Equity	-	-	255	-	-	-	255	255	-
Debt ⁽²⁾	-	-	14	6,238	4	-	6,256	6,252	4
Held for sale and other assets	-	1,656	21	-	2,158	1,155	4,990	1,676	2,158
Loan assets ⁽²⁾	-	78	184	-	122,742	-	123,004	262	122,980
Due from related body corporate entities ⁽³⁾	1,741	-	-	-	1,399	285	3,425	1,741	1,399
Property, plant and equipment and right-of-use assets ⁽²⁾	-	-	-	-	-	3,536	3,536	-	-
Deferred tax assets	-	-	-	-	-	897	897	-	-
Total assets	94,513	1,734	5,613	33,461	205,316	8,991	349,628	138,438	205,554
Liabilities									
Cash collateralised borrowing and repurchase agreements	-	241	-	-	16,706	-	16,947	241	16,706
Trading liabilities	5,206	-	-	-	-	-	5,206	5,206	-
Margin money and settlement liabilities	-	-	-	-	21,577	-	21,577	-	21,577
Derivative liabilities	83,584	-	607	-	-	-	84,191	84,191	-
Deposits	-	-	-	-	101,614	-	101,614	-	101,630
Other liabilities ⁽⁴⁾	-	1,128	-	-	1,056	3,560	5,744	1,128	699
Borrowings	-	-	-	-	5,713	-	5,713	-	5,724
Due to related body corporate entities ⁽³⁾	513	-	-	-	11,035	89	11,637	513	11,035
Issued debt securities ⁽²⁾	-	1,585	-	-	70,522	-	72,107	1,585	70,494
Deferred tax liabilities	-	-	-	-	-	28	28	-	-
Loan capital ⁽²⁾	-	-	-	-	6,896	-	6,896	-	7,027
Total liabilities	89,303	2,954	607	-	235,119	3,677	331,660	92,864	234,892

(1) Non-financial assets under 'Trading assets' represent commodities carried at fair value less costs to sell.

(2) Items measured at amortised cost or cost includes, where applicable, fair value hedge accounting adjustments for the designated hedged risk.

(3) Due from related body corporate entities and due to related body corporate entities includes derivatives and trading positions classified as HFT. All other receivables or intercompany payables are carried at amortised cost except for non-financial assets and liabilities.

(4) The fair value of other liabilities carried at amortised cost excludes lease liabilities.

Notes to the consolidated financial statements

For the half year ended 30 September 2022 continued

Note 19

Measurement categories of financial instruments continued

	FINANCIAL INSTRUMENTS CARRIED AT							FAIR VALUE OF ITEMS CARRIED AT	
	FAIR VALUE				Amortised cost \$m	Non-financial instruments \$m	Statement of financial position total \$m	Fair value \$m	Amortised cost \$m
	HFT \$m	DFVTPL \$m	FVTPL \$m	FVOCI \$m					
Assets	AS AT 30 SEP 21								
Cash and bank balances	-	-	-	-	28,769	-	28,769	-	28,769
Cash collateralised lending and reverse repurchase agreements	-	-	5,700	14,846	12,259	-	32,805	20,546	12,259
Trading assets ⁽¹⁾	13,982	-	-	-	-	6,982	20,964	20,964	-
Margin money and settlement assets	-	-	588	-	15,504	-	16,092	588	15,504
Derivative assets	76,488	-	636	-	-	-	77,124	77,124	-
Financial investments									
Equity	-	-	228	-	-	-	228	228	-
Debt ⁽²⁾	-	-	10	8,605	10	-	8,625	8,615	10
Held for sale and other assets	-	1,956	13	-	2,115	1,231	5,315	1,969	2,115
Loan assets ⁽²⁾	-	34	119	-	109,348	-	109,501	153	109,825
Due from related body corporate entities ⁽³⁾	510	-	3	-	2,064	440	3,017	513	2,064
Property, plant and equipment and right-of-use assets	-	-	-	-	-	2,899	2,899	-	-
Deferred tax assets	-	-	-	-	-	788	788	-	-
Total assets	90,980	1,990	7,297	23,451	170,069	12,340	306,127	130,700	170,546
Liabilities									
Cash collateralised borrowing and repurchase agreements	-	420	-	-	13,389	-	13,809	420	13,389
Trading liabilities	5,431	-	-	-	-	-	5,431	5,431	-
Margin money and settlement liabilities	-	-	-	-	20,610	-	20,610	-	20,610
Derivative liabilities	77,392	-	409	-	-	-	77,801	77,801	-
Deposits	-	214	-	-	91,469	-	91,683	214	91,480
Other liabilities ⁽⁴⁾	-	539	-	-	967	2,600	4,106	539	539
Borrowings	-	-	-	-	2,214	-	2,214	-	2,222
Due to related body corporate entities ⁽³⁾	827	-	-	-	8,708	99	9,634	827	8,708
Issued debt securities ⁽²⁾	-	1,819	-	-	55,587	-	57,406	1,819	55,927
Deferred tax liabilities	-	-	-	-	-	49	49	-	-
Loan capital ⁽²⁾	-	-	-	-	7,345	-	7,345	-	7,667
Total liabilities	83,650	2,992	409	-	200,289	2,748	290,088	87,051	200,542

(1) Non-financial assets under 'Trading assets' represent commodities carried at fair value less costs to sell.

(2) Items measured at amortised cost or cost includes, where applicable, fair value hedge accounting adjustments for designated hedged risks.

(3) Due from related body corporate entities and due to related body corporate entities includes derivatives and trading positions classified as HFT. All other receivables or intercompany payables are carried at amortised cost except for non-financial assets and liabilities.

(4) The fair value of other liabilities carried at amortised cost excludes lease liabilities.

Note 20

Fair values of assets and liabilities

Fair value reflects the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Quoted prices or rates are used to determine fair value where an active market exists. If the market for a financial and non-financial instrument are not active, fair values are estimated using present value or other valuation techniques, using inputs based on market conditions prevailing at the measurement date.

The values derived from applying these techniques are affected by the choice of valuation model used and the underlying assumptions made regarding such inputs.

Items measured at fair value are categorised in their entirety, in accordance with the levels of the fair value hierarchy as outlined below:

Level 1:	unadjusted quoted prices in active markets for identical assets or liabilities
Level 2:	inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e. derived from prices)
Level 3:	inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The appropriate fair value hierarchy level for an item is determined on the basis of the lowest level input that is significant to the fair value measurement. AASB 13 *Fair Value Measurement* requires the use of the price within the bid-offer spread that is most representative of fair value.

Valuation systems will typically generate mid-market prices. The bid-offer adjustment reflects the extent to which bid-offer costs would be incurred if substantially all of the residual net exposure to market risks were closed, on a portfolio basis, using available hedging instruments.

The fair values calculated for financial instruments which are carried in the statement of financial position at amortised cost (as disclosed in Note 19 *Measurement categories of financial instruments*) are for disclosure purposes only. The following methods and assumptions applied to derive these fair values can require significant judgement by management and therefore may not necessarily be comparable to other financial institutions nor may it be the price at which the asset is sold for, or a liability transferred in a market-based transaction:

- the fair values of liquid assets and other instruments maturing within three months approximate their carrying amounts. This assumption is applied to liquid assets and the short-term portion of all other financial assets and financial liabilities
- the fair value of demand deposits with no fixed maturity approximates to their carrying amount as they are short-term in nature or are payable on demand
- the fair values of variable rate financial instruments, including cash collateral on securities borrowed, cash collateral on securities lent, repurchase agreements approximates their carrying amounts

- the fair value of all loan assets, term deposits and debt liabilities carried at amortised cost, are determined with reference to changes in interest rates and credit spreads
- the fair value of fixed rate loans and debt investments carried at amortised cost is estimated by reference to current market rates offered on similar loans and the creditworthiness of the borrower
- the fair value of issued debt securities and loan capital, where carried at amortised cost, is based on quoted prices in active markets where available. Where quoted prices are not available the fair value is based on discounted cash flows using rates appropriate to the term and incorporates changes in the Consolidated Entity's own credit spread
- substantially all of the Consolidated Entity's commitments to extend credit are at variable rates. As such, there is no significant exposure to fair value fluctuations resulting from interest rate movements relating to these commitments
- the fair value of balances due from or to subsidiaries and other related body corporate entities approximates the carrying value as interest on the balances is generally payable/receivable at variable rates of interest.

The following methods and significant assumptions have been applied in determining the fair values of items including balances with subsidiaries and other related body corporate entities measured at fair value:

- trading assets including commodities and commodity contracts, trading liabilities, derivative financial instruments and other transactions undertaken for trading purposes are measured at fair value by reference to quoted prices in active markets where available (for example listed securities). If quoted prices in active markets are not available, then fair values are estimated on the basis of other recognised valuation techniques
- repurchase and reverse repurchase agreements, being collateralised financing arrangements, are measured at fair value with reference to the securities which are held or provided as the collateral for the financing agreement
- financial investments classified as FVTPL or FVOCI are measured at fair value by reference to quoted prices in active markets where available (for example listed securities). If quoted prices in active markets are not available, the fair values are estimated on the basis of other recognised valuation techniques that maximise the use of quoted price and observable market inputs
- fair values of variable rate loans classified as FVOCI is equal to its carrying value on the basis that the interest rates are reflective of market rates offered on similar loans.
- fair values of fixed rate loans classified as FVTPL or FVOCI and issued debt securities classified as DFVTPL are estimated by reference to current market rates offered on similar loans and issued debt securities
- for financial assets carried at fair value, in order to measure counterparty credit risk, an adjustment is incorporated into the valuation. Where exposures are managed on a portfolio basis then the adjustment is calculated on a counterparty basis for those exposures
- for financial liabilities carried at fair value, in order to measure the Consolidated Entity's own credit risk, an adjustment is incorporated into the valuations

Notes to the consolidated financial statements

For the half year ended 30 September 2022 continued

Note 20

Fair values of assets and liabilities continued

- the Consolidated Entity has incorporated the market implied funding costs for uncollateralised derivative positions as a Funding Valuation Adjustment (FVA). FVA is determined by calculating the net expected exposures at a counterparty level and applying the Consolidated Entity's internal Treasury lending rates as an input into the calculation. The approach takes into account the PD of each counterparty, as well as any mandatory break clauses.

Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are reviewed before they are used. Models are calibrated periodically to test the outputs and reflect the prices from observable current market transactions in same instrument or other available observable market data.

To the extent possible, models use only observable market data (for example OTC derivatives), however management is required to make assumptions for certain inputs that are not supported by prices from observable current market transactions in the same instrument such as volatility and correlation.

Note 20

Fair values of assets and liabilities continued

Assets and liabilities measured at fair value

The following table summarises the levels of the fair value hierarchy for assets and liabilities that are recognised and measured at fair value in the financial statements:

	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
Assets				
AS AT 30 SEP 22				
Cash collateralised lending and reverse repurchase agreements	-	42,940	-	42,940
Trading assets	5,222	6,611	559	12,392
Margin money and settlement assets	-	270	-	270
Derivative assets	20	110,583	906	111,509
Financial investments	7,174	9,702	671	17,547
Held for sale and other assets	-	2,508	78	2,586
Loan assets	-	391	12	403
Due from related body corporate entities	-	4,540	-	4,540
Total assets	12,416	177,545	2,226	192,187
Liabilities				
Cash collateralised borrowing and repurchase agreements	-	256	-	256
Trading liabilities	6,087	291	-	6,378
Derivative liabilities	11	110,093	1,156	111,260
Held for sale and other liabilities	-	1,905	-	1,905
Due to related body corporate entities	-	658	-	658
Issued debt securities	-	1,260	-	1,260
Total liabilities	6,098	114,463	1,156	121,717
Assets				
AS AT 31 MAR 22				
Cash collateralised lending and reverse repurchase agreements	-	31,393	-	31,393
Trading assets	4,309	6,889	521	11,719
Margin money and settlement assets	-	524	-	524
Derivative assets	1	84,064	551	84,616
Financial investments	1,412	4,180	915	6,507
Held for sale and other assets	-	1,616	60	1,676
Loan assets	-	259	3	262
Due from related body corporate entities	-	1,741	-	1,741
Total assets	5,722	130,666	2,050	138,438
Liabilities				
Cash collateralised borrowing and repurchase agreements	-	241	-	241
Trading liabilities	5,034	172	-	5,206
Derivative liabilities	10	82,877	1,304	84,191
Held for sale and other liabilities	-	1,128	-	1,128
Due to related body corporate entities	-	513	-	513
Issued debt securities	-	1,585	-	1,585
Total liabilities	5,044	86,516	1,304	92,864

Notes to the consolidated financial statements

For the half year ended 30 September 2022 continued

Note 20

Fair values of assets and liabilities continued

	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
Assets				AS AT 30 SEP 21
Cash collateralised lending and reverse repurchase agreements	-	20,546	-	20,546
Trading assets	8,716	11,710	538	20,964
Margin money and settlement assets	-	588	-	588
Derivative assets	31	76,749	344	77,124
Financial investments	541	7,569	733	8,843
Held for sale and other assets	-	1,931	38	1,969
Loan assets	-	98	55	153
Due from related body corporate entities	-	513	-	513
Total assets	9,288	119,704	1,708	130,700
Liabilities				
Cash collateralised borrowing and repurchase agreements	-	420	-	420
Trading liabilities	5,265	166	-	5,431
Derivative liabilities	44	76,971	786	77,801
Deposits	-	214	-	214
Held for sale and other liabilities	-	539	-	539
Due to related body corporate entities	-	827	-	827
Issued debt securities	-	1,819	-	1,819
Total liabilities	5,309	80,956	786	87,051

Note 20

Fair values of assets and liabilities continued

Reconciliation of balances in Level 3 of the fair value hierarchy

The following table summarises the movements in Level 3 of the fair value hierarchy for the assets and liabilities, measured at fair value:

	Trading assets \$m	Financial investments \$m	Held for sale and other assets \$m	Loan assets \$m	Derivative financial instruments (net fair value) \$m	Total \$m
Balance as at 1 Apr 2021	420	652	25	55	(17)	1,135
Purchases, originations, issuances and other additions	83	39	31	-	11	164
Sales, settlements and repayments	(13)	(33)	(19)	-	4	(61)
Transfers into Level 3 ⁽¹⁾	14	166	-	-	(6)	174
Transfers out of Level 3 ⁽¹⁾	(83)	(56)	-	-	17	(122)
Fair value movements recognised in the income statement:						
Net trading income/(loss) ⁽²⁾	117	14	-	-	(451)	(320)
Other income	-	-	1	-	-	1
Fair value movements recognised in OCI ⁽²⁾	-	(49)	-	-	-	(49)
Balance as at 30 Sep 2021	538	733	38	55	(442)	922
Fair value movements for the period included in the income statement for assets and liabilities held at the end of the period ⁽²⁾	134	5	2	-	(421)	(280)
Balance as at 1 Oct 2021	538	733	38	55	(442)	922
Purchases, originations, issuances and other additions	20	133	29	3	12	197
Sales, settlements and repayments	(30)	(10)	(2)	(55)	23	(74)
Transfers into Level 3 ⁽¹⁾	41	183	-	-	(25)	199
Transfers out of Level 3 ⁽¹⁾	(140)	(162)	(3)	-	(31)	(336)
Fair value movements recognised in the income statement:						
Net trading income/(loss) ⁽²⁾	92	(22)	-	-	(290)	(220)
Other income/(loss)	-	8	(2)	-	-	6
Fair value movements recognised in OCI ⁽²⁾	-	52	-	-	-	52
Balance as at 31 Mar 2022	521	915	60	3	(753)	746
Fair value movements for the period included in the income statement for assets and liabilities held at the end of the period ⁽²⁾	91	(10)	(3)	-	(277)	(199)
Balance as at 1 Apr 2022	521	915	60	3	(753)	746
Purchases, originations, issuances and other additions	88	133	48	9	151	429
Sales, settlements and repayments	(73)	(22)	(15)	-	182	72
Transfers into Level 3 ⁽¹⁾	59	32	5	-	14	110
Transfers out of Level 3 ⁽¹⁾	(76)	(340)	(3)	-	45	(374)
Fair value movements recognised in the income statement:						
Net trading income/(loss) ⁽²⁾	40	27	2	-	111	180
Other loss	-	(33)	(19)	-	-	(52)
Fair value movements recognised in OCI ⁽²⁾	-	(41)	-	-	-	(41)
Balance as at 30 Sep 2022	559	671	78	12	(250)	1,070
Fair value movements for the period included in the income statement for assets and liabilities held at the end of the period ⁽²⁾	49	7	(6)	-	54	104

(1) Assets and liabilities transferred into or out of Level 3 are presented as if those assets or liabilities had been transferred at the beginning of the period.

(2) The Consolidated Entity employs various hedging techniques in order to manage risks including foreign exchange risks in Level 3 positions. The gains and losses relating to such hedging techniques, may include the purchase or sale of financial instruments measured at fair value that are classified as Level 1 or 2 positions or foreign currency financial instruments measured at amortised cost that are not presented in the table above.

Notes to the consolidated financial statements

For the half year ended 30 September 2022 continued

Note 20

Fair values of assets and liabilities continued

Significant transfers between levels of the fair value hierarchy

During the period, the Consolidated Entity did not have significant transfers between Level 1 and Level 2.

Transfers into Level 3 were due to the lack of observable valuation inputs for certain investments and trading balances. Transfers out of Level 3 were principally due to valuation inputs becoming observable during the period. Financial assets reclassified in/out of the fair value hierarchy disclosure due to recognition and measurement category changes, or where there have been changes in significant influence or control but some forms of interests in assets are still retained, are also presented as transfers into/out of Level 3.

Unrecognised gains or losses

The best evidence of fair value at initial recognition is its transaction price, unless its fair value is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique for which variables include only data from observable markets. Where such alternative evidence exists, the Consolidated Entity recognises profit or loss immediately when the asset or liability is recognised ('day 1 profit or loss'). When significant unobservable inputs are used to determine fair value, the day 1 profit or loss is deferred and is recognised in the income statement over the life of the transaction or when the inputs become observable.

The table below summarises the deferral and recognition of profit or loss where a valuation technique has been applied for which significant unobservable inputs are used:

	Half year to 30 Sep 22 \$m	Half year to 31 Mar 22 \$m	Half year to 30 Sep 21 \$m
Balance at the beginning of the period	53	62	75
Deferred gains on new transactions and other adjustments	86	11	29
Foreign exchange movements	24	-	1
Recognised in net trading income during the period	(22)	(20)	(43)
Balance at the end of the period	141	53	62

Note 20

Fair values of assets and liabilities continued

Sensitivity analysis of valuations using unobservable inputs

The table below shows the sensitivity to reasonably possible alternative assumptions, for Level 3 assets and liabilities whose fair values are determined in whole or in part using unobservable inputs. The impact of the sensitivity of instruments which hedge the Level 3 positions, but are classified as Level 1 or 2, is not included in the table below:

	FAVOURABLE CHANGES	UNFAVOURABLE CHANGES
	Profit or loss \$m	Profit or loss \$m
Product type		AS AT 30 SEP 22
Commodities	147	(128)
Equity and equity-linked products	3	(25)
Interest rate and other products	16	(20)
Total	166	(173)
Product type		AS AT 31 MAR 22
Commodities	134	(137)
Interest rate and other products	12	(12)
Equity and equity-linked products	8	(24)
Total	154	(173)
Product type		AS AT 30 SEP 21
Commodities	141	(131)
Equity and equity-linked products	3	(23)
Interest rate and other products	9	(9)
Total	153	(163)

The favourable and unfavourable changes from using reasonably possible alternative assumptions for the valuation of the above product types have been calculated by recalibrating the valuation model using stressed significant unobservable inputs within the Consolidated Entity's range of reasonably possible estimates.

Notes to the consolidated financial statements

For the half year ended 30 September 2022 continued

Note 20

Fair values of assets and liabilities continued

Significant unobservable inputs

The following table contains information about the significant unobservable inputs used in Level 3 valuations, and the valuation techniques used to measure fair value. The range of values represent the highest and lowest input used in the valuation techniques. The range does not therefore reflect the level of uncertainty regarding a particular input, but rather the different underlying characteristics of the relevant assets and liabilities.

	Assets \$m	Liabilities \$m	Valuation technique(s)	Significant unobservable inputs	RANGE OF INPUTS	
					Minimum value	Maximum value
AS AT 30 SEP 22						
Equity and equity-linked products	531	-	Market comparability	Price in % ⁽¹⁾		
Commodities	1,474	1,152	Pricing model	Commodity margin curves	(245.5)	1,255.0
			Pricing model	Correlations	(25.0%)	1.0%
			Pricing model	Volatility and related variables	(20.0%)	300.0%
Interest rate and other products	221	4	Discounted cash flows	Discount rates	1.0%	10.0%
			Pricing model	Bond yields	1.5%	4.5%
			Market comparability	Price in % ⁽¹⁾		
Total	2,226	1,156				
AS AT 31 MAR 22						
Equity and equity-linked products	101	-	Market comparability	Price in % ⁽¹⁾		
Commodities	1,073	1,304	Pricing model	Commodity margin curves	(270.0)	1,665.0
			Pricing model	Correlations	(40.0%)	100.1%
			Pricing model	Volatility and related variables	(12.6%)	90.9%
Interest rate and other products	876	-	Discounted cash flows	Discount rates	1.0%	10.0%
			Pricing model	Bond yield	2.7%	3.5%
			Comparable transactions	Price in %	0.0%	100.0%
Total	2,050	1,304				
AS AT 30 SEP 21						
Equity and equity-linked products	223	-	Market comparability	Price in % ⁽¹⁾		
Commodities	732	781	Pricing model	Commodity margin curves	(175.4)	1,691.0
			Pricing model	Correlations	(46.0%)	100.0%
			Pricing model	Volatility and related variables	(3.5%)	19.5%
Interest rate and other products	753	5	Market comparability	Price in % ⁽¹⁾		
			Pricing model	Correlations	0.0%	100.0%
			Pricing model	Bond yields	(2.2%)	4.8%
Total	1,708	786				

(1) The range of inputs related to market comparability has not been disclosed as the diverse nature of the underlying investments results in a wide range of inputs.

Note 20

Fair values of assets and liabilities continued

Correlation

Correlation is a measure of the relationship between the movements of two variables (i.e., how the change in one variable influences a change in the other variable). Correlation is a key input into the valuation of derivatives with more than one underlying and is generally used to value hybrid and exotic instruments.

Volatility

Volatility is a measure of the variability or uncertainty in returns for a given derivative underlying. It represents an estimate of the amount a particular underlying instrument, parameter or index will change in value over time. Volatility is an input in the valuation of derivatives containing optionality. Volatility and skew are impacted by the underlying risk, term and strike price of a derivative.

Correlations and volatilities are derived through the extrapolation of observable volatilities, recent transaction prices, quotes from other market participants, data from consensus pricing services and historical data adjusted for current conditions.

Inputs for equity and equity-linked products

Unlisted equity securities are generally valued by referencing market transactions for comparable companies adjusted as appropriate for current economic conditions. Other significant unobservable inputs may include discount rates determined using inputs specific to the underlying investment, and forecast cash flows and the earnings or revenue of investee entities.

Inputs for interest rate products (discount rate)

Loans are generally valued using discount rates. Significant unobservable inputs may include interest rates and credit spreads of counterparties and original issue discounts on primary debt issuances.

Notes to the consolidated financial statements

For the half year ended 30 September 2022 continued

Note 21

Offsetting financial assets and financial liabilities

The Consolidated Entity presents financial assets and financial liabilities on a net basis in the Statement of financial position when they meet the criteria described in Note 41(vii) *Financial instruments* in 31 March 2022 Annual Financial Statement. The following tables provide information on the impact of offsetting of financial instruments in the Statement of financial position, as well as amounts that do not meet all the criteria for offsetting and therefore presented gross in the statement of financial position. Enforceable netting arrangements may allow for net settlement of specified contracts with a counterparty only in the event of default or other pre-determined events, such that their potential effects on the Consolidated Entity's financial position in that circumstance is to settle these contracts as one arrangement.

The Consolidated Entity uses a variety of credit risk mitigation strategies in addition to netting and collateral arrangements, therefore amounts presented in this note are not intended to represent the credit risk exposure of the entity.

	EFFECT OF OFFSETTING ON THE STATEMENT OF FINANCIAL POSITION			RELATED AMOUNTS SUBJECT TO ENFORCEABLE NETTING ARRANGEMENTS ⁽¹⁾		Other collateral for exposures not subject to enforceable netting arrangements ⁽¹⁾	Net exposure
	Gross amount ^{(2),(3)}	Amounts offset on Statement of financial position	Net amounts reported on the Statement of financial position	Other recognised financial instruments	Cash and other financial collateral		
	\$m	\$m	\$m	\$m	\$m		
AS AT 30 SEP 22							
Cash collateralised lending and reverse repurchase agreements	66,373	(745)	65,628	(344)	(57,537)	(7,412)	335
Settlement assets ⁽⁴⁾	11,455	(5,825)	5,630	(1,113)	(695)	-	3,822
Derivative assets	128,750	(17,241)	111,509	(77,883)	(15,038)	-	18,588
Due from related body corporate entities ⁽⁵⁾	5,766	(718)	5,048	(673)	(3,990)	-	385
Total assets	212,344	24,529	187,815	(80,013)	(77,260)	(7,412)	23,130
Cash collateralised borrowings and repurchase agreements	(23,155)	745	(22,410)	344	14,890	282	(6,894)
Settlement liabilities ⁽⁴⁾	(11,867)	5,825	(6,042)	3,126	778	-	(2,138)
Derivative liabilities	(128,501)	17,241	(111,260)	75,870	12,308	-	(23,082)
Due to related body corporate entities ⁽⁵⁾	(11,555)	718	(10,837)	673	169	-	(9,995)
Total liabilities	(175,078)	24,529	(150,549)	80,013	28,145	282	(42,109)
AS AT 31 MAR 22							
Cash collateralised lending and reverse repurchase agreements	43,894	(1,346)	42,548	(28)	(37,409)	(4,948)	163
Settlement assets ⁽⁴⁾	12,500	(7,178)	5,322	(1,184)	(623)	-	3515
Derivative assets	104,346	(19,730)	84,616	(62,513)	(7,747)	-	14,356
Due from related body corporate entities ⁽⁵⁾	3,418	(486)	2,932	(490)	(1,306)	-	1,136
Total assets	164,158	(28,740)	135,418	(64,215)	(47,085)	(4,948)	19,170
Cash collateralised borrowings and repurchase agreements	(18,293)	1,346	(16,947)	28	13,754	-	(3,165)
Settlement liabilities ⁽⁴⁾	(12,511)	7,178	(5,333)	3,419	240	-	(1,674)
Derivative liabilities	(103,921)	19,730	(84,191)	60,278	8,866	-	(15,047)
Due to related body corporate entities ⁽⁵⁾	(10,686)	486	(10,200)	490	61	-	(9,649)
Total liabilities	(145,411)	28,740	(116,671)	64,215	22,921	-	(29,535)

(1) Related amounts not offset have been limited to the net amount presented in the Statements of financial position so as not to include the effect of over-collateralisation.

(2) Gross assets includes balances not subject to enforceable netting arrangements, \$7,412 million (31 March 2022: \$4,948 million) of cash collateralised lending and reverse repurchase agreements, \$1,491 million (31 March 2022: \$1,255 million) of settlements assets, \$1,832 million (31 March 2022: \$1,839 million) of derivative assets and \$305 million (31 March 2022: \$1,045 million) of due from related body corporate entities. Gross liabilities includes balances not subject to enforceable netting arrangements, \$282 million (31 March 2022: nil) of cash collateralised borrowing and repurchase agreements, \$1,263 million (31 March 2022: \$968 million) of settlements liabilities and \$5,822 million (31 March 2022: \$4,262 million) of derivative liabilities and \$236 million (31 March 2022: \$1,087 million) of due to related body corporate entities.

(3) Amounts not subject to enforceable offsetting arrangement are where either there are no master netting agreements or enforceability of agreement is uncertain under bankruptcy laws in some countries or industries.

(4) Excludes margin money assets of \$19,379 million (31 March 2022: \$14,088 million) and liabilities of \$29,991 million (31 March 2022: \$16,244 million) presented under Note 6 *Margin money and settlement assets* and Note 12 *Margin money and settlement liabilities* respectively on the Statements of financial position.

(5) Excludes margin money and non-financial assets of \$711 million (31 March 2022: \$493 million) and liabilities of \$4,341 million (31 March 2022: \$1,437 million) presented under due from related body corporate entities and due to related body corporate entities respectively on the Statements of financial position.

Note 21

Offsetting financial assets and financial liabilities continued

	EFFECT OF OFFSETTING ON THE STATEMENT OF FINANCIAL POSITION			RELATED AMOUNTS SUBJECT TO ENFORCEABLE NETTING ARRANGEMENTS ⁽¹⁾		Other collateral for exposures not subject to enforceable netting arrangements ⁽¹⁾	Net exposure
	Gross amount ^{(2),(3)}	Amounts offset on Statement of financial position	Net amounts reported on the Statement of financial position	Other recognised financial instruments	Cash and other financial collateral		
	\$m	\$m	\$m	\$m	\$m		
	AS AT 30 SEP 21						
Cash collateralised lending and reverse repurchase agreements	33,056	(251)	32,805	(115)	(20,638)	(11,832)	220
Settlement assets ⁽⁴⁾	9,924	(3,984)	5,940	(1,365)	(1,285)	-	3,290
Derivative assets	90,455	(13,331)	77,124	(58,108)	(7,618)	-	11,398
Due from related body corporate entities ⁽⁵⁾	2,793	(784)	2,009	(507)	(75)	-	1,427
Total assets	136,228	(18,350)	117,878	(60,095)	(29,616)	(11,832)	16,335
Cash collateralised borrowings and repurchase agreements	(14,060)	251	(13,809)	115	13,106	21	(567)
Settlement liabilities ⁽⁴⁾	(9,022)	3,984	(5,038)	2,835	1,617	-	(586)
Derivative liabilities	(91,132)	13,331	(77,801)	56,638	7,765	-	(13,398)
Due to related body corporate entities ⁽⁵⁾	(10,196)	784	(9,412)	507	479	-	(8,426)
Total liabilities	(124,410)	18,350	(106,060)	(60,095)	22,967	21	(22,977)

Note 22

Events after the reporting date

There were no material events subsequent to 30 September 2022 and up until the authorisation of the financial statements for issue, requiring a disclosure in the interim financial report, other than those that have been disclosed elsewhere in the financial statements.

- (1) Related amounts not offset have been limited to the net amount presented in the Statements of financial position so as not to include the effect of over-collateralisation.
- (2) Gross assets includes balances not subject to enforceable netting arrangements, \$11,832 million of cash collateralised lending and reverse repurchase agreements, \$2,713 million of settlements assets, \$1,833 million of derivative assets and \$1,236 million of due from related body corporate entities. Gross liabilities includes balances not subject to enforceable netting arrangements, \$20 million of cash collateralised borrowing and repurchase agreements, \$968 million of settlements liabilities and \$3,395 million of derivative liabilities and \$1,032 million of due to related body corporate entities.
- (3) Amounts not subject to enforceable offsetting arrangement are where either there are no master netting agreements or enforceability of agreement is uncertain under bankruptcy laws in some countries or industries.
- (4) Excludes margin money assets of \$10,152 million and liabilities of \$15,572 million presented under Note 6 *Margin money and settlement assets* and Note 12 *Margin money and settlement liabilities* respectively on the Statements of financial position.
- (5) Excludes margin money and non-financial assets of \$1,008 million and liabilities of \$222 million presented under due from related body corporate entities and due to related body corporate entities respectively on the Statements of financial position.

Directors' declaration

For the half year ended 30 September 2022

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 17 to 61 are in accordance with the *Corporations Act 2001 (Cth)* including:
 - (i) complying with the Australian Accounting Standards, and
 - (ii) giving a true and fair view of the Consolidated Entity's financial position as at 30 September 2022 and performance for the half year ended on that date, and
- (b) there are reasonable grounds to believe that Macquarie Bank Limited will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations by the CEO and CFO required by section 295A of the *Corporations Act 2001 (Cth)*. This declaration is made in accordance with a resolution of the Directors.



Glenn Stevens AC
Independent Director and Chairman



Stuart Green
Managing Director and Chief Executive Officer

Sydney
28 October 2022

Independent auditor's review report

To the member of Macquarie Bank Limited



Report on the half year financial report

Conclusion

We have reviewed the half year financial report of Macquarie Bank Limited (the Company) and the entities it controlled during the half year (together the Consolidated Entity), which comprises the consolidated statement of financial position as at 30 September 2022, the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and consolidated income statement for the half year ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half year financial report of Macquarie Bank Limited does not comply with the *Corporations Act 2001 (Cth)* including:

- giving a true and fair view of the Consolidated Entity's financial position as at 30 September 2022 and of its performance for the half year ended on that date
- complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001 (Cth)*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half year financial report* section of our report.

We are independent of the Consolidated Entity in accordance with the auditor independence requirements of the *Corporations Act 2001 (Cth)* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibilities of the directors for the half year financial report

The directors of the Company are responsible for the preparation of the half year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001 (Cth)* and for such internal control as the directors determine is necessary to enable the preparation of the half year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

Auditor's responsibilities for the review of the half year financial report

Our responsibility is to express a conclusion on the half year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001 (Cth)* including giving a true and fair view of the Consolidated Entity's financial position as at 30 September 2022 and of its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001 (Cth)*.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

PricewaterhouseCoopers

PricewaterhouseCoopers

K. Stubbins

Kristin Stubbins
Partner

Sydney
28 October 2022

PricewaterhouseCoopers, ABN 52 780 433 757
One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

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Contact details

Macquarie Bank Limited
Principal Administrative Office

50 Martin Place
Sydney NSW 2000
Australia

Registered Office
Macquarie Bank Limited

Level 6, 50 Martin Place
Sydney NSW 2000
Australia