MACQUARIE

Interim Financial Report 2023

Macquarie Group
Half year ended
30 September 2022

Macquarie Group Limited
ACN 122 169 279

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

Macquarie Group 2023 Interim Financial Report

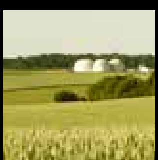
This Interim Financial Report has been prepared in accordance with Australian Accounting Standards and the *Corporations Act 2001* (Cth) and does not include all the notes of the type normally included in an annual financial report.

The material in this report has been prepared by 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.

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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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).

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 R. Stevens

Glenn Stevens AC
Independent Director and Chairman

S. Wikramanayake

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.

K. Stubbins

Kristin Stubbins
Partner
PricewaterhouseCoopers

Sydney
28 October 2022

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Financial Report

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

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

Consolidated income statement

For the half year ended 30 September 2022

	Notes	**Half year to 30 Sep 22 $m**	Half year to 31 Mar 22 $m	Half year to 30 Sep 21 $m
Interest and similar income				
Effective interest rate method	2	**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.

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.

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

Income tax

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

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

Presentation of segment income statements

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

Reportable segment assets

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

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

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 *prima facie* income tax expense			
Prima facie 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.

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.

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*.

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.

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	**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. **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. **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. **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.
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	**Global:** The downside scenario forecasts growth in global GDP that is approximately 1 % lower than the baseline scenario through to 2026. **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. **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 continues to rise, peaking at over 7% in 2024. **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.
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	**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. **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%. **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. **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.
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	**Global:** The upside scenario projects growth in global GDP that is approximately 1% higher than the baseline scenario throughout the forecast period to 2026. **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%. **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. **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%.

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

Note 12
Expected credit losses continued

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

	GROSS EXPOSURE FOR FINANCIAL ASSETS CARRIED AT				ECL ALLOWANCE ON FINANCIAL ASSETS CARRIED AT			
	Amortised Cost $m	FVOCI $m	Other $m	Gross exposure $m	Amortised Cost $m	FVOCI $m	Other $m	Total ECL allowance $m
								AS AT 30 SEP 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.

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		
	Stage I 12 month ECL $m	Stage II Not credit impaired $m	Stage III Credit impaired $m	Total ECL Allowance $m
Balance as at 1 Apr 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

	As at 30 Sep 22 $m	As at 31 Mar 22 $m	As at 30 Sep 21 $m
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

	As at 30 Sep 22 $m	As at 31 Mar 22 $m	As at 30 Sep 21 $m
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)

	30 Sep 22 $m	31 Mar 22 $m	30 Sep 21 $m
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.

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)**

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

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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							FAIR VALUE OF ITEMS CARRIED AT	
	HFT $m	DFVTPL $m	FVTPL $m	FVOCI $m	Amortised cost $m	Non-financial instruments $m	Statement of financial position total $m	Fair value $m	Amortised cost $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								
	HFT $m	DFVTPL $m	FVTPL $m	FVOCI $m	Amortised cost $m	Non-financial instruments $m	Statement of financial position total $m	Fair value $m	Amortised cost $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								
	HFT $m	DFVTPL $m	FVTPL $m	FVOCI $m	Amortised cost $m	Non-financial instruments $m	Statement of financial position total $m	Fair value $m	Amortised cost $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.

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.

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
Assets				AS AT 30 SEP 2022
Cash collateralised lending and reverse repurchase agreements	**–**	**53,100**	**–**	**53,100**
Trading assets	**5,381**	**7,294**	**635**	**13,310**
Margin money and settlement assets	**–**	**270**	**–**	**270**
Derivative assets	**22**	**110,947**	**944**	**111,913**
Financial investments	**10,325**	**11,401**	**2,570**	**24,296**
Held for sale and other assets(1)	**–**	**2,534**	**1,054**	**3,588**
Loan assets	**–**	**388**	**1,192**	**1,580**
Loans to associates and joint ventures	**–**	**–**	**542**	**542**
Total assets	**15,728**	**185,934**	**6,937**	**208,599**
Liabilities				
Cash collateralised borrowing and repurchase agreements	**–**	**256**	**–**	**256**
Trading liabilities	**6,146**	**297**	**–**	**6,443**
Derivative liabilities	**13**	**110,523**	**1,198**	**111,734**
Held for sale and other liabilities	**–**	**2,118**	**–**	**2,118**
Issued debt securities	**–**	**2,143**	**–**	**2,143**
Total liabilities	**6,159**	**115,337**	**1,198**	**122,694**
Assets				AS AT 31 MAR 2022
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
Assets				AS AT 30 SEP 2021
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.

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	RANGE OF INPUTS Maximum value
						AS AT 30 SEP 2022
Interest rate and other products	**3,245**	**26**	**Discounted cash flows**	**Discount rates**	**5.5%**	**20.0%**
			Pricing model	**Bond yield**	**1.5%**	**4.5%**
			Comparable transactions	**Price in %**	**43.9%**	**95.1%**
Commodities	**1,508**	**1,157**	**Pricing model**	**Commodity margin curves**	**(245.5)**	**1255.0**
			Pricing model	**Correlations**	**(25.0%)**	**1.0%**
			Pricing model	**Volatility and related variables**	**(20.0%)**	**300.0%**
Equity and equity linked products	**2,184**	**15**	**Net Asset Value (NAV)**	**Fund's NAV[1]**		
			Pricing model	**Earnings multiple**	**6.3x**	**14.2x**
Total	**6,937**	**1,198**				
						AS AT 31 MAR 2022
Interest rate and other products	3,049	18	Discounted cash flows	Discount rates	1.0%	10.0%
			Pricing model	Bond yield	2.7%	3.5%
			Comparable transactions	Price in %	33.8%	95.0%
Commodities	1,079	1,313	Pricing model	Commodity margin curves	(270.0)	1,665.0
			Pricing model	Correlations	40.0%	100.1%
			Pricing model	Volatility and related variables	(12.6%)	90.9%
Equity and equity-linked products	969	12	NAV	Fund's NAV[1]		
			Pricing model	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	Bond yield	(2.2%)	4.8%
			Pricing model	Correlations	0.0%	100%
			Comparable transactions	Prices in %	50.3%	95.4%
Commodities	735	784	Pricing model	Commodity margin curves	(175.4)	1,691.0
			Pricing model	Correlations	(46.0%)	100.0%
			Pricing model	Volatility and related variables	(3.5%)	19.5%
Equity and equity-linked products	1,079	84	NAV	Fund's NAV[1]		
			Pricing model	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]			
	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	Other collateral for exposures not subject to enforceable netting arrangements[1]	Net exposure
	$m	$m	$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]			
	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	Other collateral for exposures not subject to enforceable netting arrangements[1]	Net exposure
	$m	$m	$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.

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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