MACQUARIE

Interim Financial Report

Macquarie Group
Half year ended 30 September 2023

Macquarie Group Limited
ACN 122 169 279

Macquarie is a global financial services group operating in 34 markets in asset management, retail and business banking, wealth management, leasing and asset financing, market access, commodity trading, renewables development, specialist advice, access to capital and principal investment.

Macquarie Group 2024 Interim Financial Report

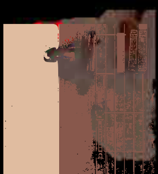
This Interim Financial Report has been prepared in accordance with Australian Accounting Standards and the *Corporations Act 2001* (Cth) and does not include all the notes of the type normally included in an annual financial report.

The material in this report has been prepared by MGL ABN 94 122 169 279 and is current at the date of this report. It is general background information about Macquarie's activities, is provided in summary form in terms of the requirements of AASB 134 *Interim Financial Reporting* and does not purport to be complete. It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered with professional advice when deciding if an investment is appropriate.

The Interim Financial Report was authorised for issue by MGL's Voting Directors (Directors) on 3 November 2023. The Board of Directors has the power to amend and reissue the Financial Report.

Cover image

A Macquarie managed fund is invested in Dames Point Jacksonville, an Intermodal Container Transfer Facility in Jacksonville, Florida, where cargo is transferred from ship to rail for shipment to points beyond the southeastern United States.



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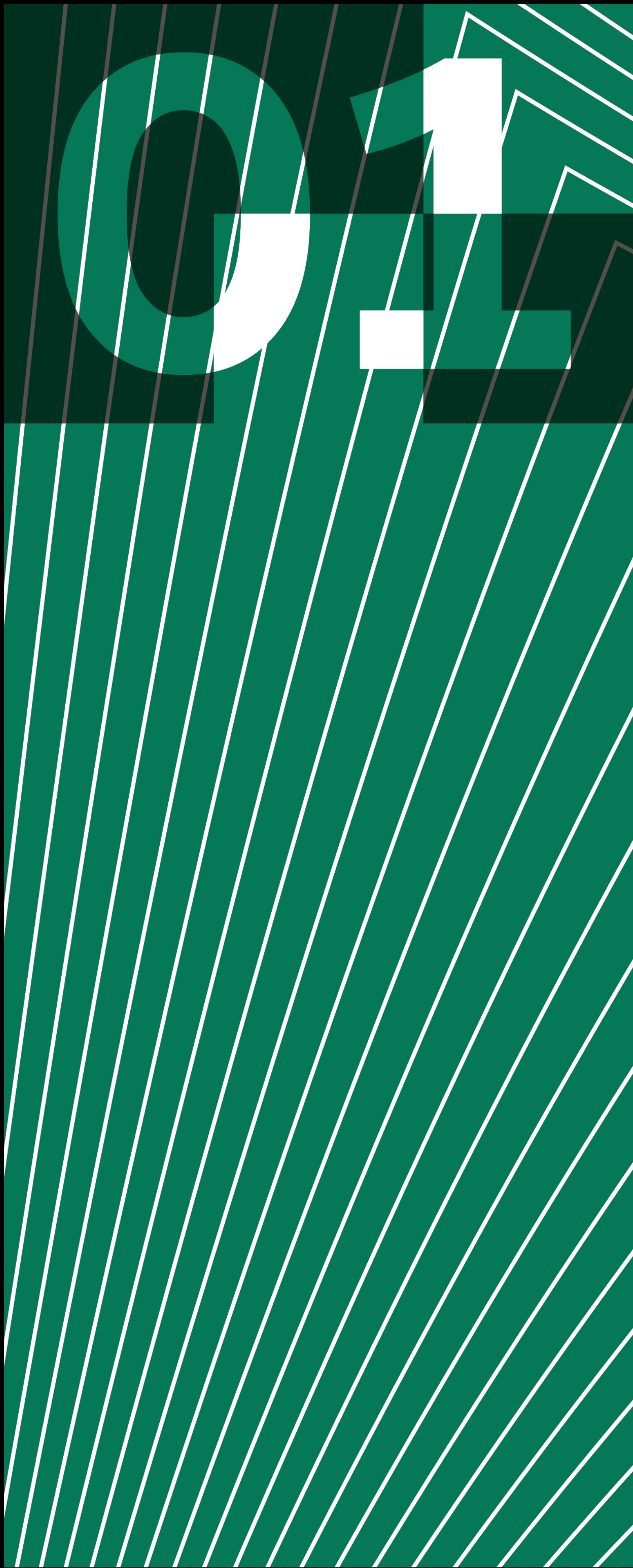
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Directors' Report

Directors' Report

For the half year ended 30 September 2023

The Directors of MGL submit their report with the financial report of the Consolidated Entity for the half year ended 30 September 2023.

Directors

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

Independent Directors

G.R. Stevens AC, Chair

J.R. Broadbent AC

P.M. Coffey

M.A. Hinchliffe

S.J. Lloyd-Hurwitz

R.J. McGrath

M. Roche

N.M. Wakefield Evans AM

Executive Voting Director

S.R. Wikramanayake, Managing Director and Chief Executive Officer

Other than Ms Lloyd-Hurwitz, the Directors listed above each held office as a Director of MGL throughout the period and until the date of this report.

Ms Lloyd-Hurwitz was appointed as an Independent Director effective 1 June 2023.

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

Result

The financial report for the half year ended 30 September 2023 and the results herein are prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001* (Cth).

The consolidated profit attributable to the ordinary equity holders of Macquarie Group Limited, in accordance with Australian Accounting Standards, for the period was $A1,415 million (half year to 31 March 2023: $A2,877 million; half year to 30 September 2022: $A2,305 million).

Outlook

We continue to maintain a cautious stance, with a conservative approach to capital, funding and liquidity that positions us well to respond to the current environment.

The range of factors that may influence our short-term outlook include:

- market conditions including: global economic conditions, inflation and interest rates, significant volatility events, and the impact of geopolitical events
- completion of period-end reviews and the completion of transactions
- the geographic composition of income and the impact of foreign exchange
- potential tax or regulatory changes and tax uncertainties.

Events after the reporting date

In light of the Consolidated Entity's surplus capital position, and to provide additional flexibility to manage the capital position going forward, the Board has approved an on-market buyback of up to $A2 billion.[1] The timing and actual number of shares purchased under the buyback will be subject to a number of factors including the Consolidated Entity's surplus capital position, market conditions and opportunities to deploy capital by the businesses.

Interim dividend

The Directors have resolved to pay an interim dividend for the half year ended 30 September 2023 of $2.55 per fully paid ordinary MGL share on issue at 14 November 2023.

The dividend will be 40% franked and paid on 19 December 2023.

Rounding of amounts

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

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

Glenn Stevens AC
Independent Director and Chairman

Shemara Wikramanayake
Managing Director and Chief Executive Officer

Sydney
3 November 2023

[1] Separate Board approvals will be sought should the Consolidated Entity resolve to conduct on-market purchases in relation to its MEREP or DRP programs.

Auditor's independence declaration

For the half year ended 30 September 2023

As lead auditor for the review of Macquarie Group Limited for the half year ended 30 September 2023, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* (Cth) in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

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

V. Papageorgiou

Voula Papageorgiou
Partner
PricewaterhouseCoopers

Sydney
3 November 2023

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Financial Report

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The Financial Report was authorised for issue by the Board of Directors on 3 November 2023.

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

Consolidated income statement

For the half year ended 30 September 2023

	Notes	Half year to 30 Sep 23 $m	Half year to 31 Mar 23 $m	Half year to 30 Sep 22 $m
Interest and similar income				
Effective interest rate method	2	**7,447**	6,230	3,521
Other	2	**307**	278	110
Interest and similar expense	2	**(6,121)**	(4,911)	(2,200)
Net interest income		**1,633**	1,597	1,431
Fee and commission income	2	**3,119**	3,472	3,055
Net trading income	2	**2,546**	4,756	2,739
Share of net losses from associates and joint ventures	2	**(5)**	(52)	(61)
Net credit impairment charges	2	**(6)**	(213)	(175)
Net other impairment reversals/(charges)	2	**123**	45	(111)
Net other operating income	2	**500**	893	1,746
Net operating income		**7,910**	10,498	8,624
Employment expenses	2	**(3,734)**	(4,090)	(3,613)
Brokerage, commission and fee expenses	2	**(529)**	(528)	(500)
Non-salary technology expenses	2	**(594)**	(547)	(545)
Other operating expenses	2	**(1,062)**	(1,369)	(938)
Total operating expenses		**(5,919)**	(6,534)	(5,596)
Operating profit before income tax		**1,991**	3,964	3,028
Income tax expense	4	**(587)**	(1,089)	(735)
Profit after income tax		**1,404**	2,875	2,293
Loss attributable to non-controlling interests		**11**	2	12
Profit attributable to the ordinary equity holders of Macquarie Group Limited		**1,415**	2,877	2,305
		Cents	Cents	Cents
Basic earnings per share	6	**369.2**	746.0	603.3
Diluted earnings per share	6	**366.2**	725.5	585.1

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

Consolidated statement of comprehensive income

For the half year ended 30 September 2023

	Notes	**Half year to 30 Sep 23 $m**	Half year to 31 Mar 23 $m	Half year to 30 Sep 22 $m
Profit after income tax		**1,404**	2,875	2,293
Other comprehensive income/(loss)[1]				
Movements in items that may be subsequently reclassified to the income statement:				
Fair value through other comprehensive (FVOCI) reserve:				
Revaluation movement	19	**(37)**	36	(51)
Change in expected credit losses (ECL) allowance	19	**8**	4	25
Cash flow hedges and cost of hedging reserves:				
Revaluation movement	19	**(99)**	(30)	16
Transferred to income statement on realisation	19	**32**	29	95
Share of other comprehensive (loss)/income from associates and joint ventures	19	**(2)**	33	105
Foreign exchange movement on translation and hedge accounting of foreign operations		**572**	(381)	1,719
Movements in item that will not be subsequently reclassified to the income statement:				
Fair value changes attributable to own credit risk on debt designated at fair value through profit or loss (DFVTPL)	19	**(12)**	(21)	32
Others		**1**	12	—
Total other comprehensive income/(loss)		**463**	(318)	1,941
Total comprehensive income		**1,867**	2,557	4,234
Total comprehensive income/(loss) attributable to non-controlling interests		**4**	3	(7)
Total comprehensive income attributable to the ordinary equity holders of Macquarie Group Limited		**1,871**	2,560	4,227

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

[1] All items are net of tax, where applicable.

Consolidated statement of financial position

As at 30 September 2023

	Notes	As at 30 Sep 23 $m	As at 31 Mar 23 $m	As at 30 Sep 22 $m
Assets				
Cash and bank balances		**29,587**	45,656	54,125
Cash collateralised lending and reverse repurchase agreements		**66,119**	54,323	75,788
Trading assets	7	**20,224**	16,881	13,310
Margin money and settlement assets	8	**24,145**	25,256	29,360
Derivative assets	9	**29,121**	36,114	111,913
Financial investments		**22,862**	21,874	25,046
Held for sale assets	10	**1,802**	921	707
Other assets	10	**13,699**	10,438	11,478
Loan assets	11	**167,495**	158,572	148,874
Interests in associates and joint ventures		**6,174**	5,574	4,840
Property, plant and equipment and right-of-use assets		**7,531**	6,639	5,511
Intangible assets		**4,249**	3,827	4,170
Deferred tax assets		**1,586**	1,797	1,452
Total assets		**394,594**	387,872	486,574
Liabilities				
Cash collateralised borrowing and repurchase agreements		**13,507**	18,737	22,410
Trading liabilities	13	**8,222**	4,810	6,443
Margin money and settlement liabilities	14	**27,136**	27,482	40,426
Derivative liabilities	15	**29,527**	32,790	111,734
Deposits		**135,966**	134,714	122,227
Held for sale liabilities	16	**296**	173	112
Other liabilities	16	**13,842**	12,512	11,199
Issued debt securities and other borrowings	17	**119,886**	109,461	128,621
Deferred tax liabilities		**241**	196	258
Total liabilities excluding loan capital		**348,623**	340,875	443,430
Loan capital		**12,833**	12,891	11,457
Total liabilities		**361,456**	353,766	454,887
Net assets		**33,138**	34,106	31,687
Equity				
Contributed equity	18	**11,941**	12,407	12,352
Reserves	19	**3,590**	3,302	3,250
Retained earnings	19	**17,120**	17,446	15,735
Total capital and reserves attributable to the ordinary equity holders of Macquarie Group Limited		**32,651**	33,155	31,337
Non-controlling interests		**487**	951	350
Total equity		**33,138**	34,106	31,687

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

Consolidated statement of changes in equity

For the half year ended 30 September 2023

	Notes	Contributed equity $m	Reserves $m	Retained earnings $m	Total $m	Non-controlling interests $m	Total equity $m
Balance as at 1 Apr 2022		12,298	1,523	14,740	28,561	245	28,806
Profit/(loss) after income tax		—	—	2,305	2,305	(12)	2,293
Other comprehensive income, net of tax		—	1,890	32	1,922	19	1,941
Total comprehensive income		—	1,890	2,337	4,227	7	4,234
Transactions with equity holders in their capacity as ordinary equity holders:							
Issue of shares	18	485	—	—	485	—	485
Dividends paid	5,19	—	—	(1,339)	(1,339)	—	(1,339)
Purchase of shares by MEREP Trust	18	(923)	—	—	(923)	—	(923)
Movement in non-controlling interests		—	—	(3)	(3)	98	95
Other equity movements:							
MEREP share-based payment arrangements	18,19	468	(92)	—	376	—	376
Deferred tax benefit/(expense) on MEREP share-based payment arrangements	18,19	24	(71)	—	(47)	—	(47)
		54	(163)	(1,342)	(1,451)	98	(1,353)
Balance as at 30 Sep 2022		12,352	3,250	15,735	31,337	350	31,687
Profit/(loss) after income tax		—	—	2,877	2,877	(2)	2,875
Other comprehensive loss, net of tax		—	(308)	(9)	(317)	(1)	(318)
Total comprehensive (loss)/income		—	(308)	2,868	2,560	(3)	2,557
Transactions with equity holders in their capacity as ordinary equity holders:							
Dividends paid	5,19	—	—	(1,156)	(1,156)	—	(1,156)
Movement in non-controlling interests		—	—	(1)	(1)	604	603
Other equity movements:							
MEREP share-based payment arrangements	18,19	44	331	—	375	—	375
Deferred tax benefit on MEREP share-based payment arrangements	18,19	11	29	—	40	—	40
		55	360	(1,157)	(742)	604	(138)
Balance as at 31 Mar 2023		**12,407**	**3,302**	**17,446**	**33,155**	**951**	**34,106**
Profit/(loss) after income tax		**—**	**—**	**1,415**	**1,415**	**(11)**	**1,404**
Other comprehensive income/(loss), net of tax		**—**	**467**	**(11)**	**456**	**7**	**463**
Total comprehensive income/(loss)		**—**	**467**	**1,404**	**1,871**	**(4)**	**1,867**
Transactions with equity holders in their capacity as ordinary equity holders:							
Dividends paid	5,19	**—**	**—**	**(1,734)**	**(1,734)**	**—**	**(1,734)**
Purchase of shares by MEREP Trust	18	**(1,028)**	**—**	**—**	**(1,028)**	**—**	**(1,028)**
Movement in non-controlling interests		**—**	**—**	**4**	**4**	**(460)**	**(456)**
Other equity movements:							
MEREP share-based payment arrangements	18,19	**549**	**(153)**	**—**	**396**	**—**	**396**
Deferred tax benefit/(expense) on MEREP share-based payment arrangements	18,19	**13**	**(26)**	**—**	**(13)**	**—**	**(13)**
		(466)	**(179)**	**(1,730)**	**(2,375)**	**(460)**	**(2,835)**
Balance as at 30 Sep 2023		**11,941**	**3,590**	**17,120**	**32,651**	**487**	**33,138**

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

Consolidated statement of cash flows

For the half year ended 30 September 2023

	Half year to 30 Sep 23 $m	Half year to 31 Mar 23 $m	Half year to 30 Sep 22 $m
Cash flows generated from/(utilised in) operating activities			
Interest income and expense:			
Received	**7,616**	6,298	3,509
Paid	**(5,930)**	(4,543)	(1,736)
Fees, commissions and other income and charges:			
Received	**2,883**	3,143	3,355
Paid	**(581)**	(517)	(574)
Operating lease income received	**443**	491	392
Dividends and distributions received	**108**	531	101
Operating expenses paid:			
Employment expenses	**(5,074)**	(2,260)	(4,272)
Other operating expenses	**(1,419)**	(1,525)	(1,742)
Income tax paid	**(952)**	(1,267)	(768)
Changes in operating assets:			
Loan assets and receivables	**(8,249)**	(10,267)	(11,589)
Trading and related assets, liquid investments and collateralised lending balances (net of liabilities)	**5,482**	(7,535)	(425)
Assets under operating lease	**(486)**	(818)	(224)
Other assets (net of liabilities)	**(66)**	77	(109)
Changes in operating liabilities:			
Issued debt securities, borrowings and other funding	**6,810**	(14,474)	2,336
Deposits	**1,087**	12,884	20,148
Net cash flows generated from/(utilised in) operating activities	**1,672**	(19,782)	8,402
Cash flows (utilised in)/generated from investing activities			
Net proceeds from/(payments for) financial investments	**(241)**	2,631	(4,459)
Associates, joint ventures, subsidiaries, and businesses:			
Proceeds from distribution or disposal, net of cash deconsolidated	**366**	2,060	2,045
Payments for additional contribution or acquisitions, net of cash acquired	**(1,073)**	(1,040)	(1,713)
Property, plant and equipment, investment property and intangible assets:			
Payments for acquisitions	**(895)**	(532)	(292)
Proceeds from disposals	**2**	66	4
Net cash flows (utilised in)/generated from investing activities	**(1,841)**	3,185	(4,415)
Cash flows (utilised in)/generated from financing activities			
Receipt from issuance of loan capital	**–**	1,478	1,600
Dividends and distributions paid	**(1,501)**	(1,054)	(854)
Payments for acquisition of treasury shares	**(1,261)**	(102)	(923)
Receipts from non-controlling interests	**138**	241	64
Net cash flows (utilised in)/generated from financing activities	**(2,624)**	563	(113)
Net (decrease)/increase in cash and cash equivalents	**(2,793)**	(16,034)	3,874
Cash and cash equivalents at the beginning of the period	**77,214**	94,236	84,323
Effect of exchange rate movements on cash and cash equivalents	**1,198**	(988)	6,039
Cash and cash equivalents at the end of the period	**75,619**	77,214	94,236

Note 1

Basis of preparation

This general purpose interim financial report for the half year reporting period ended 30 September 2023 has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* (AASB 134) and the *Corporations Act 2001* (Cth). Compliance with AASB 134 ensures compliance with International Accounting Standard IAS 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board (IASB).

This interim financial report comprises the consolidated financial report of Macquarie Group Limited (MGL or the Company) and the entities it controlled at the end of, or during the half year ended 30 September 2023 (the Consolidated Entity).

This interim financial report does not include all the disclosures of the type that are normally included in the Consolidated Entity's annual financial report. Accordingly, this report is to be read in conjunction with the Consolidated Entity's annual financial report for the year ended 31 March 2023 and any public announcements made by the Consolidated Entity during the reporting period in accordance with the continuous disclosure requirements issued by the Australian Securities Exchange (ASX).

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

The accounting policies adopted in the preparation of the interim financial report are consistent with those adopted and disclosed in the Consolidated Entity's annual financial report for the year ended 31 March 2023.

(i) Critical accounting estimates and significant judgements

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

Areas of estimation uncertainty and the basis of key judgements applied by management in preparing the interim financial report are consistent with those that were applied and disclosed in the Consolidated Entity's annual financial report for the year ended 31 March 2023.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Consistent with the previous reporting period, an increased level of estimation uncertainty was involved in the preparation of the interim financial report arising from the changing economic environment and market conditions, including the impact of rising interest rates and the current inflationary environment.

Management believes that the estimates and judgements used in preparing the interim financial report, which reflect the aforementioned factors, are reasonable. It is however reasonably possible that future outcomes that are different from the Consolidated Entity's assumptions and estimates at 30 September 2023, other than adjusting events that provide evidence of conditions that existed at the end of the reporting period, could require an adjustment to the carrying amounts of the reported assets and liabilities in future reporting periods.

(ii) New Australian Accounting Standards and amendments to Australian Accounting Standards and interpretations that are effective in the current period

(a) AASB 17 *Insurance Contracts* (AASB 17)

AASB 17 amends the accounting for insurance contracts and replaces AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*. The adoption of AASB 17, mandatorily effective for the Consolidated Entity's interim financial reporting period beginning on 1 April 2023, did not have a material impact on this interim financial report.

(b) AASB 2023-2 *Amendments to Australian Accounting Standards – International Tax Reform – Pillar Two Model Rules* (AASB 2023-2)

The Pillar Two Model Rules are part of the Organisation of Economic Co-operation and Development's inclusive framework designed to address the tax challenges arising from the digitalisation of the economy. The Pillar Two model rules:

- aim to ensure that large multinational groups pay a minimum amount of tax on income arising in each jurisdiction in which they operate; and
- would achieve that aim by applying a system of top-up taxes that results in the total amount of taxes payable on profit in each jurisdiction representing at least the minimum rate of 15%.

The Consolidated Entity's Pillar Two Project

During 2022, the Consolidated Entity initiated a project to manage the impact of the Pillar Two rules globally. The project's scope is to ensure the Consolidated Entity and its subsidiaries can meet their Pillar Two compliance obligations.

As part of the project, the Consolidated Entity is monitoring the progress of the implementation of the model rules into domestic legislation and certain jurisdictions in which the Consolidated Entity has operations have started to enact the rules generally with operational effect for accounting periods beginning on or after 1 January 2024.

Impacts on financial reporting

In June 2023, the AASB issued AASB 2023-2 which makes amendments to AASB 112 *Income Taxes* with immediate effect. The standard provides a mandatory temporary exception to accounting for deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The Consolidated Entity has applied this exception in preparing its interim financial report.

Note 1

Basis of preparation continued

(c) Other amendments made to existing standards

The amendments made to existing standards that were mandatorily effective for the annual reporting period beginning on 1 April 2023 did not result in a material impact on this interim financial report.

(iii) Other developments

(a) ISSB sustainability reporting standards

During the period, the International Sustainability Standards Board (ISSB) published the following sustainability reporting standards:

- IFRS S1 *General Requirements of Sustainability-related Financial Information* (IFRS S1), which sets out the overall requirements for sustainability-related financial disclosures, and
- IFRS S2 *Climate-related Disclosures* (IFRS S2), which will require the disclosure of information that enables the users of financial statements to understand the reporting entity's governance, strategy, risk management, and metrics and targets in relation to climate-related risks and opportunities.

The Australian-equivalent standards have not yet been issued. Notwithstanding, the Consolidated Entity acknowledges the growing importance of sustainability-related disclosures and continues to progress its established project to assess and prepare for future sustainability and climate-related reporting obligations.

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

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

IBOR including the GBP, JPY, EUR, CHF and USD London Inter-bank Offered Rate ('LIBOR'), as well as IBOR for certain other minor currencies (excepting the Canadian Dollar Offer Rate (CDOR)), have ceased publication. The Consolidated Entity's IBOR reform project oversaw the transition of such exposures and the Consolidated Entity ceased the use of LIBOR in new products in accordance with industry and regulatory guidance.

The Consolidated Entity continues to have certain exposures referencing CDOR which will cease publication on 28 June 2024.

Similar to the transition of ceased LIBORs, the transition approach for CDOR will vary by product and nature of the counterparty.

Whilst IBOR reforms are important changes for the Consolidated Entity, the risks associated with the transition are managed within the Consolidated Entity's existing risk management framework. The Consolidated Entity's exposure to IBOR transition risk has not materially changed during the period to 30 September 2023, with the exception of exposures to USD LIBOR. Materially all USD LIBOR exposures of the Consolidated Entity have transitioned to ARRs.

(iv) Comparatives

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

Notes to the consolidated financial statements

For the half year ended 30 September 2023 continued

Note 2

Operating profit before income tax

	Half year to 30 Sep 23 $m	Half year to 31 Mar 23 $m	Half year to 30 Sep 22 $m
Net interest income			
Interest and similar income:[1]			
Effective interest rate method - Amortised cost	**6,140**	5,211	3,138
Effective interest rate method - FVOCI	**1,307**	1,019	383
Other - FVTPL	**307**	278	110
Interest and similar expense:			
Effective interest rate method - Amortised cost	**(6,094)**	(4,899)	(2,176)
Other - FVTPL	**(27)**	(12)	(24)
Net interest income	**1,633**	1,597	1,431
Fee and commission income			
Base, portfolio administration and other asset management fees:			
Base fees	**1,417**	1,415	1,389
Portfolio administration fees	**148**	140	131
Other asset management fees	**102**	94	104
Mergers and acquisitions, advisory and underwriting fees	**408**	553	438
Brokerage and other trading-related fees	**377**	357	358
Performance fees[2]	**236**	455	237
Other fee and commission income	**431**	458	398
Total fee and commission income	**3,119**	3,472	3,055
Net trading income			
Commodities[3]	**1,842**	4,367	1,998
Credit, interest rate and foreign exchange products	**379**	153	513
Equities	**325**	236	228
Net trading income	**2,546**	4,756	2,739
Share of net losses from associates and joint ventures[4]	**(5)**	(52)	(61)

[1] Prior period comparatives for interest income have been re-presented between Effective interest rate and Other to conform with the presentation in the current period in alignment with the accounting policy.
[2] Includes $233 million (half year to 31 March 2023: $450 million; half year to 30 September 2022: $233 million) from transactions with the Consolidated Entity's associates.
[3] Includes $433 million (half year to 31 March 2023: $423 million; half year to 30 September 2022: $261 million) of transportation, storage and certain other trading-related costs and $12 million (half year to 31 March 2023: $9 million; half year to 30 September 2022: $11 million) depreciation on right-of-use (ROU) assets held for trading-related business.
[4] Includes share of net loss from the Consolidated Entity's 50% ownership interest in Macquarie AirFinance Limited.

Note 2

Operating profit before income tax continued

	Half year to 30 Sep 23 $m	Half year to 31 Mar 23 $m	Half year to 30 Sep 22 $m
Credit and other impairment reversals/(charges)			
Credit impairment (charges)/reversals			
Loan assets	**45**	(233)	(110)
Margin money and settlement assets	**11**	53	(11)
Loans to associates and joint ventures	**7**	—	5
Off balance sheet exposures	**(20)**	(35)	(37)
Financial investments and other assets	**(49)**	—	(25)
Recovery of amounts previously written off	**—**	2	3
Net credit impairment charges	**(6)**	(213)	(175)
Other impairment reversals/(charges)			
Interests in associates and joint ventures	**126**	64	(111)
Intangible and other non-financial assets	**(3)**	(19)	—
Net other impairment reversals/(charges)	**123**	45	(111)
Total credit and other impairment reversals/(charges)	**117**	(168)	(286)
Net other operating income			
Investment income			
Net gain/(loss) from:			
Financial investments	**206**	86	(139)
Interests in associates and joint ventures	**95**	509	1,297
Disposal of subsidiaries and businesses	**45**	32	375
Non-financial assets	**20**	(8)	16
Total investment income	**366**	619	1,549
Net operating lease income			
Rental income	**497**	463	397
Depreciation	**(230)**	(209)	(186)
Net operating lease income	**267**	254	211
Businesses and subsidiaries held for investment purposes:[1]			
Net operating revenue[2]	**342**	250	171
Expenses[3]	**(526)**	(322)	(286)
Net loss from businesses and subsidiaries held for investment purposes	**(184)**	(72)	(115)
Other income	**51**	92	101
Total net other operating income	**500**	893	1,746
Net operating income	**7,910**	10,498	8,624

[1] Businesses and subsidiaries held for investment purposes are consolidated entities that are held with the ultimate intention to sell as part of the Consolidated Entity's investment activities.
[2] Includes revenue of $482 million (half year to 31 March 2023: $363 million; half year to 30 September 2022: $265 million) before deduction of $140 million (half year to 31 March 2023: $113 million; half year to 30 September 2022: $94 million) related to cost of goods sold and other direct costs.
[3] Includes employment expenses, depreciation, amortisation expense and other operating expenses.

Notes to the consolidated financial statements

For the half year ended 30 September 2023 continued

Note 2

Operating profit before income tax continued

	Half year to 30 Sep 23 $m	Half year to 31 Mar 23 $m	Half year to 30 Sep 22 $m
Employment expenses			
Salary and related costs including commissions, superannuation and performance-related profit share	**(3,064)**	(3,418)	(3,038)
Share-based payments[1]	**(406)**	(396)	(366)
Provision for long service leave and annual leave	**(36)**	(30)	(30)
Total compensation expenses	**(3,506)**	(3,844)	(3,434)
Other employment expenses including on-costs, staff procurement and staff training	**(228)**	(246)	(179)
Total employment expenses	**(3,734)**	(4,090)	(3,613)
Brokerage, commission and fee expenses			
Brokerage and other trading-related fee expenses	**(377)**	(375)	(365)
Other fee and commission expenses	**(152)**	(153)	(135)
Total brokerage, commission and fee expenses	**(529)**	(528)	(500)
Non-salary technology expenses			
Information services	**(145)**	(132)	(124)
Depreciation on own use assets: equipment	**(13)**	(13)	(12)
Service provider and other non-salary technology expenses	**(436)**	(402)	(409)
Total non-salary technology expenses	**(594)**	(547)	(545)
Other operating expenses			
Occupancy expenses			
Lease expenses	**(86)**	(77)	(74)
Depreciation on own use assets: buildings, furniture, fittings and leasehold improvements	**(31)**	(28)	(29)
Other occupancy expenses	**(78)**	(85)	(79)
Total occupancy expenses	**(195)**	(190)	(182)
Other expenses			
Professional fees	**(221)**	(304)	(233)
Indirect and other taxes	**(100)**	(95)	(60)
Travel and entertainment expenses	**(93)**	(88)	(83)
Advertising and promotional expenses	**(87)**	(101)	(95)
Amortisation of intangible assets	**(80)**	(109)	(72)
Fees for audit and other services	**(33)**	(55)	(28)
Other	**(253)**	(427)	(185)
Total other expenses	**(867)**	(1,179)	(756)
Total other operating expenses	**(1,062)**	(1,369)	(938)
Total operating expenses	**(5,919)**	(6,534)	(5,596)
Operating profit before income tax	**1,991**	3,964	3,028

[1] Includes share-based payments related expenses of $8 million (half year to 31 March 2023: $21 million expenses; half year to 30 September 2022: $10 million gains) for cash settled awards.

Note 3

Segment reporting

(i) Operating segments

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

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

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

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

- **MAM** which provides investment solutions to clients across a range of capabilities including infrastructure, green investments, agriculture and natural assets, real estate, private credit, asset finance, secondaries, 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, providing clients with specialist expertise and flexible capital solutions across a range of sectors. It also has global capability in specialist investing across private credit, private equity, real estate, growth equity, venture capital, and in infrastructure and energy projects and companies. 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, 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, provisions for legacy matters, 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 wholesale funding for the Consolidated Entity, and Operating Groups obtain their required funding from Group Treasury. The Operating Groups are assumed to be fully debt funded for the purposes of internal funding charges. 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, with the exception of deposit funding, Operating Groups may only source funding directly from external sources where the funding is secured by the Operating Group's assets. In such cases, Operating Groups bear the funding costs directly and Group Treasury may levy additional charges where appropriate.

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.

Note 3

Segment reporting continued

(i) Operating segments continued

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 give rise to income statement volatility unless designated in hedge accounting relationships, in which case the carrying value of the hedged items are adjusted for changes in fair value attributable to the hedged risks to reduce volatility in the income statement. If designated in cash flow hedge accounting relationships, the effective portion of the derivatives' fair value gains or losses are 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 items affect the income statement for the hedged risks. 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.

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, 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 (MEREP) are recognised in the Corporate segment and not allocated to Operating Groups.

Income tax

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

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

Presentation of segment income statements

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

Reportable segment assets

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

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Notes to the consolidated financial statements

For the half year ended 30 September 2023 continued

Note 3

Segment reporting continued

(i) Operating segments continued

	Macquarie Asset Management $m	Banking and Financial Services $m
The following is an analysis of the Consolidated Entity's revenue and results by reportable segment:		
Net interest and trading (expense)/income	**(265)**	**1,360**
Fee and commission income/(expense)	**1,885**	**273**
Share of net profits/(losses) from associates and joint ventures	**29**	**(2)**
Other operating income and charges		
Net credit and other impairment reversals/(charges)	**110**	**(23)**
Net other operating income and charges	**(66)**	**—**
Internal management revenue/(charge)	**—**	**1**
Net operating income	**1,693**	**1,609**
Total operating expenses	**(1,300)**	**(971)**
Operating profit/(loss) before income tax	**393**	**638**
Income tax expense	**—**	**—**
Loss/(profit) attributable to non-controlling interests	**14**	**—**
Net profit/(loss) contribution	**407**	**638**
Reportable segment assets	**15,183**	**135,815**
Net interest and trading (expense)/income	(253)	1,323
Fee and commission income/(expense)	2,196	255
Share of net profits/(losses) from associates and joint ventures	32	(5)
Other operating income and charges		
Net credit and other impairment charges	(11)	(25)
Net other operating income	353	—
Internal management revenue/(charge)	29	(11)
Net operating income	2,346	1,537
Total operating expenses	(1,398)	(916)
Operating profit/(loss) before income tax	948	621
Income tax expense	—	—
(Profit)/loss attributable to non-controlling interests	(8)	—
Net profit/(loss) contribution	940	621
Reportable segment assets	14,328	129,046
Net interest and trading (expense)/income	(143)	1,197
Fee and commission income/(expense)	1,882	249
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 and charges	839	(13)
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
Reportable segment assets	14,060	122,240

Commodities and Global Markets $m	Macquarie Capital $m	Corporate $m	Total $m
			HALF YEAR ENDED 30 SEP 2023
2,297	**334**	**453**	**4,179**
349	**628**	**(16)**	**3,119**
16	**(48)**	**—**	**(5)**
(21)	**33**	**18**	**117**
289	**260**	**17**	**500**
(1)	**13**	**(13)**	**—**
2,929	**1,220**	**459**	**7,910**
(1,545)	**(788)**	**(1,315)**	**(5,919)**
1,384	**432**	**(856)**	**1,991**
—	**—**	**(587)**	**(587)**
(1)	**(2)**	**—**	**11**
1,383	**430**	**(1,443)**	**1,415**
136,791	**31,458**	**75,347**	**394,594**
			HALF YEAR ENDED 31 MAR 2023
4,787	256	240	6,353
338	692	(9)	3,472
16	(95)	—	(52)
(22)	(99)	(11)	(168)
329	209	2	893
30	(23)	(25)	—
5,478	940	197	10,498
(1,467)	(745)	(2,008)	(6,534)
4,011	195	(1,811)	3,964
—	—	(1,089)	(1,089)
—	11	(1)	2
4,011	206	(2,901)	2,877
141,453	28,481	74,564	387,872
			HALF YEAR ENDED 30 SEP 2022
2,774	154	188	4,170
279	664	(19)	3,055
16	(42)	—	(61)
(35)	(195)	(44)	(286)
206	694	20	1,746
(1)	12	(75)	—
3,239	1,287	70	8,624
(1,243)	(711)	(1,602)	(5,596)
1,996	576	(1,532)	3,028
—	—	(735)	(735)
—	19	(1)	12
1,996	595	(2,268)	2,305
234,146	26,114	90,014	486,574

Note 3

Segment reporting continued

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

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

	Macquarie Asset Management $m	Banking and Financial Services $m	Commodities and Global Markets $m	Macquarie Capital $m	Corporate $m	Total $m
Fee and commission income/(expense)						**HALF YEAR TO 30 SEP 2023**
Base, portfolio administration and other asset management fees						
Base fees	**1,407**	**9**	**1**	**—**	**—**	**1,417**
Portfolio administration fees	**—**	**148**	**—**	**—**	**—**	**148**
Other asset management fees	**102**	**—**	**—**	**—**	**—**	**102**
Mergers and acquisitions, advisory and underwriting fees	**13**	**—**	**4**	**391**	**—**	**408**
Brokerage and other trading-related fees	**1**	**19**	**135**	**223**	**(1)**	**377**
Performance fees	**236**	**—**	**—**	**—**	**—**	**236**
Other fee and commission income/(expense)	**126**	**97**	**209**	**14**	**(15)**	**431**
Total fee and commission income/(expense)	**1,885**	**273**	**349**	**628**	**(16)**	**3,119**
Fee and commission income/(expense)						HALF YEAR TO 31 MAR 2023
Base, portfolio administration and other asset management fees						
Base fees	1,404	10	1	—	—	1,415
Portfolio administration fees	—	140	—	—	—	140
Other asset management fees	94	—	—	—	—	94
Mergers and acquisitions, advisory and underwriting fees	75	—	1	478	(1)	553
Brokerage and other trading-related fees	1	19	127	210	—	357
Performance fees	455	—	—	—	—	455
Other fee and commission income/(expense)	167	86	209	4	(8)	458
Total fee and commission income/(expense)	2,196	255	338	692	(9)	3,472
Fee and commission income/(expense)						HALF YEAR TO 30 SEP 2022
Base, portfolio administration and other asset management fees						
Base fees	1,378	10	1	—	—	1,389
Portfolio administration fees	—	131	—	—	—	131
Other asset management fees	104	—	—	—	—	104
Mergers and acquisitions, advisory and underwriting fees	—	—	5	434	(1)	438
Brokerage and other trading-related fees	2	20	125	211	—	358
Performance fees	237	—	—	—	—	237
Other fee and commission income/(expense)	161	88	148	19	(18)	398
Total fee and commission income/(expense)	1,882	249	279	664	(19)	3,055

Note 4

Income tax expense

	Half year to 30 Sep 23 $m	Half year to 31 Mar 23 $m	Half year to 30 Sep 22 $m
(i) Reconciliation of income tax expense to prima facie tax expense			
Prima facie income tax expense on operating profit @30% (31 March 2023: 30%; 30 September 2022: 30%)	**(597)**	(1,190)	(908)
Tax effect of amounts which are (non-deductible)/non-assessable in calculating taxable income:			
Rate differential on offshore income	**56**	144	202
Other items	**(46)**	(43)	(29)
Total income tax expense	**(587)**	(1,089)	(735)
(ii) Tax benefit/(expense) relating to OCI			
FVOCI reserve	**14**	(19)	11
Own credit risk	**6**	4	(14)
Cash flow hedges and cost of hedging	**33**	(15)	11
Foreign currency translation reserve	**—**	—	—
Share of other comprehensive (expense)/ income of associates and Joint Ventures (JVs)	**(6)**	(8)	(25)
Total tax benefit/(expense) relating to OCI	**47**	(38)	(17)

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

Note 5
Dividends

	Half year to 30 Sep 23 $m	Half year to 31 Mar 23 $m	Half year to 30 Sep 22 $m
(i) Dividends paid			
Ordinary share capital			
Final dividend paid (2023: $4.50 (2022: $3.50) per share)	**1,734**	—	1,339
Interim dividend paid (2023: $3.00 per share)	**—**	1,156	—
Total dividends paid (Note 19)[1]	**1,734**	1,156	1,339

The 2023 final dividend paid during the period was franked at 40% based on tax paid at 30% (2023 interim dividend and 2022 final dividends were franked at 40%, based on tax paid at 30%).
The Company's Dividend Reinvestment Plan (DRP) remains active. The DRP is optional and offers ordinary shareholders in Australia and New Zealand the opportunity to acquire fully paid ordinary shares without transaction costs. A shareholder can elect to participate in or terminate their involvement in the DRP at any time. Ordinary shares purchased on the market or issued by the Consolidated Entity under the DRP in the reported periods were allocated as fully paid ordinary shares pursuant to the DRP, details of which are included in Note 18 *Contributed equity*.

(ii) Dividends not recognised at the end of the period

Since the end of the period, the Directors have resolved to pay an interim dividend for the half year ended 30 September 2023 of $2.55 per fully paid ordinary share, 40% franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 19 December 2023 from retained profits, but not recognised as a liability at the end of the period is $985 million. This amount has been estimated based on the number of shares and MEREP awards eligible to participate as at 30 September 2023.

	Half year to 30 Sep 23 $ per share	Half year to 31 Mar 23 $ per share	Half year to 30 Sep 22 $ per share
Cash dividend (distribution of current year profits)	**2.55**	4.50	3.00

[1] Includes $13 million (half year to 31 Mar 2023: $9 million; half year to 30 Sep 2022: $8 million) of dividend equivalent amount paid to Deferred Share Unit (DSU) holders.

Note 6

Earnings per share

Basic earnings per share is calculated by dividing the Consolidated Entity's profit attributable to ordinary equity holders (adjusted by profit attributable to participating unvested MEREP awards) by the weighted average number of ordinary shares outstanding during the period (adjusted for vested MEREP awards).

Diluted earnings per share is calculated by dividing the Consolidated Entity's profit attributable to ordinary equity holders (adjusted by profit attributable to all the dilutive potential ordinary shares) by the weighted average number of ordinary shares and potential ordinary shares that would be issued on the exchange of all the dilutive potential ordinary shares into ordinary shares.

	Half year to 30 Sep 23	Half year to 31 Mar 23	Half year to 30 Sep 22
			CENTS
Basic earnings per share	**369.2**	746.0	603.3
Diluted earnings per share	**366.2**	725.5	585.1

			$m
Reconciliation of earnings used in the calculation of basic and diluted earnings per share			
Profit after income tax	**1,404**	2,875	2,293
Loss attributable to non-controlling interests	**11**	2	12
Profit attributable to the ordinary equity holders of MGL	**1,415**	2,877	2,305
Less: profit attributable to participating unvested MEREP awards	**(48)**	(96)	(72)
Earnings used in the calculation of basic earnings per share	**1,367**	2,781	2,233
Add back:			
Profit attributable to dilutive participating unvested MEREP awards	**28**	63	45
Interest on convertible subordinated debt[1]	**—**	139	95
Earnings used in the calculation of diluted earnings per share	**1,395**	2,983	2,373

			NUMBER OF SHARES
Reconciliation of weighted average number of equity shares used in the calculation of basic and diluted earnings per share			
Weighted average number of equity shares (net of treasury shares) adjusted for vested MEREP awards used in the calculation of basic earnings per share	**370,286,556**	372,813,086	370,136,531
Add: weighted average number of dilutive potential ordinary shares:			
Unvested MEREP awards	**10,708,618**	11,806,621	10,563,730
Convertible subordinated debt[1]	**—**	26,558,982	24,852,954
Weighted average number of equity shares (net of treasury shares) and potential equity shares used in the calculation of diluted earnings per share	**380,995,174**	411,178,689	405,553,215

[1] The Consolidated Entity has issued loan capital which may convert into ordinary shares in the future (refer to Note 26 *Loan Capital* of the Consolidated Entity's Annual Financial Report for the year ended 31 March 2023). These loan capital instruments are potentially dilutive instruments, and diluted EPS is therefore calculated as if the instruments had been converted at the beginning of the year or, if later, the instruments' issue dates. For the half year ended 30 September 2023, all loan capital instruments were antidilutive (half year ended 31 March 2023: dilutive; half year ended 30 September 2022: dilutive).

Note 7
Trading assets

	As at 30 Sep 23 $m	As at 31 Mar 23 $m	As at 30 Sep 22 $m
Equity securities	**11,349**	7,830	5,678
Commodity contracts	**3,539**	3,612	3,460
Debt securities	**2,963**	3,033	1,064
Commodity inventory	**2,373**	2,406	3,108
Total trading assets	**20,224**	16,881	13,310

Note 8
Margin money and settlement assets

Margin money	**14,365**	14,397	20,491
Security settlement assets	**6,576**	6,476	4,468
Commodity settlement assets	**3,204**	4,383	4,401
Total margin money and settlement assets	**24,145**	25,256	29,360

Note 9
Derivative assets

Held for trading	**27,962**	34,906	110,195
Designated in hedge relationships	**1,159**	1,208	1,718
Total derivative assets	**29,121**	36,114	111,913

Derivative instruments include futures, forwards and forward rate agreements, swaps and options in the interest rate, foreign exchange, commodity, credit and equity markets. These are entered into by the Consolidated Entity for client trading purposes and for hedging risks inherent in other recognised financial instruments as well as forecasted transactions.

The Consolidated Entity's approach to financial risk management, as set out in its financial statements for the year ended 31 March 2023 in Note 36 *Financial risk management*, remained unchanged during the period. This included entering into margining and collateralisation arrangements and enforceable netting arrangements with counterparties, particularly in respect of derivatives. The enforceable netting arrangements may allow for net settlement of specified contracts with a counterparty in the event of default or other pre-determined events, such that their potential effects on the Consolidated Entity's financial position in that circumstance is to settle these contracts as one arrangement.

These derivative balances are presented in the statement of financial position after offsetting balances where the Consolidated Entity has both a legally enforceable right of set off and the intention to settle on a net basis. After taking into account related financial instruments (primarily derivative liabilities) of $15,302 million (31 March 2023: $19,919 million; 30 September 2022: $78,217 million), cash and other financial collateral of $6,423 million (31 March 2023: $6,491 million; 30 September 2022: $15,038 million), the residual derivative asset exposure amounts to $7,396 million (31 March 2023: $9,704 million; 30 September 2022: $18,658 million). The majority of the residual derivative asset exposure is short-term in nature and managed within the Consolidated Entity's market and credit risk frameworks, with the majority of the exposure with investment grade counterparties.

Note 10
Held for sale and other assets

	As at 30 Sep 23 $m	As at 31 Mar 23 $m	As at 30 Sep 22 $m
Held for sale assets			
Assets of disposal groups and interests in associates and joint ventures classified as held for sale	**1,802**	921	707
Other financial assets			
Commodity-related receivables	**6,189**	3,264	3,423
Trade debtors and other receivables	**2,084**	2,495	3,602
Fee and commission receivables	**974**	1,051	872
Total other financial assets	**9,247**	6,810	7,897
Other non-financial assets			
Contract assets	**1,215**	960	841
Income tax receivables	**929**	631	729
Investment properties	**902**	917	856
Prepayments	**542**	420	536
Inventories	**360**	228	162
Indirect taxes receivables	**197**	271	271
Other	**307**	201	186
Total other non-financial assets	**4,452**	3,628	3,581
Total other assets	**13,699**	10,438	11,478

Note 11
Loan assets

	AS AT 30 SEP 2023			AS AT 31 MAR 2023			AS AT 30 SEP 2022		
	Gross $m	ECL allowance[1] $m	Net $m	Gross $m	ECL allowance[1] $m	Net $m	Gross $m	ECL allowance[1] $m	Net $m
Home loans[2]	**121,162**	**(146)**	**121,016**	114,889	(163)	114,726	107,510	(112)	107,398
Corporate, commercial and other lending[2]	**40,806**	**(987)**	**39,819**	37,725	(998)	36,727	34,124	(860)	33,264
Asset financing[2]	**6,795**	**(135)**	**6,660**	7,274	(155)	7,119	8,397	(185)	8,212
Total loan assets	**168,763**	**(1,268)**	**167,495**	159,888	(1,316)	158,572	150,031	(1,157)	148,874

[1] The ECL allowance carried against loan assets measured at FVOCI is not presented in the table as the allowance is included in FVOCI reserves. Refer to Note 12 *Expected credit losses.*
[2] Includes $18,638 million (half year to 31 March 2023: $19,862 million; half year to 30 September 2022: $18,832 million) loans that are held by consolidated Structured Entities (SEs), and which are available as security to note holders and debt providers. Refer to Note 17 *Issued debt securities and other borrowings.*

Note 12

Expected credit losses

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

Model Inputs

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

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

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

The key model inputs used in measuring the ECL include:

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

Significant increase in credit risk (SICR)

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

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

Retail exposures

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

Wholesale exposures

The Consolidated Entity assigns an internal credit rating to each exposure at origination based on information available at that date. These internal ratings are broadly aligned to external credit rating agencies such as Standard & Poor's and Moody's.

Where an exposures' assigned credit rating deteriorates beyond pre-defined thresholds per credit rating at origination, the exposure is categorised as Stage II. The methodology has been calibrated so that a larger change in rating is required for higher quality credit rated exposures than for lower quality credit rated exposures to be classified as Stage II.

For both retail and wholesale portfolios:

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

Definition of default

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

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

Note 12

Expected credit losses continued

Forward-looking information (FLI)

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

The Consolidated Entity applies its professional judgement in determining whether there are any inherent risks in the models' predictive outcomes. The overlays primarily reflect management's assessment of the current economic and credit environment relative to the FLI credit cycle model. These overlays account for the risk that underlying credit risk events have occurred, but observable modelled inputs are yet to reflect those events, as well as risks that are specific to regions, counterparties or industries which are difficult to account for within the modelled outcomes. Over time the credit models are recalibrated to enhance the predictive capability. At the reporting date this overlay was approximately $335 million (31 March 2023: $475 million, 30 September 2022: $490 million). These judgements are reviewed by FMG and RMG at each reporting date.

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

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

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

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

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

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

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

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

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

Note 12

Expected credit losses continued

Forward-looking information continued

Scenario	Weighting	Expectation
Baseline A 100% weighting to this scenario would result in an estimated total expected credit loss provision on balance sheet at the reporting date of ~$1,650 million[1]	Probable	**Global:** The baseline scenario assumes 2023 global GDP growth of approximately 2.2% year-on-year, slowing to 1.0% in 2024 as the impact of tight monetary policy feeds through to an expected global slowdown. Interest rates are forecast to remain high in the short term, with decline in interest rates to support growth by mid-2024 possible. **Australia:** Full-year annual growth of 1.4% is anticipated for 2023, slowing to 0.8% in 2024, with a technical recession expected to be narrowly avoided. Unemployment is forecast to rise steadily, peaking at 4.6% in mid-2025. Policy rate rises from the Reserve Bank of Australia (RBA) are assumed to conclude in 2023, with interest rate declines by mid-2024. House prices are expected to rise further as interest rates stabilise as the prospect of monetary easing nears. Equity prices are forecast to remain broadly flat over the next 12 months as inflation concerns ease but growth slows. **United States:** GDP growth is expected to turn in 2023, leading to a full-year contraction in GDP of 1.0% in 2024 and an overall peak-to-trough decline of 1.5% over 12 months. The unemployment rate is projected to increase to 5.5% by the end of 2024. Interest rate cuts to support the economy are anticipated from mid-2024. **Europe:** The Eurozone economy is projected to contract by 0.5% in 2024 as the effects of tight monetary policy continue.
Downside A 100% weighting to this scenario would result in an estimated total expected credit loss provision on balance sheet at the reporting date of ~$1,950 million[1]	Possible	**Global:** The downside scenario projects annual growth in global GDP that is approximately 1 percentage point lower than the baseline until early-2025. **Australia:** The scenario projects a recession in late-2023 into early-2024 due to monetary tightening and continued inflation. The unemployment rate is projected to rise in the scenario to 5.5% in 2024 and is expected to reduce slowly in a projected low growth environment. The RBA cash rate is forecast to rise further, and house prices are projected to fall by approximately 14% in the two years to June 2025. **United States:** The scenario projects four consecutive quarters of negative growth beginning in late-2023, resulting in a 3.5% decline in real GDP. Persistent inflation is forecast to result in the US Federal Reserve delaying monetary support until disinflationary trends are clear. Unemployment is projected to rise by 3 percentage points to 6.9% at end-2024. **Europe:** The scenario projects a 1.3% fall in real GDP in 2024, driving the unemployment rate to approximately 8.8%. Equity markets are projected to fall over 10% and fail to recover to prior peaks in the forecast period to 2027.
More Severe Downside A 100% weighting to this scenario would result in an estimated total expected credit loss provision on balance sheet at the reporting date of ~$2,400 million[1]	Unlikely	**Global:** The scenario projects a sharp slowdown in annual GDP growth, around 3 to 3.5 percentage points lower than the baseline. The global economy is projected to contract by ~2.6% in the next twelve months and stagnate for the subsequent 12 months. **Australia:** The scenario projects five consecutive quarters of contraction in real GDP, resulting in a 2.6% decline by end-2024. Unemployment peaks at 7.3% in mid-2025, and house prices fall by over 25%. **United States:** The scenario projects a 4.7% fall in GDP to the end of 2024, contracting for six straight quarters and failing to recover prior output levels by the end of 2027. Unemployment is projected to reach 8.9% by the end of 2024, and housing and equity prices are expected to fall by 15% and 25% respectively. **Europe:** The scenario projects a recession that extends until the end of 2024, and GDP falls by 3.5% from current levels. Unemployment rates are projected to peak at 9.8% in early-2025 and recede slowly.
Upside A 100% weighting to this scenario would result in an estimated total expected credit loss provision on balance sheet at the reporting date of ~$1,550 million[1]	Unlikely	**Global:** The upside scenario projects annual growth in global GDP that is approximately 1 percentage point higher than the baseline scenario until late-2024. **Australia:** The scenario projects a slight slowdown in GDP growth to around 1.5% annually, but growth remains positive throughout. Unemployment rates are forecast to increase only modestly, remaining below 4.5%. Interest rate rises are sufficient to manage inflation without sharply slowing growth, and are gradually eased to maintain growth. **United States:** The scenario projects slowing GDP growth to 0.7% in 2024, with one modest quarterly contraction in output. The US Federal Reserve pauses monetary tightening as inflation recedes, achieving a 'soft landing' scenario. **Europe:** The scenario projects GDP to grow only 0.1% in 2023 and 0.6% in 2024, avoiding a technical recession. Thereafter, growth remains around 1.5-2% annually through to 2026, and unemployment stabilises at around 7.4%.

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

Note 12

Expected credit losses continued

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

	GROSS EXPOSURE FOR FINANCIAL ASSETS CARRIED AT				ECL ALLOWANCE ON FINANCIAL ASSETS CARRIED AT			
	Amortised cost $m	FVOCI $m	Other $m	Gross exposure $m	Amortised cost $m	FVOCI $m	Other $m	Total ECL allowance $m
								AS AT 30 SEP 2023
Cash and bank balances	**29,595**	**—**	**—**	**29,595**	**8**	**—**	**—**	**8**
Cash collateralised lending and reverse repurchase agreements	**12,673**	**47,042**	**—**	**59,715**	**4**	**—**	**—**	**4**
Margin money and settlement assets	**23,795**	**—**	**—**	**23,795**	**47**	**—**	**—**	**47**
Financial investments	**1,870**	**18,303**	**—**	**20,173**	**—**	**3**	**—**	**3**
Held for sale and other assets[1]	**4,176**	**193**	**1,214**	**5,583**	**162**	**—**	**—**	**162**
Loan assets	**167,221**	**631**	**—**	**167,852**	**1,268**	**140**	**—**	**1,408**
Loans to associates and joint ventures	**507**	**—**	**—**	**507**	**55**	**—**	**—**	**55**
Off balance sheet exposures	**—**	**—**	**30,366**	**30,366**	**—**	**—**	**159**	**159**
Total	**239,837**	**66,169**	**31,580**	**337,586**	**1,544**	**143**	**159**	**1,846**
								AS AT 31 MAR 2023
Cash and bank balances	45,659	—	—	45,659	3	—	—	3
Cash collateralised lending and reverse repurchase agreements	15,903	33,463	—	49,366	6	2	—	8
Margin money and settlement assets	24,738	—	—	24,738	58	—	—	58
Financial investments	1,721	17,269	—	18,990	—	4	—	4
Held for sale and other assets[1]	4,613	4	960	5,577	120	—	—	120
Loan assets	158,295	643	—	158,938	1,316	128	—	1,444
Loans to associates and joint ventures	480	—	—	480	60	—	—	60
Off balance sheet exposures	—	—	28,760	28,760	—	—	134	134
Total	251,409	51,379	29,720	332,508	1,563	134	134	1,831
								AS AT 30 SEP 2022
Cash and bank balances	54,125	—	—	54,125	—	—	—	—
Cash collateralised lending and reverse repurchase agreements	22,688	44,478	—	67,166	—	—	—	—
Margin money and settlement assets	29,202	—	—	29,202	112	—	—	112
Financial investments	750	18,540	—	19,290	—	20	—	20
Held for sale and other assets[1]	5,434	—	841	6,275	136	—	—	136
Loan assets	148,549	362	—	148,911	1,157	69	—	1,226
Loans to associates and joint ventures	477	90	—	567	58	40	—	98
Off balance sheet exposures	—	—	28,288	28,288	—	—	99	99
Total	261,225	63,470	29,129	353,824	1,463	129	99	1,691

[1] Other exposures included in other assets represent fee-related contract assets.

Note 12

Expected credit losses continued

The tables below provides a reconciliation between the opening and closing balance of the ECL allowances:

	Cash and bank balances $m	Cash collateralised lending and repurchase agreements $m	Margin money and settlement assets $m	Financial investments $m	Held for sale and other assets $m	Loan assets $m	Loans to associates and joint ventures $m	Off balance sheet exposures $m	Total $m
Balance as at 1 Apr 2022	4	8	97	3	159	1,090	96	56	1,513
Credit impairment charges/ (reversals) (Note 2)	—	—	11	17	8	110	(5)	37	178
Amounts written off, previously provided for	—	—	—	—	(61)	(20)	—	—	(81)
Reclassifications, foreign exchange and other movements	—	—	4	—	18	46	7	6	81
Balance as at 30 Sep 2022	4	8	112	20	124	1,226	98	99	1,691
Credit impairment charges/ (reversals) (Note 2)	(1)	—	(53)	(16)	17	233	—	35	215
Amounts written off, previously provided for	—	—	—	—	(3)	(54)	—	—	(57)
Reclassifications, foreign exchange and other movements	—	—	(1)	—	(18)	39	(38)	—	(18)
Balance as at 31 Mar 2023	3	8	58	4	120	1,444	60	134	1,831
Credit impairment charges/ (reversals) (Note 2)	**5**	**(4)**	**(11)**	**(1)**	**49**	**(45)**	**(7)**	**20**	**6**
Amounts written off, previously provided for	**—**	**—**	**—**	**—**	**(9)**	**(15)**	**—**	**—**	**(24)**
Reclassifications, foreign exchange and other movements	**—**	**—**	**—**	**—**	**2**	**24**	**2**	**5**	**33**
Balance as at 30 Sep 2023	**8**	**4**	**47**	**3**	**162**	**1,408**	**55**	**159**	**1,846**

Note 12

Expected credit losses continued

ECL on loan assets

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

		LIFETIME ECL		
	Stage I 12 month ECL $m	Stage II Not credit impaired $m	Stage III Credit impaired $m	Total ECL Allowance $m
Balance as at 1 Apr 2022	486	285	319	1,090
Transfers during the period	19	(20)	1	—
Credit impairment charges (Note 2)	67	35	8	110
Amounts written off, previously provided for	—	—	(20)	(20)
Reclassifications, foreign exchange and other movements	22	16	8	46
Balance as at 30 Sep 2022	594	316	316	1,226
Transfers during the period	(24)	28	(4)	—
Credit impairment charges (Note 2)	26	110	97	233
Amounts written off, previously provided for	—	—	(54)	(54)
Reclassifications, foreign exchange and other movements	29	(29)	39	39
Balance as at 31 Mar 2023	625	425	394	1,444
Transfers during the period	**34**	**33**	**(67)**	**—**
Credit impairment (reversals)/charges (Note 2)	**(60)**	**(44)**	**59**	**(45)**
Amounts written off, previously provided for	**—**	**—**	**(15)**	**(15)**
Reclassifications, foreign exchange and other movements	**10**	**9**	**5**	**24**
Balance as at 30 Sep 2023	**609**	**423**	**376**	**1,408**

Note 13

Trading liabilities

	As at 30 Sep 23 $m	As at 31 Mar 23 $m	As at 30 Sep 22 $m
Equity securities	**8,154**	4,770	6,267
Debt securities	**68**	40	40
Commodities	**—**	—	136
Total trading liabilities	**8,222**	4,810	6,443

Note 14
Margin money and settlement liabilities

	As at 30 Sep 23 $m	As at 31 Mar 23 $m	As at 30 Sep 22 $m
Margin money	**16,546**	17,109	30,203
Security settlement liabilities	**6,462**	6,408	5,633
Commodity settlement liabilities	**4,128**	3,965	4,590
Total margin money and settlement liabilities	**27,136**	27,482	40,426

Note 15
Derivative liabilities

Held for trading	**24,621**	29,055	107,172
Designated in hedge relationships	**4,906**	3,735	4,562
Total derivative liabilities	**29,527**	32,790	111,734

These derivative balances are presented in the statement of financial position after offsetting balances where the Consolidated Entity has both a legally enforceable right of set off and the intention to settle on a net basis. After taking into account related financial instruments (primarily derivative assets) of $15,223 million (31 March 2023: $19,761 million; 30 September 2022: $76,217 million), cash and other financial collateral of $7,101 million (31 March 2023: $6,479 million; 30 September 2022: $12,312 million), the residual derivative liability exposure amounts to $7,203 million (31 March 2023: $6,550 million; 30 September 2022: $23,205 million). Refer to Note 9 *Derivative assets* for details of the Consolidated Entity's approach to derivative instruments and financial risk management.

Note 16
Held for sale and other liabilities

Held for sale liabilities			
Liabilities of disposal groups classified as held for sale	**296**	173	112
Other financial liabilities			
Commodity-related payables	**4,310**	1,371	2,172
Creditors	**1,815**	1,929	1,576
Lease liabilities	**921**	702	595
Unit holder liabilities	**—**	—	589
Total other financial liabilities	**7,046**	4,002	4,932
Other non-financial liabilities			
Employment-related liabilities	**2,374**	4,065	2,615
Provisions[1]	**1,761**	1,620	1,399
Accrued charges and other payables	**947**	841	512
Income tax provisions[2]	**852**	1,087	934
Income received in advance	**528**	600	526
Indirect taxes payable	**175**	138	106
Other	**159**	159	175
Total other non-financial liabilities	**6,796**	8,510	6,267
Total other liabilities	**13,842**	12,512	11,199

[1] In the ordinary course of its business, the Consolidated Entity may be subject to actual and potential civil claims and regulatory enforcement actions. During the current period, these include matters in the Commonwealth of Australia, the United States of America, the United Kingdom, and the Federal Republic of Germany. The civil claims may result in settlements or damages awards. The regulatory enforcement actions may result in outcomes such as penalties, fines, disgorgement of profits and non-monetary sanctions. This amount includes provisions for such outcomes. The amount and timing of the outcomes are uncertain and may differ from the provisions recognised. Based on existing information, the range of likely outcomes, and any changes in provisions during the current year, did not have and are not currently expected to have a material impact on the Consolidated Entity. The Consolidated Entity considers the risk of there being a material adverse effect in respect of claims and actions that have not been provided for to be remote.

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

Note 17

Issued debt securities and other borrowings

	30 Sep 23 $m	31 Mar 23 $m	30 Sep 22 $m
Bonds	**52,378**	50,972	58,146
Commercial paper	**31,070**	23,466	36,836
Securitised notes[1]	**10,925**	11,424	14,208
Structured notes[2,3]	**2,223**	2,413	2,237
Certificates of deposit	**3,207**	2,274	2,292
Total issued debt securities	**99,803**	90,549	113,719
Other borrowings[1]	**20,083**	18,912	14,902
Total issued debt securities and other borrowings	**119,886**	109,461	128,621

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

Reconciliation of issued debt securities and other borrowings by major currency

(In Australian dollar equivalent)

United States dollar	**77,340**	67,194	84,663
Australian dollar	**20,137**	20,523	23,988
Euro	**9,846**	8,635	7,478
Pound sterling	**6,320**	5,960	5,666
Japanese Yen	**2,376**	2,429	2,067
Swiss franc	**1,174**	1,580	1,893
Others	**2,693**	3,140	2,866
Total issued debt securities and other borrowings	**119,886**	109,461	128,621

[1] Includes $15,241 million (31 March 2023: $15,587 million; 30 September 2022: $14,208 million) payable to note and debt holders for which loan assets are held by consolidated Structured Entities (SEs) and are available as security. Refer to Note 11 *Loan assets*.

[2] The amount that would be contractually required to be paid at maturity to the holders of issued debt securities measured at DFVTPL is $3,695 million (31 March 2023: $3,696 million; 30 September 2022: $3,690 million). This amount is based on the final notional amount rather than the fair value. Refer to Note 21 *Measurement categories of financial instruments* for the carrying value of issued debt securities measured at DFVTPL.

[3] Includes a cumulative fair value gain recognised in OCI of $30 million (31 March 2023 gain; $49 million; 30 September 2022 loss: $61 million) due to changes in own credit risk on issued debt securities measured at DFVTPL.

Note 18

Contributed equity

	As at 30 Sep 23 $m	As at 31 Mar 23 $m	As at 30 Sep 22 $m
Ordinary share capital	**14,812**	14,735	14,741
Treasury shares	**(2,871)**	(2,328)	(2,389)
Total contributed equity	**11,941**	12,407	12,352

	Number of shares	Total $m
(i) Ordinary share capital[1]		
Balance as at 1 Apr 2022	383,647,637	14,156
Issued shares on retraction of exchangeable shares on 27 May 2022 and 01 June 2022	92,380	—
Issued fully paid shares pursuant to the DRP on 4 July 2022 @177.11 per share	2,736,737	485
For employee MEREP awards:		
Transfer from share-based payments reserve on vesting of MEREP awards	—	468
Transfer of deferred tax benefit on MEREP from share-based payments reserve on vesting of MEREP awards	—	24
Transfer from treasury shares for MEREP awards exercised	—	(392)
Balance as at 30 Sep 2022	386,476,754	14,741
For employee MEREP awards:		
Transfer from share-based payments reserve on vesting of MEREP awards	—	44
Transfer of deferred tax benefit on MEREP from share-based payments reserve on vesting of MEREP awards	—	11
Transfer from treasury shares for MEREP awards exercised	—	(61)
Balance as at 31 Mar 2023	386,476,754	14,735
For employee MEREP awards:		
Transfer from share-based payments reserve on vesting of MEREP awards	**—**	**549**
Transfer of deferred tax benefit on MEREP from share-based payments reserve on vesting of MEREP awards	**—**	**13**
Transfer from treasury shares for MEREP awards exercised	**—**	**(485)**
Balance as at 30 Sep 2023	**386,476,754**	**14,812**
(ii) Treasury shares		
Balance as at 1 Apr 2022	(15,234,983)	(1,858)
Acquisition of shares for employee MEREP awards	(5,470,493)	(923)
Transfer to ordinary share capital for MEREP awards exercised	3,469,192	392
Balance as at 30 Sep 2022	(17,236,284)	(2,389)
Transfer to ordinary share capital for MEREP awards exercised	512,231	61
Acquisition of shares for allocation under DRP scheme	(571,665)	(102)
Allocation of shares under DRP scheme	571,665	102
Acquisition of shares for allocation under ESP scheme	(10,975)	(2)
Allocation of shares under ESP scheme	10,975	2
Balance as at 31 Mar 2023	(16,724,053)	(2,328)
Acquisition of shares for employee MEREP awards	**(5,737,537)**	**(1,028)**
Transfer to ordinary share capital for MEREP awards exercised	**3,951,704**	**485**
Acquisition of shares for allocation under DRP scheme	**(1,319,291)**	**(233)**
Allocation of shares under DRP scheme	**1,319,291**	**233**
Balance as at 30 Sep 2023	**(18,509,886)**	**(2,871)**

[1] Ordinary shares have no par value.

Note 19
Reserves and retained earnings

	Half year to 30 Sep 23 $m	Half year to 31 Mar 23 $m	Half year to 30 Sep 22 $m
(i) Reserves			
Foreign currency translation reserve			
Balance at the beginning of the period	**1,632**	2,012	312
Foreign exchange movement on translation and hedge accounting of foreign operations, net of tax	**565**	(380)	1,700
Balance at the end of the period	**2,197**	1,632	2,012
FVOCI reserve			
Balance at the beginning of the period	**30**	(10)	16
Revaluation movement, net of tax	**(37)**	36	(51)
Changes in ECL allowance, net of tax	**8**	4	25
Balance at the end of the period	**1**	30	(10)
Share-based payments reserve			
Balance at the beginning of the period	**1,621**	1,261	1,424
MEREP share-based payment arrangements	**396**	375	376
Deferred tax on MEREP share-based payment arrangements	**(13)**	40	(47)
Transfer of ordinary share capital on vesting of MEREP awards	**(549)**	(44)	(468)
Transfer of deferred tax benefit to ordinary share capital on vesting of MEREP awards	**(13)**	(11)	(24)
Balance at the end of the period	**1,442**	1,621	1,261
Cash flow hedge reserve			
Balance at the beginning of the period	**21**	28	(103)
Revaluation movement, net of tax	**(45)**	(29)	43
Transferred to income statement on realisation, net of tax	**26**	22	88
Balance at the end of the period	**2**	21	28
Share of reserves in associates and joint ventures			
Balance at the beginning of the period	**28**	(5)	(110)
Share of other comprehensive (loss)/income from associates and joint ventures, net of tax	**(2)**	33	105
Balance at the end of the period	**26**	28	(5)
Cost of hedging and other reserves			
Balance at the beginning of the period	**(30)**	(36)	(16)
Revaluation movement, net of tax	**(54)**	(1)	(27)
Transferred to income statement on realisation, net of tax	**6**	7	7
Balance at the end of the period	**(78)**	(30)	(36)
Total reserves at the end of the period	**3,590**	3,302	3,250

Note 19

Reserves and retained earnings continued

	Half year to 30 Sep 23 $m	Half year to 31 Mar 23 $m	Half year to 30 Sep 22 $m
(ii) Retained earnings			
Balance at the beginning of the period	**17,446**	15,735	14,740
Profit attributable to the ordinary equity holders of MGL	**1,415**	2,877	2,305
Dividends paid on ordinary share capital (Note 5)	**(1,734)**	(1,156)	(1,339)
Movement due to change in non-controlling ownership interest	**4**	(1)	(3)
Remeasurement of defined benefit plans	**1**	12	—
Fair value changes attributable to own credit risk on debt classified as DFVTPL, net of tax	**(12)**	(21)	32
Balance at the end of the period	**17,120**	17,446	15,735

Note 20

Contingent liabilities and commitments

	As at 30 Sep 23 $m	As at 31 Mar 23 $m	As at 30 Sep 22 $m
Credit risk related exposures			
Undrawn credit facilities and debt commitments[1,2]	**28,495**	26,703	26,053
Letter of credit and guarantees[3]	**2,542**	2,057	2,235
Total credit risk related exposures	**31,037**	28,760	28,288
Other contingencies and commitments			
Equity investment commitments	**2,125**	2,531	2,842
Asset development and purchase commitments[4]	**1,505**	2,358	2,089
Performance-related contingencies[3]	**289**	469	459
Total other contingencies and commitments	**3,919**	5,358	5,390
Total contingent liabilities and commitments	**34,956**	34,118	33,678

[1] Undrawn credit facilities include fully or partially undrawn commitments against which clients can borrow money under defined terms and conditions. Balance includes revocable undrawn commitments for certain retail banking products $14,973 million (31 March 2023: $13,723 million; 30 September 2022: $13,922 million) which are considered to be exposed to credit risk.

[2] Includes $1,164 million (half year to 31 March 2023: $1,066 million; half year to 30 September 2022: $807 million) in undrawn facilities wherein loan positions have been sub-participated to a third party and will be transferred after drawdown.

[3] It is not practicable to ascertain the timing of any outflow and the possibility of any reimbursement related to these contingent liabilities. Certain contingent liabilities are collateralised and any cash collateral (and related liability to return the collateral) is recognised in the Statement of financial position.

[4] Includes asset development commitments of $816 million (31 March 2023: $1,225 million; 30 September 2022: $1,356 million) for which the Consolidated Entity has entered into a sales agreement to divest of certain assets upon development completion.

Note 21

Measurement categories of financial instruments

The following table contains information relating to the measurement categories (i.e. Held for trading (HFT), FVTPL, DFVTPL, FVOCI or Amortised cost) of assets and liabilities of the Consolidated Entity. The description of measurement categories are included in Note 44(vii) *Financial Instruments* in the Consolidated Entity's March 2023 Annual Financial Statements.

The methods and significant assumptions that have been applied in determining the fair values of assets and liabilities are disclosed in Note 22 *Fair values of assets and liabilities*.

	FINANCIAL INSTRUMENTS CARRIED AT							FAIR VALUE OF ITEMS CARRIED AT	
	FAIR VALUE								
	HFT	DFVTPL	FVTPL	FVOCI	Amortised cost	Non-financial instruments	Statements of financial position total	Fair value	Amortised cost
	$m	$m	$m	$m	$m	$m	$m	$m	$m
Assets									**AS AT 30 SEP 2023**
Cash and bank balances	—	—	—	—	29,587	—	29,587	—	29,587
Cash collateralised lending and reverse repurchase agreements	—	—	6,408	47,042	12,669	—	66,119	53,450	12,669
Trading assets[1]	17,851	—	—	—	—	2,373	20,224	20,224	—
Margin money and settlement assets	—	—	397	—	23,748	—	24,145	397	23,748
Derivative assets	27,962	—	1,159	—	—	—	29,121	29,121	—
Financial investments:									
Equity	—	—	1,712	—	—	—	1,712	1,712	—
Debt[2]	—	—	1,103	18,177	1,870	—	21,150	19,280	1,870
Held for sale and other assets	—	—	5,587	193	4,014	5,707	15,501	6,680	4,014
Loan assets[2]	—	—	1,051	533	165,911	—	167,495	1,584	165,873
Interests in associates and joint ventures:									
Equity interests	—	—	—	—	—	5,236	5,236	—	—
Loans to associates and joint ventures	—	—	486	—	452	—	938	486	452
Property, plant and equipment and right-of-use assets[2]	—	—	—	—	—	7,531	7,531	—	—
Intangible assets	—	—	—	—	—	4,249	4,249	—	—
Deferred tax assets	—	—	—	—	—	1,586	1,586	—	—
Total assets	**45,813**	**—**	**17,903**	**65,945**	**238,251**	**26,682**	**394,595**	**132,934**	**238,213**
Liabilities									
Cash collateralised borrowing and repurchase agreements	—	144	—	—	13,363	—	13,507	144	13,363
Trading liabilities	8,222	—	—	—	—	—	8,222	8,222	—
Margin money and settlement liabilities	—	—	—	—	27,136	—	27,136	—	27,136
Derivative liabilities	24,621	—	4,906	—	—	—	29,527	29,527	—
Deposits	—	—	—	—	135,966	—	135,966	—	135,905
Held for sale and other liabilities[3]	—	4,041	21	—	3,575	6,501	14,138	4,062	2,647
Issued debt securities and other borrowings[2]	—	2,472	—	—	117,414	—	119,886	2,472	117,773
Deferred tax liabilities	—	—	—	—	—	241	241	—	—
Loan capital[2]	—	—	—	—	12,833		12,833	—	13,057
Total liabilities	**32,843**	**6,657**	**4,927**	**—**	**310,287**	**6,742**	**361,456**	**44,427**	**309,881**

[1] Non-financial assets under 'Trading assets' represent commodities inventory carried at fair value less costs to sell.
[2] Items measured at amortised cost or cost includes, where applicable, fair value hedge accounting adjustments for designated hedged risks.
[3] The fair value of other liabilities carried at amortised cost excludes lease liabilities.

Note 21

Measurement categories of financial instruments continued

	FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE							FAIR VALUE OF ITEMS CARRIED AT	
	HFT $m	DFVTPL $m	FVTPL $m	FVOCI $m	Amortised cost $m	Non-financial instruments $m	Statements of financial position total $m	Fair value $m	Amortised cost $m
								AS AT 31 MAR 2023	
Assets									
Cash and bank balances	—	—	—	—	45,656	—	45,656	—	45,656
Cash collateralised lending and reverse repurchase agreements	—	—	4,963	33,463	15,897	—	54,323	38,426	15,897
Trading assets[1]	14,475	—	—	—	—	2,406	16,881	16,881	—
Margin money and settlement assets	—	—	576	—	24,680	—	25,256	576	24,680
Derivative assets	34,906	—	1,208	—	—	—	36,114	36,114	—
Financial investments:									
Equity	—	—	2,170	—	—	—	2,170	2,170	—
Debt[2]	—	—	721	17,262	1,721	—	19,704	17,983	1,721
Held for sale and other assets	—	—	2,453	4	4,493	4,409	11,359	3,386	4,493
Loan assets[2]	—	—	1,110	549	156,913	—	158,572	1,659	156,306
Interests in associates and joint ventures:									
Equity interests	—	—	—	—	—	4,610	4,610	—	—
Loans to associates and joint ventures[2]	—	—	544	—	420	—	964	544	420
Property, plant and equipment and right-of-use assets[2]	—	—	—	—	—	6,639	6,639	—	—
Intangible assets	—	—	—	—	—	3,827	3,827	—	—
Deferred tax assets	—	—	—	—	—	1,797	1,797	—	—
Total assets	49,381	—	13,745	51,278	249,780	23,688	387,872	117,739	249,173
Liabilities									
Cash collateralised borrowing and repurchase agreements	—	277	—	—	18,460	—	18,737	277	18,460
Trading liabilities	4,810	—	—	—	—	—	4,810	4,810	—
Margin money and settlement liabilities	—	—	—	—	27,482	—	27,482	—	27,482
Derivative liabilities	29,055	—	3,735	—	—	—	32,790	32,790	—
Deposits	—	—	—	—	134,714	—	134,714	—	134,649
Held for sale and other liabilities[3]	—	1,330	—	—	3,092	8,263	12,685	1,330	2,390
Issued debt securities and other borrowings[2]	—	2,583	—	—	106,878	—	109,461	2,583	106,496
Deferred tax liabilities	—	—	—	—	—	196	196	—	—
Loan capital[2]	—	—	—	—	12,891	—	12,891	—	12,806
Total liabilities	33,865	4,190	3,735	—	303,517	8,459	353,766	41,790	302,283

[1] Non-financial assets under 'Trading assets' represent commodities inventory carried at fair value less costs to sell.
[2] Items measured at amortised cost or cost includes, where applicable, fair value hedge accounting adjustments for designated hedged risks.
[3] The fair value of other liabilities carried at amortised cost excludes lease liabilities.

Note 21

Measurement categories of financial instruments continued

	FINANCIAL INSTRUMENTS CARRIED AT							FAIR VALUE OF ITEMS CARRIED AT	
	FAIR VALUE								
	HFT	DFVTPL	FVTPL	FVOCI	Amortised cost	Non-financial instruments	Statements of financial position total	Fair value	Amortised cost
	$m	$m	$m	$m	$m	$m	$m	$m	$m
									AS AT 30 SEP 2022
Assets									
Cash and bank balances	—	—	—	—	54,125	—	54,125	—	54,125
Cash collateralised lending and reverse repurchase agreements	—	—	8,622	44,478	22,688	—	75,788	53,100	22,688
Trading assets[1]	10,202	—	—	—	—	3,108	13,310	13,310	—
Margin money and settlement assets	—	—	270	—	29,090	—	29,360	270	29,090
Derivative assets	110,195	—	1,718	—	—	—	111,913	111,913	—
Financial investments:									
Equity	—	—	2,143	—	—	—	2,143	2,143	—
Debt[2]	—	—	3,720	18,433	750	—	22,903	22,153	750
Held for sale and other assets	—	—	2,619	3	5,296	4,267	12,185	3,588	5,298
Loan assets[2]	—	74	1,184	322	147,294	—	148,874	1,580	146,298
Interests in associates and joint ventures:									
Equity interests	—	—	—	—	—	3,879	3,879	—	—
Loans to associates and joint ventures[2]	—	—	492	50	419	—	961	542	472
Property, plant and equipment and right-of-use assets[2]	—	—	—	—	—	5,511	5,511	—	—
Intangible assets	—	—	—	—	—	4,170	4,170	—	—
Deferred tax assets	—	—	—	—	—	1,452	1,452	—	—
Total assets	120,397	74	20,768	63,286	259,662	22,387	486,574	208,599	258,721
Liabilities									
Cash collateralised borrowing and repurchase agreements	—	256	—	—	22,154	—	22,410	256	22,154
Trading liabilities	6,443	—	—	—	—	—	6,443	6,443	—
Margin money and settlement liabilities	—	—	—	—	40,426	—	40,426	—	40,426
Derivative liabilities	107,172	—	4,562	—	—	—	111,734	111,734	—
Deposits	—	—	—	—	122,227	—	122,227	—	122,166
Held for sale and other liabilities[3]	—	2,118	—	—	2,818	6,375	11,311	2,118	2,302
Issued debt securities and other borrowings[2]	—	2,143	—	—	126,478	—	128,621	2,143	125,213
Deferred tax liabilities	—	—	—	—	—	258	258	—	—
Loan capital[2]	—	—	—	—	11,457	—	11,457	—	11,484
Total liabilities	113,615	4,517	4,562	—	325,560	6,633	454,887	122,694	323,745

[1] Non-financial assets under 'Trading assets' represent commodities inventory carried at fair value less costs to sell.
[2] Items measured at amortised cost or cost includes, where applicable, fair value hedge accounting adjustments for designated hedged risks.
[3] The fair value of other liabilities carried at amortised cost excludes lease liabilities.

Note 22

Fair value of assets and liabilities

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

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

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

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

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

The appropriate fair value hierarchy level for an item is determined on the basis of the lowest level input that is significant to the fair value measurement.

AASB 13 *Fair Value Measurement* requires the use of the price within the bid-offer spread that is most representative of fair value. Valuation systems will typically generate mid-market prices. The bid-offer adjustment reflects the extent to which bid-offer costs would be incurred if substantially all of the residual net exposure to market risks were closed, on a portfolio basis, using available hedging instruments.

The following methods and significant assumptions have been applied in determining the fair values of the following items carried at amortised cost in the Statement of financial position.

Asset or liability	Valuation technique, inputs and other significant assumptions
Cash and cash balance, cash collateralised lending and reverse repurchase agreements, Cash collateralised borrowing and repurchase agreements	The fair value of cash and bank balance, cash collateralised lending and reverse repurchase agreements, cash collateralised borrowing and repurchase agreements approximates their carrying amounts as these are highly liquid and short-term in nature.
Loan assets and Deposits	The fair value of fixed rate loan assets and term deposits is determined with reference to changes in interest rates and credit spreads. The fair value of variable rate loan assets and deposits approximates their carrying amounts, subject to any adjustment for changes in the credit spreads. The fair value of demand deposits with no fixed maturity approximates their carrying amount as they are short-term in nature or are payable on demand.
Financial investments	The fair value of liquid assets and other instruments maturing within three months are approximate to their carrying amounts. The fair value of fixed rate debt investments is estimated by reference to current market rates offered on similar securities and the creditworthiness of the borrower. The fair value of variable rate investments approximate their carrying amounts, subject to any adjustment for changes in credit spreads.
Issued debt securities and other borrowings and Loan capital	The fair value of issued debt securities, borrowings and loan capital is based on quoted prices in active markets where available. Where quoted prices are not available the fair value is based on discounted cash flows using rates appropriate to the term and incorporates changes in the Consolidated Entity's own credit spread.
Margin money, settlement assets and settlement liabilities, Other financial assets and financial liabilities	The fair value of margin money, settlement assets, settlement liabilities, other financial assets and financial liabilities approximates their carrying amounts.

Note 22

Fair value of assets and liabilities continued

The following methods and significant assumptions have been applied in determining the fair values of the following items carried at fair value in the Statement of financial position.

Asset or liability	Valuation technique, inputs and other significant assumptions
Trading assets, Trading liabilities and Derivatives	Trading assets, including commodities and commodity contracts, trading liabilities, derivative financial instruments and other transactions undertaken for trading purposes are measured at fair value by reference to quoted prices in active markets where available (for example, listed securities). If quoted prices in active markets are not available, then fair values are estimated on the basis of other recognised valuation techniques. The Consolidated Entity has incorporated the market implied funding costs for uncollateralised derivative positions as a Funding Valuation Adjustment (FVA). FVA is determined by calculating the net expected exposures at a counterparty level and applying the Consolidated Entity's internal Treasury lending rates as an input into the calculation.
Repurchase and reverse repurchase agreements	Repurchase and reverse repurchase agreements, being collateralised financing arrangements, are measured at fair value with reference to current market rates and giving considerations to the fair value of securities held or provided as collateral.
Financial investments	Financial investments classified as FVTPL or FVOCI are measured at fair value by reference to quoted prices in active markets where available (for example, listed securities). If quoted prices in active markets are not available, the fair values are estimated on the basis of other recognised valuation techniques that maximise the use of quoted prices and observable market inputs.
Loan assets and Issued debt securities	Fair values of loans and issued debt securities are measured by reference to quoted prices in active markets where available. If quoted prices are not available in active markets, the fair values are estimated with reference to current market rates.
Investment property	Investment property is measured at fair value based on the discounted future cash flow approach or the capitalisation approach and is supported by recent market transactions, where available. The adopted capitalisation rates and discount rates are determined based on industry expertise.
Other financial assets and financial liabilities	Fair values of other financial assets and financial liabilities are based upon data or valuation techniques appropriate to the nature and type of the underlying instruments.

For financial assets carried at fair value, in order to measure counterparty credit risk, an adjustment is incorporated into the valuation. Where exposures are managed on a portfolio basis, the adjustment is calculated on a counterparty basis for those exposures. For financial liabilities carried at fair value, in order to measure the Consolidated Entity's own credit risk, an adjustment is incorporated into the valuations.

Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. The output of a valuation technique is always an estimate of a fair value that cannot be measured with complete certainty. All models are reviewed before they are used. Models are calibrated periodically to test the outputs and reflect the prices from observable current market transactions in same instrument or other available observable market data.

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

Notes to the consolidated financial statements

For the half year ended 30 September 2023 continued

Note 22

Fair value of assets and liabilities continued

Assets and liabilities measured at fair value

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

	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Assets				**AS AT 30 SEP 2023**
Cash collateralised lending and reverse repurchase agreements	**—**	**53,450**	**—**	**53,450**
Trading assets	**12,221**	**6,823**	**1,180**	**20,224**
Margin money and settlement assets	**—**	**397**	**—**	**397**
Derivative assets	**15**	**28,340**	**766**	**29,121**
Financial investments	**2,849**	**16,263**	**1,880**	**20,992**
Held for sale and other assets[1]	**—**	**5,454**	**1,226**	**6,680**
Loan assets	**—**	**340**	**1,244**	**1,584**
Loans to associates and joint ventures	**—**	**—**	**486**	**486**
Total assets	**15,085**	**111,067**	**6,782**	**132,934**
Liabilities				
Cash collateralised borrowing and repurchase agreements	**—**	**144**	**—**	**144**
Trading liabilities	**8,054**	**168**	**—**	**8,222**
Derivative liabilities	**2**	**28,580**	**945**	**29,527**
Held for sale and other liabilities	**—**	**4,062**	**—**	**4,062**
Issued debt securities and other borrowings	**—**	**2,472**	**—**	**2,472**
Total liabilities	**8,056**	**35,426**	**945**	**44,427**
Assets				AS AT 31 MAR 2023
Cash collateralised lending and reverse repurchase agreements	—	38,426	—	38,426
Trading assets	8,296	7,781	804	16,881
Margin money and settlement assets	—	576	—	576
Derivative assets	13	35,305	796	36,114
Financial investments	5,373	12,918	1,862	20,153
Held for sale and other assets[1]	—	2,313	1,073	3,386
Loan assets	—	418	1,241	1,659
Loans to associates and joint ventures	—	—	544	544
Total assets	13,682	97,737	6,320	117,739
Liabilities				
Cash collateralised borrowing and repurchase agreements	—	277	—	277
Trading liabilities	4,671	139	—	4,810
Derivative liabilities	8	31,998	784	32,790
Held for sale and other liabilities	—	1,330	—	1,330
Issued debt securities and other borrowings	—	2,583	—	2,583
Total liabilities	4,679	36,327	784	41,790

[1] Includes $902 million (31 March 2023: $917 million) of investment properties measured at fair value.

Note 22

Fair value of assets and liabilities continued

	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Assets				AS AT 30 SEP 2022
Cash collateralised lending and reverse repurchase agreements	—	53,100	—	53,100
Trading assets	5,381	7,294	635	13,310
Margin money and settlement assets	—	270	—	270
Derivative assets	22	110,947	944	111,913
Financial investments	10,325	11,401	2,570	24,296
Held for sale and other assets[1]	—	2,534	1,054	3,588
Loan assets	—	388	1,192	1,580
Loans to associates and joint ventures	—	—	542	542
Total assets	15,728	185,934	6,937	208,599
Liabilities				
Cash collateralised borrowing and repurchase agreements	—	256	—	256
Trading liabilities	6,146	297	—	6,443
Derivative liabilities	13	110,523	1,198	111,734
Held for sale and other liabilities	—	2,118	—	2,118
Issued debt securities and other borrowings	—	2,143	—	2,143
Total liabilities	6,159	115,337	1,198	122,694

[1] Includes $856 million of investment properties measured at fair value.

Note 22

Fair value of assets and liabilities continued

Reconciliation of balances in Level 3 of the fair value hierarchy

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

	Trading assets $m	Financial investments $m	Held for sale and other assets $m	Loan assets $m	Loans to associates and joint ventures $m	Derivative financial instruments (net fair values)[1] $m	Total $m
Balance as at 1 Apr 2022	535	2,047	1,016	566	359	(769)	3,754
Purchases, originations, issuances and other additions	124	758	97	857	179	156	2,171
Sales, settlements and repayments	(88)	(135)	(180)	(234)	(9)	174	(472)
Reclassification	—	—	44	—	(44)	—	—
Transfers into Level 3[2]	72	232	5	37	—	12	358
Transfers out of Level 3[2]	(81)	(432)	(2)	—	(11)	43	(483)
Fair value movements recognised in the income statement:							
Net trading income/(loss)[3]	73	219	89	(30)	16	130	497
Other loss	—	(81)	(15)	(7)	(38)	—	(141)
Fair value movements recognised in OCI	—	(38)	—	3	90	—	55
Balance as at 30 Sep 2022	635	2,570	1,054	1,192	542	(254)	5,739
Fair value movements for the period included in the income statement for assets and liabilities held at the end of the period[3]	80	180	54	(7)	(11)	64	360
Balance as at 1 Oct 2022	635	2,570	1,054	1,192	542	(254)	5,739
Purchases, originations, issuances and other additions	213	372	107	270	119	173	1,254
Sales, settlements and repayments	—	(17)	(153)	(47)	(44)	45	(216)
Reclassification	—	—	42	—	(42)	—	—
Transfers into Level 3[2]	150	19	51	—	—	146	366
Transfers out of Level 3[2]	(99)	(1,057)	(3)	(100)	(74)	(6)	(1,339)
Fair value movements recognised in the income statement:							
Net trading (loss)/income[3]	(95)	(29)	(26)	(32)	15	(126)	(293)
Other income/(loss)	—	31	1	(31)	19	12	32
Fair value movements recognised in OCI	—	(27)	—	(11)	9	22	(7)
Balance as at 31 Mar 2023	804	1,862	1,073	1,241	544	12	5,536
Fair value movements for the period included in the income statement for assets and liabilities held at the end of the period[3]	(96)	(16)	(38)	43	50	(86)	(143)
Balance as at 1 Apr 2023	**804**	**1,862**	**1,073**	**1,241**	**544**	**12**	**5,536**
Purchases, originations, issuances and other additions	**648**	**305**	**182**	**310**	**207**	**49**	**1,701**
Sales, settlements and repayments	**(224)**	**(70)**	**(24)**	**(336)**	**(7)**	**10**	**(651)**
Reclassification	**—**	**—**	**144**	**—**	**(144)**	**—**	**—**
Transfers into Level 3[2]	**26**	**89**	**—**	**—**	**37**	**32**	**184**
Transfers out of Level 3[2]	**(99)**	**(588)**	**(190)**	**(18)**	**(98)**	**(108)**	**(1,101)**
Fair value movements recognised in the income statement:							
Net trading income/(loss)[3]	**25**	**77**	**31**	**38**	**9**	**(172)**	**8**
Other income/(loss)	**—**	**180**	**10**	**8**	**(46)**	**—**	**152**
Fair value movements recognised in OCI	**—**	**25**	**—**	**1**	**(16)**	**(2)**	**8**
Balance as at 30 Sep 2023	**1,180**	**1,880**	**1,226**	**1,244**	**486**	**(179)**	**5,837**
Fair value movements for the period included in the income statement for assets and liabilities held at the end of the period[3]	**21**	**243**	**33**	**33**	**(33)**	**(172)**	**125**

[1] The derivative financial instruments in the table above are represented on a net basis. On a gross basis, derivative assets are $766 million (31 March 2023: $796 million; 30 September 2022: $944 million) and derivative liabilities are $945 million (31 March 2023: $784 million; 30 September 2022: $1,198 million).

[2] Assets and liabilities transferred into or out of Level 3 are presented as if the assets or liabilities had been transferred at the beginning of the period.

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

Note 22

Fair value of assets and liabilities continued

Significant transfers between levels of the fair value hierarchy

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

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

Unrecognised gains or losses

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

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

	Half year to 30 Sep 2023 $m	Half year to 31 Mar 2023 $m	Half year to 30 Sep 2022 $m
Balance at the beginning of the period	**272**	166	76
Deferred gain on new transactions and other adjustments	**53**	145	86
Foreign exchange movements	**1**	(4)	27
Recognised in net trading income during the period	**(55)**	(35)	(23)
Balance at the end of the period	**271**	272	166

Note 22

Fair value of assets and liabilities continued

Significant unobservable inputs

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

	Fair value of assets $m	Fair value of liabilities $m	Valuation technique(s)	Significant unobservable inputs	RANGE OF INPUTS Minimum value	Maximum value
					AS AT 30 SEP 2023	
Interest rate and other products	**3,771**	**36**	**Discounted cash flows**	**Discount rates - Credit spread**	**2.4%**	**13.0%**
			Comparable transactions	**Prices in %**	**5.0%**	**94.9%**
Commodities	**1,776**	**909**	**Pricing model**	**Commodity margin curves**	**(372.2)**	**2,099.9**
			Pricing model	**Correlation**	**(50.0)%**	**100.0%**
			Pricing model	**Volatility and related variables**	**5.9%**	**415.0%**
Equity and equity-linked products	**1,235**	**—**	**Net Asset Value (NAV)**	**Fund's NAV**[1]		
			Pricing model	**Earnings multiple**	**2.4x**	**16.0x**
Total	**6,782**	**945**				
					AS AT 31 MAR 2023	
Interest rate and other products	3,268	16	Discounted cash flows	Discount rates - Credit spread	5.5%	10.0%
			Comparable transactions	Prices in %	5.6%	95.4%
Commodities	1,523	759	Pricing model	Commodity margin curves	(242.0)	2,243.0
			Pricing model	Correlation	(72.0)%	100.0%
			Pricing model	Volatility and related variables	6.0%	600.0%
Equity and equity-linked products	1,529	9	Net Asset Value (NAV)	Fund's NAV[1]		
			Pricing model	Earnings multiple	3.0x	14.8x
Total	6,320	784				
					AS AT 30 SEP 2022	
Interest rate and other products	3,245	26	Discounted cash flow	Discount rates - Credit spread	5.5%	20.0%
			Comparable transactions	Prices in %	43.9%	95.1%
Commodities	1,508	1,157	Pricing model	Commodity margin curves	(245.5)	1,255.0
			Pricing model	Correlation	(25.0)%	100.0%
			Pricing model	Volatility and related variables	(20.0)%	300.0%
Equity and equity-linked products	2,184	15	Net Asset Value (NAV)	Fund's NAV[1]		
			Pricing model	Earnings multiple	6.3x	14.2x
Total	6,937	1,198				

[1] The range of inputs to NAV is not disclosed as the diverse nature of underlying investments results in wide range of inputs.

Note 22

Fair value of assets and liabilities continued

The following information contains details around the significant unobservable inputs which are utilised to fair value the Level 3 assets and liabilities.

Interest rate and other products

Discount rate – Credit spread: Loans are generally valued using discount rates. Significant unobservable inputs may include interest rates and credit spreads of counterparties and original issue discounts on primary debt issuances. Credit spread is the premium over a benchmark interest rate required by the market to accept lower credit quality which increase the discount factor applied to future cashflows thereby reducing the value of the asset. Credit spreads may be implied from the market prices and may not be observable in more illiquid markets.

Price in %: Comparable transactions are leveraged to price the fair value of the assets and liabilities and a percentage is applied to ascertain the proportion of the transaction price that is comparable with the specific asset/liability. This price percentage is an unobservable input and judgemental depending on the characteristics of the asset/liability.

Commodities

Commodity curves margin: Certain commodities are valued using related observable products from the market and a margin is applied to the observable market inputs to mitigate the impact of differences in the products. Judgement is involved in the calculation of these margin curves depending on the quality of commodity or delivery location and other economic conditions.

Correlation: Correlation is a measure of the relationship between the movements of input variables (i.e. how the change in one variable influences a change in the other variable). It is expressed as a percentage between –100% and +100%, where 100% represents perfectly correlated variables and –100% represents inversely correlated variables. Correlation is a key input into the valuation of derivatives with more than one underlying (e.g. interest rates, credit spreads, foreign exchanges rates, inflation rates or equity prices) and is generally used to value hybrid and exotic instruments.

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

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

Equity and equity-linked products

Unlisted equity securities are generally valued based on earnings or revenue multiples, referencing market transactions which are not directly comparable or quantifiable and are adjusted as appropriate for current economic conditions. Other significant unobservable inputs may include net asset value and discount rates determined using inputs specific to the underlying investment and forecast cash flows and earnings/revenues of investee entities.

Note 22

Fair value of assets and liabilities continued

Sensitivity analysis of valuations using unobservable inputs

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

	FAVOURABLE CHANGES		UNFAVOURABLE CHANGES	
	Profit or loss $m	OCI $m	Profit or loss $m	OCI $m
				AS AT 30 SEP 2023
Product type				
Commodities	**158**	**—**	**(92)**	**—**
Interest rate and other products	**140**	**10**	**(157)**	**(14)**
Equity and equity-linked products	**107**	**—**	**(72)**	**—**
Total	**405**	**10**	**(321)**	**(14)**
				AS AT 31 MAR 2023
Product type				
Commodities	115	—	(104)	—
Interest rate and other products	122	11	(114)	—
Equity and equity-linked products	126	1	(93)	—
Total	363	12	(311)	—
				AS AT 30 SEP 2022
Product type				
Commodities	150	—	(132)	—
Interest rate and other products	151	8	(146)	(11)
Equity and equity-linked products	162	—	(185)	—
Total	463	8	(463)	(11)

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

Note 23

Acquisitions and disposals of subsidiaries and businesses

Acquisitions of subsidiaries and businesses

The Consolidated Entity's acquisitions include subsidiaries and businesses acquired as part of core business operations as well as subsidiaries and businesses held for investment purposes.

Core business operations

During the current period and prior comparative periods, there were no material businesses or subsidiaries acquired for core business operations.

Held for investment purposes

During the half year ended 30 September 2023, subsidiaries and businesses acquired or consolidated includes Adept Technology Group, Fidus Information Security Limited, Treglown Topco Limited, Net Technical Solutions Limited and Excel Telesonic India Private Limited for a total consideration of $358 million. On acquisition, net assets of $104 million, non-controlling interests of $2 million and goodwill of $252 million were recognised in the Statement of financial position. The purchase price allocations for these business combinations are provisional as at 30 September 2023.

During the half year ended 31 March 2023, subsidiaries and businesses acquired or consolidated primarily included Macquarie Real Estate Partners Fund and Treaty Oak Clean Energy LLC for a total consideration of $253 million. On acquisition, net assets of $440 million, non-controlling interests of $297 million and goodwill of $110 million were recognised in the Statement of financial position.

During the half year ended 30 September 2022, subsidiaries and businesses acquired or consolidated included Cowal Agriculture Unit Trust, Victorium Consortium Trust and OGL Computer Support Holdings for a total consideration of $421 million. On acquisition, net assets of $1,437 million, non-controlling interests of $1,067 million and goodwill of $51 million were recognised in the Statement of financial position.

Disposal of subsidiaries and businesses

The Consolidated Entity's disposals include subsidiaries and businesses which form part of core business operations as well as subsidiaries and businesses held for investment purposes.

Core business operations

During the current period and prior comparative periods, there were no material businesses or subsidiaries disposed for core business operations.

Held for investment purposes

During the half year ended 30 September 2023, subsidiaries and businesses disposed of or deconsolidated primarily includes Telemachus Holdings limited, Gana Energy Co. Ltd, Macquarie Digit Networks Pte. Limited, Excel Telesonic India Private Limited, Macquarie Real Estate Partners SCSp and Macquarie Sustainable Global Listed Infrastructure Fund. Disposals resulted in deconsolidation of net assets of $1,470 million and non-controlling interest of $686 million for a total cash consideration of $56 million and retained interests in associate investments of $776 million, resulting in investment income of $48 million in the income statement.

During the half year ended 31 March 2023, subsidiaries and businesses disposed of or deconsolidated included GIG Faune Hold Co Limited, Capbal Faune Limited, Maldon BESS Limited, JRB Generation Limited and MSS Energy Holdings LLC. Disposals resulted in deconsolidation of net assets of $45 million and non-controlling interests of $4 million for a total cash consideration of $71 million, resulting in investment income of $30 million in the income statement.

During the half year ended 30 September 2022, subsidiaries and businesses disposed of or deconsolidated primarily included Collfield Investments Sp. Z.o.o., Nordic Renewable Power (Holdings) AB, Victorium Consortium Trust, Open Fiber Kentucky Company LLC and CMC Railroad LLC. Disposals resulted in deconsolidation of net assets of $1,647 million and non-controlling interests of $1,067 million for a total cash consideration of $808 million and retained interests in associate investments of $123 million, resulting in investment income of $351 million in the income statement.

Note 24

Events after the reporting date

Subsequent to 30 September 2023, the Board has approved an on-market share buyback of up to $2 billion.[1] The timing and actual number of shares purchased under the buyback will be subject to a number of factors including the Consolidated Entity's surplus capital position, market conditions and opportunities to deploy capital by the businesses.

[1] Separate Board approvals will be sought should the Consolidated Entity resolve to conduct on-market purchases in relation to its MEREP or DRP programs.

Directors' declaration

For the half year ended 30 September 2023

In the Directors' opinion:

(a) the financial statements and notes set out on pages 18 to 65 are in accordance with the *Corporations Act 2001* (Cth) including:

(i) complying with the Australian Accounting Standards, and

(ii) giving a true and fair view of the Consolidated Entity's financial position as at 30 September 2023 and performance for the half year ended on that date, and

(b) there are reasonable grounds to believe that Macquarie Group Limited will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations by the CEO and CFO required by section 295A of the *Corporations Act 2001* (Cth).

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

Glenn Stevens AC
Independent Director and Chairman

Shemara Wikramanayake
Managing Director and Chief Executive Officer

Sydney
3 November 2023

Independent auditor's review report

To the members of Macquarie Group Limited

Report on the half year financial report

Conclusion

We have reviewed the half year financial report of Macquarie Group Limited (the Company) and the entities it controlled during the half year (together the Consolidated Entity), which comprises the consolidated statement of financial position as at 30 September 2023, the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and consolidated income statement for the half year ended on that date, material accounting policy information and explanatory notes and the directors' declaration.

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

- giving a true and fair view of the Consolidated Entity's financial position as at 30 September 2023 and of its performance for the half year ended on that date
- complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* (Cth).

Basis for conclusion

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

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

Responsibilities of the directors for the half year financial report

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

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

Our responsibility is to express a conclusion on the half year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* (Cth) including giving a true and fair view of the Consolidated Entity's financial position as at 30 September 2023 and of its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* (Cth).

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

PricewaterhouseCoopers

Voula Papageorgiou
Partner

Sydney
3 November 2023

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