



Management Discussion and Analysis

Macquarie Group
Half year ended
30 September 2022



Notice to readers

The purpose of this report is to provide information supplementary to the Macquarie Group Limited Interim Financial Report (the Financial Report) for the half year ended 30 September 2022, including further detail in relation to key elements of Macquarie Group Limited and its subsidiaries' (Macquarie, the Consolidated Entity) financial performance and financial position. The report also outlines the funding and capital profile of the Consolidated Entity.

Certain financial information in this report is prepared on a different basis to that contained in the Financial Report, which is prepared in accordance with Australian Accounting Standards. Where financial information presented within this report does not comply with Australian Accounting Standards, a reconciliation to the statutory information is provided.

Date of this report

This report has been prepared for the half year ended 30 September 2022 and is current as at 28 October 2022.

Cover image

A Macquarie-managed fund has been invested in Aligned Data Centres since 2018, supporting the developer, owner, and operator of data centres expand its presence across the United States.



Explanatory notes

Comparative information and conventions

Where necessary, comparative figures have been restated to conform to changes in current year financial presentation and group structures.

References to the prior corresponding period (pcp) are to the six months ended 30 September 2021.

References to the prior period are to the six months ended 31 March 2022.

References to the current period and current half year are to the six months ended 30 September 2022.

In the financial tables throughout this document ‘**’ indicates that the absolute percentage change in the balance was greater than 300% or indicates the result was a gain in one period but a loss in another, or vice versa.

Independent Auditor’s Review Report

This document should be read in conjunction with the Financial Report for the half year ended 30 September 2022, which was subject to independent review by PricewaterhouseCoopers.

PricewaterhouseCoopers’ independent auditor’s review report to the members of Macquarie Group Limited dated 28 October 2022 was unqualified.

Any additional financial information in this document which is not included in the Financial Report was not subject to independent review by PricewaterhouseCoopers.

Disclaimer

The material in this document has been prepared by Macquarie Group Limited ABN 94 122 169 279 (MGL) and is general background information about MGL and its subsidiaries’ (Macquarie) activities current as at the date of this document. This information is given in summary form and does not purport to be complete. The material in this document may include information derived from publicly available sources that have not been independently verified. Information in this document should not be considered as advice or a recommendation to investors or potential investors in relation to holding, purchasing or selling securities or other financial products or instruments and does not take into account your particular investment objectives, financial situation or needs. Before acting on any information you should consider the appropriateness of the information having regard to these matters, any relevant offer document and in particular, you should seek independent financial advice. No representation or warranty is made as to the accuracy, completeness or reliability of the information. All securities and financial product or instrument transactions involve risks, which include (among others) the risk of adverse or unanticipated market, financial or political developments and, in international transactions, currency risk.

This document may contain forward looking statements – that is, statements related to future, not past events or other matters – including, without limitation, statements regarding our intent, belief or current expectations with respect to Macquarie’s businesses and operations, market conditions, results of operation and financial condition, capital adequacy, provisions for impairments and risk management practices. Readers are cautioned not to place undue reliance on these forward looking statements. Macquarie does not undertake any obligation to publicly release the result of any revisions to these forward looking statements or to otherwise update any forward looking statements, whether as a result of new information, future events or otherwise, after the date of this document. Actual results may vary in a materially positive or negative manner. Forward looking statements and hypothetical examples are subject to uncertainty and contingencies outside Macquarie’s control. Past performance is not a reliable indication of future performance.

Other than Macquarie Bank Limited ABN 46 008 583 542 (MBL), any Macquarie group entity noted in this document is not an authorised deposit-taking institution for the purposes of the Banking Act 1959 (Commonwealth of Australia). That entity’s obligations do not represent deposits or other liabilities of MBL and MBL does not guarantee or otherwise provide assurance in respect of the obligations of that entity. Any investments are subject to investment risk including possible delays in repayment and loss of income and principal invested.

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01

**Result
Overview**



1.1 Executive Summary

1H23 net profit

\$A2,305m

↑ 13% on pcp

1H23 annualised return on equity

15.6%

↓ from 17.8% in the pcp

1H23 net operating income

\$A8,641m

↑ 11% on pcp

1H23 operating expenses

\$A5,613m

↑ 11% on pcp

1H23 net profit contribution¹

Annuity-style activities

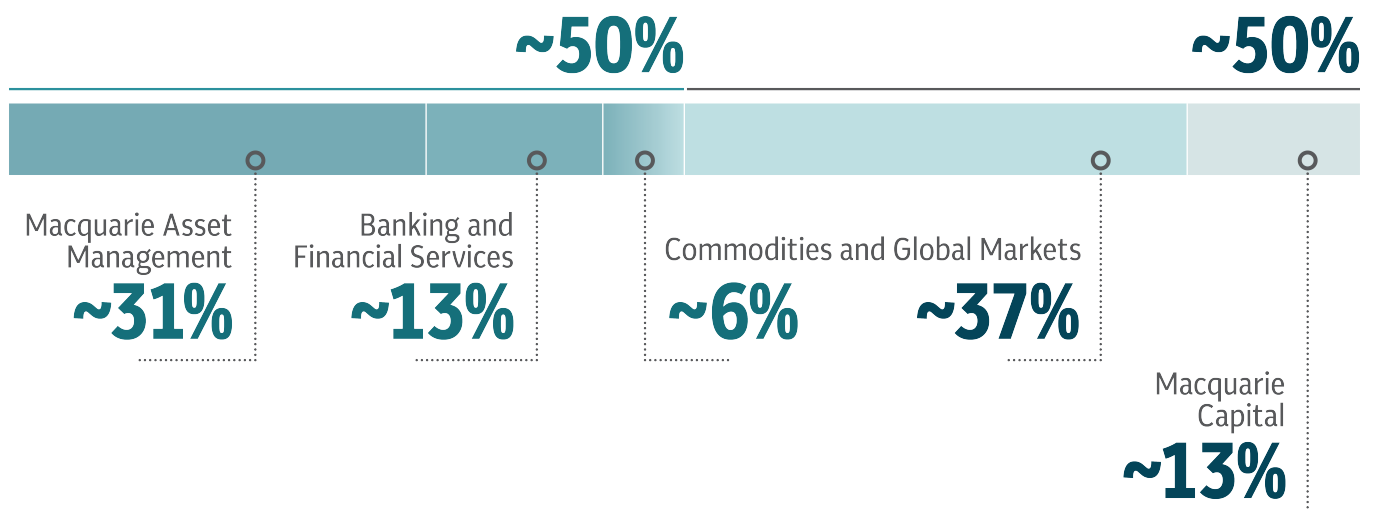
\$A2,281m

– in line with pcp

Markets-facing activities

\$A2,292m

↑ 35% on pcp



¹ Net profit contribution is management accounting profit before unallocated corporate costs, profit share and income tax.

1H23 net profit contribution by Operating Group

Summary of the Operating Groups' performance for the half year ended 30 September 2022.

	Annuity-style businesses	Markets-facing businesses
Non-Banking Group	<p>Macquarie Asset Management (MAM)¹</p> <p>\$A1,402m</p> <p>↑ 28% on pcp due to</p> <ul style="list-style-type: none"> net increase in income in the green energy sector driven by timing of asset realisations decreased operating expenses primarily driven by higher one-off acquisition and integration costs in the prior corresponding period partially offset by higher employment costs, investment in technology and foreign exchange movements increased performance fees from Private Markets-managed funds. <p>Partially offset by:</p> <ul style="list-style-type: none"> significant income² from the disposition of assets in Macquarie Infrastructure Corporation (MIC)³ in the prior corresponding period. 	<p>Macquarie Capital¹</p> <p>\$A595m</p> <p>↓ 12% on pcp due to</p> <ul style="list-style-type: none"> lower fee and commission income primarily driven by lower capital markets fee income due to weakening market conditions and lower mergers and acquisitions fee income on a strong prior corresponding period higher operating expenses predominantly driven by higher employment costs and increased technology and compliance related charges and normalisation of travel expenses post COVID-19 higher credit and other impairment charges primarily due to a small number of underperforming equity investments. <p>Partially offset by:</p> <ul style="list-style-type: none"> higher net income on equity, debt and other investments driven by asset realisations in the Americas and Europe, particularly in the real estate and digital infrastructure sectors.
	Banking Group	<p>Banking and Financial Services (BFS)</p> <p>\$A580m</p> <p>↑ 20% on pcp due to</p> <ul style="list-style-type: none"> higher net interest and trading income mainly driven by growth in the loan portfolio and total BFS deposits, and improved margins from the rising interest rate environment decreased credit impairment charges driven by provision releases in car loans due to run-off in the portfolio, partially offset by growth in the remaining loan portfolio and some deterioration in the macroeconomic outlook compared to the prior corresponding period. <p>Partially offset by:</p> <ul style="list-style-type: none"> higher expenses driven by increased technology investment and headcount to support business growth and regulatory requirements.

¹ The Green Investment Group was transferred from Macquarie Capital to MAM effective 1 April 2022. Comparatives have been reclassified to reflect this reorganisation.

² Income includes disposition fee, equity accounted income and impairment reversal.

³ On 22 September 2021, Macquarie Infrastructure Corporation completed a corporate reorganisation, becoming a subsidiary of the newly formed Macquarie Infrastructure Holdings, LLC which continued to trade under the New York Stock Exchange symbol of 'MIC' until it was delisted on 21 July 2022.

⁴ Certain assets of the Credit Markets business, certain activities of the Commodity Markets and Finance business, and some other less financially significant activities are undertaken from within the Non-Banking Group.

1.1 Executive Summary

Continued

Profit attributable to the ordinary equity holders

\$A2,305m

↑ 13% on pcp

	HALF YEAR TO			MOVEMENT	
	Sep 22 \$Am	Mar 22 \$Am	Sep 21 \$Am	Mar 22 %	Sep 21 %
Financial performance summary					
Net interest income	1,471	1,487	1,373	(1)	7
Fee and commission income	3,032	3,435	3,452	(12)	(12)
Net trading income	2,739	2,337	1,659	17	65
Share of net (losses)/profits from associates and joint ventures	(61)	(2)	242	*	*
Net credit impairment charges	(175)	(74)	(176)	136	(1)
Net other impairment charges	(111)	(205)	(54)	(46)	106
Net other operating income	1,746	2,542	1,308	(31)	33
Net operating income	8,641	9,520	7,804	(9)	11
Employment expenses	(3,613)	(3,561)	(3,164)	1	14
Brokerage, commission and fee expenses	(517)	(531)	(498)	(3)	4
Non-salary technology expenses	(545)	(509)	(417)	7	31
Other operating expenses	(938)	(1,115)	(990)	(16)	(5)
Total operating expenses	(5,613)	(5,716)	(5,069)	(2)	11
Operating profit before income tax	3,028	3,804	2,735	(20)	11
Income tax expense	(735)	(983)	(603)	(25)	22
Profit after income tax	2,293	2,821	2,132	(19)	8
Loss/(profit) attributable to non-controlling interests	12	(158)	(89)	*	*
Profit attributable to ordinary equity holders of Macquarie Group Limited	2,305	2,663	2,043	(13)	13
Key metrics					
Expense to income ratio (%)	65.0	60.0	65.0		
Compensation ratio (%)	39.7	35.3	38.5		
Effective tax rate (%)	24.2	27.0	22.8		
Basic earnings per share (cents per share)	603.3	706.4	562.5		
Diluted earnings per share (cents per share)	585.1	680.7	545.4		
Dividend per ordinary share (cents per share)	300.0	350.0	272.0		
Ordinary dividend payout ratio (%)	50	50	50		
Annualised return on equity (%)	15.6	19.6	17.8		

Net operating income

Net operating income of \$A8,641 million for the half year ended 30 September 2022 increased 11% from \$A7,804 million in the prior corresponding period. The increase was primarily driven by higher Net interest and trading income and Net other operating income, partially offset by lower Fee and commission income, Share of net (losses)/profits from associates and joint ventures and higher Credit and other impairment charges.

Net interest and trading income

HALF YEAR TO			↑ 39% on pcp
30 Sep 22	31 Mar 22	30 Sep 21	
\$Am	\$Am	\$Am	
4,210	3,824	3,032	

- Higher risk management revenue reflecting strong results across the platform, particularly in Gas and Power, Resources and Global Oil in CGM.
- Higher foreign exchange, interest rates and credit income from increased client hedging and financing activity in CGM.
- Growth in the loan portfolio and total BFS deposits, and improved margins from the rising interest rate environment in BFS.
- Improved earnings on capital from the rising interest rate environment in Corporate.
- Increased inventory management and trading gains from supply and demand imbalances recorded primarily in North American Gas and Power which were largely offset by the unfavourable impact of timing of income recognition, primarily on Gas and Power storage and transport contracts in CGM.

Partially offset by:

- higher expense associated with managing the Group's liquidity and funding and the impact of an increased centrally held funding surplus in Corporate.

Share of net (losses)/profits from associates and joint ventures

HALF YEAR TO			↓ significantly on pcp
30 Sep 22	31 Mar 22	30 Sep 21	
\$Am	\$Am	\$Am	
(61)	(2)	242	

- Significant equity investment income from MIC in the prior corresponding period and losses on a small number of equity accounted investments in the current period in MAM.
- Changes in the composition and performance of Macquarie Capital's investment portfolio.

Net other operating income

HALF YEAR TO			↑ 33% on pcp
30 Sep 22	31 Mar 22	30 Sep 21	
\$Am	\$Am	\$Am	
1,746	2,542	1,308	

- Higher investment-related and other income primarily due to the timing of asset realisations in the green energy sector in MAM and higher material asset realisations in the real estate and digital infrastructure sectors in Macquarie Capital.

Partially offset by:

- gain on the partial sale of the UK Meters portfolio of assets in the prior corresponding period in CGM.

Fee and commission income

HALF YEAR TO			↓ 12% on pcp
30 Sep 22	31 Mar 22	30 Sep 21	
\$Am	\$Am	\$Am	
3,032	3,435	3,452	

- Significant disposition fee income from MIC in the prior corresponding period in MAM.
- Lower capital markets and mergers and acquisitions fee income due to weakening market conditions on a strong prior corresponding period in Macquarie Capital.
- Lower base fees in Public Investments driven by negative market movements and outflows in equity funds, partially offset by acquisitions in the prior year and foreign exchange movements, in MAM.

Partially offset by:

- higher base fees in Private Markets due to fund raising and investments made by Private Markets-managed funds and mandates in MAM
- higher performance fees in MAM.

Credit and other impairment charges

HALF YEAR TO			↑ 24% on pcp
30 Sep 22	31 Mar 22	30 Sep 21	
\$Am	\$Am	\$Am	
(286)	(279)	(230)	

- An impairment reversal in the prior corresponding period related to MAM's investment in MIC.
- Growth in the BFS home loan and business lending portfolios.
- Higher credit impairment charges compared to the prior corresponding period reflecting some deterioration in the macroeconomic outlook.

Partially offset by:

- credit impairment releases in car loans due to book run-off in BFS
- lower other impairment charges on a small number of underperforming equity investments.

1.1 Executive Summary

Continued

Operating expenses

Total operating expenses of \$A5,613 million for the half year ended 30 September 2022 increased 11% from \$A5,069 million in the prior corresponding period with increases across most expense categories.

Employment expenses

HALF YEAR TO		
30 Sep 22	31 Mar 22	30 Sep 21
\$Am	\$Am	\$Am
3,613	3,561	3,164

↑ **14%**
on pcp

- Higher expenses from higher average headcount and wage inflation.
- Higher profit share expense and share-based payments mainly as a result of the performance of the Consolidated Entity.

Partially offset by:

- higher one-off acquisition and integration expenses in the prior corresponding period in MAM.

Non-salary technology expenses

HALF YEAR TO		
30 Sep 22	31 Mar 22	30 Sep 21
\$Am	\$Am	\$Am
545	509	417

↑ **31%**
on pcp

- Increased investment in technology initiatives, with focus on data and digitalisation to support business activity.

Brokerage, commission and fee expenses

HALF YEAR TO		
30 Sep 22	31 Mar 22	30 Sep 21
\$Am	\$Am	\$Am
517	531	498

↑ **4%**
on pcp

- Higher expenses mainly driven by increased trading and brokerage activities in CGM.

Other operating expenses

HALF YEAR TO		
30 Sep 22	31 Mar 22	30 Sep 21
\$Am	\$Am	\$Am
938	1,115	990

↓ **5%**
on pcp

- Lower expenses from the non-recurrence of one-off acquisition expenses in MAM in the prior corresponding period.
- Lower transaction-related charges.

Partially offset by:

- higher travel and entertainment expenses across the Consolidated Entity following the easing of COVID-19 restrictions.

Income tax expense

Income tax expense of \$A735 million for the half year ended 30 September 2022 increased 22% from \$A603 million in the prior corresponding period. The effective tax rate for the half year ended 30 September 2022 was 24.2%, up from 22.8% in the prior corresponding period and down from 27.0% in the prior period.

The higher effective tax rate compared to the prior corresponding period was mainly driven by the geographic composition and nature of earnings.

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02

**Financial
Performance
Analysis**



2.1 Net Interest and Trading Income

	HALF YEAR TO			MOVEMENT	
	Sep 22	Mar 22	Sep 21	Mar 22	Sep 21
	\$Am	\$Am	\$Am	%	%
Net interest income	1,471	1,487	1,373	(1)	7
Net trading income	2,739	2,337	1,659	17	65
Net interest and trading income	4,210	3,824	3,032	10	39

Net interest income and net trading income are recorded in accordance with Australian Accounting Standards, with net interest income brought to account using the effective interest method and net trading income predominantly comprising gains and losses relating to trading activities.

For CGM, which predominantly earns income from trading-related activities, the relative contribution of net interest income and net trading income from those activities can vary from period to period depending on the underlying trading strategies undertaken by the Consolidated Entity and its clients.

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 give 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 Other Comprehensive Income (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, 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.

The presentation of net interest income and net trading income separately can distort the analysis of the underlying activities and drivers. For example, within Asset Finance (a business within CGM), interest rate swaps are entered into to hedge the interest rate risk associated with loan assets. The interest income and associated funding costs are recognised in net interest income, however, the related swap is recognised in net trading income. Accordingly, net interest income and net trading income are presented and discussed below in aggregate for each Operating Group, which management believes presents a more consistent overview of business performance and allows for a better analysis of the underlying activities and drivers.

	HALF YEAR TO			MOVEMENT	
	Sep 22	Mar 22	Sep 21	Mar 22	Sep 21
	\$Am	\$Am	\$Am	%	%
MAM	(143)	(150)	(178)	(5)	(20)
BFS	1,214	998	974	22	25
CGM					
Commodities					
Risk management	1,496	1,084	949	38	58
Lending and financing	184	96	116	92	59
Inventory management and trading	209	890	189	(77)	11
Foreign exchange, interest rates and credit	644	512	376	26	71
Equities	178	211	183	(16)	(3)
Asset Finance	63	61	65	3	(3)
Macquarie Capital	154	256	158	(40)	(3)
Corporate	211	(134)	200	*	6
Net interest and trading income	4,210	3,824	3,032	10	39

Net interest and trading income of \$A4,210 million for the half year ended 30 September 2022 increased 39% from \$A3,032 million in the prior corresponding period.

MAM

Net interest and trading expense includes funding costs and hedging impacts related to investments, receivables and operating leases.

Net interest and trading expense of \$A143 million for the half year ended 30 September 2022 decreased 20% from \$A178 million in the prior corresponding period, primarily driven by changes in the fair value of economic hedges, partially offset by higher funding costs due to an increase in investments.

BFS

Net interest and trading income in BFS relates to interest income earned from the loan portfolio that primarily comprises home loans, loans to businesses, car loans and credit cards. BFS also generates income from deposits, which are used as a source of funding for the Bank Group.

Net interest and trading income of \$A1,214 million for the half year ended 30 September 2022 increased 25% from \$A974 million in the prior corresponding period primarily due to 20% growth in the average loan portfolio, which was supported by 24% growth in average BFS deposit volumes¹. It also reflects improved margins from the rising interest rate environment, partially offset by ongoing lending competition and changes in portfolio mix.

As at 30 September 2022, the loan and deposit portfolios included:

- home loan volumes of \$A101.0 billion², up 13% from \$A89.5 billion as at 31 March 2022
- business banking loan volumes of \$A12.3 billion, up 7% from \$A11.5 billion as at 31 March 2022
- car loan volumes of \$A7.3 billion, down 17% from \$A8.8 billion as at 31 March 2022, and
- BFS deposits of \$A116.7 billion, up 19% from \$A98.0 billion as at 31 March 2022.

CGM

Net interest and trading income of \$A2,774 million for the half year ended 30 September 2022 increased 48% from \$A1,878 million in the prior corresponding period:

Commodities

(i) Risk management

Income from risk management is driven by managing clients' exposure to commodity price volatility which is supported by our strong internal risk management framework.

Risk management income of \$A1,496 million for the half year ended 30 September 2022 increased 58% from \$A949 million in the prior corresponding period with contributions across the platform. Increased contributions

were recorded by Gas and Power, Resources and Global Oil due to increased client hedging activity as a result of elevated levels of volatility and price movements in commodity markets.

(ii) Lending and financing

Lending and financing activities include interest income from the provision of loans and working capital finance to clients across a range of commodity sectors including metals, energy and agriculture. Commodities lending and financing activities are primarily secured against underlying assets and typically have associated hedging to protect against downside risk.

Lending and financing income of \$A184 million for the half year ended 30 September 2022 increased 59% from \$A116 million in the prior corresponding period due to increased volumes in energy sectors.

(iii) Inventory management and trading

CGM enters into financial and physical contracts including exchange traded derivatives, OTC derivatives, storage contracts and transportation agreements as part of its commodities platform. These arrangements enable CGM to facilitate client transactions and provide CGM with trading opportunities where there is an imbalance between the supply and demand for commodities. Revenue is dependent on a number of factors including the volume of transactions, the level of risk assumed and the volatility of price movements across commodity markets and products.

Storage and transportation contracts, which are managed on a fair value basis for financial and risk management purposes, are required to be accounted for on an accruals basis for statutory reporting purposes, which may result in some variability in the timing of reported income.

Inventory management and trading income of \$A209 million for the half year ended 30 September 2022 increased 11% from \$A189 million in the prior corresponding period. The current period included trading gains from supply and demand imbalances recorded primarily in North American Gas and Power. These were largely offset by the unfavourable impact of timing of income recognition, primarily on Gas and Power storage and transport contracts. Higher gas storage volumes, notably in EMEA, and spread dislocation have led to a significantly higher adverse impact compared with the prior corresponding period.

Foreign exchange, interest rates and credit

Net interest and trading income from foreign exchange, interest rates and credit related activities are generated from the provision of trading and hedging services to a range of corporate and institutional clients globally, in addition to making secondary markets in corporate debt securities, syndicated bank loans and middle market loans and providing specialty lending.

Net interest and trading income from foreign exchange, interest rates and credit related activities of \$A644 million for the half year ended 30 September 2022 increased 71% from \$A376 million in the prior corresponding period with continued strong client activity in structured foreign exchange and interest rate products in addition to increased financing activity.

¹ Calculations based on average volumes net of offsets.

² Home loan volumes are gross of offsets.

2.1 Net Interest and Trading Income

Continued

Equities

Equities net interest and trading income is generated from the issue of derivative products in key locations, the provision of equity finance solutions to institutional clients and the conduct of risk management and trading activities.

Equities net interest and trading income of \$A178 million for the half year ended 30 September 2022 decreased 3% from \$A183 million in the prior corresponding period due to reduced contributions from trading related activities.

Asset Finance

Net interest and trading income in Asset Finance predominantly relates to net income from the loan and finance lease portfolios (including shipping finance, equipment and technology financing) and the funding costs associated with the operating lease portfolios (including energy, telecommunication and mining assets).

Asset Finance net interest and trading income of \$A63 million for the half year ended 30 September 2022 decreased 3% from \$A65 million in the prior corresponding period.

Macquarie Capital

Net interest and trading income includes the interest income earned from debt investments and the funding costs associated with both the debt and equity investment portfolios.

Net interest and trading income of \$A154 million for the half year ended 30 September 2022 decreased 3% from \$A158 million in the prior corresponding period.

The decrease was primarily due to higher mark-to-market losses on underwriting positions related to a deterioration in current macroeconomic conditions. This is broadly offset by higher net interest income from the private credit portfolio benefiting from book growth in FY22, with deployment continuing in the current period.

Corporate

Net interest and trading income in the Corporate segment includes the net result of managing Macquarie's liquidity and funding requirements, earnings on capital, funding costs associated with investments held centrally and accounting volatility arising from movements in underlying rates relating to economically hedged positions where hedge accounting is unable to be achieved.

Net interest and trading income of \$A211 million for the half year ended 30 September 2022 increased 6% from \$A200 million in the prior corresponding period.

The increase from the prior corresponding period included the impact of earnings on capital reflecting higher central bank rates and higher average volumes and accounting volatility from the changes in the fair values of economic hedges, partially offset by a higher expense associated with managing the Group's liquidity and funding and the impact of an increased centrally held funding surplus.

The increase from the prior period included the impact of accounting volatility from the changes in the fair values of economic hedges and higher earnings on capital reflecting higher central bank rates and higher average volumes, partially offset by a higher expense associated with managing the Group's liquidity and funding and the impact of an increased centrally held funding surplus.

2.2 Fee and Commission Income

	HALF YEAR TO			MOVEMENT	
	Sep 22 \$Am	Mar 22 \$Am	Sep 21 \$Am	Mar 22 %	Sep 21 %
Base fees	1,389	1,422	1,374	(2)	1
Other asset management fees	205	240	218	(15)	(6)
Base fees and other asset management fees	1,594	1,662	1,592	(4)	<1
Performance fees	237	218	177	9	34
Mergers and acquisitions, advisory and underwriting fees	438	755	618	(42)	(29)
Brokerage and other trading-related fee income	393	420	381	(6)	3
Other fee and commission income	370	380	684	(3)	(46)
Total fee and commission income	3,032	3,435	3,452	(12)	(12)

Total fee and commission income of \$A3,032 million for the half year ended 30 September 2022 decreased 12% from \$3,452 million in the prior corresponding period. The decrease was primarily driven by a significant disposition fee from MIC in the prior corresponding period in MAM as well as decreased capital markets and mergers and acquisitions fee income in Macquarie Capital, partially offset by higher performance fees in MAM.

Base fees, Other asset management fees and Performance fees

	HALF YEAR TO			MOVEMENT	
	Sep 22 \$Am	Mar 22 \$Am	Sep 21 \$Am	Mar 22 %	Sep 21 %
Base fees					
MAM					
Public Investments	787	850	833	(7)	(6)
Private Markets	591	559	529	6	12
Total MAM	1,378	1,409	1,362	(2)	1
Other Operating Groups	11	13	12	(15)	(8)
Total base fee income	1,389	1,422	1,374	(2)	1
Total other asset management fees	205	240	218	(15)	(6)
Performance fees					
MAM					
Public Investments	-	4	1	(100)	(100)
Private Markets	237	213	176	11	35
Total MAM	237	217	177	9	34
Other Operating Groups	-	1	-	(100)	-
Total performance fee income	237	218	177	9	34

2.2 Fee and Commission Income

Continued

Base fees

Base fees of \$A1,389 million for the half year ended 30 September 2022 increased 1% from \$A1,374 million in the prior corresponding period.

Base fees are typically generated from funds management activities and are mainly attributable to MAM. MAM's base fees of \$A1,378 million for the half year ended 30 September 2022 were broadly in line with the prior corresponding period with offsetting impacts across MAM. An increase was mainly generated by fund raising and investments made by Private Markets-managed funds and mandates, Public Investments acquisitions in the prior year and foreign exchange movements. These were offset by negative market movements and outflows in Public investments equity funds and asset realisations in Private Markets-managed funds.

Refer to section 7 for further details of MAM's Assets under Management (AUM) and Equity under Management (EUM).

Other asset management fees

Other asset management fees includes fees earned on the BFS Wrap platform, as well as distribution and marketing service fees in MAM.

Other asset management fees of \$A205 million for the half year ended 30 September 2022 decreased 6% from \$A218 million in the prior corresponding period.

Performance fees

Performance fees of \$A237 million for the half year ended 30 September 2022 increased 34% from \$A177 million in the prior corresponding period.

Performance fees, which are typically generated from Macquarie-managed funds and assets that have outperformed pre-defined benchmarks consisted of performance fees from a range of funds including Macquarie Infrastructure Partners (MIP) III, Macquarie European Infrastructure Fund (MEIF) 4 and other Private Markets-managed funds and managed accounts. The prior corresponding period included performance fees from MIP III, MEIF4 and other Private Markets-managed funds and managed accounts and co-investors.

Mergers and acquisitions, advisory and underwriting fees

Mergers and acquisitions, advisory and underwriting fees of \$A438 million for the half year ended 30 September 2022 decreased 29% from \$A618 million in the prior corresponding period and were mainly attributable to Macquarie Capital.

The movement was primarily due to lower capital markets fee income due to weakening market conditions and lower mergers and acquisitions fee income on a strong prior corresponding period in Macquarie Capital.

Brokerage and other trading-related fee income

Brokerage and other trading-related fee income primarily includes brokerage income from the Equity Derivatives and Trading and Futures businesses in CGM, the Equities business in Macquarie Capital and brokerage income from the provision of wealth services in BFS.

Brokerage and other trading-related fee income of \$A393 million for the half year ended 30 September 2022 increased 3% from \$A381 million in the prior corresponding period.

Other fee and commission income

Other fee and commission income includes fees earned on a range of BFS' products and services including BFS Wrap and Vision platforms, home loans, car loans, credit cards, business loans and deposits. MAM includes fees related to MIC disposition, transfer agent oversight services, capital raisings and income from True Index products, while CGM includes structured, index and retail products.

Other fee and commission income of \$A370 million for the half year ended 30 September 2022 decreased 46% from \$A684 million in the prior corresponding period mainly due to a significant disposition fee from MIC in the prior corresponding period in MAM.

2.3 Share of Net (Losses)/Profits from Associates and Joint Ventures

	HALF YEAR TO			MOVEMENT	
	Sep 22 \$Am	Mar 22 \$Am	Sep 21 \$Am	Mar 22 %	Sep 21 %
Share of net (losses)/profits from associates and joint ventures	(61)	(2)	242	*	*

Share of net losses from associates and joint ventures of \$A61 million for the half year ended 30 September 2022 was significantly down from a profit of \$A242 million in the prior corresponding period. The movement was primarily driven by the significant equity investment income from MIC in the prior corresponding period and losses on a small number of equity accounted investments in MAM in the current period. In addition, there were changes in the composition and performance of the investment portfolio in Macquarie Capital.

2.4 Credit and Other Impairment Charges

	HALF YEAR TO			MOVEMENT	
	Sep 22	Mar 22	Sep 21	Mar 22	Sep 21
	\$Am	\$Am	\$Am	%	%
Credit impairment (charges)/reversals					
Loan assets	(110)	(39)	(64)	182	72
Held for sale and other assets	(8)	(31)	(52)	(74)	(85)
Loans to associates and joint ventures	5	(6)	(33)	*	*
Off balance sheet exposures	(37)	13	(12)	*	208
Margin money and settlement assets	(11)	(15)	(11)	(27)	-
Financial investments	(17)	2	(4)	*	*
Gross credit impairment charges	(178)	(76)	(176)	134	1
Recovery of amounts previously written off	3	2	-	50	*
Net credit impairment charges	(175)	(74)	(176)	136	(1)
Other impairment charges					
Interests in associates and joint ventures	(111)	(175)	(5)	(37)	*
Intangible and other non-financial assets	-	(30)	(49)	(100)	(100)
Net other impairment charges	(111)	(205)	(54)	(46)	106
Total credit and other impairment charges	(286)	(279)	(230)	3	24

	HALF YEAR TO			MOVEMENT	
	Sep 22	Mar 22	Sep 21	Mar 22	Sep 21
	\$Am	\$Am	\$Am	%	%
MAM	(3)	(143)	44	(98)	*
BFS	(9)	53	(31)	*	(71)
CGM	(35)	(7)	(58)	*	(40)
Macquarie Capital	(195)	(225)	(137)	(13)	42
Corporate	(44)	43	(48)	*	(8)
Total credit and other impairment charges	(286)	(279)	(230)	3	24

Total credit and other impairment charges of \$A286 million for the half year ended 30 September 2022 increased 24% from \$A230 million in the prior corresponding period.

Net credit impairment charges of \$A175 million were broadly in line with \$A176 million in the prior corresponding period, and included releases in car loans driven by book run-off, partially offset by increases in Home and Business lending in BFS and some deterioration in the macroeconomic outlook.

Net other impairment charges of \$A111 million increased 106% from \$A54 million in the prior corresponding period, driven by a reversal related to MAM's investment in MIC in the prior corresponding period, partially offset by lower other impairment charges on a small number of underperforming assets and equity investments.

MAM

Credit and other impairment charges of \$A3 million for the half year ended 30 September 2022, compared to a reversal of \$A44 million in the prior corresponding period.

The prior corresponding period included a reversal of the impairment previously recognised on MAM's investment in MIC and an impairment on an underperforming equity investment in the green energy sector.

BFS

Credit and other impairment charges of \$A9 million for the half year ended 30 September 2022, decreased 71% from \$A31 million in the prior corresponding period, largely due to the release of provisions in car loans driven by book run-off, partially offset by growth in the remaining loan portfolio and some deterioration in the macroeconomic outlook compared to the prior corresponding period.

CGM

Credit and other impairment charges of \$A35 million for the half year ended 30 September 2022 decreased 40% from \$A58 million in the prior corresponding period due to reduced specific provisions, partially offset by increase modelled provisions reflecting some deterioration in the macroeconomic outlook.

Macquarie Capital

Credit and other impairment charges of \$A195 million for the half year ended 30 September 2022 increased 42% from \$A137 million in the prior corresponding period.

The increase in credit and other impairment charges was primarily due to a small number of underperforming equity investments.

Corporate

Credit and other impairment charges of \$A44 million for the half year ended 30 September 2022 decreased 8% from \$A48 million in the prior corresponding period.

For further information on the Consolidated Entity's determination of its expected credit losses, please refer to Note 12 *Expected credit losses* in the Financial Report.

2.5 Net Other Operating Income

	HALF YEAR TO			MOVEMENT	
	Sep 22 \$Am	Mar 22 \$Am	Sep 21 \$Am	Mar 22 %	Sep 21 %
Investment income					
Net gain on disposal of subsidiaries and businesses	378	1,995	794	(81)	(52)
Net (loss)/gain on financial investments	(139)	126	122	*	*
Net gain on interests in associates and joint ventures	1,280	146	44	*	*
Net gain on non-financial assets	30	30	34	-	(12)
Total investment income	1,549	2,297	994	(33)	56
Net operating lease income	211	216	186	(2)	13
Subsidiaries held for investment purposes¹					
Net Operating Revenue ²	171	160	287	7	(40)
Expenses ³	(286)	(208)	(265)	38	8
Net (loss)/profit from subsidiaries held for investment purposes	(115)	(48)	22	140	*
Other income	101	77	106	31	(5)
Total net other operating income	1,746	2,542	1,308	(31)	33

Total net other operating income of \$A1,746 million for the half year ended 30 September 2022 increased 33% from \$A1,308 million in the prior corresponding period. The increase was mainly driven by the timing of asset realisations in the green energy sector in MAM and higher material asset realisations in the real estate and digital infrastructure sectors in Macquarie Capital. This was partially offset by a gain on the partial sale of the UK Meters portfolio of assets in CGM, in the prior corresponding period.

Investment income

Investment income of \$A1,549 million for the half year ended 30 September 2022 increased 56% from \$A994 million in the prior corresponding period. The movement was primarily driven by the timing of asset realisations in the green energy sector in MAM and material asset realisations in the Americas and Europe, particularly in the real estate and digital infrastructure sectors, in Macquarie Capital. This was partially offset by a gain on the partial sale of the UK Meters portfolio of assets in CGM and gains from asset realisations in Macquarie Capital, predominantly in Europe in the business services and technology sectors, in the prior corresponding period. The prior period included material asset realisations in the green energy sector in MAM.

Net operating lease income

Net operating lease income of \$A211 million for the half year ended 30 September 2022 increased 13% from \$A186 million in the prior corresponding period. The increase was primarily driven by contributions from the resources sector in CGM.

The total operating lease portfolio was \$A3.7 billion as at 30 September 2022, was broadly in line with \$A3.6 billion as at 31 March 2022.

Subsidiaries held for investment purposes

Net loss from subsidiaries held for investment purposes of \$A115 million for the half year ended 30 September 2022 was significantly down from a profit of \$A22 million in the prior corresponding period. The movement primarily reflected gains on sale of green energy projects in the prior corresponding period in MAM.

Other income

Other income of \$A101 million for the half year ended 30 September 2022 decreased 5% from \$A106 million in the prior corresponding period.

¹ Subsidiaries held for investment purposes are consolidated entities that are held with the ultimate intention to sell as part of Macquarie's investment activities.

² Includes revenue of \$A265 million (half year to 31 March 2022: \$A477 million, half year to 30 September 2021: \$A699 million) after deduction of \$A94 million (half year to 31 March 2022: \$A317 million, half year to 30 September 2021: \$A412 million) related to cost of goods sold.

³ Includes employment expenses, depreciation, amortisation expenses and other operating expenses.

2.6 Operating Expenses

	HALF YEAR TO			MOVEMENT	
	Sep 22 \$Am	Mar 22 \$Am	Sep 21 \$Am	Mar 22 %	Sep 21 %
Employment expenses					
Salary and related costs including commissions, superannuation and performance-related profit share	(3,038)	(2,999)	(2,628)	1	16
Share-based payments	(366)	(340)	(319)	8	15
Provision for long service leave and annual leave	(30)	(24)	(54)	25	(44)
Total compensation expenses	(3,434)	(3,363)	(3,001)	2	14
Other employment expenses including on-costs, staff procurement and staff training	(179)	(198)	(163)	(10)	10
Total employment expenses	(3,613)	(3,561)	(3,164)	1	14
Brokerage, commission and fee expenses	(517)	(531)	(498)	(3)	4
Non-salary technology expenses	(545)	(509)	(417)	7	31
Other operating expenses					
Occupancy expenses	(182)	(175)	(182)	4	-
Professional fees	(233)	(335)	(241)	(30)	(3)
Indirect and other taxes	(60)	(85)	(85)	(29)	(29)
Advertising and promotional expenses	(95)	(82)	(96)	16	(1)
Amortisation of intangible assets	(72)	(64)	(70)	13	3
Travel and entertainment expenses	(83)	(28)	(15)	196	*
Audit fees	(28)	(38)	(26)	(26)	8
Other	(185)	(308)	(275)	(40)	(33)
Total other operating expenses	(938)	(1,115)	(990)	(16)	(5)
Total operating expenses	(5,613)	(5,716)	(5,069)	(2)	11

Total operating expenses of \$A5,613 million for the half year ended 30 September 2022 increased 11% from \$A5,069 million in the prior corresponding period. The increase was mainly due to higher employment expenses driven by higher average headcount, higher profit share expense and share-based payments, wage inflation, as well as increased non-salary technology expenses and unfavourable foreign exchange movements. This was partially offset by the non-recurrence of one-off acquisition expenses in MAM in the prior corresponding period.

Key drivers of the movement included:

- total employment expenses of \$A3,613 million for the half year ended 30 September 2022 increased 14% from \$A3,164 million in the prior corresponding period primarily driven by higher average headcount, profit share expense and share-based payments as a result of the performance of the Consolidated Entity, wage inflation and unfavourable foreign exchange movements. This was partially offset by the non-recurrence of one-off acquisition expenses in MAM in the prior corresponding period. The higher average headcount was mainly in the Central Service Groups driven by investment in technology, compliance, data, infrastructure and cybersecurity to support MGL's Operating Groups. In addition, headcount has increased across operating groups, predominantly in BFS in order to support business growth and regulatory requirements
- non-salary technology expenses of \$A545 million for the half year ended 30 September 2022 increased 31% from \$A417 million in the prior corresponding period primarily driven by increased investment in technology initiatives, with focus on data and digitalisation to support business activity
- brokerage, commission and fee expenses of \$A517 million for the half year ended 30 September 2022 increased 4% from \$A498 million in the prior corresponding period primarily driven by increased trading and brokerage activities in CGM
- total other operating expenses of \$A938 million for the half year ended 30 September 2022 decreased 5% from \$A990 million in the prior corresponding period mainly due to the non-recurrence of one-off acquisition expenses in MAM in the prior corresponding period, lower transaction related charges, partially offset by higher travel and entertainment expenses across the Consolidated Entity following the easing of COVID-19 restrictions and unfavourable foreign exchange movements.

2.7 Headcount

	AS AT			MOVEMENT	
	Sep 22	Mar 22	Sep 21	Mar 22 %	Sep 21 %
Headcount by Operating Group¹					
MAM	2,607	2,674	2,630	(3)	(1)
BFS	3,512	3,359	3,152	5	11
CGM	2,272	2,179	2,120	4	7
Macquarie Capital	1,625	1,568	1,555	4	5
Total headcount – Operating Groups	10,016	9,780	9,457	2	6
Total headcount – Corporate	9,250	8,353	7,752	11	19
Total headcount	19,266	18,133	17,209	6	12
Headcount by region					
Australia ²	9,092	8,332	7,652	9	19
International:					
Americas	3,283	3,205	3,161	2	4
Asia	4,141	3,972	3,939	4	5
Europe, Middle East and Africa	2,750	2,624	2,457	5	12
Total headcount – International	10,174	9,801	9,557	4	6
Total headcount	19,266	18,133	17,209	6	12
International headcount ratio (%)	53	54	56		

Total headcount increased 12% to 19,266 as at 30 September 2022 from 17,209 as at 30 September 2021, mainly in the Central Service Groups driven by investment in technology, compliance, data, infrastructure and cybersecurity to support MGL's Operating Groups. In addition, there was increased headcount in BFS to support business growth and regulatory requirements.

¹ Headcount numbers in this document includes staff employed in certain operationally segregated subsidiaries (OSS).

² Includes New Zealand.

2.8 Income Tax Expense

	HALF YEAR TO		
	Sep 22 \$Am	Mar 22 \$Am	Sep 21 \$Am
Operating profit before income tax	3,028	3,804	2,735
<i>Prima facie tax @ 30%</i>	908	1,141	821
Income tax permanent differences	(173)	(158)	(218)
Income tax expense	735	983	603
Effective tax rate¹	24.2 %	27.0 %	22.8 %

Income tax expense of \$A735 million for the half year ended 30 September 2022 increased 22% from \$A603 million in the prior corresponding period. The effective tax rate for the half year ended 30 September 2022 was 24.2%, up from 22.8% in the prior corresponding period and down from 27.0% in the prior period.

The higher effective tax rate compared to the prior corresponding period was mainly driven by the geographic composition and nature of earnings.

¹ The effective tax rate is calculated on Operating profit before income tax and after non-controlling interests. Non-controlling interests increased operating profit before income tax by \$A12 million for the half year ended 30 September 2022 (31 March 2022: reduced operating profit before income tax by \$A158 million; 30 September 2021: reduced operating profit before income tax by \$A89 million).



03

**Segment
Analysis**



3.1 Basis of Preparation

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).

During the current period, and as previously announced, the Green Investment Group was transferred from Macquarie Capital and is operating as part of MAM, bringing together Macquarie's specialist capabilities to provide clients with expanded green investments and energy transition capabilities.

Comparatives have been reclassified to reflect this reorganisation.

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:

- **MAM** which provides investment solutions to clients across a range of capabilities in Private Markets and Public Investments, including infrastructure, green investments, agriculture and natural assets, real estate, private credit, asset finance, equities, fixed income and multi-asset solutions
- **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
- **Macquarie Capital** which has global capability in advisory and capital raising services, investing alongside partners and clients across the capital structure, providing clients with specialist expertise, advice and flexible capital solutions across a range of sectors. It also has global capability in development and investment in infrastructure and energy projects and companies, with a focus on transport, digital and social infrastructure. Macquarie Capital's Equities brokerage business provides clients with access to equity research, sales, execution capabilities and corporate access.

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.

Items of income and expense within the Corporate segment include the net result of managing Macquarie'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 economically 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 Other comprehensive income (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.

Central Service Groups

The Central Service Groups provide a range of functions supporting MGL's 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.

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 (MEREPE) 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.

3.1 Basis of Preparation

Continued

	MAM \$Am	BFS \$Am
Half year ended 30 September 2022		
Net interest and trading (expense)/income	(143)	1,214
Fee and commission income/(expense)	1,882	233
Share of net (losses)/profits from associates and joint ventures	(33)	(2)
Other operating income and charges		
Net credit and other impairment charges	(3)	(9)
Net other operating income	839	(14)
Internal management revenue/(charge)	63	1
Net operating income	2,605	1,423
Total operating expenses	(1,197)	(843)
Operating profit/(loss) before income tax	1,408	580
Income tax expense	-	-
(Profit)/loss attributable to non-controlling interests	(6)	-
Net profit/(loss) contribution	1,402	580
Half year ended 31 March 2022		
Net interest and trading (expense)/income	(150)	998
Fee and commission income/(expense)	1,939	237
Share of net profits/(losses) from associates and joint ventures	71	(1)
Other operating income and charges		
Net credit and other impairment (charges)/reversals	(143)	53
Net other operating income	1,551	10
Internal management revenue/(charge)	15	1
Net operating income/(expense)	3,283	1,298
Total operating expenses	(1,349)	(779)
Operating profit/(loss) before income tax	1,934	519
Income tax expense	-	-
Profit attributable to non-controlling interests	(2)	-
Net profit/(loss) contribution	1,932	519
Half year ended 30 September 2021		
Net interest and trading (expense)/income	(178)	974
Fee and commission income/(expense)	2,149	220
Share of net profits/(losses) from associates and joint ventures	185	(1)
Other operating income and charges		
Net credit and other impairment reversals/(charges)	44	(31)
Net other operating income	171	1
Internal management revenue/(charge)	3	-
Net operating income	2,374	1,163
Total operating expenses	(1,282)	(681)
Operating profit/(loss) before income tax	1,092	482
Income tax expense	-	-
Loss/(Profit) attributable to non-controlling interests	5	-
Net profit/(loss) contribution	1,097	482

CGM \$Am	Macquarie Capital \$Am	Corporate \$Am	Total \$Am
2,774	154	211	4,210
296	664	(43)	3,032
16	(42)	-	(61)
(35)	(195)	(44)	(286)
206	694	21	1,746
(1)	12	(75)	-
3,256	1,287	70	8,641
(1,260)	(711)	(1,602)	(5,613)
1,996	576	(1,532)	3,028
-	-	(735)	(735)
-	19	(1)	12
1,996	595	(2,268)	2,305
2,854	256	(134)	3,824
279	1,003	(23)	3,435
25	(98)	1	(2)
(7)	(225)	43	(279)
288	719	(26)	2,542
(29)	15	(2)	-
3,410	1,670	(141)	9,520
(1,228)	(670)	(1,690)	(5,716)
2,182	1,000	(1,831)	3,804
-	-	(983)	(983)
-	(155)	(1)	(158)
2,182	845	(2,815)	2,663
1,878	158	200	3,032
228	865	(10)	3,452
15	43	-	242
(58)	(137)	(48)	(230)
672	427	37	1,308
34	14	(51)	-
2,769	1,370	128	7,804
(1,040)	(600)	(1,466)	(5,069)
1,729	770	(1,338)	2,735
-	-	(603)	(603)
-	(94)	-	(89)
1,729	676	(1,941)	2,043

3.2 MAM

	HALF YEAR TO			MOVEMENT	
	Sep 22 \$Am	Mar 22 \$Am	Sep 21 \$Am	Mar 22 %	Sep 21 %
Net interest and trading expense	(143)	(150)	(178)	(5)	(20)
Fee and commission income					
Base fees	1,378	1,409	1,362	(2)	1
Performance fees	237	217	177	9	34
Other fee and commission income	267	313	610	(15)	(56)
Total fee and commission income	1,882	1,939	2,149	(3)	(12)
Share of net (losses)/profits from associates and joint ventures	(33)	71	185	*	*
Other operating income and charges					
Net income on equity, debt and other investments	877	1,498	62	(41)	*
Net credit and other impairment (charges)/reversals	(3)	(143)	44	(98)	*
Other (expenses)/income	(38)	53	109	*	*
Total other operating income and charges	836	1,408	215	(41)	289
Internal management revenue	63	15	3	*	*
Net operating income	2,605	3,283	2,374	(21)	10
Operating expenses					
Employment expenses	(381)	(422)	(406)	(10)	(6)
Brokerage, commission and fee expenses	(193)	(225)	(207)	(14)	(7)
Other operating expenses	(623)	(702)	(669)	(11)	(7)
Total operating expenses	(1,197)	(1,349)	(1,282)	(11)	(7)
Non-controlling interests¹	(6)	(2)	5	200	*
Net profit contribution	1,402	1,932	1,097	(27)	28
Non-GAAP metrics					
Assets under management (\$Ab)	795.6	773.1	735.5	3	8
Equity under management (\$Ab)	188.5	158.3	158.8	19	19
Headcount	2,607	2,674	2,630	(3)	(1)

Net profit contribution of \$A1,402 million for the half year ended 30 September 2022, increased 28% from \$A1,097 million in the prior corresponding period due to:

- net increase in income in the green energy sector driven by timing of asset realisations
- decreased operating expenses primarily driven by higher one-off acquisition and integration costs in the prior corresponding period partially offset by higher employment costs, investment in technology and foreign exchange movements
- increased performance fees from Private Markets-managed funds.

Partially offset by:

- significant income² from the disposition of assets in MIC in the prior corresponding period.

¹ Non-controlling interests' adjusts reported consolidated profit or loss for the share that is attributable to non-controlling interests, such that the net profit contribution represents the net profit attributable to ordinary equity holders.

² Income includes disposition fee, equity accounted income and impairment reversal.

Net interest and trading expense

Net interest and trading expense includes funding costs and hedging impacts related to investments, receivables and operating leases.

Net interest and trading expense of \$A143 million for the half year ended 30 September 2022 decreased 20% from \$A178 million in the prior corresponding period, primarily driven by changes in the fair value of economic hedges, partially offset by higher funding costs due to an increase in investments.

Base fees

Base fee income of \$A1,378 million for the half year ended 30 September 2022 was broadly in line with the prior corresponding period with offsetting impacts across MAM. An increase was mainly generated by fund raising and investments made by Private Markets-managed funds and mandates, Public Investments acquisitions in the prior year and foreign exchange movements. These were offset by negative market movements and outflows in Public investments equity funds and asset realisations in Private Markets-managed funds.

Performance fees

Performance fees, which are typically generated from Macquarie-managed funds and assets that have outperformed pre-defined benchmarks, of \$A237 million for the half year ended 30 September 2022 increased 34% from \$A177 million in the prior corresponding period.

The half year ended 30 September 2022 included performance fees from a range of funds including MIP III, MEIF4 and other Private Markets-managed funds and managed accounts. The prior corresponding period included performance fees from MIP III, MEIF4 and other Private Markets-managed funds and managed accounts and co-investors.

Other fee and commission income

Other fee and commission income includes fees related to MIC disposition, transfer agent oversight services, capital raisings, distribution services and transactions, brokerage and commission income and income from True Index products.

Distribution service fees and brokerage and commission income are offset by associated expenses that, for accounting purposes, are recognised in Operating expenses.

Other fee and commission income of \$A267 million for the half year ended 30 September 2022 decreased 56% from \$A610 million in the prior corresponding period, primarily due to a significant disposition fee from MIC in the prior corresponding period.

Share of net (losses)/profits from associates and joint ventures

Share of net loss from associates and joint ventures of \$A33 million for the half year ended 30 September 2022 compared to a profit of \$A185 million in the prior corresponding period, primarily due to significant equity investment income from MIC in the prior corresponding period and losses on a small number of equity accounted investments.

Net income on equity, debt and other investments

Net income on equity, debt and other investments of \$A877 million for the half year ended 30 September 2022 was significantly up from \$A62 million in the prior corresponding period, primarily driven by the timing of asset realisations in the green energy sector. The prior period included material asset realisations in the green energy sector.

Net credit and other impairment (charges)/reversals

Credit and other impairment charges of \$A3 million for the half year ended 30 September 2022, compared to a reversal of \$A44 million in the prior corresponding period.

The prior corresponding period included a reversal of the impairment previously recognised on MAM's investment in MIC and an impairment on an underperforming equity investment in the green energy sector.

Other (expenses)/income

Other expenses of \$A38 million for the half year ended 30 September 2022 were significantly down from an income of \$A109 million in the prior corresponding period. The movement primarily reflected gains on sale of green energy projects in the prior corresponding period.

Operating expenses

Total operating expenses of \$A1,197 million for the half year ended 30 September 2022 decreased 7% from \$A1,282 million in the prior corresponding period. The decrease was primarily driven by higher one-off acquisition and integration expenses in the prior corresponding period primarily related to the acquisition of Waddell & Reed Financial partially offset by higher employment costs, investment in technology and foreign exchange movements in the current period.

3.3 BFS

	HALF YEAR TO			MOVEMENT	
	Sep 22 \$Am	Mar 22 \$Am	Sep 21 \$Am	Mar 22 %	Sep 21 %
Net interest and trading income	1,214	998	974	22	25
Fee and commission income					
Wealth management fee income	151	157	147	(4)	3
Banking and lending fee income	82	80	73	3	12
Total fee and commission income	233	237	220	(2)	6
Share of net losses from associates and joint ventures	(2)	(1)	(1)	100	100
Other operating income and charges					
Net credit and other impairment (charges)/reversals	(9)	53	(31)	*	(71)
Other (expenses)/income	(14)	10	1	*	*
Total other operating income and charges	(23)	63	(30)	*	(23)
Internal management revenue	1	1	-	-	*
Net operating income	1,423	1,298	1,163	10	22
Operating expenses					
Employment expenses	(262)	(227)	(219)	15	20
Brokerage, commission and fee expenses	(59)	(53)	(53)	11	11
Technology expenses ¹	(275)	(250)	(214)	10	29
Other operating expenses	(247)	(249)	(195)	(1)	27
Total operating expenses	(843)	(779)	(681)	8	24
Net profit contribution	580	519	482	12	20
Non-GAAP metrics					
Funds on platform (\$Ab) ²	111.4	118.6	116.4	(6)	(4)
Loan portfolio (\$Ab) ³	121.0	110.2	98.7	10	23
BFS deposits (\$Ab) ⁴	116.7	98.0	88.2	19	32
Headcount	3,512	3,359	3,152	5	11

Net profit contribution of \$A580 million for the half year ended 30 September 2022, up 20% from the prior corresponding period due to:

- higher net interest and trading income mainly driven by growth in the loan portfolio and total BFS deposits, and improved margins from the rising interest rate environment
- decreased credit impairment charges driven by provision releases in car loans due to run-off in the portfolio, partially offset by growth in the remaining loan portfolio and some deterioration in the macroeconomic outlook compared to the prior corresponding period.

Partially offset by:

- higher expenses driven by increased technology investment and headcount to support business growth and regulatory requirements.

¹ Technology expenses include technology staff expenses, depreciation of technology assets, amortisation of capitalised software and maintenance costs.

² Funds on platform includes Macquarie Wrap and Vision.

³ The loan portfolio comprises home loans, loans to businesses, car loans and credit cards.

⁴ BFS deposits include home loan offset accounts and exclude corporate/wholesale deposits.

Net interest and trading income

Net interest and trading income in BFS relates to interest income earned from the loan portfolio that primarily comprises home loans, loans to businesses, car loans and credit cards. BFS also generates income from deposits, which are used as a source of funding for the Bank Group.

Net interest and trading income of \$A1,214 million for the half year ended 30 September 2022 increased 25% from \$A974 million in the prior corresponding period primarily due to 20% growth in the average loan portfolio, which was supported by 24% growth in average BFS deposit volumes¹. It also reflects improved margins from the rising interest rate environment, partially offset by ongoing lending competition and changes in portfolio mix.

As at 30 September 2022, the loan and deposit portfolios included:

- home loan volumes of \$A101.0 billion², up 13% from \$A89.5 billion as at 31 March 2022
- business banking loan volumes of \$A12.3 billion, up 7% from \$A11.5 billion as at 31 March 2022
- car loan volumes of \$A7.3 billion, down 17% from \$A8.8 billion as at 31 March 2022, and
- BFS deposits of \$A116.7 billion, up 19% from \$A98.0 billion as at 31 March 2022.

Wealth management fee income

Wealth management fee income relates to fees earned on a range of BFS' products and services including platforms and the provision of wealth services.

Funds on platform closed at \$A111.4 billion at 30 September 2022, a decrease of 6% from \$A118.6 billion at 31 March 2022, primarily due to adverse market movements, partially offset by client net flows.

Wealth management fee income of \$A151 million for the half year ended 30 September 2022 increased 3% from \$A147 million in the prior corresponding period, due to higher administration fees including from higher average funds on platform, partially offset by lower brokerage income due to lower trading activity.

Banking and lending fee income

Banking and lending fee income relates to fees earned on a range of BFS' products including home loans, car loans, credit cards, business loans and deposits.

Banking and lending fee income of \$A82 million for the half year ended 30 September 2022 increased 12% from \$A73 million in the prior corresponding period, mainly driven by higher lending and transaction volumes.

Net credit and other impairment charges

Credit and other impairment charges of \$A9 million for the half year ended 30 September 2022, decreased 71% from \$A31 million in the prior corresponding period, largely due to the release of provisions in car loans driven by book run-off, partially offset by growth in the remaining loan portfolio and some deterioration in the macroeconomic outlook compared to the prior corresponding period.

Other (expenses)/income

Other expenses of \$A14 million for the half year ended 30 September 2022 decreased from an income of \$A1 million in the prior corresponding period, mainly driven by the revaluation of an equity investment.

Operating expenses

Total operating expenses of \$A843 million for the half year ended 30 September 2022 increased 24% from \$A681 million in the prior corresponding period.

Employment expenses of \$A262 million for the half year ended 30 September 2022 increased 20% from \$A219 million in the prior corresponding period, largely due to higher average headcount to support business growth and regulatory requirements and wage inflation.

Brokerage, commission and fee expenses of \$A59 million for the half year ended 30 September 2022 increased 11% from \$A53 million in the prior corresponding period, largely due to increased transaction volumes.

Technology expenses of \$A275 million for the half year ended 30 September 2022 increased 29% from \$A214 million in the prior corresponding period, driven by investment in digitisation and other technology initiatives and to support business growth.

Other operating expenses of \$A247 million for the half year ended 30 September 2022 increased 27% from \$A195 million in the prior corresponding period, to support business growth and regulatory requirements.

¹ Calculations based on average volumes net of offsets.

² Home loan volumes are gross of offsets.

3.4 CGM

	HALF YEAR TO			MOVEMENT	
	Sep 22 \$Am	Mar 22 \$Am	Sep 21 \$Am	Mar 22 %	Sep 21 %
Net interest and trading income					
Commodities					
Risk management	1,496	1,084	949	38	58
Lending and financing	184	96	116	92	59
Inventory management and trading	209	890	189	(77)	11
Total commodities	1,889	2,070	1,254	(9)	51
Foreign exchange, interest rates and credit	644	512	376	26	71
Equities	178	211	183	(16)	(3)
Asset Finance	63	61	65	3	(3)
Net interest and trading income	2,774	2,854	1,878	(3)	48
Fee and commission income					
Brokerage and other trading-related income	125	127	112	(2)	12
Other fee and commission income	171	152	116	13	47
Total fee and commission income	296	279	228	6	30
Share of net profits from associates and joint ventures	16	25	15	(36)	7
Other operating income and charges					
Net (loss)/income on equity, debt and other investments	(25)	47	473	*	*
Net credit and other impairment charges	(35)	(7)	(58)	*	(40)
Net operating lease income	174	183	152	(5)	14
Other income	57	58	47	(2)	21
Total other operating income and charges	171	281	614	(39)	(72)
Internal management (charge)/revenue	(1)	(29)	34	(97)	*
Net operating income	3,256	3,410	2,769	(5)	18
Operating expenses					
Employment expenses	(336)	(305)	(286)	10	17
Brokerage, commission and fee expenses	(211)	(194)	(195)	9	8
Other operating expenses	(713)	(729)	(559)	(2)	28
Total operating expenses	(1,260)	(1,228)	(1,040)	3	21
Net profit contribution	1,996	2,182	1,729	(9)	15
Non-GAAP metrics					
Headcount	2,272	2,179	2,120	4	7

Net profit contribution of \$A1,996 million for the half year ended 30 September 2022, up 15% from the prior corresponding period due to:

- increased risk management revenue reflecting strong results across the platform, particularly from Gas and Power, Resources and Global Oil due to increased client hedging activity as a result of elevated levels of volatility and price movements in commodity markets
- increased foreign exchange, interest rate, and credit products income driven by increased client hedging and financing activity
- increased lending and financing income due to increased volumes in the energy sectors
- increased inventory management and trading income driven by trading gains from supply and demand imbalances recorded primarily in North American Gas and Power which were largely offset by the unfavourable impact of timing of income recognition, primarily on Gas and Power storage and transport contracts.

Partially offset by:

- lower net income on equity, debt and other investments due to a gain on the partial sale of the UK Meters portfolio of assets in the prior corresponding period
- higher operating expenses driven by higher employment, technology platform and infrastructure expenses.

Net interest and trading income

Net interest and trading income of \$A2,774 million for the half year ended 30 September 2022 increased 48% from \$A1,878 million in the prior corresponding period.

Commodities net interest and trading income

(i) Risk management

Income from risk management is driven by managing clients' exposure to commodity price volatility which is supported by our strong internal risk management framework.

Risk management income of \$A1,496 million for the half year ended 30 September 2022 increased 58% from \$A949 million in the prior corresponding period with contributions across the platform. Increased contributions were recorded by Gas and Power, Resources and Global Oil due to increased client hedging activity as a result of elevated levels of volatility and price movements in commodity markets.

(ii) Lending and financing

Lending and financing activities include interest income from the provision of loans and working capital finance to clients across a range of commodity sectors including metals, energy and agriculture. Commodities lending and financing activities are primarily secured against underlying assets and typically have associated hedging to protect against downside risk.

Lending and financing income of \$A184 million for the half year ended 30 September 2022 increased 59% from \$A116 million in the prior corresponding period due to increased volumes in energy sectors.

(iii) Inventory management and trading

CGM enters into financial and physical contracts including exchange traded derivatives, OTC derivatives, storage contracts and transportation agreements as part of its commodities platform. These arrangements enable CGM to facilitate client transactions and provide CGM with trading opportunities where there is an imbalance between the supply and demand for commodities. Revenue is dependent on a number of factors including the volume of transactions, the level of risk assumed and the volatility of price movements across commodity markets and products.

Storage and transportation contracts, which are managed on a fair value basis for financial and risk management purposes, are required to be accounted for on an accruals basis for statutory reporting purposes, which may result in some variability in the timing of reported income.

Inventory management and trading income of \$A209 million for the half year ended 30 September 2022 increased 11% from \$A189 million in the prior corresponding period. The current period included trading gains from supply and demand imbalances recorded primarily in North American Gas and Power. These were largely offset by the unfavourable impact of timing of income recognition, primarily on Gas and Power storage and transport contracts. Higher gas storage volumes, notably in EMEA, and spread dislocation have led to a significantly higher adverse impact compared with the prior corresponding period.

Foreign exchange, interest rates and credit net interest and trading income

Net interest and trading income from foreign exchange, interest rates and credit related activities are generated from the provision of trading and hedging services to a range of corporate and institutional clients globally, in addition to making secondary markets in corporate debt securities, syndicated bank loans and middle market loans and providing specialty lending.

Net interest and trading income from foreign exchange, interest rates and credit related activities of \$A644 million for the half year ended 30 September 2022 increased 71% from \$A376 million in the prior corresponding period with continued strong client activity in structured foreign exchange and interest rate products in addition to increased financing activity.

Equities net interest and trading income

Equities net interest and trading income is generated from the issue of derivative products in key locations, the provision of equity finance solutions to institutional clients and the conduct of risk management and trading activities.

Equities net interest and trading income of \$A178 million for the half year ended 30 September 2022 decreased 3% from \$A183 million in the prior corresponding period due to reduced contributions from trading related activities.

Asset Finance net interest and trading income

Net interest and trading income in Asset Finance predominantly relates to net income from the loan and finance lease portfolios (including shipping finance, equipment and technology financing) and the funding costs associated with the operating lease portfolios (including energy, telecommunication and mining assets).

Asset Finance net interest and trading income of \$A63 million for the half year ended 30 September 2022 decreased 3% from \$A65 million in the prior corresponding period.

3.4 CGM

Continued

Fee and commission income

Fee and commission income of \$A296 million for the half year ended 30 September 2022 increased 30% from \$A228 million in the prior corresponding period.

The increase primarily due to increased brokerage activity and the timing of fees on specific deals.

Net (loss)/income on equity, debt and other investments

Net loss on equity and debt investments of \$A25 million for the half year ended 30 September 2022 significantly down from an income of \$A473 million in the prior corresponding period. The current period loss was primarily driven by mark-to-market losses on listed equity holdings. The prior corresponding period included the gain on the partial sale of the UK Meters portfolio of assets.

Net credit and other impairment charges

Credit and other impairment charges of \$A35 million for the half year ended 30 September 2022 decreased 40% from \$A58 million in the prior corresponding period due to reduced specific provisions, partially offset by increase modelled provisions reflecting some deterioration in the macroeconomic outlook.

Net operating lease income

Net operating lease income of \$A174 million for the half year ended 30 September 2022 increased 14% from \$A152 million in the prior corresponding period. The increase was primarily driven by contributions from the resources sector.

Operating expenses

Total operating expenses of \$A1,260 million for the half year ended 30 September 2022 increased 21% from \$A1,040 million in the prior corresponding period.

Employment expenses of \$A336 million for the half year ended 30 September 2022 increased 17% from \$A286 million in the prior corresponding period due to an increase in average headcount and wage inflation.

Brokerage, commission and fee expenses include fees paid in relation to trading-related activities. Brokerage, commission and fee expenses of \$A211 million for the half year ended 30 September 2022 increased 8% from \$A195 million in the prior corresponding period, driven by increased trading and brokerage activities.

Other operating expenses of \$A713 million for the half year ended 30 September 2022 increased 28% from \$A559 million in the prior corresponding period, mainly reflecting expenditure on technology platform and infrastructure and increased compliance related charges from Central Service Groups.

3.5 Macquarie Capital

	HALF YEAR TO			MOVEMENT	
	Sep 22	Mar 22	Sep 21	Mar 22	Sep 21
	\$Am	\$Am	\$Am	%	%
Net interest and trading income	154	256	158	(40)	(3)
Fee and commission income	664	1,003	865	(34)	(23)
Share of net (losses)/profits from associates and joint ventures	(42)	(98)	43	(57)	*
Other operating income and charges					
Net income on equity, debt and other investments	693	725	418	(4)	66
Net credit and other impairment charges	(195)	(225)	(137)	(13)	42
Other income/(expenses)	1	(6)	9	*	(89)
Total other operating income and charges	499	494	290	1	72
Internal management revenue	12	15	14	(20)	(14)
Net operating income	1,287	1,670	1,370	(23)	(6)
Operating expenses					
Employment expenses	(286)	(263)	(254)	9	13
Brokerage, commission and fee expenses	(53)	(58)	(43)	(9)	23
Other operating expenses	(372)	(349)	(303)	7	23
Total operating expenses	(711)	(670)	(600)	6	19
Non-controlling interests¹	19	(155)	(94)	*	*
Net profit contribution	595	845	676	(30)	(12)
Non-GAAP metrics					
Headcount	1,625	1,568	1,555	4	5

Net profit contribution of \$A595 million for the half year ended 30 September 2022, down 12% from the prior corresponding period due to:

- lower fee and commission income primarily driven by lower capital markets fee income due to weakening market conditions and lower mergers and acquisitions fee income on a strong prior corresponding period
- higher operating expenses predominantly driven by higher employment costs and increased technology and compliance related charges and normalisation of travel expenses post COVID-19
- higher credit and other impairment charges primarily due to a small number of underperforming equity investments.

Partially offset by:

- higher net income on equity, debt and other investments driven by asset realisations in the Americas and Europe, particularly in the real estate and digital infrastructure sectors.

¹ 'Non-controlling interests' adjusts reported consolidated profit or loss for the share that is attributable to non-controlling interests, such that the net profit or loss contribution represents the net profit or loss attributable to ordinary equity holders.

3.5 Macquarie Capital

Continued

Net interest and trading income

Net interest and trading income includes the interest income earned from debt investments and the funding costs associated with both the debt and equity investment portfolios.

Net interest and trading income of \$A154 million for the half year ended 30 September 2022 decreased 3% from \$A158 million in the prior corresponding period.

The decrease was primarily due to higher mark-to-market losses on underwriting positions related to a deterioration in current macroeconomic conditions. This is broadly offset by higher net interest income from the private credit portfolio benefiting from book growth in FY22, with deployment continuing in the current period.

Fee and commission income

Fee and commission income of \$A664 million for the half year ended 30 September 2022 decreased 23% from \$A865 million in the prior corresponding period.

The decrease in fee and commission income was primarily due to lower capital markets fee income and mergers and acquisitions fee income.

Capital markets fee income for the half year ended 30 September 2022 was down 51% compared to the prior corresponding period due to weakening market conditions, particularly in the Americas and ANZ.

Mergers and acquisitions fee income for the half year ended 30 September 2022 was down 19% on a strong prior corresponding period, particularly in Europe and the Americas.

Share of net (losses)/profits from associates and joint ventures

Share of net losses from associates and joint ventures of \$A42 million for the half year ended 30 September 2022 compared to a profit of \$A43 million in the prior corresponding period.

The movement reflected changes in the composition and performance of the investment portfolio.

Net income on equity, debt and other investments

Net income on equity, debt and other investments of \$A693 million for the half year ended 30 September 2022 increased 66% from \$A418 million in the prior corresponding period.

The increase in income was primarily driven by asset realisations in the Americas and Europe, particularly in the real estate and digital infrastructure sectors. This was partially offset by negative revaluation on equity investments.

The prior corresponding period included revenue from asset realisations predominantly in Europe in the business services and technology sectors.

Net credit and other impairment charges

Credit and other impairment charges of \$A195 million for the half year ended 30 September 2022 increased 42% from \$A137 million in the prior corresponding period.

The increase in credit and other impairment charges was primarily due to a small number of underperforming equity investments.

Operating expenses

Total operating expenses of \$A711 million for the half year ended 30 September 2022 increased 19% from \$A600 million in the prior corresponding period.

This increase was predominantly driven by higher employment costs, increased technology and compliance related charges from Central Service Groups, and normalisation of travel expenses post COVID-19.

Non-controlling interests

Loss attributable to non-controlling interests of \$A19 million for the half year ended 30 September 2022 moved significantly compared to the prior corresponding period, due to the non-recurrence of gains attributable on disposal.

3.6 Corporate

	HALF YEAR TO			MOVEMENT	
	Sep 22	Mar 22	Sep 21	Mar 22	Sep 21
	\$Am	\$Am	\$Am	%	%
Net interest and trading income/(expense)	211	(134)	200	*	6
Fee and commission expense	(43)	(23)	(10)	87	*
Share of net profits from associates and joint ventures	-	1	-	(100)	-
Other operating income and charges					
Net (loss)/income on equity and debt investments	(3)	(19)	32	(84)	*
Net credit and other impairment (charges)/reversals	(44)	43	(48)	*	(8)
Other income and charges	24	(7)	5	*	*
Total other operating income and charges	(23)	17	(11)	*	109
Internal management charges	(75)	(2)	(51)	*	47
Net operating income and charges	70	(141)	128	*	(45)
Operating expenses					
Employment expenses	(2,348)	(2,344)	(1,999)	<1	17
Other operating expenses	746	654	533	14	40
Total operating expenses	(1,602)	(1,690)	(1,466)	(5)	9
Income tax expense	(735)	(983)	(603)	(25)	22
Non-controlling interests ¹	(1)	(1)	-	-	*
Net loss contribution	(2,268)	(2,815)	(1,941)	(19)	17
Non-GAAP metrics					
Headcount	9,250	8,353	7,752	11	19

The Corporate segment comprises head office and Central Service Groups, including Group Treasury, and certain investments that are not aligned to an Operating Group. The Corporate segment also includes costs that are not allocated to the Operating Groups, including performance-related profit share and share-based payments expense, income tax expense and the net result of managing Macquarie's liquidity and funding requirements.

¹ 'Non-controlling interests' adjusts reported consolidated profit or loss for the share that is attributable to non-controlling interests, such that the net profit or loss contribution represents the net profit or loss attributable to ordinary equity holders.

3.6 Corporate

Continued

Net interest and trading income

Net interest and trading income in the Corporate segment includes the net result of managing Macquarie's liquidity and funding requirements, earnings on capital, funding costs associated with investments held centrally and accounting volatility arising from movements in underlying rates relating to economically hedged positions where hedge accounting is unable to be achieved.

Net interest and trading income of \$A211 million for the half year ended 30 September 2022 increased 6% from \$A200 million in the prior corresponding period.

The increase from the prior corresponding period included the impact of earnings on capital reflecting higher central bank rates and higher average volumes and accounting volatility from the changes in the fair values of economic hedges, partially offset by a higher expense associated with managing the Group's liquidity and funding and the impact of an increased centrally held funding surplus.

The increase from the prior period included the impact of accounting volatility from the changes in the fair values of economic hedges and higher earnings on capital reflecting higher central bank rates and higher average volumes, partially offset by a higher expense associated with managing the Group's liquidity and funding and the impact of an increased centrally held funding surplus.

Net credit and other impairment charges

Credit and other impairment charges of \$A44 million for the half year ended 30 September 2022 decreased 8% from \$A48 million in the prior corresponding period.

Employment expenses

Employment expenses relate to the Consolidated Entity's Central Service Groups including COG, FMG, RMG, LGG, and Central Executive, as well as expenses associated with the Consolidated Entity's profit share and retention plans.

Employment expenses of \$A2,348 million for the half year ended 30 September 2022 increased 17% from \$A1,999 million in the prior corresponding period. The current period includes an increase in profit share expense mainly as a result of the performance of the Consolidated Entity and an increase in the employment expenses in the Central Service Groups driven by investment in technology, compliance, data, infrastructure and cybersecurity to support MGL's Operating Groups.

Other operating expenses

Other operating expenses in the Corporate segment includes non-employment related operating costs of Central Service Groups, offset by the recovery of Central Service Groups' costs (including employment-related costs) from the Operating Groups.

The net recovery from the Operating Groups of \$A746 million for the half year ended 30 September 2022 increased 40% from \$A533 million in the prior corresponding period reflecting the recovery of a higher Central Service Groups' cost base driven by higher average headcount.

3.7 International Income

International income¹ by region

	HALF YEAR TO			MOVEMENT	
	Sep 22 \$Am	Mar 22 \$Am	Sep 21 \$Am	Mar 22 %	Sep 21 %
Americas	3,286	5,250	2,996	(37)	10
Asia	834	568	569	47	47
Europe, Middle East and Africa	2,022	1,549	1,962	31	3
Total international income	6,142	7,367	5,527	(17)	11
Australia ²	2,354	2,292	2,098	3	12
Total income (excluding earnings on capital and other corporate items)	8,496	9,659	7,625	(12)	11
Earnings on capital and other corporate items	145	(139)	179	*	(19)
Net operating income (as reported)	8,641	9,520	7,804	(9)	11
International income (excluding earnings on capital and other corporate items) ratio (%)	72	76	72	-	-

International income by Operating Group and region

	HALF YEAR TO SEP 22						
	Americas \$Am	Asia \$Am	Europe, Middle East and Africa \$Am	Total International \$Am	Australia ² \$Am	Total Income \$Am	Total International %
MAM	1,128	261	962	2,351	191	2,542	92
BFS	-	-	-	-	1,422	1,422	-
CGM	1,447	432	785	2,664	593	3,257	82
Macquarie Capital	711	141	275	1,127	148	1,275	88
Total	3,286	834	2,022	6,142	2,354	8,496	72

Total international income was \$A6,142 million for the half year ended 30 September 2022, an increase of 11% from \$A5,527 million in the prior corresponding period. Total international income represented 72% of total income (excluding earnings on capital and other corporate items), in line with the prior corresponding period.

Income from the Americas of \$A3,286 million for the half year ended 30 September 2022 increased 10% from \$A2,996 million in the prior corresponding period. The increase was mainly driven by strong inventory management and trading gains from supply and demand imbalances, particularly in North American Gas and Power, as well as increased client activity in foreign exchange, interest rate, and credit products. This was partially offset by the unfavourable impact of timing of income recognition on Gas and Power storage and transport contracts in CGM. In addition, Macquarie Capital included significantly higher income from material asset realisations in the real estate sector, partially offset by higher mark-to-market losses on underwriting positions as well as lower capital markets fee income due to weakening market conditions. This was partially offset by significant income from the disposition of assets in MIC in the prior corresponding period, in MAM.

In Asia, income of \$A834 million for the half year ended 30 September 2022 increased 47% from \$A569 million in the prior corresponding period. The increase was primarily driven by the timing of asset realisations in the green energy sector in MAM and continued strong client activity in structured foreign exchange products in CGM.

Income from Europe, Middle East and Africa of \$A2,022 million for the half year ended 30 September 2022 increased 3% from \$A1,962 million in the prior corresponding period. The increase was driven by the timing of asset realisations in the green energy sector in MAM. This was partially offset by the non-recurrence of the gain on the partial sale of the UK Meters portfolio of assets in CGM in the prior corresponding period and lower asset realisations in Macquarie Capital, predominantly in the Business Services and Technology sectors. The region continued to benefit from Commodities in CGM, largely offset by the unfavourable timing of income recognition, primarily on Gas and Power storage contracts.

In Australia, income of \$A2,354 million for the half year ended 30 September 2022 increased 12% from \$A2,098 million in the prior corresponding period. The increase was mainly driven by volume growth in the loan and deposit portfolios and improved margins from the rising interest rate environment in BFS, as well as trading gains from supply and demand imbalances in Gas and Power in CGM. This was partially offset by the non-recurrence of asset realisations in the Technology sector in the prior corresponding period, higher credit and other impairment charges primarily on a small number of underperforming equity investments and lower equity capital markets fee income in Macquarie Capital.

¹ International income reflects net operating income excluding internal management revenue/(charge).

² Includes New Zealand.



04

**Balance
Sheet**



4.1 Statement of Financial Position

	AS AT			MOVEMENT	
	Sep 22 \$Am	Mar 22 \$Am	Sep 21 \$Am	Mar 22 %	Sep 21 %
Assets					
Cash and bank balances	54,125	52,754	32,221	3	68
Cash collateralised lending and reverse repurchase agreements	75,788	51,197	39,444	48	92
Trading assets	13,310	13,578	21,783	(2)	(39)
Margin money and settlement assets	29,360	25,108	22,143	17	33
Derivative assets	111,913	84,891	77,186	32	45
Financial investments	25,046	12,127	13,142	107	91
Held for sale assets	707	1,297	1,940	(45)	(64)
Other assets	11,478	8,632	7,805	33	47
Loan assets	148,874	134,744	118,359	10	26
Interests in associates and joint ventures	4,840	4,373	4,675	11	4
Property, plant and equipment and right-of-use assets	5,511	5,143	4,961	7	11
Intangible assets	4,170	3,780	3,497	10	19
Deferred tax assets	1,452	1,552	1,411	(6)	3
Total assets	486,574	399,176	348,567	22	40
Liabilities					
Cash collateralised borrowing and repurchase agreements	22,410	16,947	13,809	32	62
Trading liabilities	6,443	5,290	5,495	22	17
Margin money and settlement liabilities	40,426	27,158	25,895	49	56
Derivative liabilities	111,734	84,464	77,980	32	43
Deposits	122,227	101,667	91,736	20	33
Held for sale liabilities	112	525	404	(79)	(72)
Other liabilities	11,199	11,167	8,401	<1	33
Borrowings	14,902	13,896	10,109	7	47
Issued debt securities	113,719	99,527	80,043	14	42
Deferred tax liabilities	258	216	320	19	(19)
Total liabilities excluding loan capital	443,430	360,857	314,192	23	41
Loan capital	11,457	9,513	9,961	20	15
Total liabilities	454,887	370,370	324,153	23	40
Net assets	31,687	28,806	24,414	10	30
Equity					
Contributed equity	12,352	12,298	9,394	<1	31
Reserves	3,250	1,523	1,613	113	101
Retained earnings	15,735	14,740	13,057	7	21
Total capital and reserves attributable to ordinary equity holders of Macquarie Group Limited	31,337	28,561	24,064	10	30
Non-controlling interests	350	245	350	43	-
Total equity	31,687	28,806	24,414	10	30

Statement of financial position

The Consolidated Entity's Statement of financial position was impacted during the half year ended 30 September 2022 by changes resulting from a combination of business activities, Group Treasury management initiatives, macroeconomic factors and the elevated levels of volatility, demand and price movements in commodity markets.

Assets

Total assets of \$A486.6 billion as at 30 September 2022 increased 22% from \$A399.2 billion as at 31 March 2022.

The principal drivers for the increase were as follows:

- derivative assets of \$A111.9 billion as at 30 September 2022 increased 32% from \$A84.9 billion as at 31 March 2022, driven by elevated levels of volatility and price movements in commodity markets, rising interest rate environment, client trade volumes, foreign exchange and mark-to-market movements. After taking into account related financial instruments, cash and other collateral, the residual derivative asset is \$A18.7 billion (31 March 2022: \$A14.5 billion). Majority of the residual derivative exposure is short-term in nature and managed within Macquarie's market and credit risk frameworks, with a substantial portion of the exposure with investment grade counterparties
- cash collateralised lending and reverse repurchase agreements of \$A75.8 billion as at 30 September 2022 increased 48% from \$A51.2 billion as at 31 March 2022, driven by an increase in reverse repurchase agreements in CGM to meet collateral requirements on stock equity borrowings, increase of liquid assets portfolio in Group Treasury and impact of the appreciation of the United States Dollar to Australian Dollar
- loan assets of \$A148.9 billion as at 30 September 2022 increased 10% from \$A134.7 billion as at 31 March 2022, primarily due to growth in the BFS home loan and business banking portfolios and an increase in Macquarie Capital's principal loan portfolio, partially offset by net repayments in the BFS car loan portfolio
- financial investments of \$A25.0 billion as at 30 September 2022 increased significantly from \$A12.1 billion as at 31 March 2022, driven by acquisition of liquid investments
- margin money and settlement assets of \$A29.4 billion as at 30 September 2022 increased 17% from \$A25.1 billion as at 31 March 2022, driven by margin received due to higher trading volumes in CGM
- other assets of \$A11.5 billion as at 30 September 2022 increased 33% from \$A8.6 billion as at 31 March 2022, primarily due to an increase in oil commodity financing receivables and receivables from principal asset sales.

Liabilities

Total liabilities of \$A454.9 billion as at 30 September 2022 increased 23% from \$A370.4 billion as at 31 March 2022.

The principal drivers for the increase were as follows:

- derivative liabilities of \$A111.7 billion as at 30 September 2022 increased 32% from \$A84.5 billion as at 31 March 2022, commensurate with the movement in derivative assets
- deposits of \$A122.2 billion as at 30 September 2022 increased 20% from \$A101.7 billion as at 31 March 2022, driven by the increase in retail and business banking deposits in BFS
- issued debt securities of \$A113.7 billion as at 30 September 2022 increased 14% from \$A99.5 billion as at 31 March 2022, driven by significant foreign exchange impact on account of the appreciation of the United States Dollar to Australian Dollar, net issuance of long-term debt by Group Treasury and additional net issuance of bondholder notes by securitisation vehicles in BFS, offset by net maturity of short-term debt
- margin money and settlement liabilities of \$A40.4 billion as at 30 September 2022 increased 49% from \$A27.2 billion as at 31 March 2022, primarily due to higher trade volumes resulting in an increase in margin placed by financial institutions and broker settlement balances with CGM
- loan capital of \$A11.5 billion as at 30 September 2022 increased 20% from \$A9.5 billion as at 31 March 2022 due to net issuance of capital instruments during the period.

Equity

Total equity of \$A31.7 billion as at 30 September 2022 increased 10% from \$A28.8 billion as at 31 March 2022.

The increase in the Consolidated Entity's equity is on account of \$A2.3 billion earnings generated during the current period and \$A1.7 billion increase in foreign currency translation driven by appreciation of the United States Dollar to Australian Dollar, offset by a \$A1.3 billion dividend payment.

4.2 Loan Assets

Reconciliation between the statement of financial position and the funded balance sheet:

	AS AT			MOVEMENT	
	Sep 22 \$Ab	Mar 22 \$Ab	Sep 21 \$Ab	Mar 22 %	Sep 21 %
Loan assets per the statement of financial position	148.9	134.7	118.4	11	26
Operating lease assets ¹	3.6	3.6	2.9	-	24
Other reclassifications ²	0.6	0.3	0.8	100	(25)
Total loan assets including operating lease assets per the funded balance sheet³	153.1	138.6	122.1	10	25

Loan assets³ including operating lease assets by Operating Group per the funded balance sheet are shown in further detail below:

	Notes	AS AT			MOVEMENT	
		Sep 22 \$Ab	Mar 22 \$Ab	Sep 21 \$Ab	Mar 22 %	Sep 21 %
BFS						
Home loans	1	101.8	89.9	76.8	13	33
Business banking	2	12.2	11.4	10.9	7	12
Car loans	3	7.1	8.7	10.7	(18)	(34)
Other	4	0.4	0.4	0.4	-	-
Total BFS		121.5	110.4	98.8	10	23
CGM						
Loans and finance lease assets		3.1	3.3	3.8	(6)	(18)
Operating lease assets		2.0	1.9	1.9	5	5
Asset finance	5	5.1	5.2	5.7	(2)	(11)
Loan assets		2.9	2.7	2.3	7	26
Operating lease assets		0.6	0.7	-	(14)	*
Resources and commodities	6	3.5	3.4	2.3	3	52
Foreign exchange, interest rate and credit	7	6.7	6.5	5.5	3	22
Other	8	0.3	0.3	-	-	*
Total CGM		15.6	15.4	13.5	1	16
MAM						
Operating lease assets	9	1.0	0.9	0.9	11	11
Total MAM		1.0	0.9	0.9	11	11
Macquarie Capital						
Corporate and other lending	10	15.0	11.9	8.9	26	69
Total Macquarie Capital		15.0	11.9	8.9	26	69
Total		153.1	138.6	122.1	10	25

¹ Operating lease assets may differ to the statutory balance sheet as some are funded by third party debt with no recourse to Macquarie beyond the borrowing entity and are netted down for funded balance sheet presentation. Refer to Section 5.3 for more details.

² Reclassification between loan assets and other funded balance sheet categories.

³ Total loan assets including operating lease assets per the funded balance sheet includes self-securitised assets.

Explanatory notes concerning asset security of funded loan asset portfolio

1. Home loans

Secured by residential property.

2. Business banking

Loan portfolio secured largely by working capital, business cash flows and real property.

3. Car loans

Secured by motor vehicles.

4. BFS Other

Includes credit cards.

5. Asset finance

Predominantly secured by underlying financed assets.

6. Resources and commodities

Diversified loan portfolio primarily to the resources sector that are secured by the underlying assets with associated price hedging to mitigate risk.

7. Foreign exchange, interest rate and credit

Diversified lending predominantly consisting of loans which are secured by other loan collateral, assets including rights and receivables and warehoused security from mortgages and auto loans.

8. CGM Other

Equity collateralised loans.

9. Operating lease assets

Secured by underlying financed assets including transportation assets.

10. Corporate and other lending

Diversified corporate and real estate lending portfolio, predominantly consisting of loans which are senior, secured, covenanted and with a hold to maturity horizon.

4.3 Equity Investments

Equity investments includes:

- interests in associates, joint ventures and other assets classified as held for sale;
- subsidiaries and certain other assets held for investment purposes; and
- financial investments excluding trading equities.

The classification is driven by a combination of the level of influence Macquarie has over the investment and Macquarie's business intention with respect to the holding of the investment.

For the purpose of analysis, equity investments have been re-grouped into the following categories:

- investments in Macquarie-managed funds; and
- other investments.

Equity investments have been revised to include subsidiaries and certain other assets held for investment purposes.

Equity investments reconciliation

	AS AT		MOVEMENT
	Sep 22 \$Ab	Mar 22 \$Ab	Mar 22 %
Equity investments			
Statement of financial position			
Equity investments at fair value	2.2	1.5	47
Interests in associates and joint ventures	5.3	4.9	8
Total equity investments per statement of financial position	7.5	6.4	17
Adjustment for funded balance sheet			
Non-controlling interests ¹	(0.1)	(0.1)	-
Total funded equity investments²	7.4	6.3	17
Adjustment for equity investment analysis			
Subsidiaries and certain other assets held for investment purposes ³	1.9	1.9	-
Associates' reserves ⁴	-	0.1	(100)
Total adjusted equity investments⁵	9.3	8.3	12

¹ These represent the portion of ownership in equity investments not attributable to Macquarie. As this is not a position that Macquarie is required to fund, it is netted against the consolidated assets and liabilities in preparing the funded balance sheet.

² Reported in the Funded Balance Sheet as 'Co-investment in Macquarie-managed funds and other equity investments'.

³ Subsidiaries and certain other assets held for investment purposes are consolidated entities that are held for the ultimate intention to sell as part of Macquarie's investment activities.

⁴ Associates' reserves (gross of tax) that will be released to income upon realisation of the investment.

⁵ The adjusted value represents the total net exposure to Macquarie.

Equity investments by category

	AS AT		MOVEMENT
	Sep 22 \$Ab	Mar 22 \$Ab	Mar 22 %
Macquarie-managed funds			
Listed (Private Markets) managed funds	0.2	0.2	-
Unlisted (Private Markets) managed funds	1.4	1.3	8
Other Macquarie-managed funds	0.5	0.3	67
Total Macquarie-managed funds	2.1	1.8	17
Other investments			
Investments acquired to seed new Private Markets-managed products and mandates	1.1	0.4	175
Transport, industrial and infrastructure	1.6	1.3	23
Telecommunications, information technology, media and entertainment	1.3	1.2	8
Green energy	1.3	1.6	(19)
Conventional energy, resources and commodities	0.5	0.5	-
Real estate investment, property and funds management	0.9	1.1	(18)
Finance, wealth management and exchanges	0.5	0.4	25
Total other investments	7.2	6.5	11
Total equity investments	9.3	8.3	12



05

**Funding
and Liquidity**

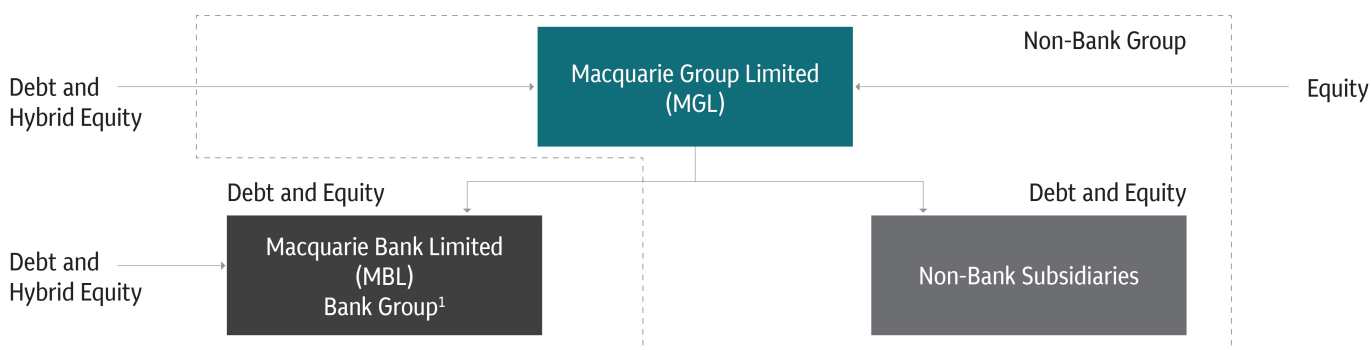


5.1 Liquidity Risk Governance and Management Framework

Governance and oversight

Macquarie's two primary external funding vehicles are Macquarie Group Limited (MGL) and Macquarie Bank Limited (MBL). MGL provides funding predominantly to the Non-Bank Group and limited funding to some MBL subsidiaries. MBL provides funding to the Bank Group.

The high level funding structure of the Group is shown below:



Macquarie's liquidity risk management framework is designed to ensure that it is able to meet its obligations as they fall due under a range of market conditions.

Liquidity management is performed centrally by Group Treasury, with oversight from the MGL and MBL Asset and Liability Committees (ALCO), the MGL and MBL Boards and the Risk Management Group (RMG). Macquarie's liquidity policies are approved by the MGL and MBL Boards after endorsement by the respective ALCO and liquidity reporting is provided to the Boards on a regular basis. The MGL and MBL ALCOs include the MGL Chief Executive Officer, MBL Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, Chief Operating Officer, Group General Counsel, Co-Heads of Group Treasury and relevant Operating Group Heads.

RMG provides independent oversight of liquidity risk management, including ownership of liquidity policies and key limits and approval of material liquidity scenario assumptions.

Liquidity policy and risk appetite

The MGL and MBL liquidity policies are designed so that each of Macquarie, the Bank Group and the Non-Bank Group maintains sufficient liquidity to meet its obligations as they fall due. The MBL liquidity policy outlines the standalone framework for the Bank Group and its principles are consistent with the MGL liquidity policy. In some cases, other entities within Macquarie may also be required to have a standalone liquidity policy. In these cases, the principles applied within the entity-specific liquidity policies are also consistent with those applied in the broader MGL liquidity policy.

Macquarie establishes a liquidity risk appetite, which is approved by the MGL and MBL Boards, and represents an articulation of the nature and level of liquidity risk that is acceptable in the context of achieving Macquarie's strategic objectives. Macquarie's liquidity risk appetite is intended to ensure that Macquarie is able to meet all of its liquidity obligations during a period of liquidity stress: a twelve month period with constrained access to funding markets for MBL, no access to funding markets for MGL and with only a limited reduction in Macquarie's franchise businesses.

Reflecting the longer-term nature of the Non-Bank Group asset profile, MGL is funded predominantly with a mixture of capital and long-term wholesale funding. MBL is an authorised deposit-taking institution (ADI) and is funded mainly with capital, long-term liabilities and deposits.

¹ MBL is the primary external funding vehicle for the Bank Group. Macquarie International Finance Limited (MIFL) also operates as an external funding vehicle for certain subsidiaries within the Bank Group.

Liquidity risk tolerance and principles

Macquarie's liquidity risk appetite is supported by a number of risk tolerances and principles applied to managing liquidity risk in both MGL and MBL.

Risk tolerances

- Term assets must be funded by term liabilities and short-term assets must exceed short-term wholesale liabilities
- Cash and liquid assets must be sufficient to cover the expected outflow under a twelve month stress scenario and meet minimum regulatory requirements
- Cash and liquid assets held to cover stress scenarios and regulatory minimums must be high quality unencumbered liquid assets and cash
- Diversity and stability of funding sources is a key priority
- Balance sheet currency mismatches are managed within set tolerances.
- Funding and liquidity exposures between entities within Macquarie are subject to constraints where required.

Liquidity management principles

- Macquarie has a centralised approach to liquidity management.
- Liquidity risk is managed through stress scenario analysis and setting limits on the composition and maturity of assets and liabilities.
- A global liquidity framework is maintained that outlines Macquarie's approach to managing funding and liquidity requirements in offshore subsidiaries and branches.
- The liquidity position is managed to ensure all obligations can be met as required on an intraday basis.
- A liquidity contingency plan is maintained that provides an action plan in the event of a liquidity 'crisis'.
- A funding strategy is prepared annually and monitored on a regular basis.
- Internal pricing allocates liquidity costs, benefits and risks to areas responsible for generating them.
- Strong relationships are maintained to assist with managing confidence and liquidity.
- The MGL Board, MBL Board and Senior Management receive regular reporting on Macquarie's liquidity position, including compliance with liquidity policy and regulatory requirements.

Liquidity contingency plan

Group Treasury maintains liquidity contingency plans for both MGL and MBL, which outline how a liquidity crisis would be managed for the Group and Bank respectively. The plans define roles and responsibilities and actions to be taken in a liquidity event, including identifying key information requirements and appropriate communication plans with both internal and external parties.

Specifically, the plans details factors that may constitute a crisis, the officers responsible for enacting each plan, a committee of senior executives responsible for managing a crisis, the information required to effectively manage a crisis, a communications strategy, a high level checklist of possible actions to conserve or raise additional liquidity for the Group or Bank and contact lists to facilitate prompt communication with all key internal and external stakeholders. The MBL plan also incorporates a retail run operational plan (RROP) that outlines the bank's processes and operational plans for managing a significant increase in customer withdrawals during a potential deposit 'run' on Macquarie.

In addition, Macquarie monitors a range of early warning indicators on a daily basis that might assist in identifying emerging risks in Macquarie's liquidity position. These indicators are reviewed by Senior Management and are used to inform any decisions regarding invoking the plan.

The liquidity contingency plans are subject to regular review by both Group Treasury and RMG. It is submitted annually to the MGL and MBL ALCO and Boards for approval.

Macquarie is a global financial institution, with branches and subsidiaries in a variety of countries. Regulations in certain countries may require some branches or subsidiaries to have specific local contingency plans. Where that is the case, the liquidity contingency plan contains either a supplement or a reference to a separate document providing the specific information required for those branches or subsidiaries.

Funding strategy

Macquarie prepares funding strategies for MGL and MBL on an annual basis and monitors progress against the strategies throughout the year. The funding strategies aim to maintain diversity of funding sources for MGL and MBL, ensure ongoing compliance with all liquidity requirements and facilitate forecast asset growth. The funding strategies are reviewed by the MGL and MBL ALCO and approved by the respective Boards.

5.2 Management of Liquidity Risk

Scenario analysis

Scenario analysis is central to Macquarie's liquidity risk management framework. In addition to regulatory defined scenarios, Group Treasury models additional liquidity scenarios covering both market-wide and Macquarie name-specific crises. Scenario analysis performs a range of functions within the liquidity risk management framework, including being a basis for:

- monitoring compliance with internal liquidity risk appetite statements by ensuring all liquidity obligations can be met in the corresponding scenarios
- determining a minimum level of cash and liquid assets
- determining an appropriate minimum tenor of funding for Macquarie's assets; and
- determining the overall capacity for future asset growth.

The scenarios separately consider the requirements of the Bank Group and the Non-Bank Group. These scenarios use a range of assumptions, which Macquarie intends to be conservative, regarding the level of access to capital markets, deposit outflows, contingent funding requirements and asset sales.

As an example, one internal scenario projects the expected cash and liquid asset position during a combined market-wide and Macquarie name-specific crisis over a twelve month time frame. This scenario assumes no access to wholesale funding markets, a significant loss of customer deposits and contingent funding outflows resulting from undrawn commitments, market moves impacting derivatives and other margined positions combined with a multiple notch credit rating downgrade. Macquarie's cash and liquid asset portfolio must exceed the minimum requirement as calculated in this scenario at all times.

Liquid asset holdings

Group Treasury centrally maintains a portfolio of highly liquid unencumbered assets which are intended to ensure adequate liquidity is available under a range of market conditions. The minimum level of cash and liquid assets is calculated with reference to internal scenario analysis and regulatory requirements.

The cash and liquid asset portfolio contains only unencumbered assets that can be relied on to maintain their liquidity in a crisis scenario. Specifically, cash and liquid assets held to meet minimum internal and regulatory requirements must be cash balances (including central bank reserves and overnight lending to financial institutions), qualifying High Quality Liquid Assets (HQLA), other external Reserve Bank of Australia (RBA) repo eligible securities or Australian assets internally securitised by Macquarie and held as contingent collateral in the RBA's facilities such as the Committed Liquidity Facility (CLF) – so called 'Alternative Liquid Assets' (ALA). Composition constraints are also applied to ensure appropriate diversity and quality of the assets in the portfolio.

The cash and liquid asset portfolio is held in a range of currencies consistent with the distribution of liquidity needs by currency, allowing for an acceptable level of currency mismatches. Certain other Operating Segments also hold cash and liquid assets as part of their operations. Macquarie had \$A101.0 billion cash and liquid assets as at 30 September 2022 (31 March 2022: \$A93.8 billion), of which \$A85.0 billion was held by Macquarie Bank (31 March 2022: \$A78.6 billion).

Funds transfer pricing

An internal funds transfer pricing framework is in place that has been designed to produce appropriate incentives for business decision-making by reflecting the funding costs arising from business actions and the separate funding tasks and liquidity requirements of the Bank and Non-Bank Groups. Under this framework, each business is allocated the full cost of the funding required to support its products and business lines, recognising the actual and contingent funding-related exposures their activities create. Businesses that raise funding are compensated at a level that is appropriate for the liquidity benefit provided by the funding.

Credit ratings¹

	MACQUARIE BANK LIMITED		MACQUARIE GROUP LIMITED	
	Short-term rating	Long-term rating	Short-term rating	Long-term rating
Moody's Investors Service	P-1	A2/Positive	P-2	A3/Positive
Standard and Poor's	A-1	A+/Stable	A-2	BBB+/Stable
Fitch Ratings	F-1	A/Stable	F-1	A/Stable

Fitch upgraded MGL's long-term rating from A-/Stable to A/Stable and the short-term rating from F-2 to F-1 on 10 October 2022.

Regulatory liquidity metrics

The Australian Prudential Regulation Authority's (APRA) liquidity standard (APS 210) details the local implementation of the Basel III liquidity framework for Australian banks. In addition to a range of qualitative requirements, the standard incorporates the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR). The LCR and NSFR apply specifically to Macquarie Bank as the regulated ADI in Macquarie. As an APRA authorised and regulated Non-Operating Holding Company, MGL is required to manage liquidity in compliance with APS 210's qualitative requirements. Separate quantitative requirements are imposed internally by the MGL and MBL ALCO and Boards.

Liquidity coverage ratio

The LCR requires unencumbered liquid assets be held to cover expected net cash outflows under a combined 'idiosyncratic' and market-wide stress scenario lasting 30 calendar days. Under APS 210, liquid assets include cash, balances held with central banks, Australian dollar Commonwealth Government and semi-government securities, any CLF allocation as well as foreign currency HQLA securities.

APRA wrote to all LCR ADIs on 10 September 2021 advising that no ADI should rely on the CLF to meet their minimum 100% LCR requirements from the beginning of 2022 and that ADIs should reduce their usage of the CLF to zero by the end of 2022, subject to financial market conditions. MBL's CLF will reduce to zero by the end of 2022 in accordance with APRA's requirement.

Macquarie Bank's three month average LCR to 30 September 2022 excluding any CLF allocation was 172% (average based on daily observations)². For a detailed breakdown of Macquarie Bank's LCR, please refer to Macquarie's regulatory disclosures.

Net stable funding ratio

The NSFR is a twelve month structural funding metric, requiring that available stable funding be sufficient to cover required stable funding, where stable funding has an actual or assumed maturity of greater than twelve months. Macquarie Bank's NSFR as at 30 September 2022 excluding any CLF allocation was 116%³. For a detailed breakdown of Macquarie Bank's NSFR, please refer to Macquarie's regulatory disclosures.

¹ A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by an assigning rating agency and any rating should be evaluated independently of any other information.

² LCR average for September 2022 quarter excludes CLF allocation which reduced from \$A4.9 billion to \$A2.4 billion on 1 September 2022 in line with APRA's phase down timeline (183% including CLF allocation). APRA imposed a 15% add-on to the net cash outflow component of Macquarie Bank's LCR calculation, effective from 1 April 2021. This add-on increased to 25% from 1 May 2022 onward.

³ NSFR as at 30 September 2022 excludes CLF allocation (116% including CLF allocation). APRA imposed a 1% decrease to the available stable funding component of Macquarie Bank's NSFR calculation, effective from 1 April 2021.

5.3 Funded Balance Sheet

Macquarie's statement of financial position is prepared based on Australian Accounting Standards. The funded balance sheet is a simple representation of Macquarie's funding requirements once accounting related gross-ups and self-funded assets have been netted down from the statement of financial position. The funded balance sheet is not a liquidity risk management tool, as it does not consider the granular liquidity profiling of all on and off-balance sheet components considered in both Macquarie's internal liquidity framework and the regulatory liquidity metrics.

The table below reconciles the reported assets of Macquarie to the net funded assets as at 30 September 2022. The following pages split this between the Bank Group and the Non-Bank Group to assist in the analysis of each of the separate funding profiles of the respective entities.

	Notes	AS AT		
		Sep 22 \$Ab	Mar 22 \$Ab	Sep 21 \$Ab
Total assets per Macquarie's statement of financial position		486.6	399.2	348.6
Accounting deductions:				
Derivative revaluation accounting gross-ups	1	(111.7)	(84.5)	(78.0)
Segregated funds	2	(12.4)	(7.4)	(9.1)
Outstanding trade settlement balances	3	(5.6)	(5.8)	(7.4)
Working capital assets	4	(15.5)	(13.4)	(10.8)
Non-controlling interests	5	(0.3)	(0.2)	(0.3)
Self-funded assets:				
Self-funded trading assets	6	(33.5)	(20.7)	(17.1)
Non-recourse and security backed funding	7	(1.1)	(1.3)	(1.0)
Net funded assets		306.5	265.9	224.9

Explanatory notes concerning net funded assets

1. Derivative revaluation accounting gross-ups

Macquarie's derivative activities are mostly client driven with client positions hedged by offsetting positions with a variety of counterparties. The derivatives are largely matched and this adjustment reflects that the matched positions do not require funding. The associated margins paid and received are included as part of self-funded trading assets.

2. Segregated funds

These represent the assets and liabilities that are recognised where Macquarie holds segregated client monies. The client monies will be matched by assets held to the same amount. Any excess client funds placed with Macquarie are netted down against cash and liquid assets.

3. Outstanding trade settlement balances

At any particular time Macquarie will have outstanding trades to be settled as part of its brokering business and trading activities. These amounts (payables) can be offset in terms of funding by amounts that Macquarie is owed on other trades (receivables).

4. Working capital assets

As with the outstanding trade settlement balances above, Macquarie through its day-to-day operations generates working capital assets (e.g. receivables and prepayments) and working capital liabilities (e.g. creditors and accruals) that produce a 'net balance' that either requires or provides funding.

5. Non-controlling interests

These include the portion of equity ownership in subsidiaries not attributable to Macquarie. As this is not a position that Macquarie is required to fund, it is netted against the consolidated assets and liabilities in preparing the funded balance sheet.

6. Self-funded trading assets

Macquarie enters into stock borrowing and lending as well as repurchase agreements and reverse repurchase agreements in the normal course of trading activity that it conducts with its clients and counterparties, as well as for liquidity management purposes. Also as part of its trading activities, Macquarie pays and receives margin collateral on its outstanding derivative positions. These trading and liquidity management related asset and liability positions are viewed as being self-funded to the extent that they offset one another and, therefore, are netted as part of this adjustment.

7. Non-recourse and security backed funding

These include assets funded by third party debt with no recourse to Macquarie beyond the borrowing entity.

5.4 Funding Profile for Macquarie

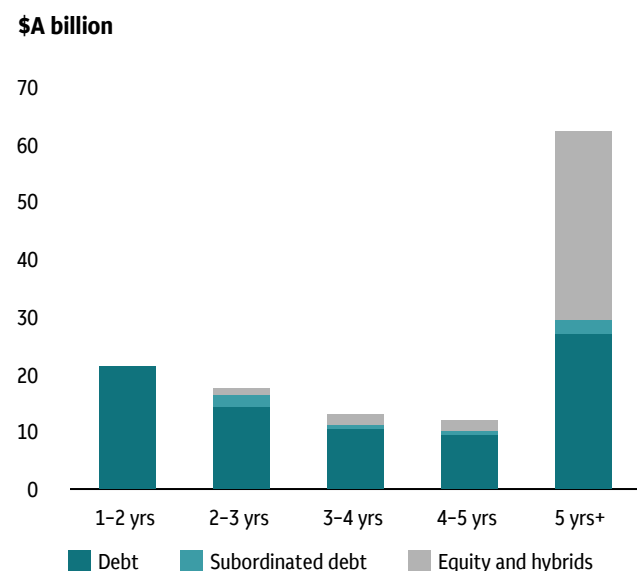
Funded balance sheet

	Notes	AS AT		
		Sep 22 \$Ab	Mar 22 \$Ab	Sep 21 \$Ab
Funding sources				
Wholesale issued paper:	1			
Certificates of deposit		1.2	0.7	0.4
Commercial paper		37.9	35.1	24.3
Net trade creditors	2	-	2.4	0.3
Structured notes	3	1.4	1.3	1.5
Secured funding	4	28.7	27.5	25.2
Bonds	5	60.6	48.8	39.8
Other loans	6	1.6	1.4	1.4
Syndicated loan facilities	7	10.3	9.1	6.4
Customer deposits	8	122.0	101.5	91.5
Subordinated debt	9	5.7	4.6	5.0
Equity and hybrids	10	37.1	33.5	29.1
Total		306.5	265.9	224.9
Funded assets				
Cash and liquid assets	11	101.0	93.8	65.2
Net trading assets	12	36.1	27.1	31.6
Net trade debtors	2	0.2	-	-
Other loan assets including operating lease assets less than one year	13	12.6	13.2	11.9
Home loans	14	99.5	83.0	69.5
Other loan assets including operating lease assets greater than one year	13	38.7	35.5	33.4
Debt investments	15	6.0	2.5	2.4
Co-investment in Macquarie-managed funds and other equity investments	16	7.4	6.3	6.6
Property, plant and equipment and intangibles		5.0	4.5	4.3
Total		306.5	265.9	224.9

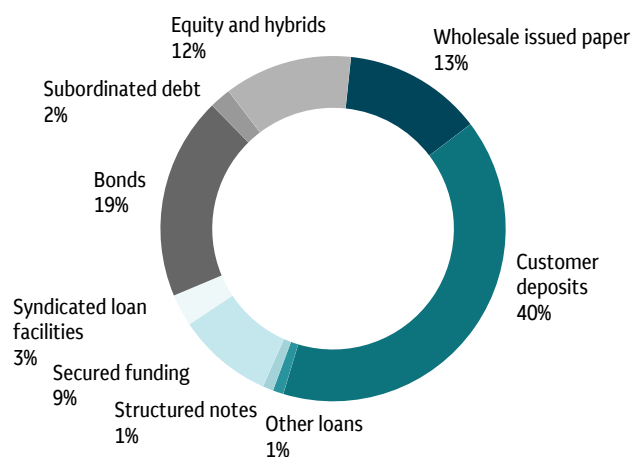
See Section 5.7 for Notes 1-16.

Term funding profile

Detail of drawn funding maturing beyond one year



Diversity of funding sources



AS AT SEP 22

	1-2 yrs \$Ab	2-3 yrs \$Ab	3-4 yrs \$Ab	4-5 yrs \$Ab	5 yrs+ \$Ab	Total \$Ab
Structured notes ¹	0.1	0.5	-	0.2	0.6	1.4
Secured funding ^{1,2}	13.9	2.0	1.2	2.0	1.3	20.4
Bonds	7.6	7.8	7.7	5.8	22.9	51.8
Other loans	0.1	-	-	-	0.1	0.2
Syndicated loan facilities	-	4.4	2.0	1.6	2.3	10.3
Total debt	21.7	14.7	10.9	9.6	27.2	84.1
Subordinated debt ³	-	1.9	0.7	0.8	2.3	5.7
Equity and hybrids ³	-	1.0	1.5	1.8	32.8	37.1
Total funding sources drawn	21.7	17.6	13.1	12.2	62.3	126.9
Undrawn	0.5	-	2.0	-	-	2.5
Total funding sources drawn and undrawn	22.2	17.6	15.1	12.2	62.3	129.4

Macquarie has a funding base that is stable with short-term wholesale funding covered by cash, liquids and other short-term assets.

As at 30 September 2022, Macquarie's term assets were covered by term funding maturing beyond one year, stable deposits, hybrids and equity.

The weighted average term to maturity of term funding maturing beyond one year (excluding equity and securitisations) was 5.0 years excluding TFF and 4.7 years inclusive of TFF as at 30 September 2022.

As at 30 September 2022, customer deposits represented \$A122.0 billion, or 40% of Macquarie's total funding, short-term (maturing in less than 12 months) wholesale issued paper represented \$A39.1 billion, or 13% of total funding, and other debt funding maturing within 12 months represented \$A18.5 billion, or 6% of total funding.

¹ Structured notes and securitisations are profiled using a behavioural maturity profile.

² Includes RBA Term Funding Facility (TFF) of \$A9.5 billion.

³ Included in this balance are securities with conditional repayment obligations. These securities are disclosed using the earlier repricing dates instead of contractual maturity.

5.4 Funding Profile for Macquarie

Continued

Term funding initiatives

Macquarie has a liability driven approach to balance sheet management, where funding is raised prior to assets being taken on to the balance sheet. Since 1 April 2022, Macquarie has continued to raise term wholesale funding across various products and currencies.

Details of term funding raised between 1 April 2022 and 30 September 2022:

		Bank Group	Non-Bank Group	Total
		\$Ab	\$Ab	\$Ab
Issued paper	– Senior and subordinated	3.0	6.1	9.1
Secured funding	– Term securitisation, covered bond and other secured finance	5.5	–	5.5
Hybrids	– Hybrid instruments	–	0.8	0.8
Total		8.5	6.9	15.4

Macquarie has continued to develop its major funding markets and products during the half year ended 30 September 2022.

From 1 April 2022 to 30 September 2022, Macquarie raised \$A15.4 billion¹ of term funding including:

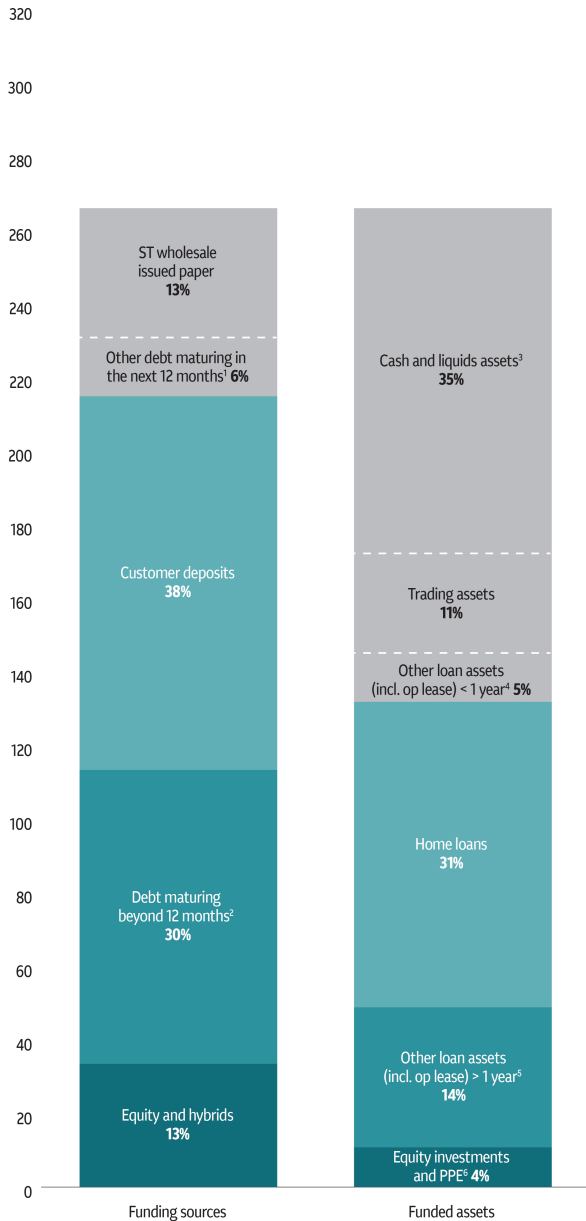
- \$A9.1 billion of term wholesale issued paper comprising of \$A8.2 billion of senior unsecured debt and \$A0.9 billion of subordinated unsecured debt
- \$A2.9 billion of SMART ABS securitisation issuance
- \$A1.7 billion refinance of secured trade finance facilities
- \$A0.9 billion of covered bond issuance; and
- \$A0.8 billion of MCN6 Hybrid instrument issuance.

¹ Issuances cover a range of tenors, currencies and product types and are Australian dollar equivalent based on FX rates at the time of issuance. Includes refinancing of loan facilities.

The change in composition of the funded balance sheet is illustrated in the chart below.

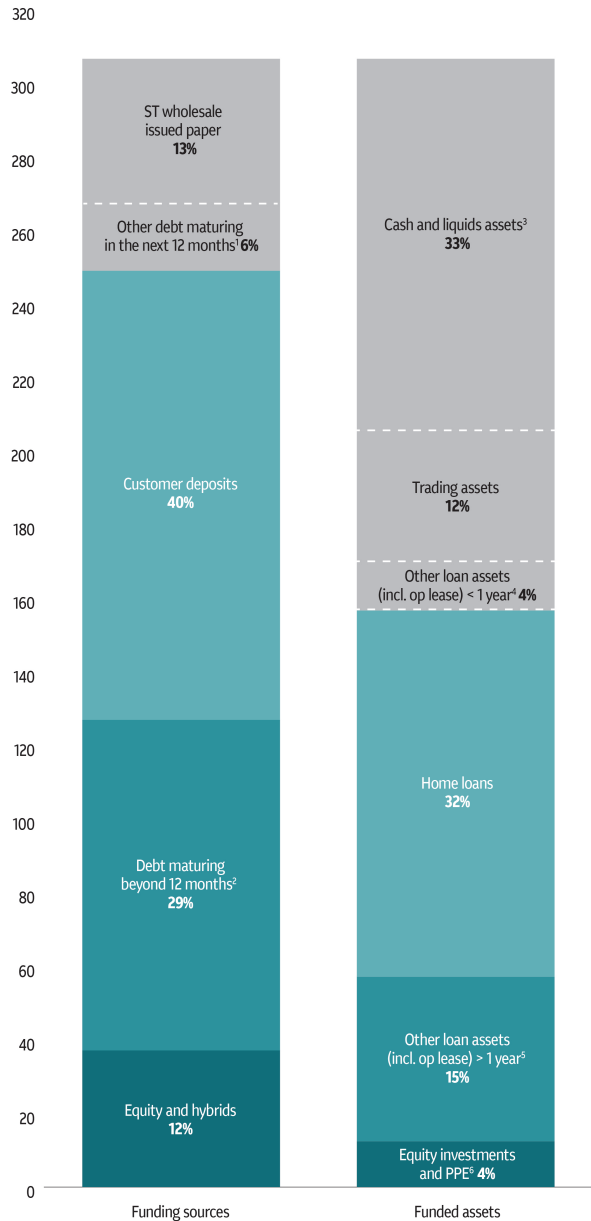
31 March 2022

\$A billion



30 September 2022

\$A billion



¹ Other debt maturing in the next 12 months includes Secured funding (including RBA TFF), Bonds, Other loans and Net trade creditors.

² Debt maturing beyond 12 months includes Subordinated debt, Structured notes, Secured funding (including RBA TFF), Bonds, Syndicated loan facilities and Other loans not maturing within next 12 months.

³ Cash and liquid assets includes self-securitisation of repo eligible Australian assets originated by Macquarie and held as contingent collateral for RBA facilities (such as the CLF).

⁴ Other loan assets (incl. op lease) < 1 year includes Net trade debtors.

⁵ Other loan assets (incl. op lease) > 1 year includes Debt investments.

⁶ Equity investments and PPE includes Macquarie's co-investments in Macquarie-managed funds and other equity investments.

5.5 Funding Profile for the Bank Group

Funded balance sheet

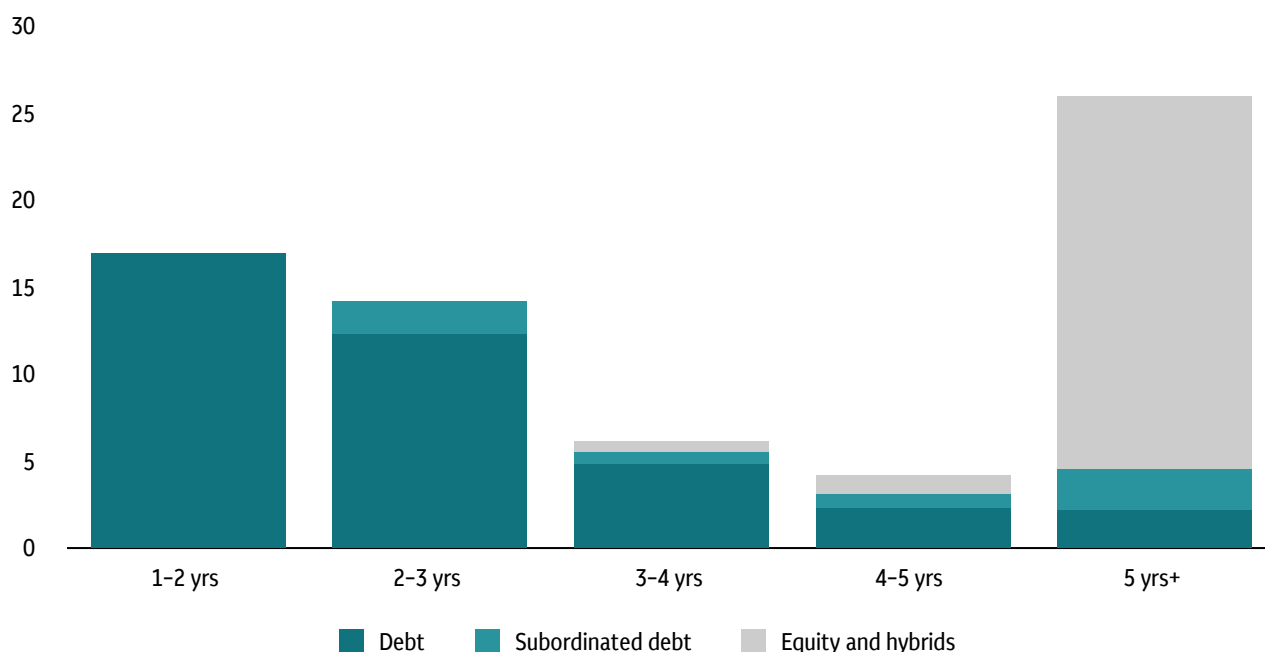
	Notes	AS AT		
		Sep 22 \$Ab	Mar 22 \$Ab	Sep 21 \$Ab
Funding sources				
Wholesale issued paper:	1			
Certificates of deposit		1.2	0.7	0.4
Commercial paper		37.9	35.1	24.3
Net trade creditors	2	-	1.4	0.7
Structured notes	3	0.4	0.4	0.5
Secured funding	4	28.2	26.6	24.8
Bonds	5	23.2	21.5	18.5
Other loans	6	1.5	1.2	1.2
Syndicated loan facilities	7	3.3	2.8	-
Customer deposits	8	122.0	101.5	91.5
Subordinated debt	9	5.7	4.6	5.0
Equity and hybrids	10	23.1	20.3	18.4
Total		246.5	216.1	185.3
Funded assets				
Cash and liquid assets	11	85.0	78.6	53.9
Net trading assets	12	32.2	24.3	30.4
Net trade debtors/(creditors)	2	(1.3)	-	-
Other loan assets including operating lease assets less than one year	13	11.6	12.2	11.2
Home loans	14	99.5	83.0	69.5
Other loan assets including operating lease assets greater than one year	13	23.4	23.5	24.1
Debt investments	15	3.6	1.4	1.3
Non-Bank Group balances with the Bank Group		(9.1)	(8.3)	(6.4)
Co-investment in Macquarie-managed funds and other equity investments	16	0.7	0.6	0.5
Property, plant and equipment and intangibles		0.9	0.8	0.8
Total		246.5	216.1	185.3

See Section 5.7 for Notes 1-16.

Term funding profile

Detail of drawn funding maturing beyond one year

\$A billion



	AS AT SEP 22					Total
	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	5 yrs+	\$Ab
	\$Ab	\$Ab	\$Ab	\$Ab	\$Ab	
Structured notes ¹	0.1	-	-	0.1	0.2	0.4
Secured funding ^{1,2}	13.9	2.0	1.2	2.0	1.3	20.4
Bonds	2.9	7.1	3.7	0.3	0.8	14.8
Other loans	0.1	-	-	-	-	0.1
Syndicated loan facilities	-	3.3	-	-	-	3.3
Total Debt	17.0	12.4	4.9	2.4	2.3	39.0
Subordinated debt ³	-	1.9	0.7	0.8	2.3	5.7
Equity and hybrids ³	-	-	0.6	1.1	21.4	23.1
Total funding sources drawn	17.0	14.3	6.2	4.3	26.0	67.8
Undrawn	0.5	-	-	-	-	0.5
Total funding sources drawn and undrawn	17.5	14.3	6.2	4.3	26.0	68.3

Macquarie Bank has diversity of funding across a range of tenors, currencies and products. The weighted average term to maturity of term funding maturing beyond one year (excluding equity and securitisations) was 3.6 years excluding TFF and 3.2 years inclusive of TFF as at 30 September 2022.

As at 30 September 2022, customer deposits represented \$A122.0 billion, or 49% of the Bank Group's total funding, short-term (maturing in less than 12 months) wholesale issued paper represented \$A39.1 billion, or 16% of total funding, and other debt funding maturing within 12 months represented \$A17.6 billion, or 7% of total funding.

¹ Structured notes and securitisations are profiled using a behavioural maturity profile.

² Includes RBA TFF of \$A9.5 billion.

³ Included in this balance are securities with conditional repayment obligations. These securities are disclosed using the earlier repricing dates instead of contractual maturity.

5.5 Funding Profile for the Bank Group

Continued

The key tools used for raising debt funding, which primarily fund MBL and the Bank Group, are as follows¹:

- \$US25 billion Regulation S Debt Instrument Programme, including Euro Commercial Paper, Euro Certificate of Deposit and Euro Medium-Term Notes. The Debt Instrument Programme had \$US9.3 billion debt securities outstanding as at 30 September 2022
- \$US25 billion Commercial Paper Program under which \$US21.4 billion of debt securities were outstanding as at 30 September 2022
- \$US20 billion US Rule 144A/Regulation S Medium-Term Note Program, including senior and subordinated notes, under which \$US9.8 billion of debt securities were outstanding as at 30 September 2022
- \$A14.2 billion of external securitisation outstanding, comprising of \$A11.2 billion PUMA RMBS and \$A3.0 billion SMART ABS as at 30 September 2022
- \$US10 billion European Commercial Paper Programme including Euro Commercial Paper and Euro Certificates of Deposit, under which \$US1.2 billion of debt securities were outstanding as at 30 September 2022
- \$A10 billion Covered Bond Programme under which \$A0.9 billion of debt securities were outstanding as at 30 September 2022
- \$US5 billion Structured Note Programme under which \$US0.3 billion of structured notes were outstanding as at 30 September 2022
- \$A3.3 billion² of Syndicated Loan Facility which was fully drawn as at 30 September 2022
- \$US1.2 billion Secured Trade Finance Facility³ of which \$US0.9 billion was drawn as at 30 September 2022
- \$A2.4 billion of other subordinated unsecured debt outstanding as at 30 September 2022; and
- \$A11.3 billion⁴ of RBA Term Funding Facility outstanding as at 30 September 2022.

Macquarie Bank accesses the Australian capital markets through the issuance of Negotiable Certificates of Deposit. As at 30 September 2022, Macquarie Bank had \$A1.2 billion of these securities outstanding.

Macquarie Bank, as an ADI, has access to liquidity from the RBA daily market operations.

Deposit strategy

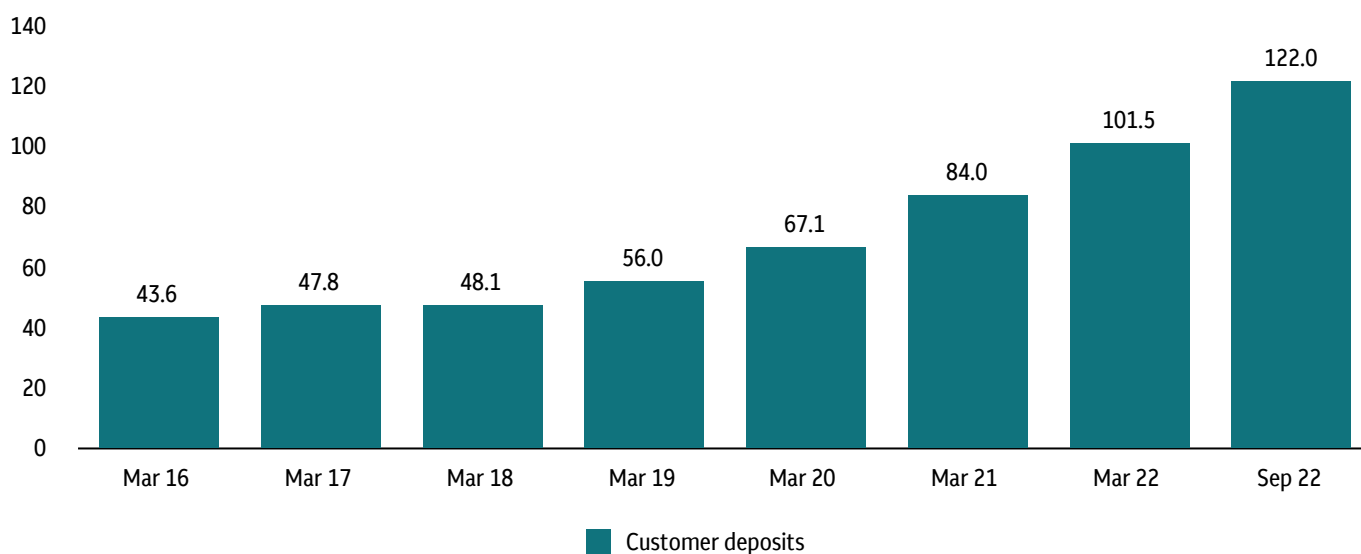
MBL continues to pursue a deposit strategy that is consistent with the core liquidity management strategy of achieving diversity and stability of funding sources. The strategy is focused on growing the BFS deposit base, which represents a stable and reliable source of funding and reduces Macquarie's reliance on wholesale funding markets.

In particular, MBL is focused on the quality and diversification of the deposit base, targeting transactional and relationship-based deposits. MBL is covered by the Financial Claims Scheme (FCS), an Australian Government scheme that provides protection to depositors up to a limit of \$A250,000 per account holder per ADI.

The chart below illustrates the customer deposit growth since 31 March 2016.

Deposit trend

\$A billion



¹ Funding outstanding excludes capitalised costs.

² Issued out of Macquarie International Finance Limited (MIFL). Values are Australian dollar equivalents as at 30 September 2022.

³ \$US1.2 billion Secured Trade Finance Facility can be drawn by either MBL, MIFL or MGL and is currently drawn out of MBL and MIFL.

⁴ Total of \$A11.26 billion of RBA TFF outstanding as at 30 September 2022, comprising of \$A1.72 billion of Initial Allowance, and \$A9.53 billion of Additional and Supplementary Allowances.

5.6 Funding Profile for the Non-Bank Group

Funded balance sheet

	Notes	AS AT		
		Sep 22 \$Ab	Mar 22 \$Ab	Sep 21 \$Ab
Funding sources				
Net trade (debtors)/creditors	2	-	1.0	(0.4)
Structured notes	3	1.0	0.9	1.0
Secured funding	4	0.5	0.9	0.4
Bonds	5	37.4	27.3	21.3
Other loans	6	0.1	0.2	0.2
Syndicated loan facilities	7	7.0	6.3	6.4
Equity and hybrids	10	14.0	13.2	10.7
Total		60.0	49.8	39.6
Funded assets				
Cash and liquid assets	11	16.0	15.2	11.3
Non-Bank Group balances with the Bank Group		9.1	8.3	6.4
Net trading assets	12	3.9	2.8	1.2
Net trade debtors	2	1.5	-	-
Other loan assets including operating lease assets less than one year	13	1.0	1.0	0.7
Other loan assets including operating lease assets greater than one year	13	15.3	12.0	9.3
Debt investments	15	2.4	1.1	1.1
Co-investment in Macquarie-managed funds and other equity investments	16	6.7	5.7	6.1
Property, plant and equipment and intangibles		4.1	3.7	3.5
Total		60.0	49.8	39.6

See Section 5.7 for Notes 2–16.

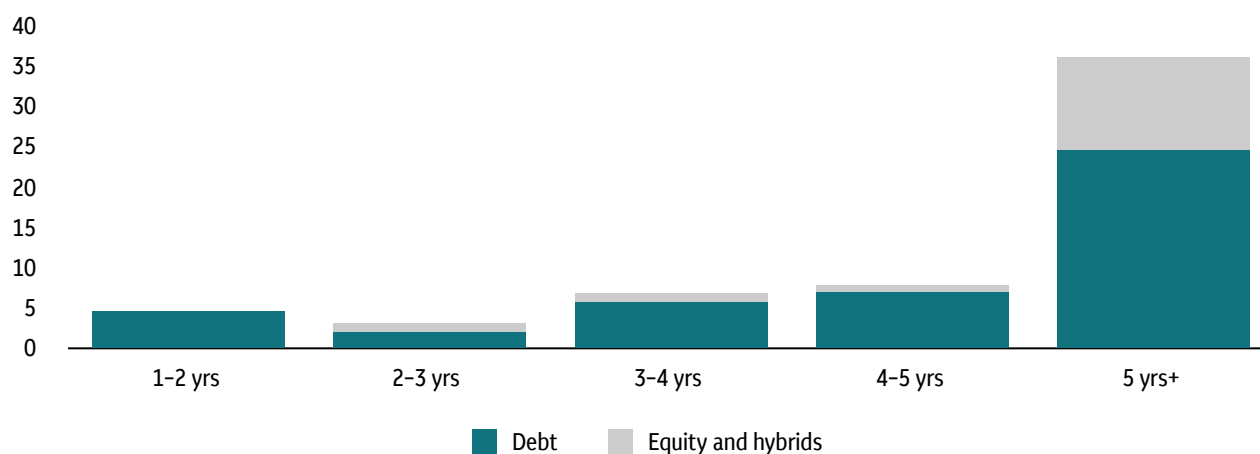
5.6 Funding Profile for the Non-Bank Group

Continued

Term funding profile

Detail of drawn funding maturing beyond one year

\$A billion



AS AT SEP 22

	1-2 yrs \$Ab	2-3 yrs \$Ab	3-4 yrs \$Ab	4-5 yrs \$Ab	5 yrs+ \$Ab	Total \$Ab
Structured notes ¹	-	0.5	-	0.1	0.4	1.0
Secured funding	-	-	-	-	-	-
Bonds	4.7	0.7	4.0	5.5	22.1	37.0
Other loans	-	-	-	-	0.1	0.1
Syndicated loan facilities	-	1.1	2.0	1.6	2.3	7.0
Total debt	4.7	2.3	6.0	7.2	24.9	45.1
Equity and hybrids ²	-	1.0	0.9	0.7	11.4	14.0
Total funding sources drawn	4.7	3.3	6.9	7.9	36.3	59.1
Undrawn	-	-	2.0	-	-	2.0
Total funding sources drawn and undrawn	4.7	3.3	8.9	7.9	36.3	61.1

The weighted average term to maturity of term funding maturing beyond one year (excluding equity) was 5.8 years as at 30 September 2022.

As at 30 September 2022, other debt funding maturing within 12 months represented \$A0.9 billion, or 2% of total funding.

The key tools used for raising debt funding, which primarily fund MGL and the Non-Bank Group, are as follows³:

- \$US20 billion US Rule 144A/Regulation S Medium-Term Note Program, under which \$US14.7 billion of debt securities were outstanding as at 30 September 2022
- \$US10 billion Regulation S Debt Instrument Programme under which \$US7.3 billion debt securities were outstanding as at 30 September 2022
- \$A9.0 billion⁴ of Syndicated Loan Facilities of which \$A7.0 billion⁴ was drawn as at 30 September 2022
- \$US5 billion Structured Note Programme under which \$US0.6 billion of structured notes were outstanding as at 30 September 2022
- \$US2.0 billion of Muni-gas Prepayment funding outstanding as at 30 September 2022; and
- \$US0.6 billion Secured Trade Finance Facility of which \$US0.3 billion was drawn as at 30 September 2022.

¹ Structured notes are profiled using a behavioural maturity profile.

² Included in this balance are securities with conditional repayment obligations. These securities are disclosed using the earlier repricing dates instead of contractual maturity.

³ Funding outstanding excludes capitalised costs.

⁴ Values are Australian dollar equivalents as at 30 September 2022.

5.7 Explanatory Notes Concerning Funding Sources and Funded Assets

1. Wholesale issued paper

Unsecured short-term wholesale funding comprised of both Certificates of Deposit and Commercial Paper.

2. Net trade creditors/debtors

Short-term working capital balances (debtors and creditors) are created through Macquarie's day-to-day operations. A net funding use (or source) will result due to timing differences in cash flows.

3. Structured notes

Includes debt instruments on which the return is linked to a number of variables including interest rates, currencies, equities and credit. They are generally issued as part of structured transactions with clients and are hedged with positions in underlying assets or derivative instruments.

4. Secured funding

Certain funding arrangements secured against an asset (or pool of assets).

5. Bonds

Unsecured long-term wholesale funding.

6. Other loans

Unsecured loans provided by financial institutions and other counterparties.

7. Syndicated loan facilities

Loan facilities provided by a syndicate of wholesale lenders.

8. Customer deposits

Unsecured funding from BFS, corporate and wholesale depositors. The Australian Government Financial Claims Scheme covers eligible deposits in Macquarie Bank.

9. Subordinated debt

Long-term subordinated debt.

10. Equity and hybrids

Equity balances are comprised of issued capital, retained earnings and reserves. Hybrid instruments as at 30 September 2022 include MACS, BCN 2 and 3 and MCN 3, 4, 5 and 6.

11. Cash and liquid assets

Cash and liquid assets are held as cash balances (including central bank reserves and overnight lending to financial institutions), qualifying High Quality Liquid Assets (HQLA), other external RBA repo eligible securities or Australian assets internally securitised by Macquarie and held as contingent collateral in RBA facilities such as the Committed Liquidity Facility (CLF) – so called 'Alternative Liquid Assets' (ALA).

12. Net trading assets

The net trading asset balance consists of financial markets, commodities and equity trading assets including the net derivative position, any trading-related receivables or payables and margin or collateral balances.

13. Other loan assets including operating lease assets

This represents loans provided to retail and wholesale borrowers, as well as assets held under operating leases. Excludes home loans.

See section 4.2 for further information.

14. Home loans

Secured by residential property.

15. Debt investments

These can include various categories of debt securities including asset backed securities, bonds, commercial mortgage backed securities and residential mortgage backed securities.

16. Co-investment in Macquarie-managed funds and other equity investments

These include equity investments at fair value, interests in associates and joint ventures and other equity investments.



06
Capital



6.1 Overview

As an Australian Prudential Regulation Authority (APRA) authorised and regulated Non-Operating Holding Company, MGL is required to hold adequate regulatory capital to cover the risks for Macquarie, including the Non-Bank Group. MGL and APRA have agreed a capital adequacy framework for Macquarie, based on APRA's capital standards for ADIs and Macquarie's Board-approved Economic Capital Adequacy Model (ECAM).

Macquarie's capital adequacy framework requires it to maintain minimum regulatory capital requirements calculated as the sum of:

- the Bank Group's minimum Tier 1 capital requirement, based on a percentage of risk-weighted assets plus Tier 1 deductions using prevailing APRA ADI Prudential Standards; and
- the Non-Bank Group's capital requirement, calculated using Macquarie's ECAM.

Transactions internal to Macquarie are eliminated.

Eligible regulatory capital of Macquarie consists of ordinary share capital, retained earnings and certain reserves plus eligible hybrid instruments. Eligible hybrid instruments as at 30 September 2022 include the Macquarie Additional Capital Securities (MACS), Macquarie Bank Capital Notes 2 (BCN2), Macquarie Bank Capital Notes 3 (BCN3), Macquarie Group Capital Notes 3 (MCN3), Macquarie Group Capital Notes 4 (MCN4), Macquarie Group Capital Notes 5 (MCN5) and Macquarie Group Capital Notes 6 (MCN6).

Capital disclosures in this section include Harmonised Basel III¹ and APRA Basel III². The former is relevant for comparison with banks regulated by regulators other than APRA, whereas the latter reflects Macquarie's regulatory requirements under APRA Basel III rules.

Pillar 3

The APRA ADI Prudential Standard APS 330 Capital Adequacy: Public Disclosure (Pillar 3) details the market disclosure requirements for Australian domiciled banks. APS 330 requires qualitative and quantitative disclosure of risk management practices and capital adequacy.

¹ 'Harmonised' Basel III estimates are calculated in accordance with the BCBS Basel III framework, noting that MBL is not regulated by the BCBS and so impacts shown are indicative only.

² APRA Basel III relates to the ADI Prudential Standards released by APRA for the period effective from 1 January 2013.

Macquarie Basel III regulatory capital surplus calculation

	AS AT SEP 22		AS AT MAR 22		MOVEMENT	
	Harmonised Basel III	APRA Basel III	Harmonised Basel III	APRA Basel III	Harmonised Basel III	APRA Basel III
	\$Am	\$Am	\$Am	\$Am	%	%
Macquarie eligible capital:						
Bank Group Gross Tier 1 capital	23,121	23,121	20,255	20,255	14	14
Non-Bank Group eligible capital	14,099	14,099	13,315	13,315	6	6
Eligible capital	37,220	37,220	33,570	33,570	11	11
Macquarie capital requirement:						
Bank Group capital requirement						
Risk-Weighted Assets (RWA) ¹	124,615	135,417	118,289	129,833	5	4
Capital required to cover RWA at 8.5% ²	10,592	11,510	10,055	11,036	5	4
Tier 1 deductions	635	3,245	563	2,983	13	9
Total Bank Group capital requirement	11,227	14,755	10,618	14,019	6	5
Total Non-Bank Group capital requirement	10,278	10,278	8,885	8,885	16	16
Total Macquarie capital requirement (at 8.5% of the Bank Group RWA)^{2,3}	21,505	25,033	19,503	22,904	10	9
Macquarie regulatory capital surplus (at 8.5% of Bank Group RWA)^{2,3}	15,715	12,187	14,067	10,666	12	14

¹ In calculating the Bank Group's contribution to Macquarie's capital requirement, RWA internal to Macquarie are eliminated (30 September 2022: \$A947 million; 31 March 2022: \$A807 million).

² Calculated at 8.5% of the Bank Group's RWA. The 8.5% represents the Basel III minimum Tier 1 ratio of 6% plus 2.5% of capital conservation buffer (CCB).

³ Based on materiality, the countercyclical capital buffer (CCyB) of ~1bps has not been included. The individual CCyB varies by jurisdiction and the Bank Group's CCyB is calculated as a weighted average based on exposures in different jurisdictions.

6.2 Bank Group Capital

The Bank Group is accredited by APRA under the Basel Foundation Internal Ratings Based approach (FIRB) for credit risk, the Advanced Measurement Approach (AMA) for operational risk, the internal model approach for market risk and the internal model approach for interest rate risk in the banking book (IRRBB).

These advanced approaches place a higher reliance on a bank's internal capital measures and therefore require a more sophisticated level of risk management and risk measurement practices.

Common Equity Tier 1 Capital

The Bank Group's Common Equity Tier 1 capital under Basel III consists of ordinary share capital, retained earnings and certain reserves. MBL periodically pays dividends to MGL. As required, MGL may inject capital into MBL to support projected business growth.

Tier 1 Capital

Tier 1 capital consists of Common Equity Tier 1 capital and Additional Tier 1 capital (hybrids). Additional Tier 1 capital as at 30 September 2022 consists of MACS, BCN2 and BCN3.

MACS were issued by MBL, acting through its London Branch in March 2017. MACS are subordinated, unsecured notes that pay discretionary, non-cumulative, semi-annual fixed rate cash distributions. Subject to certain conditions the MACS may be redeemed on 8 March 2027, or every fifth anniversary thereafter. MACS can be exchanged for a variable number of fully paid MGL ordinary shares on an acquisition event (where a person acquires control of MBL or MGL), where MBL's Common Equity Tier 1 capital ratio falls below 5.125%, or where APRA determines MBL would be non-viable without an exchange or a public sector injection of capital (or equivalent support).

BCN2 were issued by MBL in June 2020 and are quoted on the Australian Securities Exchange. The BCN2 pay discretionary, quarterly floating rate cash distributions equal to three month BBSW plus 4.70% per annum margin, adjusted for franking credits. These instruments are non-cumulative and unsecured and may be redeemed at face value on 21 December 2025, 21 June 2026 or 21 December 2026 (subject to certain conditions being satisfied) or earlier in specified circumstances. The BCN2 can be converted into a variable number of MGL ordinary shares (subject to certain conditions being satisfied) on these redemption dates; mandatorily exchanged on 21 December 2028; exchanged earlier upon an acquisition event (with the acquirer gaining control of MGL or MBL); or where APRA determines MBL would be non-viable without an exchange or a public sector injection of capital (or equivalent support).

BCN3 were issued by MBL in August 2021 and are quoted on the Australian Securities Exchange. The BCN3 pay discretionary, quarterly floating rate cash distributions equal to three-month BBSW plus 2.90% per annum margin, adjusted for franking credits. These instruments are non-cumulative and unsecured and may be redeemed at face value on 7 September 2028, 7 March 2029, or 7 September 2029 (subject to certain conditions being satisfied) or earlier in specified circumstances. The BCN3 can be converted into a variable number of MGL ordinary shares (subject to certain conditions being satisfied) on these redemption dates; mandatorily exchanged on 8 September 2031; exchanged earlier upon an acquisition event (with the acquirer gaining control of MGL or MBL); or where APRA determines MBL would be non-viable without an exchange or a public sector injection of capital (or equivalent support).

Bank Group Basel III Tier 1 Capital

	AS AT SEP 22		AS AT MAR 22		MOVEMENT	
	Harmonised Basel III	APRA Basel III	Harmonised Basel III	APRA Basel III	Harmonised Basel III	APRA Basel III
	\$Am	\$Am	\$Am	\$Am	%	%
Common Equity Tier 1 capital						
Paid-up ordinary share capital	10,140	10,140	9,562	9,562	6	6
Retained earnings	9,198	9,198	7,962	7,962	16	16
Reserves	1,315	1,315	434	434	203	203
Gross Common Equity Tier 1 capital	20,653	20,653	17,958	17,958	15	15
Regulatory adjustments to Common Equity Tier 1 capital:						
Goodwill	41	41	36	36	14	14
Deferred tax assets	45	912	34	853	32	7
Net other fair value adjustments	257	257	47	47	*	*
Intangible component of investments in subsidiaries and other entities	38	38	37	37	3	3
Loan and lease origination fees and commissions paid to mortgage originators and brokers	-	630	-	582	-	8
Shortfall in provisions for credit losses	162	231	294	302	(45)	(24)
Equity exposures	-	975	-	952	-	2
Capitalised software	17	17	22	22	(23)	(23)
Other Common Equity Tier 1 capital deductions	75	144	93	152	(19)	(5)
Total Common Equity Tier 1 capital deductions	635	3,245	563	2,983	13	9
Net Common Equity Tier 1 capital	20,018	17,408	17,395	14,975	15	16
Additional Tier 1 Capital						
Additional Tier 1 capital instruments	2,468	2,468	2,297	2,297	7	7
Gross Additional Tier 1 capital	2,468	2,468	2,297	2,297	7	7
Deduction from Additional Tier 1 capital	-	-	-	-	-	-
Net Additional Tier 1 capital	2,468	2,468	2,297	2,297	7	7
Total Net Tier 1 capital	22,486	19,876	19,692	17,272	14	15

6.2 Bank Group Capital

Continued

Bank Group Basel III Risk-Weighted Assets (RWA)

	AS AT SEP 22		AS AT MAR 22		MOVEMENT	
	Harmonised Basel III	APRA Basel III	Harmonised Basel III	APRA Basel III	Harmonised Basel III	APRA Basel III
	\$Am	\$Am	\$Am	\$Am	%	%
Credit risk						
Subject to IRB approach:						
Corporate	42,018	42,018	39,861	39,861	5	5
SME Corporate	4,474	4,474	4,529	4,529	(1)	(1)
Sovereign	3,572	3,572	3,542	3,542	1	1
Bank	2,060	2,060	1,659	1,659	24	24
Residential mortgage	13,036	28,477	10,891	26,802	20	6
Other retail	2,344	2,344	2,856	2,856	(18)	(18)
Retail SME	1,977	1,980	2,472	2,474	(20)	(20)
Total RWA subject to IRB approach	69,481	84,925	65,810	81,723	6	4
Specialised lending exposures subject to slotting criteria¹	9,658	9,658	8,983	8,983	8	8
Subject to Standardised approach:						
Corporate	41	41	52	52	(21)	(21)
Residential mortgage	532	532	581	581	(8)	(8)
Other Retail	1,052	1,052	1,026	1,026	3	3
Total RWA subject to Standardised approach	1,625	1,625	1,659	1,659	(2)	(2)
Credit risk RWA for securitisation exposures	602	602	718	718	(16)	(16)
Credit Valuation Adjustment RWA	13,213	13,213	12,294	12,294	7	7
Exposures to Central Counterparties RWA	576	576	525	525	10	10
RWA for Other Assets	5,785	2,918	5,273	2,585	10	13
Total Credit risk RWA	100,940	113,517	95,262	108,487	6	5
Equity risk exposures RWA	3,354	-	3,269	-	3	-
Market risk RWA	10,773	10,773	10,230	10,230	5	5
Operational risk RWA	10,495	10,495	10,335	10,335	2	2
Interest rate risk in banking book RWA	-	1,579	-	1,588	-	(1)
Total Bank Group RWA	125,562	136,364	119,096	130,640	5	4
Capital ratios						
Bank Group Level 2 Common Equity Tier 1 capital ratio (%)	15.9	12.8	14.6	11.5		
Bank Group Level 2 Tier 1 capital ratio (%)	17.9	14.6	16.5	13.2		

¹ Specialised lending exposures subject to supervisory slotting criteria are measured using APRA determined risk weightings.

6.3 Non-Bank Group Capital

The Non-Bank Group's capital is calculated using Macquarie's ECAM. The ECAM is based on similar principles and models as the Basel III regulatory capital framework for banks, with both calculating capital at a one year 99.9% confidence level. The key features are:

RISK ¹	BASEL III	ECAM
Credit	Capital requirement generally determined by Basel III IRB formula, with some parameters specified by the regulator (e.g. loss given default)	Capital requirement generally determined by Basel III IRB formula, but with internal estimates of key parameters
Equity	Harmonised Basel III: 250%, 300% or 400% risk weight, depending on the type of investment. Deduction from Common Equity Tier 1 above a threshold APRA Basel III: 100% Common Equity Tier 1 deduction ²	Extension of Basel III credit model to cover equity exposures. Capital requirement between 34% and 84% of face value; average 54%
Market	3 times 10 day 99% Value at Risk (VaR) plus 3 times 10 day 99% Stressed VaR plus a specific risk charge	Scenario-based approach
Operational	Advanced Measurement Approach	Advanced Measurement Approach

¹ The ECAM also covers non-traded interest rate risk, and the risk on assets held as part of business operations, including fixed assets, goodwill, intangible assets, capitalised expenses.

² Includes all Banking Book equity investments, plus net long Trading Book holdings in financial institutions.

6.3 Non-Bank Group Capital

Continued

Non-Bank Group capital requirement

The capital requirement of the Non-Bank Group is set out in the table below.

	AS AT SEP 22		
	Assets	Capital requirement	Equivalent risk weight
	\$Ab	\$Am	
Funded assets			
Cash and liquid assets	16.0	293	23 %
Loan assets ¹	16.3	1,664	128 %
Debt investments	2.4	144	75 %
Co-investments in Macquarie-managed funds and other equity investments	6.0	3,170	661 %
Co-investments in Macquarie-managed funds and other equity investments (relating to investments that hedge DPS plan liabilities)	0.7		
Property, plant and equipment and intangibles	4.1	2,012	613 %
Non-Bank Group balances with the Bank Group	9.1		
Net trade debtors	1.5		
Net trading assets	3.9		
Total funded assets	60.0	7,283	
Accounting deductions			
Derivative revaluation accounting gross-ups	0.4		
Segregated funds	0.6		
Outstanding trade settlement balances	3.3		
Working capital assets	11.4		
Non-controlling interests	0.3		
Self-funded assets			
Self-funded trading assets	(2.7)		
Assets funded non-recourse	1.1		
Total self-funded and non-recourse assets	14.4		
Total Non-Bank Group assets	74.4		
Equity commitments		1,204	
Off balance sheet exposures, operational, market and other risks and diversification offset ²		1,791	
Non-Bank Group capital requirement		10,278	

¹ Includes operating lease assets.

² Capital associated with net trading assets (including market risk capital) and net trade debtors has been included here.

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07

**Funds
Management**



7.1 Assets Under Management

	AS AT			MOVEMENT	
	Sep 22 \$Ab	Mar 22 \$Ab	Sep 21 \$Ab	Mar 22 %	Sep 21 %
Assets under Management by type					
Public Investments					
Fixed Income	280.3	263.7	246.6	6	14
Equities	215.7	245.3	243.9	(12)	(12)
Alternatives and Multi-asset	24.7	26.1	24.1	(5)	2
Total Public Investments	520.7	535.1	514.6	(3)	1
Private Markets					
Infrastructure Equity	229.5	196.7	183.6	17	25
Infrastructure Debt	17.0	15.3	13.9	11	22
Real Estate	22.0	20.1	17.2	9	28
Agriculture	3.7	3.6	3.7	3	-
Transport Finance	2.7	2.3	2.5	17	8
Total Private Markets	274.9	238.0	220.9	16	24
Total MAM	795.6	773.1	735.5	3	8
Other	-	1.7	1.5	(100)	(100)
Total Assets under Management	795.6	774.8	737.0	3	8
Assets under Management by region					
Americas	364.8	371.0	403.5	(2)	(10)
Europe, Middle East and Africa	154.0	137.7	129.3	12	19
Australia	236.2	226.1	167.6	4	41
Asia	40.6	40.0	36.6	2	11
Total Assets under Management	795.6	774.8	737.0	3	8

Private Markets Assets under Management (AUM) is calculated as the proportional ownership interest in the underlying assets of funds and mandated assets that Macquarie actively manages or advises for the purpose of wealth creation, adjusted to exclude cross-holdings in funds and to reflect Macquarie's proportional ownership interest of the fund manager. AUM excludes uninvested equity.

AUM of \$A795.6 billion as at 30 September 2022 increased 3% from \$A774.8 billion as at 31 March 2022. The increase in AUM during the period was primarily due to investments made by Private Markets-managed funds, favourable impacts from foreign exchange, net valuation changes in Private Markets and inflows in Fixed Income funds in Public Investments. This was partially offset by market movements, a reduction in contractual insurance assets and outflows in equity funds in Public Investments, as well as asset realisations made by Private Markets-managed funds (see section 7.2 Equity Under Management for further details).

7.2 Equity Under Management

The Private Markets division of MAM tracks its funds under management using an Equity under Management (EUM) measure as base management fee income is typically aligned with EUM.

Type of equity investment	Basis of EUM calculation
Listed equity	<ul style="list-style-type: none"> Market capitalisation at the measurement date plus underwritten or committed future capital raisings for listed funds.
Unlisted equity	<ul style="list-style-type: none"> Committed capital from investors at the measurement date less called capital subsequently returned to investors for unlisted funds. Invested capital at measurement date for managed businesses.¹

If a fund is managed through a joint venture with another party, the EUM amount is weighted based on Macquarie's proportionate economic interest in the joint venture management entity.

Equity under Management by type and region

	AS AT ^{2,3}			MOVEMENT	
	Sep 22 \$Ab	Mar 22 \$Ab	Sep 21 \$Ab	Mar 22 %	Sep 21 %
Equity under Management by type					
Listed equity	6.6	7.8	12.3	(15)	(46)
Unlisted equity	181.9	150.5	146.5	21	24
Total EUM	188.5	158.3	158.8	19	19
Equity under Management by region⁴					
Australia	15.1	12.3	12.6	23	20
Europe, Middle East and Africa	105.3	86.1	84.6	22	24
Americas	36.1	29.7	32.0	22	13
Asia	32.0	30.2	29.6	6	8
Total EUM	188.5	158.3	158.8	19	19

EUM of \$A188.5 billion as at 30 September 2022 increased 19% from \$A158.3 billion as at 31 March 2022. The increase was primarily due to capital raised for unlisted funds and co-investments and foreign exchange movements. These were partially offset by equity returned by unlisted funds and co-investments due to divestment of underlying assets and share price movements for listed funds.

¹ Managed businesses includes third party equity invested in Private Markets-managed businesses where management arrangements exist with Macquarie.

² Excludes equity invested by Macquarie directly into businesses managed by Private Markets.

³ Where a fund's EUM is denominated in a foreign currency, amounts are translated to Australian Dollars at the exchange rate prevailing at the measurement date.

⁴ By location of fund management team.



08

Glossary



8.1 Glossary

Defined term	Definition
1H22	The six months ended 30 September 2021.
2H22	The six months ended 31 March 2022.
1H23	The six months ended 30 September 2022.
A	
AASB	Australian Accounting Standards Board.
ABS	Asset Backed Securities.
ADI	Authorised Deposit-taking Institution.
Additional Tier 1 Capital	A capital measure defined by APRA comprising high quality components of capital that satisfy the following essential characteristics: <ul style="list-style-type: none"> • provide a permanent and unrestricted commitment of funds • are freely available to absorb losses • rank behind the claims of depositors and other more senior creditors in the event of winding up of the issuer; and • provide for fully discretionary capital distributions.
Additional Tier 1 Deductions	An amount deducted in determining Additional Tier 1 Capital, as defined in Prudential Standard APS 111 Capital Adequacy: Measurement of Capital.
ALCO	The Asset and Liability Committee.
AMA	Advanced Measurement Approach (for determining operational risk).
ANZ	Australia and New Zealand.
APRA	Australian Prudential Regulation Authority.
Asset Finance	Asset Finance is a global provider of specialist finance and asset management solutions across: Technology, Media and Telecoms; Energy, Renewables and Sustainability; Fund Finance; Resources; Structured Lending; and Shipping and Export Credit Agencies.
Assets under Management (AUM)	AUM is calculated as the proportional ownership interest in the underlying assets of funds and mandated assets that Macquarie actively manages or advises for the purpose of wealth creation, adjusted to exclude cross-holdings in funds and reflect Macquarie's proportional ownership interest of the fund manager. AUM excludes uninvested equity in Public Investments.
Assets under Management by region	AUM by region is defined by the location of the underlying assets for funds managed by Public Investments, and the location of the investor for all other funds.
Associates	Associates are entities over which Macquarie has significant influence, but not control. Investments in associates may be further classified as Held for Sale ('HFS') associates. HFS associates are those that have a high probability of being sold within 12 months to external parties. Associates that are not held for sale are carried at cost and equity-accounted. Macquarie's share of the investment's post-acquisition profits and losses is recognised in the income statement and its share of post-acquisition movements in reserves is recognised within equity.
B	
Bank Group	MBL and its subsidiaries.
Bank Group Capital	Level 2 regulatory group capital.
Banking Group	The Banking Group comprises BFS and most business activities of CGM.
Basel III IRB Formula	A formula to calculate RWA, as defined in Prudential Standard APS 113 <i>Capital Adequacy: Internal Ratings-based Approach to Credit Risk</i> .
BCBS	Basel Committee on Banking Supervision.
BCN2	On 2 June 2020, MBL issued 6.4 million Macquarie Bank Capital Notes 2 (BCN2) at a face value of \$A100 each. BCN2 are unsecured, subordinated notes that pay discretionary, quarterly floating rate cash distributions and may be redeemed at face value on 21 December 2025, 21 June 2026 or 21 December 2026 (subject to certain conditions being satisfied) or earlier in specified circumstances. BCN2 can be converted into a variable number of MGL ordinary shares (subject to certain conditions) on these redemption dates; mandatorily exchanged on 21 December 2028; exchanged earlier upon an acquisition event (with the acquirer gaining control of MBL or MGL); where MBL's Common Equity Tier 1 capital ratio falls below 5.125%; or where APRA determines MBL would be non-viable without an exchange or a public sector injection of capital (or equivalent support).

Defined term	Definition
BCN3	On 27 August 2021, MBL issued 6.5 million Macquarie Bank Capital Notes 3 (BCN3) at a face value of \$A100 each. BCN3 are unsecured, subordinated notes that pay discretionary, quarterly floating rate cash distributions and may be redeemed at face value on 7 September 2028, 7 March 2029 or 7 September 2029 (subject to certain conditions being satisfied) or earlier in specified circumstances. BCN3 can be converted into a variable number of MGL ordinary shares (subject to certain conditions) on these redemption dates; mandatorily exchanged on 8 September 2031; exchanged earlier upon an acquisition event (with the acquirer gaining control of MBL or MGL); where MBL's Common Equity Tier 1 capital ratio falls below 5.125%; or where APRA determines MBL would be non-viable without an exchange or a public sector injection of capital (or equivalent support).
BBSW	Bank Bill Swap Rate.
BFS	Banking and Financial Services.
BFS deposits	BFS deposits are deposits by counterparties including individuals, self-managed super funds, and small-medium businesses. Deposit products include Cash Management Account, Term Deposits, Regulated Trust Accounts, and Transaction Accounts.
C	
CCB	Capital Conservation Buffer.
Central Service Groups	The Central Service Groups consist of the Corporate Operations Group, Financial Management Group, Risk Management Group, Legal and Governance Group and Central Executive.
CGM	Commodities and Global Markets.
CLF	Reserve Bank of Australia Committed Liquidity Facility.
Common Equity Tier 1 Capital	A capital measure defined by APRA, comprising the highest quality components of capital that fully satisfy all the following essential characteristics: <ul style="list-style-type: none"> • provide a permanent and unrestricted commitment of funds • are freely available to absorb losses • do not impose any unavoidable servicing charge against earnings; and • rank behind the claims of depositors and other creditors in the event of winding up. Common Equity Tier 1 Capital comprises paid up capital, Retained earnings, and certain reserves.
Common Equity Tier 1 Capital Ratio	Common Equity Tier 1 Capital net of Common Equity Tier 1 deductions expressed as a percentage of RWA.
Common Equity Tier 1 Deductions	An amount deducted in determining Common Equity Tier 1 Capital, as defined in Prudential Standard APS 111 Capital Adequacy: Measurement of Capital.
Compensation ratio	The ratio of Compensation expense to Net operating income.
Consolidated Entity	Macquarie Group Limited and its subsidiaries.
D	
Directors' Profit Share (DPS)	The DPS plan comprises exposure to a notional portfolio of Macquarie-managed funds. Retained amounts for Executive Directors are notionally invested over the retention period. This investment is described as 'notional' because Executive Directors do not directly hold securities in relation to this investment. However, the value of the retained amounts will vary as if these amounts were directly invested in actual securities, giving the Executive Directors an effective economic exposure to the performance of the securities. If the notional investment results in a notional loss, this loss will be offset against any future notional income until the loss is completely offset.
E	
Earnings on capital and other corporate income items	Net operating income includes the income generated by Macquarie's Operating Groups, income from the investment of Macquarie's capital, and certain items of operating income not attributed to Macquarie's Operating Groups. Earnings on capital and other corporate income items is net operating income less the net operating income generated by Macquarie's Operating Groups.
Earnings per share	A performance measure that measures earnings attributable to each ordinary share, defined in AASB 133: <i>Earnings Per Share</i> .
ECAM	Economic Capital Adequacy Model.
ECL	Expected Credit Losses as defined and measured in terms of AASB 9: <i>Financial Instruments</i> .

8.1 Glossary

Continued

Defined term	Definition
Effective tax rate	The income tax expense as a percentage of the profit before income tax, both adjusted for amounts attributable to non-controlling interests. The effective tax rate differs from the Australian company tax rate due to permanent differences arising from the income tax treatment of certain income and expenses as well as tax rate differentials on some of the income earned offshore.
Equity under Management (EUM)	Refer to definition in section 7.2.
Expense/Income ratio	Total operating expenses expressed as a percentage of Net operating income.
F	
Financial Report	Macquarie Group Limited Interim Financial Report.
FIRB	Foundation Internal Ratings Based Approach (for determining credit risk).
FVOCI	Fair value through other comprehensive income.
FVPL	Fair value through profit or loss.
FY22	The year ended 31 March 2022.
FY23	The year ended 31 March 2023.
H	
Headcount	Headcount represents Macquarie's active permanent and variable workforce, and includes Macquarie employees (permanent and casual) and its contingent workers (contractors, agency workers and secondees). Macquarie's non-executive directors are not included.
HQLA	High-quality liquid assets.
I	
International income	Operating income is classified as 'international' with reference to the geographic location from which the operating income is reported from a management perspective. This may not be the same geographic location where the operating income is recognised for reporting purposes. For example, operating income generated by work performed for clients based overseas but recognised in Australia for reporting purposes could be classified as 'international' income. Income earned in the Corporate segment is excluded from the analysis of international income.
L	
LGD	Loss given default is defined as the economic loss which arises upon default of the obligor.
M	
Macquarie, the Consolidated Entity	Macquarie Group Limited and its subsidiaries.
Macquarie Bank	MBL and its subsidiaries.
MACS	On 8 March 2017, MBL, acting through its London Branch, issued \$US750 million of Macquarie Additional Capital Securities (MACS). MACS are subordinated, unsecured notes that pay discretionary, non-cumulative, semi-annual fixed rate cash distributions. Subject to certain conditions the MACS may be redeemed on 8 March 2027, or every fifth anniversary thereafter. MACS can be exchanged for a variable number of MGL ordinary shares on an acquisition event (where a person acquires control of MBL or MGL), where MBL's Common Equity Tier 1 capital ratio falls below 5.125%, or where APRA determines MBL would be non-viable without an exchange or a public sector injection of capital (or equivalent support).
MAM	Macquarie Asset Management.
MAMHPL	Macquarie Asset Management Holdings Pty Ltd.
MBL	Macquarie Bank Limited ABN 46 008 583 542.
MCN3	On 7 June 2018, MGL issued 10 million Macquarie Group Capital Notes 3 (MCN3) at a face value of \$A100 each. MCN3 are subordinated, non-cumulative, unsecured notes that pay discretionary, non-cumulative, quarterly floating rate cash distributions and may be redeemed at face value on 16 December 2024, 16 June 2025 or 15 December 2025 (subject to certain conditions being satisfied) or earlier in specified circumstances. MCN3 can be converted into a variable number of MGL ordinary shares (subject to certain conditions being satisfied) on these redemption dates; mandatorily exchanged on 15 December 2027; exchanged earlier upon an acquisition event (with the acquirer gaining control of MGL); or where APRA determines MGL would be non-viable without an exchange or a public sector injection of capital (or equivalent support).

Defined term	Definition
MCN4	On 27 March 2019, MGL issued 9.1 million Macquarie Group Capital Notes 4 (MCN4) at a face value of \$A100 each. MCN4 are subordinated, non-cumulative, unsecured notes that pay discretionary, non-cumulative, quarterly floating rate cash distributions and may be redeemed at face value on 10 September 2026, 10 March 2027 or 10 September 2027 (subject to certain conditions being satisfied) or earlier in specified circumstances. MCN4 can be converted into a variable number of MGL ordinary shares (subject to certain conditions being satisfied) on these redemption dates; mandatorily exchanged on 10 September 2029; exchanged earlier upon an acquisition event (with the acquirer gaining control of MGL); or where APRA determines MGL would be non-viable without an exchange or a public sector injection of capital (or equivalent support).
MCN5	On 17 March 2021, MGL issued 7.25 million Macquarie Group Capital Notes 5 (MCN5) at a face value of \$A100 each. MCN5 are subordinated, non-cumulative, unsecured notes that pay discretionary, non-cumulative, quarterly floating rate cash distributions and may be redeemed at face value on 18 September 2027, 18 March 2028 or 18 September 2028 (subject to certain conditions being satisfied) or earlier in specified circumstances. MCN5 can be converted into a variable number of MGL ordinary shares (subject to certain conditions being satisfied) on these redemption dates; mandatorily exchanged on 18 September 2030; exchanged earlier upon an acquisition event (with the acquirer gaining control of MGL); or where APRA determines MGL would be non-viable without an exchange or a public sector injection of capital (or equivalent support).
MCN6	On 15 July 2022, MGL issued 7.5 million Macquarie Group Capital Notes 6 (MCN6) at a face value of \$A100 each. MCN6 are subordinated, non-cumulative, unsecured notes that pay discretionary, non-cumulative, quarterly floating rate cash distributions and may be redeemed at face value on 12 September 2029, 12 March 2030 or 12 September 2030 (subject to certain conditions being satisfied) or earlier in specified circumstances. MCN6 can be converted into a variable number of MGL ordinary shares (subject to certain conditions being satisfied) on these redemption dates; mandatorily exchanged on 12 September 2032; exchanged earlier upon an acquisition event (with the acquirer gaining control of MGL); or where APRA determines MGL would be non-viable without an exchange or a public sector injection of capital (or equivalent support).
MEREP	Macquarie Group Employee Retained Equity Plan.
MFHPL	Macquarie Financial Holdings Pty Limited.
MGL, the Company	Macquarie Group Limited ABN 94 122 169 279.
N	
Net loan losses	The impact on the income statement of loan amounts provided for or written-off during the period, net of the recovery of any such amounts which were previously written-off or provided for in the income statement.
Net tangible assets per ordinary share	(Total equity less Non-controlling interest less the Future Income Tax Benefit plus the Deferred Tax Liability less Intangible assets) divided by the number of ordinary shares on issue at the end of the period.
Net trading income	Income that comprises gains and losses related to trading assets and liabilities and includes all realised and unrealised fair value changes and foreign exchange differences.
Non-Bank Group	MGL, MFHPL and its subsidiaries, and MAMHPL and its subsidiaries.
Non-Banking Group	The Non-Banking Group comprises Macquarie Capital, MAM and some business activities of CGM.
Non-GAAP metrics	Non-GAAP metrics include financial measures, ratios and other information that are neither required nor defined under Australian Accounting Standards.
O	
Operating Groups	The Operating Groups consist of MAM, BFS, CGM and Macquarie Capital.
OTC	Over-the-counter
P	
Private Markets	MAM Private Markets.
Public Investments	MAM Public Investments.
R	
RBA	Reserve Bank of Australia.
Return on equity	The profit after income tax attributable to Macquarie's ordinary shareholders expressed as an annualised percentage of the average ordinary equity over the relevant period, less the average balances of FVOCI, share of associate and cash flow hedging reserves.
Risk-weighted assets (RWA)	A risk-based measure of an entity's exposures, which is used in assessing its overall capital adequacy.
RMBS	Residential Mortgage-Backed Securities.

8.1 Glossary

Continued

Defined term	Definition
S	
Senior Management	Members of Macquarie's Executive Committee and Executive Directors who have a significant management or risk responsibility in the organisation.
SPEs	Special purpose entities.
Subordinated debt	Debt issued by Macquarie for which agreements between Macquarie and the lenders provide, in the event of liquidation, that the entitlement of such lenders to repayment of the principal sum and interest thereon is and shall at all times be and remain subordinated to the rights of all other present and future creditors of Macquarie. Subordinated debt is classified as liabilities in the Macquarie financial statements and may be included in Tier 2 Capital.
SYD distribution	In-specie distribution of Sydney Airport stapled securities to Macquarie ordinary shareholders in January 2014.
T	
TFF	Reserve Bank of Australia Term Funding Facility.
Tier 1 Capital	Tier 1 Capital comprises of (i) Common Equity Tier 1 Capital; and (ii) Additional Tier 1 Capital.
Tier 1 Capital Deductions	Tier 1 Capital Deductions comprises of (i) Common Equity Tier 1 Capital Deductions; and (ii) Additional Tier 1 Capital Deductions.
Tier 1 Capital Ratio	Tier 1 Capital net of Tier 1 Capital Deductions expressed as a percentage of RWA.
True Index products	True Index products deliver clients pre-tax index returns (before buy/sell spreads on transactions). Any under-performance is compensated by Macquarie and conversely, any out-performance is retained by Macquarie.
U	
UK	The United Kingdom.
US	The United States of America.

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