



Interim Financial Report 2023

Macquarie Group
Half year ended
30 September 2022



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 2023 Interim Financial Report

This Interim Financial Report has been prepared in accordance with Australian Accounting Standards and the *Corporations Act 2001* (Cth) and does not include all the notes of the type normally included in an annual financial report. Macquarie Group Limited's (MGL and its subsidiaries, being the Consolidated Entity) most recent annual financial report is available at www.maquarie.com as part of Macquarie's 2022 Annual Report. MGL has also released information to the Australian Securities Exchange operated by ASX Limited (ASX) in compliance with the continuous disclosure requirements of the ASX Listing Rules. Announcements made by MGL under such rules are available on ASX's internet site www.asx.com.au (MGL's ASX code is 'MQG').

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 28 October 2022. The Board of Directors has the power to amend and reissue the Financial Report.

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

Cover image

Macquarie Capital, the corporate advisory, capital markets and principal investing arm of Macquarie Group, announced the launch of Aerogy, a platform that develops, operates and invests in renewable natural gas ("RNG") infrastructure projects that convert waste into low-carbon energy.



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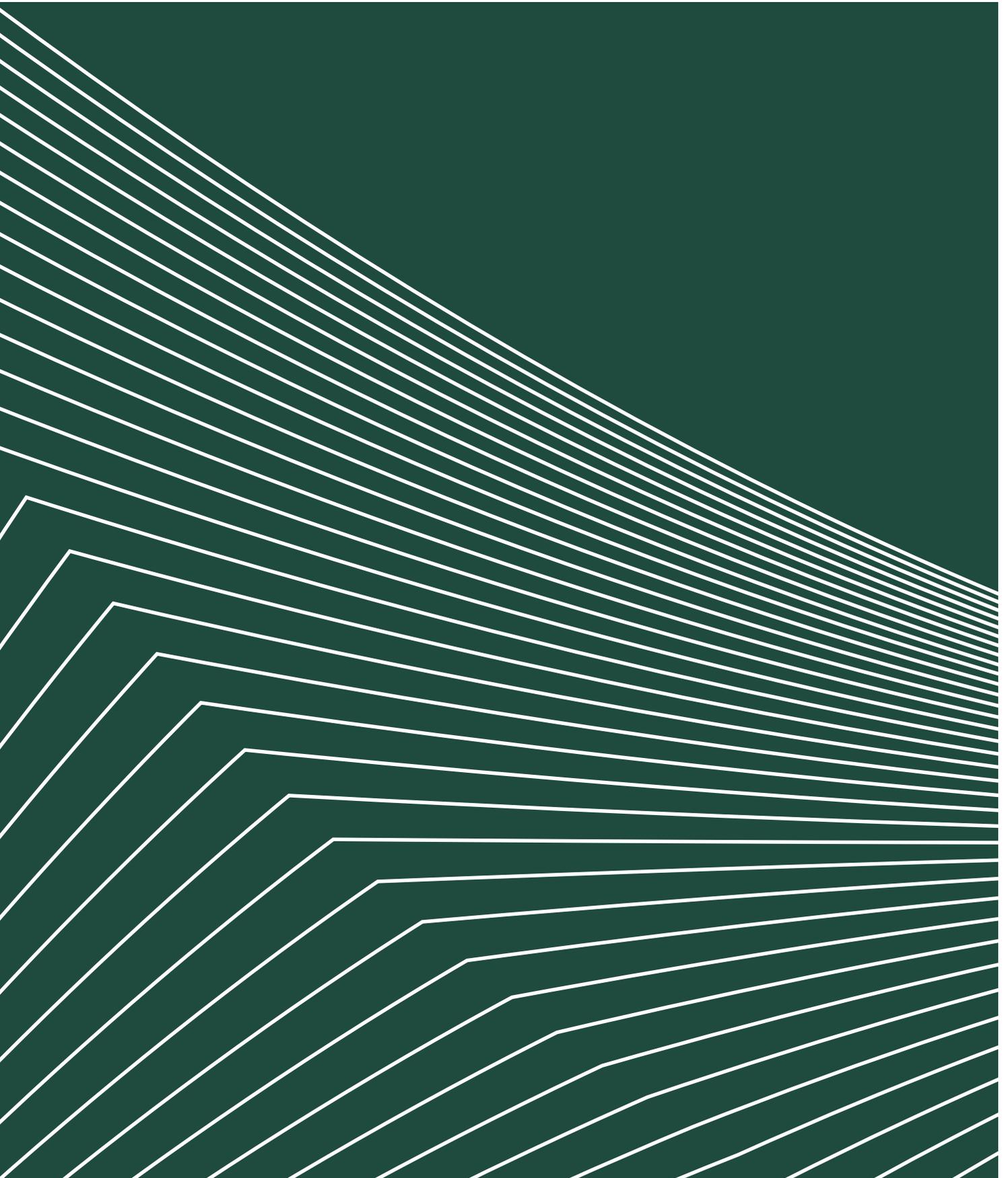
Financial Report

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01

**Directors'
Report**



Directors' Report

For the half year ended 30 September 2022

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

Directors

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

Independent Directors

G.R. Stevens AC, Chairman

J.R. Broadbent AC

P.M. Coffey

M.A. Hinchliffe

R.J. McGrath

M. Roche

N.M. Wakefield Evans

Executive Voting Director

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

The Directors listed above each held office as a Director of MGL throughout the period and until the date of this report.

Mr P.H. Warne retired from his role as Chairman and as an Independent Director on 9 May 2022. Mr G.R. Stevens became Chairman on 10 May 2022. Mr M.J. Coleman retired as an Independent Director on 28 July 2022.

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

Result

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

The consolidated profit attributable to the ordinary equity holders of Macquarie Group Limited, in accordance with Australian Accounting Standards, for the period was \$A2,305 million (half year to 31 March 2022: \$A2,663 million; half year to 30 September 2021: \$A2,043 million).

Operating and financial review

For the half year ended 30 September 2022

Review of Group performance and financial position

Overview

Profit attributable to ordinary equity holders of \$A2,305 million for the half year ended 30 September 2022 increased 13% from \$A2,043 million in the prior corresponding period⁽¹⁾ and decreased 13% from \$A2,663 million in the prior period.⁽²⁾

| | HALF YEAR TO | | | MOVEMENT | |
|--|-------------------|-------------------|-------------------|----------------|----------------|
| | 30 Sep 22 \$Am | 31 Mar 22 \$Am | 30 Sep 21 \$Am | 31 Mar 22 % | 30 Sep 21 % |
| Net operating income | 8,641 | 9,520 | 7,804 | (9) | 11 |
| Operating expenses | (5,613) | (5,716) | (5,069) | (2) | 11 |
| Income tax expense | (735) | (983) | (603) | (25) | 22 |
| Loss/(profit) attributable to non-controlling interests ⁽³⁾ | 12 | (158) | (89) | * | * |
| Profit attributable to ordinary equity holders | 2,305 | 2,663 | 2,043 | (13) | 13 |

* Indicates that the result was a gain in one period and a loss in another, or vice versa.

1H23 net profit contribution⁽⁴⁾ by activity

Annuity-style activities

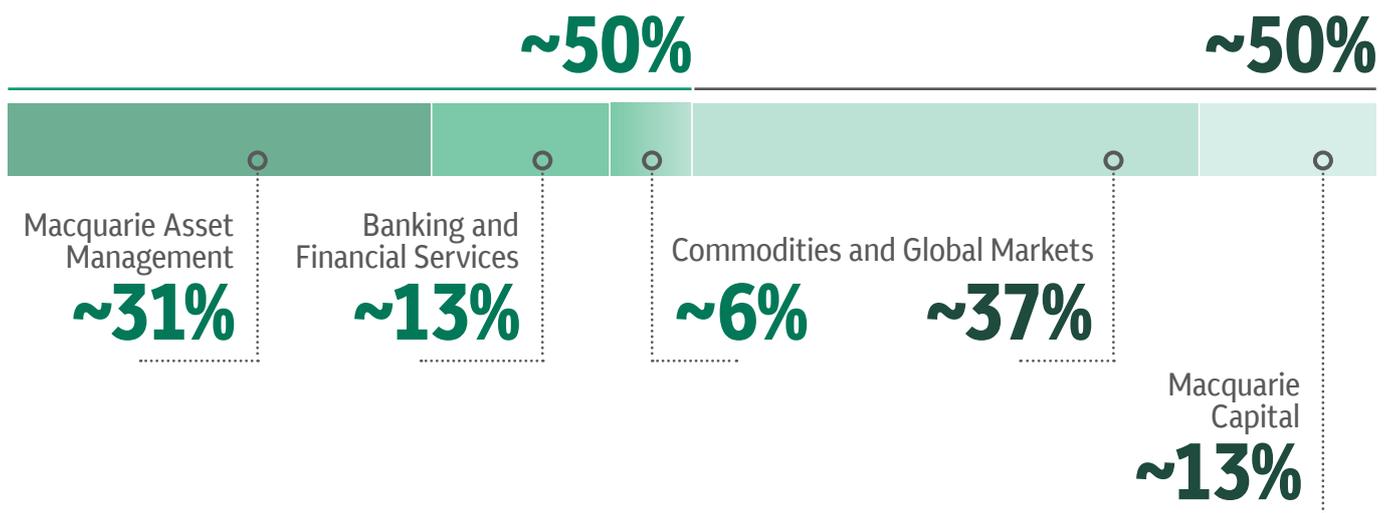
\$A2,281m

- In line with pcp

Markets-facing activities

\$A2,292m

↑ 35% on pcp



(1) Prior corresponding period (pcp) refers to the six months ended 30 September 2021.

(2) Prior period refers to the six months ended 31 March 2022.

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

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

Operating and financial review

For the half year ended 30 September 2022 continued

Operating Groups

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

Annuity-style businesses

Macquarie Asset Management (MAM)⁽¹⁾

\$A1,402m

↑ 28% on pcp due to

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

Partially offset by:

- significant income⁽²⁾ from the disposition of assets in Macquarie Infrastructure Corporation (MIC)⁽³⁾ in the prior corresponding period.

Non-Banking Group

Markets-facing businesses

Macquarie Capital⁽¹⁾

\$A595m

↓ 12% on pcp due to

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

Partially offset by:

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

Banking and Financial Services (BFS)

\$A580m

↑ 20% on pcp due to

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

Partially offset by:

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

Banking Group

Commodities and Global Markets (CGM)⁽⁴⁾

\$A1,996m

↑ 15% on pcp due to

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

Partially offset by:

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



For more details on the financial performance of the Operating Groups, see section 3.0 *Segment analysis of the Management Discussion and Analysis* available at [macquarie.com/results](https://www.macquarie.com/results)

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

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

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

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

Net operating income

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

Net interest and trading income

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

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

Partially offset by:

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

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

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

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

Net other operating income

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

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

Partially offset by:

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

Fee and commission income

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

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

Partially offset by:

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

Credit and other impairment charges

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

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

Partially offset by:

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

Operating and financial review

For the half year ended 30 September 2022 continued

Operating expenses

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

Employment expenses

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

↑ **14%**
on pcp

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

Partially offset by:

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

Non-salary technology expenses

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

↑ **31%**
on pcp

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

Brokerage, commission and fee expenses

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

↑ **4%**
on pcp

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

Other operating expenses

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

↓ **5%**
on pcp

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

Partially offset by:

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

Income tax expense

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

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

Statement of financial position

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

| Total assets | |
|-------------------|-------------------|
| AS AT | |
| 30 Sep 22 \$Am | 31 Mar 22 \$Am |
| 486,574 | 399,176 |

↑ **22%**
on 31 Mar 22

The principal drivers for the increase in the Consolidated Entity's total assets were as follows:

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

| Total liabilities | |
|-------------------|-------------------|
| AS AT | |
| 30 Sep 22 \$Am | 31 Mar 22 \$Am |
| 454,887 | 370,370 |

↑ **23%**
on 31 Mar 22

The principal drivers for the increase in the Consolidated Entity's total liabilities were as follows:

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

| Total equity | |
|-------------------|-------------------|
| AS AT | |
| 30 Sep 22 \$Am | 31 Mar 22 \$Am |
| 31,687 | 28,806 |

↑ **10%**
on 31 Mar 22

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

Notice to readers: The percentage movements on this page have been calculated based on balances to the nearest million from the *Consolidated statement of financial position* in the Financial Report. Therefore, the percentage movement may round differently if calculated based off the balances on this page which are presented to the nearest billion.

Operating and financial review

For the half year ended 30 September 2022 continued

Funding

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

Macquarie has a funding base that is stable with short-term wholesale funding covered by cash, liquids and other short-term assets. As at 30 September 2022, Macquarie's term assets were covered by term funding maturing beyond one year, stable deposits, hybrids and equity.

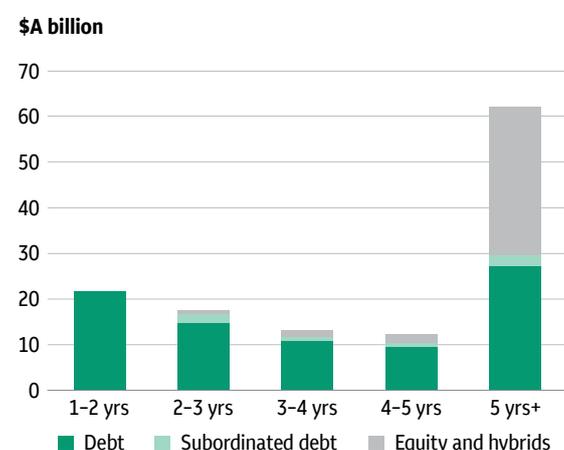
The weighted average term to maturity of term funding maturing beyond one year (excluding equity and securitisations) was 5.0 years excluding Term Funding Facility (TFF) and 4.7 years inclusive of TFF as at 30 September 2022.

5.0
years

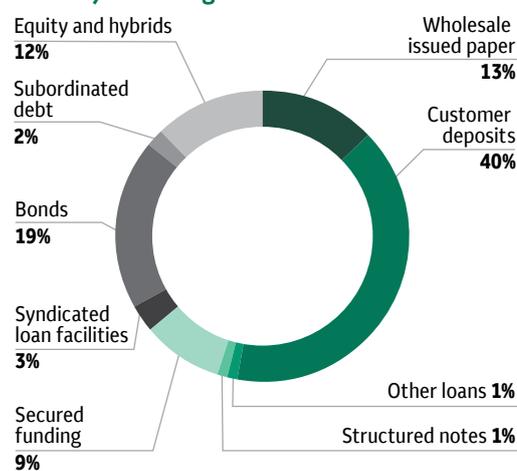
Weighted average maturity

Term funding profile

Detail of drawn funding maturing beyond one year



Diversity of funding source



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

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

| | | Bank Group \$Ab | Non-Bank Group \$Ab | Total \$Ab |
|----------------------------|---|--------------------|---------------------------|---------------|
| Issued paper | - Senior and subordinated | 3.0 | 6.1 | 9.1 |
| Secured funding | - Term securitisation, covered bond and other secured finance | 5.5 | - | 5.5 |
| Hybrids | - Hybrid instruments | - | 0.8 | 0.8 |
| Total⁽¹⁾ | | 8.5 | 6.9 | 15.4 |

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

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

\$A12.2b

Group capital surplus

Capital

As an Australian Prudential Regulation Authority (APRA) authorised and regulated Non-Operating Holding Company (NOHC), Macquarie's capital adequacy framework requires it to maintain minimum regulatory capital requirements calculated as the sum of:

- the Bank Group's minimum Tier 1 capital requirement, based on a percentage of risk-weighted assets plus Tier 1 deductions using prevailing APRA authorised deposit-taking institution (ADI) Prudential Standards; and
- the Non-Bank Group's capital requirement, calculated using Macquarie's Board approved Economic Capital Adequacy Model (ECAM).

Transactions internal to Macquarie are eliminated.

Macquarie remains well capitalised with APRA Basel III Group capital of \$A37.2 billion at 30 September 2022, with a Group surplus of \$A12.2 billion (\$A15.7 billion on a Harmonised Basel III⁽¹⁾ basis).

Under Basel III rules, APRA requires authorised deposit-taking institutions (ADIs) to have a minimum ratio of Tier 1 capital to risk-weighted assets of 8.5% including the 2.5% capital conservation buffer (CCB), with at least 7% in the form of Common Equity Tier 1 capital, per APRA ADI Prudential Standard 110.⁽²⁾

In addition, APRA may impose ADI-specific minimum capital ratios which may be higher than these levels. The minimum BCBS Basel III leverage ratio requirement of 3% was effective from 1 January 2018.⁽³⁾

As at 30 September 2022, the Bank Group had the following capital adequacy ratios:

| Bank Group Level 2 Basel III ratios as at 30 September 2022 | Harmonised Basel III ⁽¹⁾ | APRA Basel III |
|---|-------------------------------------|----------------|
| Common Equity Tier 1 Capital Ratio | 15.9% | 12.8% |
| Tier 1 Capital Ratio | 17.9% | 14.6% |
| Leverage Ratio | 5.3% | 4.7% |



For further information relating to the capital adequacy of Macquarie, refer to section 6.0 *Capital* of the Management Discussion and Analysis at [macq.co/1H23MDA](https://www.macq.co/1H23MDA).

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

(2) Based on materiality, the countercyclical capital buffer (CCyB) of ~1bps has not been included.

(3) APRA released the final 'Prudential Standard APS 110 Capital Adequacy' on 29 November 2021 which has a minimum requirement for the leverage ratio of 3.5% effective 1 January 2023.

Operating and financial review

For the half year ended 30 September 2022 continued

For internal reporting and risk management purposes, Macquarie is divided into four Operating Groups, which are supported by four Central Service Groups. The Operating Groups are split between annuity-style businesses and markets-facing businesses.

A summary of the Operating Groups' activities for the half year ended 30 September 2022 and medium-term outlook is provided below.

Annuity-style businesses

Macquarie Asset Management

\$A1,402m

↑ 28% on 1H22

MAM is a specialist global asset manager, building sustainable value for clients and communities, with the aim of investing to deliver positive impact for everyone.

MAM provides investment solutions to clients across a range of capabilities in Private Markets and Public Investments, including infrastructure, green investments, agriculture and natural assets, real estate, private credit, asset finance, equities, fixed income and multi-asset solutions.

Highlights

MAM AUM increased 3% to \$A795.6 billion from 31 March 2022, due to investments made by Private Markets-managed funds and foreign exchange movements, partially offset by market movements in Public Investments.

During the period, MAM raised a record \$A22.5 billion in new equity from clients for a diverse range of Private Markets strategies. MAM invested \$A14.8 billion of equity, across 28 new investments, including: 10 real assets, 10 real estate, and 8 private credit investments. MAM continued to scale and expand its Public Investment's capabilities, with the integration of Waddell & Reed Financial nearing completion and the ongoing integration of Central Park Group and AMP Capital's public investments business.

Medium-term

MAM is a global specialist asset manager, well-positioned to respond to current market conditions and grow assets under management through its diversified product offering, track record and experienced investment teams.

MAM is committed to investing and managing its portfolio in line with global net zero emissions by 2040. The integration of the Green Investment Group provides strong momentum as the transition to net zero accelerates.

Banking and Financial Services

\$A580m

↑ 20% on 1H22

BFS serves the Australian market, and is organised into the following three business divisions:

Personal Banking: Provides a diverse range of retail banking products to clients with home loans, car loans, transaction and savings accounts and credit cards

Wealth Management: Provides clients with a wide range of wrap platform and cash management services, investment and superannuation products, financial advice and private banking

Business Banking: Provides a full range of deposit, lending and payment solutions as well as tailored services to business clients, ranging from sole practitioners to corporate professional firms.

Highlights

For the half year ended 30 September 2022, the loan portfolio increased 10% to \$A121.0 billion and total BFS deposits increased 19% to \$A116.7 billion. Funds on platform decreased 6% to \$A111.4 billion as strong net flows of \$A3.4 billion were offset by market movements.

The home loan portfolio increased 13% to \$A101.0 billion driven by strong demand in lower loan-to-value ratio and owner-occupier lending tiers, while the Business Banking loan portfolio increased 7% to \$A12.3 billion driven by an increase in client acquisition across core segments and a continued build into emerging segments.

During the year, BFS expanded the Macquarie Wrap managed accounts offering with funds under administration of \$A8.5 billion, up from \$A6.8 billion in September 2021 and up from \$A7.9 billion in March 2022.

Medium-term

BFS remains focused on growth opportunities through intermediary and direct retail client distribution, platforms and client service; opportunities to increase financial services engagement with existing business banking clients and extend into adjacent segments; and modernising technology to improve client experience and support growth.

Markets-facing businesses

Commodities and Global Markets

\$A1,996m

↑ 15% on 1H22

CGM is a global business offering capital and financing, risk management, market access, physical execution and logistics solutions to its diverse client base across:

Commodities: Provides risk management, lending and financing, market access and physical execution and logistics to clients with exposure to commodity markets

Financial Markets: Provides risk management, financing and capital solutions, and market access to corporate and institutional clients with exposure to fixed income and equities

Asset Finance: Global provider of specialist finance and asset management solutions across a variety of industries and asset classes.

Highlights

CGM's net profit contribution was strong across the platform, up 15% on the prior corresponding period. The result reflected increased revenue across Commodities with strong risk management contribution particularly from the Gas and Power businesses, Resources and Global Oil due to increased client hedging activity as a result of elevated volatility and price movements in commodity markets. Revenue from Commodities inventory management and trading also increased, driven by trading gains primarily in North American Gas and Power. This was largely offset by the unfavourable impact of timing of income recognition, primarily on Gas and Power storage and transport contracts. Higher gas storage volumes, notably in EMEA, and spread dislocation, have led to a significantly higher adverse impact compared with the prior corresponding period. Financial Markets provided an improved contribution across major products and markets from client hedging and financing activity. Asset Finance's contribution was lower largely related to the partial sale of the UK Meters portfolio of assets comprising the industrial and commercial portfolio in May 2021.

CGM continues to be recognised across the industries it operates in, with a number of awards earned during the period including Oil and Products House of the Year and Derivatives House of the Year at the Energy Risk Awards 2022 and Energy Risk Awards Asia 2021, Natural Gas/LNG House of the Year at the Energy Risk Awards 2022, Base Metals House of the Year and Commodity Research House of the Year at the Energy Risk Awards Asia 2021. CGM is ranked by Platts as No.5 physical gas marketer in North America.

Medium-term

CGM remains focused on: opportunities to grow the commodities business, both organically and through acquisition; the development of institutional and corporate coverage for specialised credit, rates and foreign exchange products; providing tailored financing solutions globally across a variety of industries and asset classes; continued investment in the asset finance portfolio; supporting the client franchise as markets evolve, particularly as it relates to the energy transition and growing the client base across all regions.

Macquarie Capital

\$A595m

↓ 12% on 1H22

Macquarie Capital has global capability in advisory and capital raising services, investing alongside partners and clients across the capital structure, providing clients with specialist expertise, advice and flexible capital solutions across a range of sectors.

It also has global capability in development and investment in infrastructure and energy projects and companies, with a focus on transport, digital and social infrastructure.

Macquarie Capital's Equities brokerage business provides clients with access to equity research, sales, execution capabilities and corporate access.

Highlights

Macquarie Capital maintained a leading market position in ANZ across mergers and acquisitions in 2022.

As at 30 September 2022, the Principal Finance committed portfolio was over \$A18 billion including a credit portfolio of over \$A15 billion. Over A\$3.6 billion was deployed in the half year period through focused investment in credit markets and bespoke financing solutions.

Macquarie Capital acted as sole financial advisor to Vistage Worldwide, Inc, a Providence Equity Partners portfolio company, on its sale to Gridiron Capital and also served as Joint Bookrunner on Gridiron's acquisition financing.

Macquarie Capital also acted as exclusive sell-side financial advisor to Waterland Private Equity Investments on the sale of Blue Phoenix Group, a recycler and upgrader of incinerator bottom ash, to InfraVia Capital Partners, following a refinancing and minority stake sale to Daiwa International Capital Partners in 2021.

During the period, a joint venture between Macquarie Capital and Transcontinental Realty Investors sold a portfolio of 46 properties across Texas and the US Southeast.

Macquarie Capital supported the growth of digital infrastructure platforms Acelecom (in the US) and PhilTower (in the Philippines) in making the acquisitions of Georgia Public Web and up to 1,350 towers from Globe Telecom Inc., respectively. The acquisition from Global Telecom Inc., has not yet closed.

Medium-term

Macquarie Capital continues to support clients globally across themes including tech-enabled innovation, energy transition and sustainability. It pursues opportunities for balance sheet investment alongside clients and infrastructure project development. It continues to tailor the business offering to current opportunities and market conditions including providing flexible capital solutions across sectors and regions. Macquarie Capital is positioned to respond to changes in transaction activity.



For more details on the financial performance of the Operating Groups, see section 3.0 *Segment analysis* of the Management Discussion and Analysis available at [macquarie.com/results](https://www.macquarie.com/results)

Operating and financial review

Our strategy

Our purpose

Empowering people to innovate and invest for a better future.

What we stand for



Opportunity



Accountability



Integrity

The way we fulfil our purpose is defined by these three long-held principles that determine how we conduct business and guide what we do every day. Our purpose and principles and what we expect of our staff are set out in our *Code of Conduct*.

The balance between opportunity and accountability, while operating with integrity within a strong risk management framework, is a feature of Macquarie's success and a key factor in our long record of unbroken profitability.



The *Code of Conduct* is available at [macquarie.com/what-we-stand-for](https://www.macquarie.com/what-we-stand-for)

Our business strategy

Consistent with the principles of *What We Stand For*, Macquarie's business strategy is focused on the medium-term with the following key aspects:

Risk management approach

Adopting a conservative approach to risk management underpinned by a sound risk culture. Macquarie's robust risk management framework and risk culture are embedded across all Operating and Central Service Groups.

Strong balance sheet

Maintaining a strong and conservative balance sheet.

This is consistent with Macquarie's longstanding policy of holding a level of capital that supports its business and managing its capital base ahead of ordinary business requirements.

Macquarie has a liability driven approach to balance sheet management, where funding is raised prior to assets being taken onto the balance sheet.

We continue to pursue the strategy of diversifying funding sources by growing Macquarie Bank's deposit base and accessing wholesale funding across a variety of products and markets.

Business mix

Conducting a mix of annuity-style and markets-facing businesses that deliver consistent returns in a range of market conditions.

Diversification

Operating a diversified set of businesses across different locations and service offerings: asset management and finance, banking, advisory and risk and capital solutions across debt, equity and commodities.

Macquarie offers a range of services to government, institutional, corporate and retail clients. This diversity in services and clients mitigates concentration risk and provides resilience to Macquarie.

Proven expertise

Utilising proven deep expertise has allowed Macquarie to establish leading market positions as a global specialist in sectors including renewables, infrastructure, resources and commodities, energy, financial institutions and real estate.

Adjacencies

Expanding progressively by pursuing adjacencies through organic opportunities and selective acquisitions.

These include products and geographies adjacent to our established areas of expertise, supporting sustainable evolutionary growth.

Pursuit of growth opportunities

Targeting continued evolution and growth through innovation. We start with knowledge and skill, and we encourage ingenuity and entrepreneurial spirit coupled with accountability.

Ideas for new businesses are typically generated in the Operating Groups. Additionally, there are no specific businesses, markets or regions in which our strategy dictates that we operate. This means we retain operational flexibility and can adapt the portfolio mix to changing market conditions within the boundaries of the Risk Appetite Statement (RAS) approved by the Board.

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 rate 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

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

Interim dividend

The Directors have resolved to pay an interim dividend for the half year ended 30 September 2022 of \$A3.00 per fully paid ordinary MGL share on issue at 8 November 2022.

The dividend will be 40% franked and paid on 13 December 2022.

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
28 October 2022

Auditor's independence declaration

For the half year ended 30 September 2022



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

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

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

A handwritten signature in black ink that reads 'K. Stubbins'.

Kristin Stubbins
Partner
PricewaterhouseCoopers

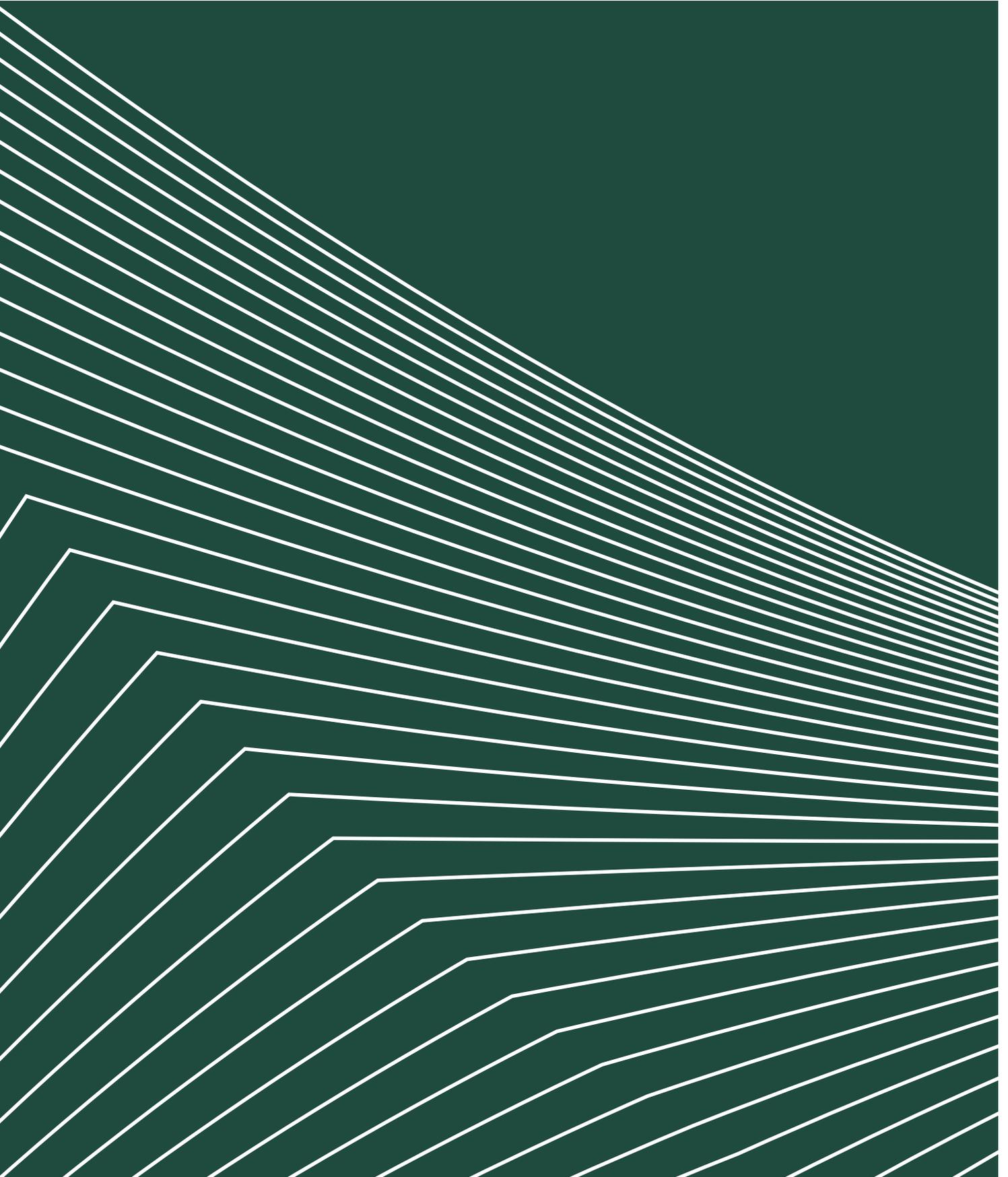
Sydney
28 October 2022

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02

**Financial
Report**



Contents

Financial statements

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

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

Consolidated income statement

For the half year ended 30 September 2022

| | Notes | Half year to 30 Sep 22 \$m | Half year to 31 Mar 22 \$m | Half year to 30 Sep 21 \$m |
|--|-------|----------------------------------|----------------------------------|----------------------------------|
| Interest and similar income | | | | |
| Effective interest rate method | 2 | 3,313 | 2,070 | 1,921 |
| Other | 2 | 340 | 191 | 143 |
| Interest and similar expense | 2 | (2,182) | (774) | (691) |
| Net interest income | | 1,471 | 1,487 | 1,373 |
| Fee and commission income | 2 | 3,032 | 3,435 | 3,452 |
| Net trading income | 2 | 2,739 | 2,337 | 1,659 |
| Share of net (losses)/profits from associates and joint ventures | 2 | (61) | (2) | 242 |
| Net credit impairment charges | 2 | (175) | (74) | (176) |
| Net other impairment charges | 2 | (111) | (205) | (54) |
| Net other operating income | 2 | 1,746 | 2,542 | 1,308 |
| Net operating income | | 8,641 | 9,520 | 7,804 |
| Employment expenses | 2 | (3,613) | (3,561) | (3,164) |
| Brokerage, commission and fee expenses | 2 | (517) | (531) | (498) |
| Non-salary technology expenses | 2 | (545) | (509) | (417) |
| Other operating expenses | 2 | (938) | (1,115) | (990) |
| Total operating expenses | | (5,613) | (5,716) | (5,069) |
| Operating profit before income tax | | 3,028 | 3,804 | 2,735 |
| Income tax expense | 4 | (735) | (983) | (603) |
| Profit after income tax | | 2,293 | 2,821 | 2,132 |
| Loss/(profit) attributable to non-controlling interests | | 12 | (158) | (89) |
| Profit attributable to the ordinary equity holders of Macquarie Group Limited | | 2,305 | 2,663 | 2,043 |
| | | Cents | Cents | Cents |
| Basic earnings per share | 6 | 603.3 | 706.4 | 562.5 |
| Diluted earnings per share | 6 | 585.1 | 680.7 | 545.4 |

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

Consolidated statement of comprehensive income

As at 30 September 2022

| | Notes | Half year to 30 Sep 22 \$m | Half year to 31 Mar 22 \$m | Half year to 30 Sep 21 \$m |
|---|-------|----------------------------------|----------------------------------|----------------------------------|
| Profit after income tax | | 2,293 | 2,821 | 2,132 |
| 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 | (51) | (28) | 3 |
| Change in expected credit losses (ECL) allowance | 19 | 25 | 9 | (2) |
| Cash flow hedges and cost of hedging reserves: | | | | |
| Net movement recognised in other comprehensive income (OCI) | 19 | 16 | (15) | (24) |
| Transferred to income statement on realisation | 19 | 95 | 8 | 17 |
| Share of other comprehensive income/(loss) from associates and joint ventures | 19 | 105 | 51 | (8) |
| Foreign exchange movement on translation and hedge accounting of foreign operations | | 1,719 | (441) | 441 |
| 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 | 32 | 47 | (6) |
| Total other comprehensive income/(loss) | | 1,941 | (369) | 421 |
| Total comprehensive income | | 4,234 | 2,452 | 2,553 |
| Total comprehensive income attributable to non-controlling interests | | (7) | (151) | (90) |
| Total comprehensive income attributable to the ordinary equity holders of Macquarie Group Limited | | 4,227 | 2,301 | 2,463 |

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

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

Consolidated statement of financial position

As at 30 September 2022

| | Notes | As at 30 Sep 22 \$m | As at 31 Mar 22 \$m | As at 30 Sep 21 \$m |
|--|-------|---------------------------|---------------------------|---------------------------|
| Assets | | | | |
| Cash and bank balances | | 54,125 | 52,754 | 32,221 |
| Cash collateralised lending and reverse repurchase agreements | | 75,788 | 51,197 | 39,444 |
| Trading assets | 7 | 13,310 | 13,578 | 21,783 |
| Margin money and settlement assets | 8 | 29,360 | 25,108 | 22,143 |
| Derivative assets | 9 | 111,913 | 84,891 | 77,186 |
| Financial investments | | 25,046 | 12,127 | 13,142 |
| Held for sale assets | 10 | 707 | 1,297 | 1,940 |
| Other assets | 10 | 11,478 | 8,632 | 7,805 |
| Loan assets | 11 | 148,874 | 134,744 | 118,359 |
| Interests in associates and joint ventures | | 4,840 | 4,373 | 4,675 |
| Property, plant and equipment and right-of-use assets | | 5,511 | 5,143 | 4,961 |
| Intangible assets | | 4,170 | 3,780 | 3,497 |
| Deferred tax assets | | 1,452 | 1,552 | 1,411 |
| Total assets | | 486,574 | 399,176 | 348,567 |
| Liabilities | | | | |
| Cash collateralised borrowing and repurchase agreements | | 22,410 | 16,947 | 13,809 |
| Trading liabilities | 13 | 6,443 | 5,290 | 5,495 |
| Margin money and settlement liabilities | 14 | 40,426 | 27,158 | 25,895 |
| Derivative liabilities | 15 | 111,734 | 84,464 | 77,980 |
| Deposits | | 122,227 | 101,667 | 91,736 |
| Held for sale liabilities | 16 | 112 | 525 | 404 |
| Other liabilities | 16 | 11,199 | 11,167 | 8,401 |
| Borrowings | | 14,902 | 13,896 | 10,109 |
| Issued debt securities | 17 | 113,719 | 99,527 | 80,043 |
| Deferred tax liabilities | | 258 | 216 | 320 |
| Total liabilities excluding loan capital | | 443,430 | 360,857 | 314,192 |
| Loan capital | | 11,457 | 9,513 | 9,961 |
| Total liabilities | | 454,887 | 370,370 | 324,153 |
| Net assets | | 31,687 | 28,806 | 24,414 |
| Equity | | | | |
| Contributed equity | 18 | 12,352 | 12,298 | 9,394 |
| Reserves | 19 | 3,250 | 1,523 | 1,613 |
| Retained earnings | 19 | 15,735 | 14,740 | 13,057 |
| Total capital and reserves attributable to the ordinary equity holders of Macquarie Group Limited | | 31,337 | 28,561 | 24,064 |
| Non-controlling interests | | 350 | 245 | 350 |
| Total equity | | 31,687 | 28,806 | 24,414 |

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

Consolidated statement of changes in equity

For the half year ended 30 September 2022

| | Notes | Contributed equity \$m | Reserves \$m | Retained earnings \$m | Total \$m | Non-controlling interests \$m | Total equity \$m |
|--|-------|---------------------------|-----------------|--------------------------|--------------|----------------------------------|---------------------|
| Balance as at 1 Apr 2021 | | 8,531 | 1,286 | 12,231 | 22,048 | 303 | 22,351 |
| Profit after income tax | | - | - | 2,043 | 2,043 | 89 | 2,132 |
| Other comprehensive income/(loss), net of tax | | - | 426 | (6) | 420 | 1 | 421 |
| Total comprehensive income | | - | 426 | 2,037 | 2,463 | 90 | 2,553 |
| Transactions with equity holders in their capacity as ordinary equity holders: | | | | | | | |
| Issue of shares | 18 | 1,055 | - | - | 1,055 | - | 1,055 |
| Dividends paid | 5,19 | - | - | (1,208) | (1,208) | - | (1,208) |
| Purchase of shares by MEREP Trust | 18 | (623) | - | - | (623) | - | (623) |
| Movement in non-controlling interests | | - | - | (10) | (10) | (43) | (53) |
| Other equity movements: | | | | | | | |
| MEREP share-based payment arrangements | 18,19 | 408 | (118) | 7 | 297 | - | 297 |
| Deferred tax benefit on MEREP share-based payment arrangements | 18,19 | 23 | 19 | - | 42 | - | 42 |
| | | 863 | (99) | (1,211) | (447) | (43) | (490) |
| Balance as at 30 Sep 2021 | | 9,394 | 1,613 | 13,057 | 24,064 | 350 | 24,414 |
| Profit after income tax | | - | - | 2,663 | 2,663 | 158 | 2,821 |
| Other comprehensive (loss)/income, net of tax | | - | (409) | 47 | (362) | (7) | (369) |
| Total comprehensive (loss)/income | | - | (409) | 2,710 | 2,301 | 151 | 2,452 |
| Transactions with equity holders in their capacity as ordinary equity holders: | | | | | | | |
| Issue of shares | 18 | 2,850 | - | - | 2,850 | - | 2,850 |
| Dividends paid | 5,19 | - | - | (1,021) | (1,021) | - | (1,021) |
| Movement in non-controlling interests | | - | - | 1 | 1 | (256) | (255) |
| Other equity movements: | | | | | | | |
| MEREP share-based payment arrangements | 18,19 | 40 | 285 | - | 325 | - | 325 |
| Deferred tax benefit on MEREP share-based payment arrangements | 18,19 | 14 | 27 | - | 41 | - | 41 |
| Other movements | | - | 7 | (7) | - | - | - |
| | | 2,904 | 319 | (1,027) | 2,196 | (256) | 1,940 |
| Balance as at 31 Mar 2022 | | 12,298 | 1,523 | 14,740 | 28,561 | 245 | 28,806 |

| | Notes | Contributed equity \$m | Reserves \$m | Retained earnings \$m | Total \$m | Non-controlling interests \$m | Total equity \$m |
|--|-------|---------------------------|-----------------|--------------------------|----------------|----------------------------------|---------------------|
| Balance as at 31 Mar 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 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 |

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

Consolidated statement of cash flows

For the half year ended 30 September 2022

| | Half year to 30 Sep 22 \$m | Half year to 31 Mar 22 \$m | Half year to 30 Sep 21 \$m |
|---|----------------------------------|----------------------------------|----------------------------------|
| Cash flows generated from/(utilised in) operating activities | | | |
| Interest income and expense: | | | |
| Received | 3,509 | 2,227 | 2,136 |
| Paid | (1,736) | (753) | (676) |
| Fees, commissions and other income and charges: | | | |
| Received | 3,355 | 3,265 | 3,274 |
| Paid | (574) | (491) | (405) |
| Operating lease income received | 392 | 641 | 359 |
| Dividends and distributions received | 101 | 151 | 153 |
| Operating expenses paid: | | | |
| Employment expenses | (4,272) | (1,937) | (3,323) |
| Other operating expenses including brokerage, commission, and fee expenses | (1,742) | (1,397) | (1,377) |
| Income tax paid | (768) | (968) | (775) |
| Changes in operating assets: | | | |
| Loan assets and receivables | (11,589) | (17,531) | (13,391) |
| Trading and related assets, liquid investments and collateralised lending balances (net of liabilities) | (425) | 12,198 | (381) |
| Assets under operating lease | (224) | (827) | (243) |
| Other assets | (90) | 251 | (504) |
| Changes in operating liabilities: | | | |
| Issued debt securities | 3,540 | 22,144 | 16,381 |
| Deposits | 20,148 | 10,000 | 7,465 |
| Borrowings and other funding | (1,204) | 5,327 | 9,507 |
| Other liabilities | (19) | (21) | (28) |
| Net cash flows generated from operating activities | 8,402 | 32,279 | 18,172 |
| Cash flows (utilised in)/generated from investing activities | | | |
| Net proceeds (payments for)/from financial investments | (4,459) | 1,282 | (1,925) |
| Associates, joint ventures, subsidiaries, and businesses: | | | |
| Proceeds from distribution, or disposal, net of cash deconsolidated | 2,045 | 4,053 | 1,633 |
| Payments for additional contribution or acquisitions, net of cash acquired | (1,713) | (1,656) | (2,483) |
| Property, plant and equipment, investment property and intangible assets: | | | |
| Payments for acquisitions | (292) | (570) | (407) |
| Proceeds from disposals | 4 | 4 | 81 |
| Net cash flows (utilised in)/generated from investing activities | (4,415) | 3,113 | (3,101) |
| Cash flows (utilised in)/generated from financing activities | | | |
| Proceeds from the issue of ordinary shares | - | 2,777 | - |
| Loan capital: | | | |
| Issuance | 1,600 | - | 1,405 |
| Redemption | - | (17) | (1,084) |
| Dividends and distributions paid | (854) | (935) | (776) |
| Payments for acquisition of treasury shares | (924) | - | - |
| Receipts from/(payments to) non-controlling interests | 65 | (215) | (7) |
| Net cash flows (utilised in)/generated from financing activities | (113) | 1,610 | (462) |
| Net increase in cash and cash equivalents | 3,874 | 37,002 | 14,609 |
| Cash and cash equivalents at the beginning of the period | 84,323 | 49,237 | 33,493 |
| Effect of exchange rate movements on cash and cash equivalents | 6,039 | (1,916) | 1,135 |
| Cash and cash equivalents at the end of the period | 94,236 | 84,323 | 49,237 |

Notes to the consolidated financial statements

For the half year ended 30 September 2022

Note 1 Basis of preparation

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

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

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

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

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

(i) Critical accounting estimates and significant judgements

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

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

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

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

(ii) Coronavirus (COVID-19)

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

The Consolidated Entity's processes to determine the impact of COVID-19 for this interim financial report are consistent with the processes disclosed and applied in its 31 March 2022 financial reports. Those processes identified that expected credit losses (Note 12) required continued judgement as a result of the impact of COVID-19.

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

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

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

(iv) Other developments

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

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

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

Notes to the consolidated financial statements

For the half year ended 30 September 2022 continued

Note 1

Basis of preparation continued

(iv) Other developments continued

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

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

(v) Comparatives

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

Note 2

Operating profit before income tax

| | Half year to 30 Sep 22 \$m | Half year to 31 Mar 22 \$m | Half year to 30 Sep 21 \$m |
|---|----------------------------------|----------------------------------|----------------------------------|
| Net interest income | | | |
| Interest and similar income: | | | |
| Effective interest rate method ⁽¹⁾ | 3,313 | 2,070 | 1,921 |
| Other | 340 | 191 | 143 |
| Interest and similar expense ⁽²⁾ | (2,182) | (774) | (691) |
| Net interest income | 1,471 | 1,487 | 1,373 |
| Fee and commission income | | | |
| Base and other asset management fees ⁽³⁾ | 1,594 | 1,662 | 1,592 |
| Mergers and acquisitions, advisory and underwriting fees | 438 | 755 | 618 |
| Brokerage and other trading-related fees | 393 | 420 | 381 |
| Performance fees ⁽⁴⁾ | 237 | 218 | 177 |
| Other fee and commission income | 370 | 380 | 684 |
| Total fee and commission income | 3,032 | 3,435 | 3,452 |
| Net trading income | | | |
| Commodities trading ⁽⁵⁾ | 1,998 | 2,115 | 1,256 |
| Credit, interest rate, foreign exchange and other products | 513 | 61 | 187 |
| Equities trading | 228 | 161 | 216 |
| Net trading income | 2,739 | 2,337 | 1,659 |
| Share of net (losses)/profits from associates and joint ventures | (61) | (2) | 242 |

(1) Includes interest income of \$3,037 million (half year to 31 March 2022: \$2,027 million; half year to 30 September 2021: \$1,877 million) on financial assets measured at amortised cost and \$276 million (half year to 31 March 2022: \$43 million; half year to 30 September 2021: \$44 million) on financial assets measured at FVOCI.

(2) Includes interest expense on financial liabilities measured at amortised cost calculated using the effective interest rate method of \$2,133 million (half year to 31 March 2022: \$732 million; half year to 30 September 2021: \$671 million).

(3) Includes \$1,389 million (half year to 31 March 2022: \$1,422 million; half year to 30 September 2021: \$1,374 million) of base fee income.

(4) Includes \$233 million (half year to 31 March 2022: \$159 million; half year to 30 September 2021: \$156 million) from transactions with the Consolidated Entity's associates.

(5) Includes \$225 million (half year to 31 March 2022: \$259 million; half year to 30 September 2021: \$249 million) of transportation, storage and certain other trading-related costs.

Notes to the consolidated financial statements

For the half year ended 30 September 2022 continued

Note 2

Operating profit before income tax continued

| | Half year to 30 Sep 22 \$m | Half year to 31 Mar 22 \$m | Half year to 30 Sep 21 \$m |
|--|----------------------------------|----------------------------------|----------------------------------|
| Credit and other impairment (charges)/reversals | | | |
| Credit impairment (charges)/reversals | | | |
| Loan assets | (110) | (39) | (64) |
| Off balance sheet exposures | (37) | 13 | (12) |
| Financial investments | (17) | 2 | (4) |
| Margin money and settlement assets | (11) | (15) | (11) |
| Held for sale and other assets | (8) | (31) | (52) |
| Loans to associates and joint ventures | 5 | (6) | (33) |
| Gross credit impairment charges | (178) | (76) | (176) |
| Recovery of amounts previously written off | 3 | 2 | - |
| Net credit impairment charges | (175) | (74) | (176) |
| Other impairment charges | | | |
| Interests in associates and joint ventures | (111) | (175) | (5) |
| Intangible and other non-financial assets | - | (30) | (49) |
| Net other impairment charges | (111) | (205) | (54) |
| Total credit and other impairment charges | (286) | (279) | (230) |
| Net other operating income | | | |
| Investment income | | | |
| Net gain/(loss) from: | | | |
| Disposal of subsidiaries and businesses | 378 | 1,995 | 794 |
| Financial investments | (139) | 126 | 122 |
| Interests in associates and joint ventures | 1,280 | 146 | 44 |
| Non-financial assets | 30 | 30 | 34 |
| Total investment income | 1,549 | 2,297 | 994 |
| Net operating lease income | | | |
| Rental income | 397 | 395 | 359 |
| Depreciation | (186) | (179) | (173) |
| Net operating lease income | 211 | 216 | 186 |
| Subsidiaries held for investment purposes:⁽¹⁾ | | | |
| Net operating revenue ⁽²⁾ | 171 | 160 | 287 |
| Expenses ⁽³⁾ | (286) | (208) | (265) |
| Net (loss)/profit from subsidiaries held for investment purposes | (115) | (48) | 22 |
| Other income | 101 | 77 | 106 |
| Total net other operating income | 1,746 | 2,542 | 1,308 |
| Net operating income | 8,641 | 9,520 | 7,804 |

(1) 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 \$265 million (half year to 31 March 2022: \$477 million; half year to 30 September 2021: \$699 million) after deduction of \$94 million (half year to 31 March 2022: \$317 million; half year to 30 September 2021: \$412 million) related to cost of goods sold.

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

Note 2

Operating profit before income tax continued

| | Half year to 30 Sep 22 \$m | Half year to 31 Mar 22 \$m | Half year to 30 Sep 21 \$m |
|---|----------------------------------|----------------------------------|----------------------------------|
| Employment expenses | | | |
| Salary and related costs including commissions, superannuation and performance-related profit share | (3,038) | (2,999) | (2,628) |
| Share-based payments ⁽¹⁾ | (366) | (340) | (319) |
| Provision for long service leave and annual leave | (30) | (24) | (54) |
| Total compensation expenses | (3,434) | (3,363) | (3,001) |
| Other employment expenses including on-costs, staff procurement and staff training | (179) | (198) | (163) |
| Total employment expenses | (3,613) | (3,561) | (3,164) |
| Brokerage, commission and fee expenses | | | |
| Brokerage and other trading-related fee expenses | (365) | (380) | (368) |
| Other fee and commission expenses | (152) | (151) | (130) |
| Total brokerage, commission and fee expenses | (517) | (531) | (498) |
| Non-salary technology expenses | | | |
| Information services | (124) | (107) | (103) |
| Depreciation on own use assets: equipment | (12) | (19) | (12) |
| Service provider and other non-salary technology expenses | (409) | (383) | (302) |
| Total non-salary technology expenses | (545) | (509) | (417) |
| Other operating expenses | | | |
| Occupancy expenses | | | |
| Lease expenses | (74) | (76) | (79) |
| Depreciation on own use assets: buildings, furniture, fittings and leasehold improvements | (29) | (27) | (36) |
| Other occupancy expenses | (79) | (72) | (67) |
| Total occupancy expenses | (182) | (175) | (182) |
| Other expenses | | | |
| Professional fees | (233) | (335) | (241) |
| Advertising and promotional expenses | (95) | (82) | (96) |
| Travel and entertainment expenses | (83) | (28) | (15) |
| Amortisation of intangible assets | (72) | (64) | (70) |
| Indirect and other taxes | (60) | (85) | (85) |
| Audit fees | (28) | (38) | (26) |
| Other | (185) | (308) | (275) |
| Total other expenses | (756) | (940) | (808) |
| Total other operating expenses | (938) | (1,115) | (990) |
| Total operating expenses | (5,613) | (5,716) | (5,069) |
| Operating profit before income tax | 3,028 | 3,804 | 2,735 |

(1) Includes share-based payments related gains of \$10 million (half year to 31 March 2022: \$19 million expenses; half year to 30 September 2021: \$22 million expenses) for cash settled awards.

Notes to the consolidated financial statements

For the half year ended 30 September 2022 continued

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 four Operating Groups and a Corporate segment (reportable segments).

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

Comparatives have been reclassified to reflect this reorganisation.

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

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

- **MAM** which provides investment solutions to clients across a range of capabilities in Private Markets and Public Investments, including infrastructure, green investments, agriculture and natural assets, real estate, private credit, asset finance, equities, fixed income and multi-asset solutions
- **BFS** which provides a diverse range of personal banking, wealth management, and business banking products and services to retail clients, advisers, brokers and business clients
- **CGM** which is a global business offering capital and financing, risk management, market access, physical execution and logistics solutions to its diverse client base across Commodities, Financial Markets and Asset Finance
- **Macquarie Capital** which has global capability in advisory and capital raising services, investing alongside partners and clients across the capital structure, providing clients with specialist expertise, advice and flexible capital solutions across a range of sectors. It also has global capability in the development and investment in infrastructure and energy projects and companies, with a focus on transport, digital and social infrastructure. Macquarie Capital's Equities brokerage business provides clients with access to equity research, sales, execution capabilities and corporate access.

The Corporate segment, which is not considered an Operating Group, comprises head office and Central Service Groups, including Group Treasury and holds certain legacy and strategic investments, assets and businesses that are not allocated to any of the Operating Groups.

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

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

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

Internal funding arrangements

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

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

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

Transactions between Operating Segments

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

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

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 gives rise to income statement volatility unless designated in a hedge accounting relationship, in which case the carrying value of the hedged item is adjusted for changes in fair value attributable to the hedged risk to reduce volatility in the income statement. If designated in a cash flow hedge accounting relationship, the effective portion of the derivative's fair value gains or losses is deferred in the cash flow hedge reserve as part of OCI, and subsequently recognised in the income statement at the time at which the hedged item affects the income statement for the hedged risk. For segment reporting purposes, derivatives are accounted for on an accrual basis in the results of the Operating Groups to the extent that the Corporate segment manages the derivative volatility, either through the application of hedge accounting or where the derivative volatility may offset the volatility of other positions managed within the Corporate segment.

Central Service Groups

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

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

Performance-related profit share and share based payments expense

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

Income tax

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

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

Presentation of segment income statements

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

Reportable segment assets

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

Notes to the consolidated financial statements

For the half year ended 30 September 2022 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 | (143) | 1,214 |
| Fee and commission income/(expense) | 1,882 | 233 |
| Share of net (losses)/profits from associates and joint ventures | (33) | (2) |
| Net other operating income: | | |
| Credit and other impairment charges | (3) | (9) |
| Other operating income and charges | 839 | (14) |
| Internal management revenue/(charges) | 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 |
| Net interest and trading (expense)/income | (150) | 998 |
| Fee and commission income/(expense) | 1,939 | 237 |
| Share of net profits/(losses) from associates and joint ventures | 71 | (1) |
| Net other operating income: | | |
| Credit and other impairment (charges)/reversals | (143) | 53 |
| Other operating income and charges | 1,551 | 10 |
| Internal management revenue/(charges) | 15 | 1 |
| Net operating income/(expense) | 3,283 | 1,298 |
| Total operating expenses | (1,349) | (779) |
| Operating profit/(loss) before income tax | 1,934 | 519 |
| Income tax expense | - | - |
| Profit attributable to non-controlling interests | (2) | - |
| Net profit/(loss) contribution | 1,932 | 519 |
| Reportable segment assets | 9,678 | 111,103 |
| Net interest and trading (expense)/income | (178) | 974 |
| Fee and commission income/(expense) | 2,149 | 220 |
| Share of net profits/(losses) from associates and joint ventures | 185 | (1) |
| Net other operating income: | | |
| Credit and other impairment reversals/(charges) | 44 | (31) |
| Other operating income and charges | 171 | 1 |
| Internal management revenue/(charges) | 3 | - |
| Net operating income | 2,374 | 1,163 |
| Total operating expenses | (1,282) | (681) |
| Operating profit/(loss) before income tax | 1,092 | 482 |
| Income tax expense | - | - |
| Loss/(profit) attributable to non-controlling interests | 5 | - |
| Net profit/(loss) contribution | 1,097 | 482 |
| Reportable segment assets | 8,924 | 100,065 |

| Commodities and Global Markets \$m | Macquarie Capital \$m | Corporate \$m | Total \$m |
|---------------------------------------|--------------------------|------------------|--------------|
| HALF YEAR ENDED 30 SEP 2022 | | | |
| 2,774 | 154 | 211 | 4,210 |
| 296 | 664 | (43) | 3,032 |
| 16 | (42) | - | (61) |
| (35) | (195) | (44) | (286) |
| 206 | 694 | 21 | 1,746 |
| (1) | 12 | (75) | - |
| 3,256 | 1,287 | 70 | 8,641 |
| (1,260) | (711) | (1,602) | (5,613) |
| 1,996 | 576 | (1,532) | 3,028 |
| - | - | (735) | (735) |
| - | 19 | (1) | 12 |
| 1,996 | 595 | (2,268) | 2,305 |
| 234,146 | 26,114 | 90,014 | 486,574 |
| HALF YEAR ENDED 31 MAR 2022 | | | |
| 2,854 | 256 | (134) | 3,824 |
| 279 | 1,003 | (23) | 3,435 |
| 25 | (98) | 1 | (2) |
| (7) | (225) | 43 | (279) |
| 288 | 719 | (26) | 2,542 |
| (29) | 15 | (2) | - |
| 3,410 | 1,670 | (141) | 9,520 |
| (1,228) | (670) | (1,690) | (5,716) |
| 2,182 | 1,000 | (1,831) | 3,804 |
| - | - | (983) | (983) |
| - | (155) | (1) | (158) |
| 2,182 | 845 | (2,815) | 2,663 |
| 172,698 | 25,443 | 80,254 | 399,176 |
| HALF YEAR ENDED 30 SEP 2021 | | | |
| 1,878 | 158 | 200 | 3,032 |
| 228 | 865 | (10) | 3,452 |
| 15 | 43 | - | 242 |
| (58) | (137) | (48) | (230) |
| 672 | 427 | 37 | 1,308 |
| 34 | 14 | (51) | - |
| 2,769 | 1,370 | 128 | 7,804 |
| (1,040) | (600) | (1,466) | (5,069) |
| 1,729 | 770 | (1,338) | 2,735 |
| - | - | (603) | (603) |
| - | (94) | - | (89) |
| 1,729 | 676 | (1,941) | 2,043 |
| 163,719 | 23,451 | 52,408 | 348,567 |

Notes to the consolidated financial statements

For the half year ended 30 September 2022 continued

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 2022 | | | | | |
| Base and other asset management fees | 1,469 | 124 | 1 | - | - | 1,594 |
| Mergers and acquisitions, advisory and underwriting fees | - | - | 5 | 434 | (1) | 438 |
| Brokerage and other trading-related fees | 37 | 20 | 125 | 211 | - | 393 |
| Performance fees | 237 | - | - | - | - | 237 |
| Other fee and commission income/(expense) | 139 | 89 | 165 | 19 | (42) | 370 |
| Total fee and commission income/(expense) | 1,882 | 233 | 296 | 664 | (43) | 3,032 |
| Fee and commission income/(expense) | HALF YEAR TO 31 MAR 2022 | | | | | |
| Base and other asset management fees | 1,533 | 128 | 1 | - | - | 1,662 |
| Mergers and acquisitions, advisory and underwriting fees | 1 | - | 3 | 762 | (11) | 755 |
| Brokerage and other trading-related fees | 28 | 20 | 127 | 244 | 1 | 420 |
| Performance fees | 217 | - | - | 1 | - | 218 |
| Other fee and commission income/(expense) | 141 | 88 | 148 | 15 | (12) | 380 |
| Total fee and commission income/(expense) | 1,920 | 236 | 279 | 1,022 | (22) | 3,435 |
| Fee and commission income/(expense) | HALF YEAR TO 30 SEP 2021 | | | | | |
| Base and other asset management fees | 1,474 | 117 | 1 | - | - | 1,592 |
| Mergers and acquisitions, advisory and underwriting fees | 2 | - | (7) | 624 | (1) | 618 |
| Brokerage and other trading-related fees | 16 | 25 | 112 | 229 | (1) | 381 |
| Performance fees | 177 | - | - | - | - | 177 |
| Other fee and commission income/(expense) | 474 | 78 | 122 | 18 | (8) | 684 |
| Total fee and commission income/(expense) | 2,143 | 220 | 228 | 871 | (10) | 3,452 |

Note 4

Income tax expense

| | Half year to 30 Sep 22 \$m | Half year to 31 Mar 22 \$m | Half year to 30 Sep 21 \$m |
|--|----------------------------------|----------------------------------|----------------------------------|
| (i) Reconciliation of income tax expense to <i>prima facie</i> income tax expense | | | |
| <i>Prima facie</i> income tax expense on operating profit @30% (31 March 2022: 30%; 30 September 2021: 30%) | (908) | (1,141) | (821) |
| Tax effect of amounts which are non-assessable/(non-deductible) in calculating taxable income: | | | |
| Rate differential on offshore income | 202 | 180 | 242 |
| Other items | (29) | (22) | (24) |
| Total income tax (expense)/benefit | (735) | (983) | (603) |
| (ii) Tax (expense)/benefit relating to OCI | | | |
| FVOCI reserve | 11 | 11 | - |
| Own credit risk | (14) | (20) | 2 |
| Cash flow hedges and cost of hedging | 11 | 28 | 5 |
| Foreign currency translation reserve | - | 12 | - |
| Share of other comprehensive (income)/expense of associates and joint ventures | (25) | (5) | 9 |
| Total tax (expense)/benefit relating to OCI | (17) | 26 | 16 |

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.

Notes to the consolidated financial statements

For the half year ended 30 September 2022 continued

Note 5 Dividends

| | Half year to 30 Sep 22 \$m | Half year to 31 Mar 22 \$m | Half year to 30 Sep 21 \$m |
|---|----------------------------------|----------------------------------|----------------------------------|
| (i) Dividends paid | | | |
| Ordinary share capital | | | |
| Final dividend paid (2022: \$3.50 (2021: \$3.35) per share) | 1,339 | - | 1,208 |
| Interim dividend paid (2022: \$2.72 per share) | - | 1,021 | - |
| Total dividends paid (Note 19)⁽¹⁾ | 1,339 | 1,021 | 1,208 |

The 2022 final dividend paid during the period was franked at 40% based on tax paid at 30% (2022 interim dividend franked at 40% based on tax paid at 30%; 2021 final dividend 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. Shares issued by the Consolidated Entity in the current and earlier 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 2022 of \$3.00 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 13 December 2022 from retained profits, but not recognised as a liability at the end of the period is \$1,159 million. This amount has been estimated based on the number of shares and MEREP awards eligible to participate as at 30 September 2022.

| | Half year to 30 Sep 22 \$ per share | Half year to 31 Mar 22 \$ per share | Half year to 30 Sep 21 \$ per share |
|---|---|---|---|
| Cash dividend (distribution of current year profits) (\$ per share) | 3.00 | 3.50 | 2.72 |

(1) Includes \$8 million (half year to 31 March 2022: \$7 million; half year to 30 September 2021: \$7 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 by the weighted average number of ordinary shares outstanding during the period.

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 22 | Half year to 31 Mar 22 | Half year to 30 Sep 21 |
|--|---------------------------|---------------------------|---------------------------|
| | | | CENTS |
| Basic earnings per share | 603.3 | 706.4 | 562.5 |
| Diluted earnings per share | 585.1 | 680.7 | 545.4 |
| | | | \$m |
| Reconciliation of earnings used in the calculation of basic and diluted earnings per share | | | |
| Profit after income tax | 2,293 | 2,821 | 2,132 |
| Loss/(profit) attributable to non-controlling interests | 12 | (158) | (89) |
| Profit attributable to the ordinary equity holders of MGL | 2,305 | 2,663 | 2,043 |
| Less: profit attributable to participating unvested MEREP awards | (72) | (82) | (65) |
| Earnings used in the calculation of basic earnings per share | 2,233 | 2,581 | 1,978 |
| Add back: | | | |
| Interest on convertible subordinated debt | 95 | 68 | 61 |
| Profit attributable to dilutive participating unvested MEREP awards | 45 | 60 | 41 |
| Earnings used in the calculation of diluted earnings per share | 2,373 | 2,709 | 2,080 |
| | | | 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 participating unvested MEREP awards used in the calculation of basic earnings per share | 370,136,531 | 365,374,299 | 351,667,930 |
| Add: weighted average number of dilutive potential ordinary shares: | | | |
| Convertible subordinated debt ^{(1),(2)} | 24,852,954 | 20,834,491 | 19,562,835 |
| Unvested MEREP awards | 10,563,730 | 11,752,112 | 10,175,359 |
| Weighted average number of equity shares (net of treasury shares) and potential equity shares used in the calculation of diluted earnings per share | 405,553,215 | 397,960,902 | 381,406,124 |

(1) Includes weighted average number of potential dilutive equity shares for Macquarie Group Capital Notes (MCN6) of \$750 million issued during the half year to 30 September 2022. These are perpetual securities which are eligible for conversion into a variable number of Consolidated Entity's ordinary shares on the scheduled mandatory exchange date, provided the exchange conditions are satisfied, unless redeemed, resold or written off earlier.

(2) For details of loan capital included in potential dilutive equity shares, refer to Note 26 *Loan capital* of the Consolidated Entity's Annual Financial Report for the year ended 31 March 2022.

Notes to the consolidated financial statements

For the half year ended 30 September 2022 continued

Note 7 Trading assets

| | As at 30 Sep 22 \$m | As at 31 Mar 22 \$m | As at 30 Sep 21 \$m |
|-----------------------------|---------------------------|---------------------------|---------------------------|
| Listed equity securities | 5,678 | 4,920 | 7,334 |
| Commodity contracts | 3,460 | 4,621 | 4,121 |
| Commodities | 3,108 | 3,224 | 7,358 |
| Debt securities | 1,064 | 813 | 2,970 |
| Total trading assets | 13,310 | 13,578 | 21,783 |

Note 8 Margin money and settlement assets

| | | | |
|---|---------------|--------|--------|
| Margin money | 19,649 | 14,458 | 10,378 |
| Security settlements | 5,310 | 5,848 | 8,558 |
| Commodity settlements | 4,401 | 4,802 | 3,207 |
| Total margin money and settlement assets | 29,360 | 25,108 | 22,143 |

Note 9 Derivative assets

| | | | |
|-----------------------------------|----------------|--------|--------|
| Held for trading | 110,195 | 84,217 | 75,944 |
| Designated in hedge relationships | 1,718 | 674 | 1,242 |
| Total derivative assets | 111,913 | 84,891 | 77,186 |

Note 10

Held for sale and other assets

| | As at 30 Sep 22 \$m | As at 31 Mar 22 \$m | As at 30 Sep 21 \$m |
|--|---------------------------|---------------------------|---------------------------|
| Held for sale assets | | | |
| Assets of disposal groups and interests in associates and joint ventures classified as held for sale | 707 | 1,297 | 1,940 |
| Other financial assets | | | |
| Trade debtors and other receivables | 3,584 | 2,161 | 1,614 |
| Commodity-related receivables | 3,423 | 2,519 | 2,559 |
| Fee and commission receivables | 872 | 1,026 | 945 |
| Other | 18 | 11 | 15 |
| Total other financial assets | 7,897 | 5,717 | 5,133 |
| Other non-financial assets | | | |
| Investment property | 856 | 748 | 535 |
| Contract assets | 841 | 551 | 469 |
| Income tax receivables | 729 | 625 | 649 |
| Prepayments | 536 | 448 | 441 |
| Indirect taxes receivables | 271 | 205 | 104 |
| Other | 348 | 338 | 474 |
| Total other non-financial assets | 3,581 | 2,915 | 2,672 |
| Total other assets | 11,478 | 8,632 | 7,805 |

Note 11

Loan assets

| | AS AT 30 SEP 22 | | | AS AT 31 MAR 22 | | | AS AT 30 SEP 21 | | |
|---|-----------------|--|----------------|-----------------|--|----------------|-----------------|--|----------------|
| | 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⁾ | 107,510 | (112) | 107,398 | 95,348 | (76) | 95,272 | 81,836 | (73) | 81,763 |
| Corporate, commercial and other lending | 34,124 | (860) | 33,264 | 30,157 | (731) | 29,426 | 25,430 | (593) | 24,837 |
| Asset financing ⁽²⁾ | 8,397 | (185) | 8,212 | 10,270 | (224) | 10,046 | 12,104 | (345) | 11,759 |
| Total loan assets | 150,031 | (1,157) | 148,874 | 135,775 | (1,031) | 134,744 | 119,370 | (1,011) | 118,359 |

Subsequent to 30 September 2022, the Consolidated Entity has issued \$1.6 billion debt secured against certain loan assets.

(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 \$18,832 million (31 March 2022: \$15,013 million; 30 September 2021: \$13,580 million) loans that are held by consolidated Structured Entities (SEs), and which are available as security to note holders and debt providers. Refer to Note 17 *Issued debt securities*.

Notes to the consolidated financial statements

For the half year ended 30 September 2022 continued

Note 12 Expected credit losses

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

Model Inputs

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

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

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

The key model components used in measuring the ECL include:

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

Significant increase in credit risk (SICR)

The Consolidated Entity periodically assesses exposures to determine whether there has been a SICR, which may be evidenced by either qualitative or quantitative factors. Qualitative factors include, but are not limited to, whether an exposure has been identified and placed on CreditWatch, an internal credit monitoring mechanism supervised by the Credit Watch Management Committee 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 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 as well as the LGD (that is relevant to the determination of the recovery rates on collateral). The predicted relationships between these key indicators and the key model components (EAD, PD, and LGD) in measuring the ECL have been developed by analysing historical data as part of the development of internal models, and the calibration and validation process.

The Consolidated Entity applies its professional judgement in determining whether there are any inherent risks in the models' predictive outcomes. The overlays primarily reflect management's assessment of the current economic and credit environment relative to the FLI credit cycle model. These overlays account for the risk that underlying credit risk events have occurred, but observable modelled inputs are yet to reflect those events, as well as risks that are specific to regions, counterparties or industries which are difficult to account for within the modelled outcomes. Overtime the credit models are recalibrated to enhance the predictive capability. At the reporting date this overlay was approximately \$490 million (31 March 2022: \$450 million, 30 September 2021: \$550 million). These judgements are reviewed by FMG and RMG at each reporting date.

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

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

Refinement of the scenarios includes benchmarking to external data from reputable sources. These sources 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 implications of events in Ukraine, broader inflationary pressures, and the path of monetary policy, these scenarios represent plausible forward-looking views as at the reporting date.

These scenarios impact the modelled ECL provisioning levels through determination of 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.

Notes to the consolidated financial statements

For the half year ended 30 September 2022 continued

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 ~\$1,600 million ⁽¹⁾ | Probable | <p>Global: The baseline scenario assumes a slowing economy due to expected impacts from inflation, monetary tightening, and a slowdown in China. Uncertainty remains significant regarding the trajectory of commodity prices and the pace of global interest rate hikes two key sources of uncertainty. Unemployment rates, currently at recent lows in many countries, are expected to rise as growth slows and many advanced economies enter recessions.</p> <p>Australia: Growth in 2022 continues as the economy recovers from the impacts of pandemic-related disruptions, however the pace of this growth will fall significantly over the coming year. A recession is not forecast, but annual growth in 2023 is forecast to be just 1.2%. Tightening from the Reserve Bank of Australia (RBA) is forecast to push the cash rate to 3.35% and result in a fall in house prices of approximately 16.5%. Weak growth is forecast to result in unemployment rising steadily to 4.5% by mid-2025, but remain below pre-pandemic levels.</p> <p>United States: A recession is forecast in the baseline scenario, with four consecutive quarters of contraction from mid 2023 as the US Federal Reserve rates increases impacts all aspects of the economy. Interest rate increases are expected to stop when the Federal funds rate reaches 3.75 to 4.0% in the first quarter of 2023. GDP is forecast to contract by 1.5% year-on-year, with unemployment rising to 6% in 2024.</p> <p>Europe: Having only just returned output to pre-pandemic levels, Europe has been negatively impacted by the conflict between Russia and Ukraine. Energy prices have surged, and supply concerns have increased as winter approaches. In this scenario price pressures are forecast to weigh on consumer and business activity, and Europe is expected to enter a recession during 2022. The recovery is forecast to be slow, with tighter monetary conditions from the European Central Bank (ECB) necessitated by high inflation, and with weak growth outlooks in much of the rest of the world.</p> |
| Downside A 100% weighting to this scenario would result in an estimated total expected credit loss provision on balance sheet at the reporting date of ~\$1,800 million ⁽¹⁾ | Possible | <p>Global: The downside scenario forecasts growth in global GDP that is approximately 1% lower than the baseline scenario through to 2026.</p> <p>Australia: The scenario projects that Australia is unable to avoid a recession, with GDP contracting 0.75% during 2023 as a result of slowing global growth and the impact of restrictive monetary policy from the RBA. House prices are forecast to fall 14% but are supported by a reversal in RBA policy as the economy slows.</p> <p>United States: The scenario projects a longer and more significant contraction in GDP, falling by 2.2% to the end of 2023, despite Federal Reserve rate cuts beginning in early 2023 as signs emerge of faltering growth. The unemployment rate is forecast to continue to rise, peaking at over 7% in 2024.</p> <p>Europe: The scenario projects GDP to fall by slightly more than 2% in 2023, with a prolonged recovery through to 2026. Price pressures are forecast to continue to restrict household and business activity, and unemployment is forecast to exceed 9% in 2024.</p> |
| More Severe Downside A 100% weighting to this scenario would result in an estimated total expected credit loss provision on balance sheet at the reporting date of ~\$2,300 million ⁽¹⁾ | Unlikely | <p>Global: The scenario projects negative global growth for most of 2023 as a result of persistent inflation, tighter global monetary conditions, and a slowdown in China. Commodity prices remain elevated for the first half of 2023 before global economic weakness leads to significant falls, pushing oil prices below \$US50/barrel. Equity markets also falter as the depth of the slowdown becomes clear.</p> <p>Australia: The scenario projects GDP to fall by 2.5% in 2023 and recover only slowly at 1% year-on-year in 2024. In spite of RBA loosening as a recession occurs, the economy continues to struggle and house prices stabilise in 2024 after declining 25%.</p> <p>United States: The scenario projects a severe downturn starting in late 2022 with output falling by 3.5% to during 2023. The Federal Reserve is forecast to cut rates sharply, but this fails to sufficiently stimulate the economy and unemployment in this scenario rises to 8.4% in early 2024.</p> <p>Europe: The scenario projects the Eurozone economy to contract 3.7% to by the end of 2023 as the energy price strain and a global slowdown have a significant impact on Europe. Unemployment is forecast to reach 10% across Europe in late 2024, while equity and housing markets are impacted by material downturns.</p> |
| Upside A 100% weighting to this scenario would result in an estimated total expected credit loss provision on balance sheet at the reporting date of ~\$1,450 million ⁽¹⁾ | Unlikely | <p>Global: The upside scenario projects growth in global GDP that is approximately 1% higher than the baseline scenario throughout the forecast period to 2026.</p> <p>Australia: The scenario projects growth to continue but slow to around 1.5% year-on-year. RBA rate hikes are forecast to slow the economy sufficiently to ease inflationary pressures but without a sharp increase in unemployment, which slowly rises to 4.3%.</p> <p>United States: The scenario projects growth slows sharply in mid 2023 to approximately 0.1% quarterly growth, but a recession is avoided. The Federal Reserve broadly achieves its 'soft landing' goal and is not required to rapidly cut rates to stimulate growth. Equity prices take a decline in the short-term hit due to higher rates but recover as a recession is avoided.</p> <p>Europe: The scenario projects recession is narrowly avoided, but growth falls to less than 0.5% year-on-year. Price pressures are forecast to ease as monetary policy is tightened and global commodity prices decline, with unemployment forecast to rise to 7.5%.</p> |

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

Note 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 | | | Gross exposure \$m | ECL ALLOWANCE ON FINANCIAL ASSETS CARRIED AT | | | Total ECL allowance \$m |
|---|--|---------------|---------------|-----------------------|--|--------------|--------------|----------------------------|
| | Amortised Cost \$m | FVOCI \$m | Other \$m | | Amortised Cost \$m | FVOCI \$m | Other \$m | |
| AS AT 30 SEP 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 | - | - | 11,540 | 11,540 | - | - | 99 | 99 |
| Total | 261,225 | 63,470 | 12,381 | 337,076 | 1,463 | 129 | 99 | 1,691 |
| AS AT 31 MAR 2022 | | | | | | | | |
| Cash and bank balances | 52,754 | - | - | 52,754 | - | - | - | - |
| Cash collateralised lending and reverse repurchase agreements | 11,155 | 35,872 | - | 47,027 | - | - | - | - |
| Margin money and settlement assets | 24,681 | - | - | 24,681 | 97 | - | - | 97 |
| Financial investments | 4 | 9,941 | - | 9,945 | - | 3 | - | 3 |
| Held for sale and other assets ⁽¹⁾ | 4,355 | 9 | 553 | 4,917 | 171 | - | - | 171 |
| Loan assets | 135,024 | 281 | - | 135,305 | 1,031 | 59 | - | 1,090 |
| Loans to associates and joint ventures | 573 | 76 | - | 649 | 63 | 33 | - | 96 |
| Off balance sheet exposures | - | - | 10,082 | 10,082 | - | - | 56 | 56 |
| Total | 228,546 | 46,179 | 10,635 | 285,360 | 1,362 | 95 | 56 | 1,513 |
| AS AT 30 SEP 2021 | | | | | | | | |
| Cash and bank balances | 32,221 | - | - | 32,221 | - | - | - | - |
| Cash collateralised lending and reverse repurchase agreements | 12,259 | 21,485 | - | 33,744 | - | - | - | - |
| Margin money and settlement assets | 21,637 | - | - | 21,637 | 82 | - | - | 82 |
| Financial investments | 10 | 10,700 | - | 10,710 | - | 5 | - | 5 |
| Held for sale and other assets ⁽¹⁾ | 4,468 | - | 469 | 4,937 | 263 | - | - | 263 |
| Loan assets | 118,839 | 304 | - | 119,143 | 1,011 | 46 | - | 1,057 |
| Loans to associates and joint ventures | 598 | 85 | - | 683 | 62 | 33 | - | 95 |
| Off balance sheet exposures | - | - | 10,542 | 10,542 | - | - | 72 | 72 |
| Total | 190,032 | 32,574 | 11,011 | 233,617 | 1,418 | 84 | 72 | 1,574 |

(1) Other exposures included in other assets represent fee-related contract assets.

Notes to the consolidated financial statements

For the half year ended 30 September 2022 continued

Note 12

Expected credit losses continued

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

| | 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 2021 | 71 | 6 | 158 | 1,181 | 130 | 57 | 1,603 |
| Credit impairment charges (Note 2) | 11 | 4 | 52 | 64 | 33 | 12 | 176 |
| Amounts written off, previously provided for | - | - | (14) | (138) | (73) | - | (225) |
| Reclassifications, foreign exchange and other movements | - | (5) | 67 | (50) | 5 | 3 | 20 |
| Balance as at 30 Sep 2021 | 82 | 5 | 263 | 1,057 | 95 | 72 | 1,574 |
| Credit impairment charges/(reversals) (Note 2) | 15 | (2) | 31 | 39 | 6 | (13) | 76 |
| Amounts written off, previously provided for | - | - | (50) | (25) | - | - | (75) |
| Reclassifications, foreign exchange and other movements | - | - | (73) | 19 | (5) | (3) | (62) |
| Balance as at 31 Mar 2022 | 97 | 3 | 171 | 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 | 112 | 20 | 136 | 1,226 | 98 | 99 | 1,691 |

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 are applied.

| | LIFETIME ECL | | | Total ECL Allowance \$m |
|---|--------------------------------|---|-------------------------------------|----------------------------|
| | Stage I 12 month ECL \$m | Stage II Not credit impaired \$m | Stage III Credit impaired \$m | |
| Balance as at 1 Apr 2021 | 421 | 280 | 480 | 1,181 |
| Transfers during the period | 18 | 1 | (19) | - |
| Credit impairment charges (Note 2) | 63 | - | 1 | 64 |
| Amounts written off, previously provided for | - | - | (138) | (138) |
| Reclassifications, foreign exchange and other movements | (4) | - | (46) | (50) |
| Balance as at 30 Sep 2021 | 498 | 281 | 278 | 1,057 |
| Transfers during the period | 24 | (42) | 18 | - |
| Credit impairment (reversals)/charges (Note 2) | (9) | 48 | - | 39 |
| Amounts written off, previously provided for | - | - | (25) | (25) |
| Reclassifications, foreign exchange and other movements | (27) | (2) | 48 | 19 |
| Balance as at 31 Mar 2022 | 486 | 285 | 319 | 1,090 |
| Transfers during the period | 19 | (20) | 1 | - |
| Credit impairment charges/(reversals) (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 |

Note 13

Trading liabilities

| | As at 30 Sep 22 \$m | As at 31 Mar 22 \$m | As at 30 Sep 21 \$m |
|----------------------------------|---------------------------|---------------------------|---------------------------|
| Listed equity securities | 6,267 | 5,252 | 5,466 |
| Commodities | 136 | - | - |
| Debt securities | 40 | 38 | 29 |
| Total trading liabilities | 6,443 | 5,290 | 5,495 |

Notes to the consolidated financial statements

For the half year ended 30 September 2022 continued

Note 14

Margin money and settlement liabilities

| | As at 30 Sep 22 \$m | As at 31 Mar 22 \$m | As at 30 Sep 21 \$m |
|--|---------------------------|---------------------------|---------------------------|
| Margin money | 30,203 | 16,353 | 15,642 |
| Security settlements | 5,633 | 5,840 | 7,372 |
| Commodity settlements | 4,590 | 4,965 | 2,881 |
| Total margin money and settlement liabilities | 40,426 | 27,158 | 25,895 |

Note 15

Derivative liabilities

| | | | |
|-------------------------------------|----------------|---------------|---------------|
| Held for trading | 107,172 | 82,683 | 77,449 |
| Designated in hedge relationships | 4,562 | 1,781 | 531 |
| Total derivative liabilities | 111,734 | 84,464 | 77,980 |

Note 16

Held for sale and other liabilities

Held for sale liabilities

| | | | |
|--|-----|-----|-----|
| Liabilities of disposal groups classified as held for sale | 112 | 525 | 404 |
|--|-----|-----|-----|

Other financial liabilities

| | | | |
|--|--------------|--------------|--------------|
| Commodity-related payables | 2,172 | 1,230 | 546 |
| Creditors | 1,576 | 1,943 | 1,598 |
| Lease liabilities | 595 | 586 | 694 |
| Unit holder liabilities | 589 | 505 | 503 |
| Total other financial liabilities | 4,932 | 4,264 | 3,341 |

Other non-financial liabilities

| | | | |
|---|---------------|---------------|--------------|
| Employment-related liabilities | 2,615 | 3,497 | 2,265 |
| Accrued charges and provisions ⁽¹⁾ | 1,911 | 1,731 | 1,389 |
| Income tax payable | 934 | 981 | 850 |
| Income received in advance | 526 | 259 | 286 |
| Indirect taxes payable | 106 | 112 | 141 |
| Other | 175 | 323 | 129 |
| Total other non-financial liabilities | 6,267 | 6,903 | 5,060 |
| Total other liabilities | 11,199 | 11,167 | 8,401 |

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

Note 17

Issued debt securities

| | 30 Sep 22 \$m | 31 Mar 22 \$m | 30 Sep 21 \$m |
|---|------------------|------------------|------------------|
| Bonds, negotiable certificate of deposits and commercial paper ⁽¹⁾ | 111,482 | 97,024 | 77,267 |
| Structured notes | 2,237 | 2,503 | 2,776 |
| Total issued debt securities^{(2),(3)} | 113,719 | 99,527 | 80,043 |

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

Reconciliation of issued debt securities by major currency

(In Australian dollar equivalent)

| | | | |
|-------------------------------------|----------------|---------------|---------------|
| United States dollar | 73,851 | 61,203 | 49,041 |
| Australian dollar | 23,321 | 22,354 | 20,369 |
| Euro | 6,687 | 8,395 | 5,723 |
| Pound sterling | 3,612 | 4,068 | 1,438 |
| Japanese Yen | 2,067 | 212 | 491 |
| Swiss franc | 1,893 | 1,772 | 1,571 |
| Singapore dollar | 582 | 30 | 31 |
| Others | 1,706 | 1,493 | 1,379 |
| Total issued debt securities | 113,719 | 99,527 | 80,043 |

(1) Includes \$14,208 million (31 March 2022: \$13,380 million; 30 September 2021: \$12,170 million) payable to note holders and debt holders for which loan assets are held by consolidated 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 \$3,059 million (31 March 2022: \$3,245 million; 30 September 2021: \$3,537 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 of \$61 million (31 March 2022: \$16 million gain; 30 September 2021: \$54 million loss) due to changes in own credit risk on DFVTPL debt securities recognised in OCI.

Notes to the consolidated financial statements

For the half year ended 30 September 2022 continued

Note 18 Contributed equity

| | As at 30 Sep 22 \$m | As at 31 Mar 22 \$m | As at 30 Sep 21 \$m |
|---|---------------------------|---------------------------|---------------------------|
| Ordinary share capital | 14,741 | 14,156 | 11,290 |
| Treasury shares | (2,389) | (1,858) | (1,896) |
| Total contributed equity | 12,352 | 12,298 | 9,394 |
| | | Number of shares | Total \$m |
| (i) Ordinary share capital⁽¹⁾ | | | |
| Balance as at 1 Apr 2021 | | 361,821,377 | 10,164 |
| Issued fully paid shares pursuant to the MEREP on 9 June 2021 and 3 August 2021 @151.73 per share | | 4,108,915 | 623 |
| Issued fully paid shares pursuant to the DRP on 2 July 2021 @149.45 per share | | 2,892,121 | 432 |
| Issued shares on retraction of exchangeable shares on 6 August 2021 | | 756 | - |
| For employee MEREP awards: | | | |
| Transfer from share-based payments reserve on vesting of MEREP awards | | - | 408 |
| Transfer of deferred tax benefit on MEREP from share-based payments reserve on vesting of MEREP awards | | - | 23 |
| Transfer from treasury shares for MEREP awards exercised | | - | (360) |
| Balance as at 30 Sep 2021 | | 368,823,169 | 11,290 |
| Issue fully paid shares pursuant to the Institutional Private Placement (IPP) on 4 November 2021 @ 194.00 per share | | 7,731,958 | 1,500 |
| Issue fully paid shares to the Share Purchase Plan (SPP) scheme on 3 December 2021 @ 191.28 per share | | 6,677,074 | 1,277 |
| Issued fully paid shares pursuant to the Employee Share Plan (ESP) Scheme on 1 December 2021 @202.00 per share | | 7,552 | 2 |
| Issued fully paid shares pursuant to the DRP Scheme on 14 December 2021 @204.28 per share | | 407,884 | 84 |
| For employee MEREP awards: | | | |
| Transfer from share-based payments reserve on vesting of MEREP awards | | - | 40 |
| Transfer of deferred tax benefit on MEREP from share-based payments reserve on vesting of MEREP awards | | - | 14 |
| Transfer from treasury shares for MEREP awards exercised | | - | (38) |
| Others ⁽²⁾ | | - | (13) |
| Balance as at 31 Mar 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 |

(1) Ordinary shares have no par value.

(2) Includes transaction costs and related tax, where applicable.

Note 18

Contributed equity continued

| | Number of shares | Total \$m |
|---|---------------------|----------------|
| (ii) Treasury shares | | |
| Balance as at 1 Apr 2021 | (15,135,922) | (1,633) |
| Acquisition of shares for employee MEREP awards | (4,108,915) | (623) |
| Transfer to ordinary share capital for MEREP awards exercised | 3,630,091 | 360 |
| Balance as at 30 Sep 2021 | (15,614,746) | (1,896) |
| Transfer to ordinary share capital for MEREP awards exercised | 379,763 | 38 |
| Balance as at 31 Mar 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) |

Notes to the consolidated financial statements

For the half year ended 30 September 2022 continued

Note 19

Reserves and retained earnings

| | Half year to 30 Sep 22 \$m | Half year to 31 Mar 22 \$m | Half year to 30 Sep 21 \$m |
|---|----------------------------------|----------------------------------|----------------------------------|
| (i) Reserves | | | |
| Foreign currency translation reserve | | | |
| Balance at the beginning of the period | 312 | 746 | 306 |
| Foreign exchange movement on translation and hedge accounting of foreign operations, net of tax | 1,700 | (434) | 440 |
| Balance at the end of the period | 2,012 | 312 | 746 |
| FVOCI reserve | | | |
| Balance at the beginning of the period | 16 | 35 | 34 |
| Revaluation movement during the period, net of tax | (51) | (28) | 3 |
| Changes in ECL allowance, net of tax | 25 | 9 | (2) |
| Balance at the end of the period | (10) | 16 | 35 |
| Share-based payments reserve | | | |
| Balance at the beginning of the period | 1,424 | 1,112 | 1,211 |
| MEREP share-based payment arrangements for the period | 376 | 325 | 297 |
| Deferred tax on MEREP share-based payment arrangements | (47) | 41 | 42 |
| Transfer to ordinary share capital on vesting of MEREP awards | (468) | (40) | (408) |
| Transfer of deferred tax benefit to ordinary share capital on vesting of MEREP awards | (24) | (14) | (23) |
| Transfer to retained earnings for unexercised awards | - | - | (7) |
| Balance at the end of the period | 1,261 | 1,424 | 1,112 |
| Cash flow hedge reserve | | | |
| Balance at the beginning of the period | (103) | (104) | (97) |
| Net movement recognised in OCI during the period, net of tax | 43 | (7) | (24) |
| Transferred to income statement on realisation, net of tax | 88 | 8 | 17 |
| Balance at the end of the period | 28 | (103) | (104) |
| Share of reserves in associates and joint ventures | | | |
| Balance at the beginning of the period | (110) | (161) | (153) |
| Share of other comprehensive income/(loss) from associates and joint ventures during the period, net of tax | 105 | 51 | (8) |
| Balance at the end of the period | (5) | (110) | (161) |
| Cost of hedging and other reserves | | | |
| Balance at the beginning of the period | (16) | (15) | (15) |
| Net movement recognised in OCI during the period, net of tax | (27) | (8) | - |
| Transferred to income statement on realisation, net of tax | 7 | - | - |
| Transfer of capital reduction reserve to retained earnings | - | 7 | - |
| Balance at the end of the period | (36) | (16) | (15) |
| Total reserves at the end of the period | 3,250 | 1,523 | 1,613 |

Note 19**Reserves and retained earnings continued**

| | Half year to 30 Sep 22 \$m | Half year to 31 Mar 22 \$m | Half year to 30 Sep 21 \$m |
|---|----------------------------------|----------------------------------|----------------------------------|
| (ii) Retained earnings | | | |
| Balance at the beginning of the period | 14,740 | 13,057 | 12,231 |
| Profit attributable to the ordinary equity holders of MGL | 2,305 | 2,663 | 2,043 |
| Dividends paid on ordinary share capital (Note 5) | (1,339) | (1,021) | (1,208) |
| Movement due to change in non-controlling ownership interest | (3) | 1 | (10) |
| Transferred from share-based payment reserve for unexercised MEREP awards | - | - | 7 |
| Transferred from other reserve | - | (7) | - |
| Fair value changes attributable to own credit risk on debt classified as DFVTPL, net of tax | 32 | 47 | (6) |
| Balance at the end of the period | 15,735 | 14,740 | 13,057 |

Notes to the consolidated financial statements

For the half year ended 30 September 2022 continued

Note 20 Contingent liabilities and commitments

| | As at 30 Sep 22 \$m | As at 31 Mar 22 \$m | As at 30 Sep 21 \$m |
|---|---------------------------|---------------------------|---------------------------|
| Contingent liabilities: | | | |
| Letters of credit | 1,744 | 1,318 | 1,261 |
| Guarantees | 233 | 88 | 600 |
| Performance-related contingencies | 459 | 459 | 285 |
| Indemnities | 258 | 430 | 421 |
| Total contingent liabilities⁽¹⁾ | 2,694 | 2,295 | 2,567 |
| Commitments: | | | |
| Undrawn credit facilities and securities commitments ^{(2),(3)} | 14,973 | 15,647 | 15,913 |
| Other asset development and purchase commitments ⁽⁴⁾ | 2,089 | 2,449 | 2,657 |
| Total commitments | 17,062 | 18,096 | 18,570 |
| Total contingent liabilities and commitments | 19,756 | 20,391 | 21,137 |

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

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

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

(3) Includes \$807 million (31 March 2022: \$1,064 million; 30 September 2021: \$901 million) in undrawn facilities wherein loan positions will be sold to third-party once drawn.

(4) Includes asset development commitments to third parties of \$1,356 million (31 March 2022: \$1,474 million; 30 September 2021: \$1,642 million) for which the Consolidated Entity has entered into sales agreement to divest off certain assets upon completion of their development.

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 2022 Annual Financial Statements.

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

| | FINANCIAL INSTRUMENTS CARRIED AT | | | | | | | FAIR VALUE OF ITEMS CARRIED AT | | |
|--|----------------------------------|---------------|---------------|---------------|-----------------------|----------------------------------|----------------|--|-------------------|-----------------------|
| | FAIR VALUE | | | | | | | Statement of financial position total \$m | Fair value \$m | Amortised cost \$m |
| | HFT \$m | DFVTPL \$m | FVTPL \$m | FVOCI \$m | Amortised cost \$m | Non-financial instruments \$m | | | | |
| Assets | AS AT 30 SEP 2022 | | | | | | | | | |
| 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 | - | 2,582 | 149 | - | 5,298 | 4,156 | 12,185 | 3,588 | 5,298 | |
| Loan assets ⁽²⁾ | - | 74 | 1,184 | 322 | 147,294 | - | 148,874 | 1,580 | 146,374 | |
| 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 | 2,656 | 18,298 | 63,283 | 259,664 | 22,276 | 486,574 | 208,599 | 258,797 | |
| 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 | - | 122,458 | |
| Held for sale and other liabilities ⁽³⁾ | - | 2,118 | - | - | 2,897 | 6,296 | 11,311 | 2,118 | 2,302 | |
| Borrowings | - | - | - | - | 14,902 | - | 14,902 | - | 14,951 | |
| Issued debt securities ⁽²⁾ | - | 2,143 | - | - | 111,576 | - | 113,719 | 2,143 | 110,262 | |
| Deferred tax liabilities | - | - | - | - | - | 258 | 258 | - | - | |
| Loan capital ⁽²⁾ | - | - | - | - | 11,457 | - | 11,457 | - | 11,484 | |
| Total liabilities | 113,615 | 4,517 | 4,562 | - | 325,639 | 6,554 | 454,887 | 122,694 | 324,037 | |

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

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

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

Notes to the consolidated financial statements

For the half year ended 30 September 2022 continued

Note 21

Measurement categories of financial instruments continued

| | FINANCIAL INSTRUMENTS CARRIED AT | | | | | | | FAIR VALUE OF ITEMS CARRIED AT | | |
|--|----------------------------------|---------------|--------------|---------------|-----------------------|----------------------------------|----------------|--|-------------------|-----------------------|
| | FAIR VALUE | | | | | | | Statement of financial position total \$m | Fair value \$m | Amortised cost \$m |
| | HFT \$m | DFVTPL \$m | FVTPL \$m | FVOCI \$m | Amortised cost \$m | Non-financial instruments \$m | | | | |
| Assets | | | | | | | | | AS AT 31 MAR 2022 | |
| Cash and bank balances | - | - | - | - | 52,754 | - | 52,754 | - | 52,754 | |
| Cash collateralised lending and reverse repurchase agreements | - | - | 4,170 | 35,872 | 11,155 | - | 51,197 | 40,042 | 11,155 | |
| Trading assets ⁽¹⁾ | 10,354 | - | - | - | - | 3,224 | 13,578 | 13,578 | - | |
| Margin money and settlement assets | - | - | 524 | - | 24,584 | - | 25,108 | 524 | 24,584 | |
| Derivative assets | 84,217 | - | 674 | - | - | - | 84,891 | 84,891 | - | |
| Financial investments: | | | | | | | | | | |
| Equity | - | - | 1,502 | - | - | - | 1,502 | 1,502 | - | |
| Debt ⁽²⁾ | - | - | 719 | 9,902 | 4 | - | 10,625 | 10,621 | 4 | |
| Held for sale and other assets | - | 1,665 | 154 | 9 | 4,180 | 3,921 | 9,929 | 2,631 | 4,180 | |
| Loan assets ⁽²⁾ | - | 78 | 500 | 244 | 133,922 | - | 134,744 | 822 | 134,251 | |
| Interests in associates and joint ventures: | | | | | | | | | | |
| Equity interests | - | - | - | - | - | 3,504 | 3,504 | - | - | |
| Loans to associates and joint ventures ⁽²⁾ | - | - | 317 | 42 | 510 | - | 869 | 359 | 569 | |
| Property, plant and equipment and right-of-use assets ⁽²⁾ | - | - | - | - | - | 5,143 | 5,143 | - | - | |
| Intangible assets | - | - | - | - | - | 3,780 | 3,780 | - | - | |
| Deferred tax assets | - | - | - | - | - | 1,552 | 1,552 | - | - | |
| Total assets | 94,571 | 1,743 | 8,560 | 46,069 | 227,109 | 21,124 | 399,176 | 154,970 | 227,497 | |
| Liabilities | | | | | | | | | | |
| Cash collateralised borrowing and repurchase agreements | - | 241 | - | - | 16,706 | - | 16,947 | 241 | 16,706 | |
| Trading liabilities | 5,290 | - | - | - | - | - | 5,290 | 5,290 | - | |
| Margin money and settlement liabilities | - | - | - | - | 27,158 | - | 27,158 | - | 27,158 | |
| Derivative liabilities | 82,683 | - | 1,781 | - | - | - | 84,464 | 84,464 | - | |
| Deposits | - | - | - | - | 101,667 | - | 101,667 | - | 101,683 | |
| Held for sale and other liabilities ⁽³⁾ | - | 1,132 | 129 | - | 3,506 | 6,925 | 11,692 | 1,261 | 2,920 | |
| Borrowings | - | - | - | - | 13,896 | - | 13,896 | - | 13,939 | |
| Issued debt securities ⁽²⁾ | - | 2,503 | - | - | 97,024 | - | 99,527 | 2,503 | 96,839 | |
| Deferred tax liabilities | - | - | - | - | - | 216 | 216 | - | - | |
| Loan capital ⁽²⁾ | - | - | - | - | 9,513 | - | 9,513 | - | 9,767 | |
| Total liabilities | 87,973 | 3,876 | 1,910 | - | 269,470 | 7,141 | 370,370 | 93,759 | 269,012 | |

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

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

(3) 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 | | | | | | | Statement of financial position total | Fair value | Amortised cost |
| | HFT | DFVTPL | FVTPL | FVOCI | Amortised cost | Non-financial instruments | | | | |
| \$m | \$m | \$m | \$m | \$m | \$m | \$m | \$m | \$m | \$m | |
| Assets | | | | | | | | | | |
| | | | | | | | | | AS AT 30 SEP 2021 | |
| Cash and bank balances | - | - | - | - | 32,221 | - | 32,221 | - | 32,221 | |
| Cash collateralised lending and reverse repurchase agreements | - | - | 5,700 | 21,485 | 12,259 | - | 39,444 | 27,185 | 12,259 | |
| Trading assets ⁽¹⁾ | 14,425 | - | - | - | - | 7,358 | 21,783 | 21,783 | - | |
| Margin money and settlement assets | - | - | 588 | - | 21,555 | - | 22,143 | 588 | 21,555 | |
| Derivative assets | 75,944 | - | 1,242 | - | - | - | 77,186 | 77,186 | - | |
| Financial investments: | | | | | | | | | | |
| Equity | - | - | 1,695 | - | - | - | 1,695 | 1,695 | - | |
| Debt ⁽²⁾ | - | - | 698 | 10,739 | 10 | - | 11,447 | 11,437 | 10 | |
| Held for sale and other assets | - | 1,957 | 82 | - | 4,205 | 3,501 | 9,745 | 2,573 | 4,205 | |
| Loan assets ⁽²⁾ | - | 34 | 234 | 263 | 117,828 | - | 118,359 | 531 | 118,687 | |
| Interests in associates and joint ventures: | | | | | | | | | | |
| Equity interests | - | - | - | - | - | 3,810 | 3,810 | - | - | |
| Loans to associates and joint ventures ⁽²⁾ | - | - | 277 | 52 | 536 | - | 865 | 329 | 574 | |
| Property, plant and equipment and right-of-use assets | - | - | - | - | - | 4,961 | 4,961 | - | - | |
| Intangible assets | - | - | - | - | - | 3,497 | 3,497 | - | - | |
| Deferred tax assets | - | - | - | - | - | 1,411 | 1,411 | - | - | |
| Total assets | 90,369 | 1,991 | 10,516 | 32,539 | 188,614 | 24,538 | 348,567 | 143,307 | 189,511 | |
| Liabilities | | | | | | | | | | |
| Cash collateralised borrowing and repurchase agreements | - | 420 | - | - | 13,389 | - | 13,809 | 420 | 13,389 | |
| Trading liabilities | 5,495 | - | - | - | - | - | 5,495 | 5,495 | - | |
| Margin money and settlement liabilities | - | - | - | - | 25,895 | - | 25,895 | - | 25,895 | |
| Derivative liabilities | 77,449 | - | 531 | - | - | - | 77,980 | 77,980 | - | |
| Deposits | - | 214 | - | - | 91,522 | - | 91,736 | 214 | 91,533 | |
| Held for sale and other liabilities ⁽³⁾ | - | 541 | - | - | 3,094 | 5,170 | 8,805 | 541 | 2,400 | |
| Borrowings | - | - | - | - | 10,109 | - | 10,109 | - | 10,140 | |
| Issued debt securities ⁽²⁾ | - | 2,776 | - | - | 77,267 | - | 80,043 | 2,776 | 78,688 | |
| Deferred tax liabilities | - | - | - | - | - | 320 | 320 | - | - | |
| Loan capital ⁽²⁾ | - | - | - | - | 9,961 | - | 9,961 | - | 10,411 | |
| Total liabilities | 82,944 | 3,951 | 531 | - | 231,237 | 5,490 | 324,153 | 87,426 | 232,456 | |

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

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

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

Notes to the consolidated financial statements

For the half year ended 30 September 2022 continued

Note 22

Fair values of assets and liabilities

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

Quoted prices or rates are used to determine fair value where an active market exists. If the market for a financial and non-financial instrument 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 fair values calculated for financial instruments which are carried in the Statements of financial position at amortised cost (as disclosed in Note 21 *Measurement categories of financial instruments*) are for disclosure purposes only. The following methods and assumptions applied to derive these fair values can require significant judgement by management and therefore may not necessarily be comparable to other financial institutions nor may it be the price at which the asset is sold for, or a liability transferred in a market-based transaction:

- the fair values of liquid assets and other instruments maturing within three months are approximate to their carrying amounts. This assumption is applied to liquid assets and the short-term portion of all other financial assets and financial liabilities

- the fair value of demand deposits with no fixed maturity approximates their carrying amount as they are short-term in nature or are payable on demand
- the fair values of variable rate financial instruments, including cash collateral on lending and borrowing and repurchase agreements approximates their carrying amounts
- the fair values of all loan assets, term deposits and debt liabilities carried at amortised cost, is determined with reference to changes in interest rates and credit spreads
- the fair value of fixed rate loans and debt investments carried at amortised cost is estimated by reference to current market rates offered on similar loans and the creditworthiness of the borrower
- the fair value of issued debt securities and loan capital, where carried at amortised cost, is based on quoted prices in active markets where available. Where quoted prices are not available the fair value is based on discounted cash flows using rates appropriate to the term and incorporates changes in the Consolidated Entity's own credit spread
- substantially all of the Consolidated Entity's commitments to extend credit are at variable rates. As such, there is no significant exposure to fair value fluctuations resulting from interest rate movements relating to these commitments.

The following methods and significant assumptions have been applied in determining the fair values of following items:

- trading assets including commodities and commodity contracts, trading liabilities, derivative financial instruments and other transactions undertaken for trading purposes are measured at fair value by reference to quoted prices in active markets where available (for example listed securities). If quoted prices in active markets are not available, then fair values are estimated on the basis of other recognised valuation techniques
- repurchase and reverse repurchase agreements, being collateralised financing arrangements, are measured at fair value with reference to the securities which are held or provided as the collateral for the financing agreement
- financial investments classified as FVTPL or FVOCI are measured at fair value by reference to quoted prices in active markets where available (for example listed securities). If quoted prices in active markets are not available, the fair values are estimated on the basis of other recognised valuation techniques that maximise the use of quoted prices and observable market inputs
- fair values of variable rate loans classified as FVOCI is equal to its carrying value on the basis that the interest rates are reflective of market rates offered on similar loans

Note 22

Fair values of assets and liabilities continued

- fair values of fixed rate loans classified as FVTPL or FVOCI and issued debt securities classified as DFVTPL are estimated by reference to current market rates offered on similar loans and issued debt securities
- investment property are measured at fair value based on the discounted future cash flows unless market valuation is available based on recent transactions or current market prices
- for financial assets carried at fair value, in order to measure counterparty credit risk, an adjustment is incorporated into the valuation. Where exposures are managed on a portfolio basis then the adjustment is calculated on a counterparty basis for those exposures
- for financial liabilities carried at fair value, in order to measure the Consolidated Entity's own credit risk, an adjustment is incorporated into the valuations
- the Consolidated Entity has incorporated the market implied funding costs for uncollateralised derivative positions as a Funding Valuation Adjustment (FVA). FVA is determined by calculating the net expected exposures at a counterparty level and applying the Consolidated Entity's internal Treasury lending rates as an input into the calculation. The approach takes into account the PD of each counterparty, as well as any mandatory break clauses.

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

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

Notes to the consolidated financial statements

For the half year ended 30 September 2022 continued

Note 22

Fair values of assets and liabilities continued

Assets and liabilities measured at fair value

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

| | Level 1 \$m | Level 2 \$m | Level 3 \$m | Total \$m |
|---|----------------|----------------|----------------|----------------|
| AS AT 30 SEP 2022 | | | | |
| Assets | | | | |
| 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 | - | 2,143 | - | 2,143 |
| Total liabilities | 6,159 | 115,337 | 1,198 | 122,694 |
| AS AT 31 MAR 2022 | | | | |
| Assets | | | | |
| Cash collateralised lending and reverse repurchase agreements | - | 40,042 | - | 40,042 |
| Trading assets | 4,426 | 8,617 | 535 | 13,578 |
| Margin money and settlement assets | - | 524 | - | 524 |
| Derivative assets | 2 | 84,315 | 574 | 84,891 |
| Financial investments | 4,423 | 5,653 | 2,047 | 12,123 |
| Held for sale and other assets ⁽¹⁾ | - | 1,615 | 1,016 | 2,631 |
| Loan assets | - | 256 | 566 | 822 |
| Loans to associates and joint ventures | - | - | 359 | 359 |
| Total assets | 8,851 | 141,022 | 5,097 | 154,970 |
| Liabilities | | | | |
| Cash collateralised borrowing and repurchase agreements | - | 241 | - | 241 |
| Trading liabilities | 5,113 | 177 | - | 5,290 |
| Derivative liabilities | 10 | 83,111 | 1,343 | 84,464 |
| Held for sale and other liabilities | - | 1,261 | - | 1,261 |
| Issued debt securities | - | 2,503 | - | 2,503 |
| Total liabilities | 5,123 | 87,293 | 1,343 | 93,759 |

(1) Includes \$856 million (31 March 2022: \$748 million) of investment properties measured at fair value.

Note 22**Fair values of assets and liabilities continued**

| | Level 1 \$m | Level 2 \$m | Level 3 \$m | Total \$m |
|---|----------------|----------------|----------------|----------------|
| AS AT 30 SEP 2021 | | | | |
| Assets | | | | |
| Cash collateralised lending and reverse repurchase agreements | - | 27,185 | - | 27,185 |
| Trading assets | 8,937 | 12,245 | 601 | 21,783 |
| Margin money and settlement assets | - | 588 | - | 588 |
| Derivative assets | 33 | 76,796 | 357 | 77,186 |
| Financial investments | 834 | 10,401 | 1,897 | 13,132 |
| Held for sale and other assets ⁽¹⁾ | - | 1,928 | 645 | 2,573 |
| Loan assets | - | 95 | 436 | 531 |
| Loans to associates and joint ventures | - | - | 329 | 329 |
| Total assets | 9,804 | 129,238 | 4,265 | 143,307 |
| Liabilities | | | | |
| Cash collateralised borrowing and repurchase agreements | - | 420 | - | 420 |
| Trading liabilities | 5,316 | 179 | - | 5,495 |
| Derivative liabilities | 44 | 77,061 | 875 | 77,980 |
| Deposits | - | 214 | - | 214 |
| Held for sale and other liabilities | - | 541 | - | 541 |
| Issued debt securities | - | 2,776 | - | 2,776 |
| Total liabilities | 5,360 | 81,191 | 875 | 87,426 |

(1) Includes \$535 million of investment properties measured at fair value.

Notes to the consolidated financial statements

For the half year ended 30 September 2022 continued

Note 22

Fair values of assets and liabilities continued

Reconciliation of balances in Level 3 of the fair value hierarchy

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

| | Trading assets \$m | Financial investments \$m | Held for sale and other assets \$m | Loan assets \$m | Loans to associates and joint ventures \$m | Derivative financial instruments (net fair values) \$m | Total \$m |
|--|-----------------------|------------------------------|---------------------------------------|--------------------|---|---|--------------|
| Balance as at 1 Apr 2021 | 499 | 1,554 | 418 | 575 | 96 | (32) | 3,110 |
| Purchases, originations, issuances and other additions | 106 | 460 | 214 | 366 | 230 | (37) | 1,339 |
| Sales, settlements and repayments | (31) | (232) | (19) | (524) | (11) | (7) | (824) |
| Transfers into Level 3 ⁽¹⁾ | 14 | 224 | - | - | 9 | 9 | 256 |
| Transfers out of Level 3 ⁽¹⁾ | (124) | (174) | - | (1) | (2) | 19 | (282) |
| Fair value movements recognised in the income statement: | | | | | | | |
| Net trading income/(loss) ⁽²⁾ | 137 | 65 | 11 | (5) | 10 | (470) | (252) |
| Other income/(loss) | - | 43 | 21 | 21 | (3) | - | 82 |
| Fair value movements recognised in OCI ⁽²⁾ | - | (43) | - | 4 | - | - | (39) |
| Balance as at 30 Sep 2021 | 601 | 1,897 | 645 | 436 | 329 | (518) | 3,390 |
| Fair value movements for the period included in the income statement for assets and liabilities held at the end of the period ⁽²⁾ | 147 | 39 | 3 | (8) | 3 | (440) | (256) |
| Balance as at 1 Oct 2021 | 601 | 1,897 | 645 | 436 | 329 | (518) | 3,390 |
| Purchases, originations, issuances and other additions | 1 | 423 | 318 | 1,084 | 204 | 12 | 2,042 |
| Sales, settlements and repayments | (44) | (372) | (42) | (793) | (1) | 40 | (1,212) |
| Reclassification | - | - | 102 | (17) | (85) | - | - |
| Transfers into Level 3 ⁽¹⁾ | 45 | 175 | - | - | 2 | (25) | 197 |
| Transfers out of Level 3 ⁽¹⁾ | (148) | (177) | (16) | (119) | - | 96 | (364) |
| Fair value movements recognised in the income statement: | | | | | | | |
| Net trading income/(loss) ⁽²⁾ | 80 | (69) | (16) | (22) | (20) | (374) | (421) |
| Other income/(loss) | - | 117 | 25 | (2) | (70) | - | 70 |
| Fair value movements recognised in OCI ⁽²⁾ | - | 53 | - | (1) | - | - | 52 |
| Balance as at 31 Mar 2022 | 535 | 2,047 | 1,016 | 566 | 359 | (769) | 3,754 |
| Fair value movements for the period included in the income statement for assets and liabilities held at the end of the period ⁽²⁾ | 79 | (16) | 22 | (5) | (79) | (356) | (355) |
| 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 ⁽¹⁾ | 72 | 232 | 5 | 37 | - | 12 | 358 |
| Transfers out of Level 3 ⁽¹⁾ | (81) | (432) | (2) | - | (11) | 43 | (483) |
| Fair value movements recognised in the income statement: | | | | | | | |
| Net trading income/(loss) ⁽²⁾ | 73 | 219 | 89 | (30) | 16 | 130 | 497 |
| Other income/(loss) | - | (81) | (15) | (7) | (38) | - | (141) |
| Fair value movements recognised in OCI ⁽²⁾ | - | (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 ⁽²⁾ | 80 | 180 | 54 | (7) | (11) | 64 | 360 |

(1) 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.

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

Note 22

Fair values of assets and liabilities continued

Significant transfers between levels of the fair value hierarchy

During the period, the Consolidated Entity did not have significant transfers between Level 1 and 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 22 \$m | Half year to 31 Mar 22 \$m | Half year to 30 Sep 21 \$m |
|--|----------------------------------|----------------------------------|----------------------------------|
| Balance at the beginning of the period | 76 | 80 | 87 |
| Deferred gains on new transactions and other adjustments | 86 | 16 | 35 |
| Foreign exchange movements | 27 | - | 1 |
| Recognised in net trading income during the period | (23) | (20) | (43) |
| Balance at the end of the period | 166 | 76 | 80 |

Sensitivity analysis of valuations using unobservable inputs

The table below shows the sensitivity to reasonably possible alternative assumptions for Level 3 assets and liabilities whose fair values are determined in whole or in part using unobservable inputs. The impact of the sensitivity of instruments which hedge the Level 3 positions, but are classified as Level 1 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 |
| Product type | AS AT 30 SEP 2022 | | | |
| Commodities | 150 | - | (132) | - |
| Interest rate and other products | 151 | 8 | (146) | (11) |
| Equity and equity-linked products | 162 | - | (185) | - |
| Total | 463 | 8 | (463) | (11) |
| Product type | AS AT 31 MAR 2022 | | | |
| Commodities | 134 | - | (137) | - |
| Interest rate and other products | 101 | - | (96) | - |
| Equity and equity-linked products | 94 | - | (83) | - |
| Total | 329 | - | (316) | - |
| Product type | AS AT 30 SEP 2021 | | | |
| Commodities | 141 | - | (130) | - |
| Interest rate and other products | 79 | 1 | (89) | (3) |
| Equity and equity-linked products | 120 | - | (112) | - |
| Total | 340 | 1 | (331) | (3) |

Notes to the consolidated financial statements

For the half year ended 30 September 2022 continued

Note 22

Fair values of assets and liabilities continued

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.

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.

| | Assets \$m | Liabilities \$m | Valuation technique(s) | Significant unobservable inputs | RANGE OF INPUTS | |
|-----------------------------------|---------------|--------------------|---|---|-------------------------------|----------------------------|
| | | | | | Minimum value | Maximum value |
| AS AT 30 SEP 2022 | | | | | | |
| Interest rate and other products | 3,245 | 26 | Discounted cash flows Pricing model Comparable transactions | Discount rates Bond yield Price in % | 5.5% 1.5% 43.9% | 20.0% 4.5% 95.1% |
| Commodities | 1,508 | 1,157 | Pricing model Pricing model Pricing model | Commodity margin curves Correlations Volatility and related variables | (245.5) (25.0%) (20.0%) | 1255.0 1.0% 300.0% |
| Equity and equity linked products | 2,184 | 15 | Net Asset Value (NAV) Pricing model | Fund's NAV ⁽¹⁾ Earnings multiple | | 6.3x 14.2x |
| Total | 6,937 | 1,198 | | | | |
| AS AT 31 MAR 2022 | | | | | | |
| Interest rate and other products | 3,049 | 18 | Discounted cash flows Pricing model Comparable transactions | Discount rates Bond yield Price in % | 1.0% 2.7% 33.8% | 10.0% 3.5% 95.0% |
| Commodities | 1,079 | 1,313 | Pricing model Pricing model Pricing model | Commodity margin curves Correlations Volatility and related variables | (270.0) 40.0% (12.6%) | 1,665.0 100.1% 90.9% |
| Equity and equity-linked products | 969 | 12 | NAV Pricing model | Fund's NAV ⁽¹⁾ Earnings multiples | | 1.0x 15.8x |
| Total | 5,097 | 1,343 | | | | |
| AS AT 30 SEP 2021 | | | | | | |
| Interest rate and other products | 1,917 | 7 | Pricing model Pricing model Comparable transactions | Bond yield Correlations Prices in % | (2.2%) 0.0% 50.3% | 4.8% 100% 95.4% |
| Commodities | 735 | 784 | Pricing model Pricing model Pricing model | Commodity margin curves Correlations Volatility and related variables | (175.4) (46.0%) (3.5%) | 1,691.0 100.0% 19.5% |
| Equity and equity-linked products | 1,079 | 84 | NAV Pricing model | Fund's NAV ⁽¹⁾ Earnings multiples | | 1.1x 18.0x |
| Total | 3,731 | 875 | | | | |

(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 values of assets and liabilities continued

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). Correlation is a key input into the valuation of derivatives with more than one underlying and is generally used to value hybrid and exotic instruments.

Volatility

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

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

Inputs for equity and equity-linked products

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

Inputs for interest rate products (discount rate)

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

Notes to the consolidated financial statements

For the half year ended 30 September 2022 continued

Note 23

Offsetting financial assets & financial liabilities

The Consolidated Entity presents financial assets and financial liabilities on a net basis in the Statements of financial position when they meet the criteria described in Note 44(vii) *Financial instruments* in Consolidated Entity's annual financial report as at 31 March 2022. The following tables provide information on the impact of offsetting of financial instruments in the Statement of Financial Position, as well as amounts that do not meet all the criteria for offsetting and therefore presented gross in the Statement of Financial Position. Enforceable netting arrangements may allow for net settlement of specified contracts with a counterparty only in the event of default or other pre-determined events, such that their potential effects on the Consolidated Entity financial position in that circumstance is to settle these contracts as one arrangement.

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

| | EFFECT OF OFFSETTING ON THE STATEMENT OF FINANCIAL POSITION | | | RELATED AMOUNTS SUBJECT TO ENFORCEABLE NETTING ARRANGEMENTS ⁽¹⁾ | | Other collateral for exposures not subject to enforceable netting arrangements ⁽¹⁾ | Net exposure |
|---|---|---|---|--|-------------------------------------|---|-----------------|
| | Gross amount ^{(2),(3)} | Amounts offset on Statement of financial position | Net amounts reported on the Statement of financial position | Other recognised financial instruments | Cash and other financial collateral | | |
| | \$m | \$m | \$m | \$m | \$m | | |
| AS AT 30 SEP 22 | | | | | | | |
| Cash collateralised lending and reverse repurchase agreements | 76,907 | (1,119) | 75,788 | (344) | (67,696) | (7,413) | 335 |
| Settlement assets ⁽⁴⁾ | 18,547 | (8,836) | 9,711 | (3,006) | (695) | - | 6,010 |
| Derivative assets | 129,165 | (17,252) | 111,913 | (78,217) | (15,038) | - | 18,658 |
| Total assets | 224,619 | (27,207) | 197,412 | (81,567) | (83,429) | (7,413) | 25,003 |
| Cash collateralised borrowing and repurchase agreements | (23,529) | 1,119 | (22,410) | 344 | 14,890 | 282 | (6,894) |
| Settlement liabilities ⁽⁴⁾ | (19,059) | 8,836 | (10,223) | 5,006 | 778 | - | (4,439) |
| Derivative liabilities | (128,986) | 17,252 | (111,734) | 76,217 | 12,312 | - | (23,205) |
| Total liabilities | (171,574) | 27,207 | (144,367) | 81,567 | 27,980 | 282 | (34,538) |
| AS AT 31 MAR 22 | | | | | | | |
| Cash collateralised lending and reverse repurchase agreements | 52,543 | (1,346) | 51,197 | (28) | (46,057) | (4,949) | 163 |
| Settlement assets ⁽⁴⁾ | 19,500 | (8,850) | 10,650 | (4,117) | (623) | - | 5,910 |
| Derivative assets | 104,680 | (19,789) | 84,891 | (62,595) | (7,751) | - | 14,545 |
| Total assets | 176,723 | (29,985) | 146,738 | (66,740) | (54,431) | (4,949) | 20,618 |
| Cash collateralised borrowing and repurchase agreements | (18,293) | 1,346 | (16,947) | 28 | 13,754 | - | (3,165) |
| Settlement liabilities ⁽⁴⁾ | (19,655) | 8,850 | (10,805) | 6,366 | 240 | - | (4,199) |
| Derivative liabilities | (104,253) | 19,789 | (84,464) | 60,346 | 8,886 | - | (15,232) |
| Total liabilities | (142,201) | 29,985 | (112,216) | 66,740 | 22,880 | - | (22,596) |

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

(2) Gross assets includes balances not subject to enforceable netting arrangements, \$7,413 million (31 March 2022: \$4,949 million) of cash collateral lending and reverse repurchase agreements, \$1,748 million (31 March 2022: \$1,195 million) of settlements assets and \$2,635 million (31 March 2022: \$1,986 million) of derivative assets. Gross liabilities includes balances not subject to enforceable netting arrangements, \$282 million (31 March 2022: nil) of cash collateralised borrowing and repurchase agreements, \$1,807 million (31 March 2022: \$1,399 million) of settlements liabilities and \$5,893 million (31 March 2022: \$4,408 million) of derivative liabilities.

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

(4) Excludes margin money assets of \$19,649 million (31 March 2022: \$14,458 million) and liabilities of \$30,203 million (31 March 2022: \$16,353 million) presented under Note 8 *Margin money and settlement assets* and Note 14 *Margin money and settlement liabilities* respectively on the Statement of financial position.

Note 23

Offsetting financial assets & financial liabilities continued

| | EFFECT OF OFFSETTING ON THE STATEMENT OF FINANCIAL POSITION | | | RELATED AMOUNTS SUBJECT TO ENFORCEABLE NETTING ARRANGEMENTS ⁽¹⁾ | | Other collateral for exposures not subject to enforceable netting arrangements ⁽¹⁾ | Net exposure |
|---|---|---|---|--|-------------------------------------|---|-----------------|
| | Gross amount ^{(2),(3)} | Amounts offset on Statement of financial position | Net amounts reported on the Statement of financial position | Other recognised financial instruments | Cash and other financial collateral | | |
| | \$m | \$m | \$m | \$m | \$m | | |
| | | | | | | | AS AT 30 SEP 21 |
| Cash collateralised lending and reverse repurchase agreements | 39,695 | (251) | 39,444 | (115) | (27,278) | (11,831) | 220 |
| Settlement assets ⁽⁴⁾ | 17,198 | (5,433) | 11,765 | (3,881) | (1,285) | - | 6,599 |
| Derivative assets | 90,525 | (13,339) | 77,186 | (58,125) | (7,625) | - | 11,436 |
| Total assets | 147,418 | (19,023) | 128,395 | (62,121) | (36,188) | (11,831) | 18,255 |
| Cash collateralised borrowing and repurchase agreements | (14,060) | 251 | (13,809) | 115 | 13,106 | 21 | (567) |
| Settlement liabilities ⁽⁴⁾ | (15,686) | 5,433 | (10,253) | 5,351 | 1,617 | - | (3,285) |
| Derivative liabilities | (91,319) | 13,339 | (77,980) | 56,655 | 7,766 | - | (13,559) |
| Total liabilities | (121,065) | 19,023 | (102,042) | 62,121 | 22,489 | 21 | (17,411) |

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

(2) Gross assets includes balances not subject to enforceable netting arrangements, \$11,831 million of cash collateral lending and reverse repurchase agreements, \$3,016 million of settlements assets and \$1,905 million of derivative assets. Gross liabilities includes balances not subject to enforceable netting arrangements, \$21 million of cash collateralised borrowing and repurchase agreements, \$1,168 million of settlements liabilities and \$3,456 million of derivative liabilities.

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

(4) Excludes margin money assets of \$10,378 million and liabilities as of 30 September 2021: \$15,642 million presented under Note 8 *Margin money and settlement assets* and Note 14 *Margin money and settlement liabilities* respectively on the Statement of financial position.

Notes to the consolidated financial statements

For the half year ended 30 September 2022 continued

Note 24

Acquisitions and disposals of subsidiaries and businesses

Acquisitions of subsidiaries and businesses

The table below represents aggregated details of the businesses and subsidiaries held for investment purposes or otherwise, acquired during the period. The purchase price allocation for the current period's business acquisitions is provisional as at 30 September 2022:

| | Half year to 30 Sep 22 \$m | Half year to 31 Mar 22 \$m | Half year to 30 Sep 21 \$m |
|---|----------------------------------|----------------------------------|----------------------------------|
| Fair value of net assets acquired | | | |
| Cash and bank balances | 4 | 26 | 443 |
| Financial investments and other assets | 17 | 38 | 553 |
| Property, plant and equipment and right-of-use assets | 50 | - | 175 |
| Interest in associates and joint ventures | 1,311 | - | - |
| Intangible assets | 111 | 135 | 960 |
| Borrowings and other liabilities | (56) | (149) | (824) |
| Non-controlling interests | (1,067) | 46 | - |
| Total fair value of net assets acquired | 370 | 96 | 1,307 |
| Consideration | | | |
| Cash consideration | 421 | 420 | 2,067 |
| Deferred consideration | - | 71 | 5 |
| Total consideration | 421 | 491 | 2,072 |
| Goodwill recognised on acquisition⁽¹⁾ | 51 | 395 | 765 |
| Net cash flow | | | |
| Cash consideration | (421) | (420) | (2,067) |
| Less: cash and cash equivalents acquired | 4 | 26 | 443 |
| Net cash outflow | (417) | (394) | (1,624) |

(1) The goodwill recognised on acquisition is primarily attributable to future assets under management (AUM) which are expected to result in higher fees and synergies expected to be achieved from integrating the new businesses into the Consolidated Entity.

Note 24

Acquisitions and disposals of subsidiaries and businesses continued

Disposal of subsidiaries and businesses

The table below represents aggregated details of the businesses and subsidiaries disposed during the period.

| | Half year to 30 Sep 22 \$m | Half year to 31 Mar 22 \$m | Half year to 30 Sep 21 \$m |
|---|----------------------------------|----------------------------------|----------------------------------|
| Carrying value of assets and liabilities disposed | | | |
| Cash and bank balances | 123 | 82 | 29 |
| Financial investments, loan assets and other assets | 60 | 476 | 171 |
| Property, plant and equipment | 601 | 80 | 98 |
| Intangible assets | 7 | 313 | 560 |
| Interest in associates and joint ventures | 1,311 | 51 | - |
| Borrowings, deferred tax and other liabilities | (455) | (458) | (454) |
| Non-controlling interests | (1,067) | - | (46) |
| Total carrying value of net assets disposed | 580 | 544 | 358 |
| Consideration | | | |
| Cash consideration | 808 | 2,496 | 1,002 |
| Deferred consideration | - | 23 | 27 |
| Interest acquired through contribution to a joint venture | 113 | - | 117 |
| Fair value remeasurement of investment retained | 10 | - | - |
| Total consideration | 931 | 2,519 | 1,146 |
| Direct costs relating to disposal | - | (3) | (2) |
| Net cash flow | | | |
| Cash consideration | 808 | 2,496 | 1,002 |
| Less: cash and cash equivalents disposed of or deconsolidated | (123) | (82) | (29) |
| Net cash inflow | 685 | 2,414 | 973 |

Note 25

Events after the reporting date

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

Directors' declaration

For the half year ended 30 September 2022

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 18 to 69 are in accordance with the *Corporations Act 2001 (Cth)* including:
 - (i) complying with the Australian Accounting Standards, and
 - (ii) giving a true and fair view of the Consolidated Entity's financial position as at 30 September 2022 and performance for the half year ended on that date, and
- (b) there are reasonable grounds to believe that Macquarie 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
28 October 2022

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 2022, the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and consolidated income statement for the half year ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half year financial report of Macquarie 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 2022 and of its performance for the half year ended on that date
- complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001 (Cth)*.

Basis for conclusion

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

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

Responsibilities of the directors for the half year financial report

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

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

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

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

PricewaterhouseCoopers

PricewaterhouseCoopers

K. Stubbins

Kristin Stubbins
Partner

Sydney
28 October 2022

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Ten year history

For the half year ended 30 September 2022

The financial information for the full years ended 31 March 2014–2022 and half year ended 30 September 2022 is based on the reported results using the Australian Accounting Standards that were effective and adopted by the Consolidated Entity at the reporting dates, which also comply with IFRS as issued by the IASB. Reporting periods have been restated only to the extent as required by the accounting standards. The financial reporting periods may hence not be fully comparable with one another as a result of changes in accounting standards' requirement.

| Particulars | First half | FINANCIAL YEARS ENDED 31 MARCH | | | | | | | | |
|--|--------------|--------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| Income statement (\$m) | | | | | | | | | | |
| Net operating income | 8,641 | 17,324 | 12,774 | 12,325 | 12,754 | 10,920 | 10,364 | 10,158 | 9,262 | 8,132 |
| Total operating expenses | (5,613) | (10,785) | (8,867) | (8,871) | (8,887) | (7,456) | (7,260) | (7,143) | (6,740) | (6,026) |
| Operating profit before income tax | 3,028 | 6,539 | 3,907 | 3,454 | 3,867 | 3,464 | 3,104 | 3,015 | 2,522 | 2,106 |
| Income tax expense | (735) | (1,586) | (899) | (728) | (879) | (883) | (868) | (927) | (899) | (827) |
| Profit after income tax | 2,293 | 4,953 | 3,008 | 2,726 | 2,988 | 2,581 | 2,236 | 2,088 | 1,623 | 1,279 |
| Loss/(profit) attributable to other non-controlling interests ⁽¹⁾ | 12 | (247) | 7 | 5 | (6) | (24) | (19) | (25) | (19) | (14) |
| Profit attributable to ordinary equity holders | 2,305 | 4,706 | 3,015 | 2,731 | 2,982 | 2,557 | 2,217 | 2,063 | 1,604 | 1,265 |
| Statement of financial position (\$m) | | | | | | | | | | |
| Total assets | 486,574 | 399,176 | 245,653 | 255,802 | 197,757 | 191,325 | 182,877 | 196,755 | 187,976 | 153,904 |
| Total liabilities | 454,887 | 370,370 | 223,302 | 234,018 | 179,393 | 173,145 | 165,607 | 181,091 | 173,580 | 141,990 |
| Net assets | 31,687 | 28,806 | 22,351 | 21,784 | 18,364 | 18,180 | 17,270 | 15,664 | 14,396 | 11,914 |
| Loan assets | 148,874 | 134,744 | 105,026 | 94,117 | 77,811 | 73,509 | 69,288 | 72,393 | 67,663 | 49,965 |
| Shareholder's equity ⁽²⁾ | 31,337 | 28,561 | 22,048 | 21,063 | 17,761 | 16,357 | 15,563 | 15,116 | 13,909 | 11,418 |
| Impaired loan assets (net of provisions) ⁽³⁾ | 1,422 | 1,325 | 1,544 | 1,528 | 1,674 | 351 | 547 | 418 | 594 | 365 |
| Share information | | | | | | | | | | |
| Dividends per share (cents) | | | | | | | | | | |
| Interim | 300 | 272 | 135 | 250 | 215 | 205 | 190 | 160 | 130 | 100 |
| Final | NA | 350 | 335 | 180 | 360 | 320 | 280 | 240 | 200 | 160 |
| Special ⁽⁴⁾ | - | - | - | - | - | - | - | - | - | 116 |
| Total | 300 | 622 | 470 | 430 | 575 | 525 | 470 | 400 | 330 | 376 |
| Basic EPS (cents per share) | 603.3 | 1,271.7 | 842.9 | 791.0 | 883.3 | 758.2 | 657.6 | 619.2 | 502.3 | 383.6 |
| Share price at reporting date (\$) | 152.74 | 203.27 | 152.83 | 85.75 | 129.42 | 102.90 | 90.20 | 66.09 | 76.67 | 57.93 |
| Ordinary shares (million shares) | 386.5 | 383.6 | 361.8 | 354.4 | 340.4 | 340.4 | 340.4 | 340.3 | 333.5 | 321.1 |
| Market capitalisation at reporting date (fully paid ordinary shares) (\$m) | 59,030 | 77,984 | 55,297 | 30,388 | 44,052 | 35,024 | 30,700 | 22,491 | 25,569 | 18,601 |
| Net tangible assets per ordinary share (\$) | 70.29 | 64.59 | 53.91 | 50.21 | 46.21 | 45.12 | 42.74 | 41.23 | 38.19 | 31.71 |
| Ratios (%) | | | | | | | | | | |
| Return on average ordinary shareholders' funds | 15.6 | 18.7 | 14.3 | 14.5 | 18.0 | 16.8 | 15.2 | 14.7 | 14.0 | 11.1 |
| Ordinary dividend payout ratio ⁽⁵⁾ | 50.3 | 50.2 | 56.4 | 55.8 | 65.6 | 69.8 | 72.0 | 65.7 | 67.6 | 66.8 |
| Expense/income ratio | 65.0 | 62.3 | 69.4 | 72.0 | 69.7 | 68.3 | 70.1 | 70.3 | 72.8 | 74.1 |
| Net loan losses as % of loan assets (excluding securitisation SPVs) | 0.1 | 0.1 | 0.4 | 0.8 | 0.4 | 0.3 | 0.5 | 1.0 | 0.7 | 0.4 |
| Assets under management (\$b) | 795.6 | 774.8 | 563.5 | 598.9 | 551.3 | 496.7 | 481.7 | 478.6 | 486.3 | 426.9 |
| Staff numbers | 19,266 | 18,133 | 16,459 | 15,849 | 15,602 | 14,810 | 13,925 | 14,660 | 14,373 | 14,180 |

(1) For financial years ended 31 March 2014–2020, includes Macquarie Income Securities distributions and Macquarie Income Preferred Securities distributions.

(2) Represents capital and reserves attributable to the ordinary equity holders of Macquarie Group Limited.

(3) Represents the net exposure in credit impaired loan assets as per Australian Accounting Standards since 31 March 2019. For financial years ended 31 March 2014–2018, represents net exposure in impaired loan assets disclosed as per Australian regulatory authority requirements.

(4) The special dividend for the year ended 31 March 2014 represented the special dividend component of the in-specie distribution of Sydney Airport stapled securities in January 2014. The total distribution including, return of capital, was 373 cents per share.

(5) The ordinary dividend payout ratio is calculated as the estimated number of eligible shares on the record date multiplied by the dividend per share, divided by the profit attributable to MGL shareholders.

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