



# Interim Financial Report

**Macquarie Group**  
Half year ended 30 September 2023

# 2024

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

### Macquarie Group 2024 Interim Financial Report

This Interim Financial Report has been prepared in accordance with Australian Accounting Standards and the *Corporations Act 2001* (Cth) and does not include all the notes of the type normally included in an annual financial report. Macquarie Group Limited's (MGL and its subsidiaries, being the Consolidated Entity) most recent annual financial report is available at [www.macquarie.com](http://www.macquarie.com) as part of Macquarie's 2023 Annual Report. MGL has also released information to the Australian Securities Exchange operated by ASX Limited (ASX) in compliance with the continuous disclosure requirements of the ASX Listing Rules. Announcements made by MGL under such rules are available on ASX's internet site [www.asx.com.au](http://www.asx.com.au) (MGL's ASX code is 'MQG').

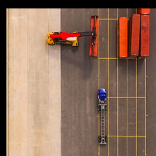
The material in this report has been prepared by MGL ABN 94 122 169 279 and is current at the date of this report. It is general background information about Macquarie's activities, is provided in summary form in terms of the requirements of AASB 134 *Interim Financial Reporting* and does not purport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

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

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

### Cover image

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



# Contents

## 01

### Directors' Report

Directors' report	4
Operating and financial review	5
Auditor's independence declaration	16

## 02

### Financial Report

<b>Financial Statements</b>	
Consolidated income statement	21
Consolidated statement of comprehensive income	22
Consolidated statement of financial position	23
Consolidated statement of changes in equity	24
Consolidated statement of cash flows	25
Notes to the consolidated financial statements	26
<b>Statutory Declaration</b>	
Directors' declaration	66
Independent auditor's review report	67
<b>Ten Year History</b>	68





# Directors' Report

# Directors' Report

For the half year ended 30 September 2023

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

## Directors

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

### Independent Directors

G.R. Stevens AC, Chair

J.R. Broadbent AC

P.M. Coffey

M.A. Hinchliffe

S.J. Lloyd-Hurwitz

R.J. McGrath

M. Roche

N.M. Wakefield Evans AM

### Executive Voting Director

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

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

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

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

## Result

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

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

# Operating and financial review

For the half year ended 30 September 2023

## Review of Group performance and financial position

### Overview

Profit attributable to ordinary equity holders of \$A1,415 million for the half year ended 30 September 2023 decreased 39% from \$A2,305 million in the prior corresponding period<sup>1</sup> and decreased 51% from \$A2,877 million in the prior period.<sup>2</sup>

	HALF YEAR TO			MOVEMENT	
	Sep 23	Mar 23	Sep 22	Mar 23	Sep 22
	\$Am	\$Am	\$Am	%	%
Net operating income	7,910	10,498	8,624	(25)	(8)
Operating expenses	(5,919)	(6,534)	(5,596)	(9)	6
Income tax expense	(587)	(1,089)	(735)	(46)	(20)
Profit after income tax	1,404	2,875	2,293	(51)	(39)
Loss attributable to non-controlling interests <sup>3</sup>	11	2	12	*	(8)
Profit attributable to ordinary equity holders	1,415	2,877	2,305	(51)	(39)

\* \*\* Indicates that absolute percentage change in the balance was greater than 300%.

### 1H24 net profit contribution<sup>4</sup> by activity

#### Annuity-style activities

# \$A1,296m

↓ 43% on pcp

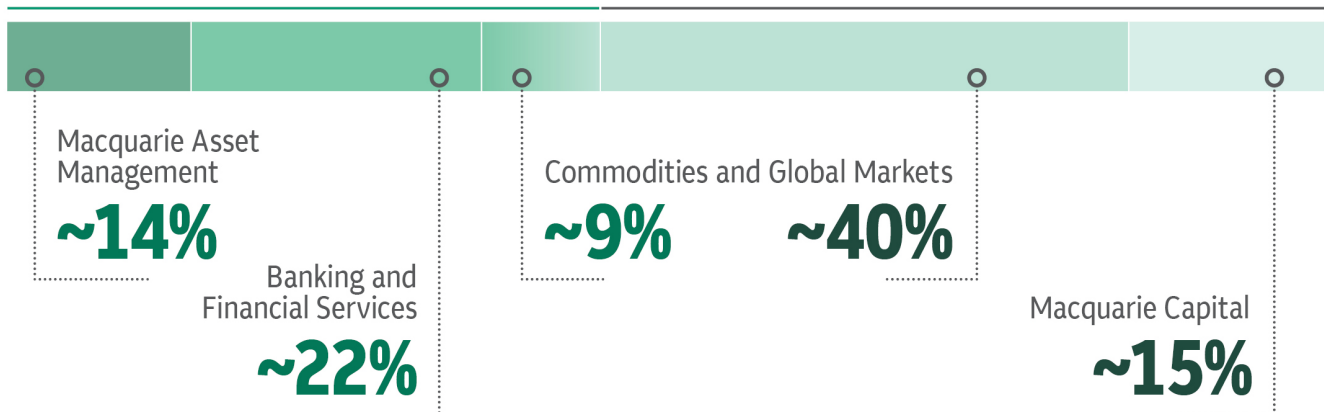
#### Markets-facing activities

# \$A1,562m

↓ 32% on pcp

~45%

~55%



<sup>1</sup> Prior corresponding period (pcp) refers to the six months ended 30 September 2022.

<sup>2</sup> Prior period refers to the six months ended 31 March 2023.

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

<sup>4</sup> Net profit contribution is management accounting profit before unallocated corporate items, profit share and income tax.

# Operating and financial review

For the half year ended 30 September 2023 continued

## Operating Groups

Summary of the Operating Groups' performance for the half year ended 30 September 2023.

Non-Banking Group	<b>Annuity-style businesses</b> <b>Macquarie Asset Management (MAM)</b> <b>\$A407m</b> ↓ 71% on pcp due to <ul style="list-style-type: none"><li>decreased net income on equity, debt and other investments driven by the timing of asset realisations in green investments</li><li>increased net interest and trading expense primarily driven by higher funding costs due to an increase in interest rates and investments.</li></ul> Partially offset by: <ul style="list-style-type: none"><li>reversal of an impairment previously recognised on a green equity investment.</li></ul>	<b>Markets-facing businesses</b> <b>Macquarie Capital</b> <b>\$A430m</b> ↓ 28% on pcp due to <ul style="list-style-type: none"><li>the non-recurrence of material asset realisations in the Americas and Europe.</li></ul> Partially offset by: <ul style="list-style-type: none"><li>gains on a small number of investments</li><li>higher net interest income from the private credit portfolio, benefitting from \$A3.8 billion of growth in average drawn loan assets</li><li>non-recurrence of mark-to-market losses on certain debt underwriting positions</li><li>reversal of impairments recognised on a small number of previously underperforming investments</li><li>lower origination credit provisions on the private credit portfolio due to lower deployment in the current period.</li></ul>
	<b>Banking and Financial Services (BFS)</b> <b>\$A638m</b> ↑ 10% on pcp due to <ul style="list-style-type: none"><li>higher net interest and trading income mainly driven by growth in the loan portfolio and BFS deposits, and improved average margins from the rising interest rate environment, partially offset by changes in portfolio mix and ongoing lending competition</li><li>higher fee income due to increased administration fees from higher average funds on platform and lending and transaction volumes.</li></ul> Partially offset by: <ul style="list-style-type: none"><li>higher credit impairment charges driven by portfolio growth</li><li>higher expenses driven by increased headcount and technology investment to support business growth and regulatory requirements, as well as inflationary pressure.</li></ul>	<b>Commodities and Global Markets (CGM)<sup>1</sup></b> <b>\$A1,383m</b> ↓ 31% on pcp due to <ul style="list-style-type: none"><li>decreased risk management revenue across the platform, particularly from Resources, and EMEA Gas, Power and Emissions due to decreased client hedging and trading activity as volatility and price movements stabilised across commodity markets following record highs in the prior corresponding period, partially offset by an increased contribution across Agricultural markets</li><li>higher operating expenses driven by higher employment, technology platform and infrastructure, compliance and regulatory management spend, and the impact of unfavourable foreign exchange movements.</li></ul> Partially offset by: <ul style="list-style-type: none"><li>higher fee and commission income due to increased activity in futures and risk premia products.</li></ul>
<b>Corporate</b> <b>Expenses of \$A1,443m</b> ↓ 36% on pcp due to <ul style="list-style-type: none"><li>increased net interest and trading income, primarily driven by an increase in earnings on capital reflecting higher central bank interest rates and average volumes, and the deployment of the Group's previously elevated centrally held liquidity and funding surplus by the Operating Groups. This was partially offset by accounting volatility from the changes in the fair value of economic hedges</li><li>reduced operating expenses driven by lower profit share expense as a result of the performance of the Consolidated Entity</li><li>reduced income tax expense as a result of the performance of the Consolidated Entity, partially offset by higher effective tax rate mainly driven by the geographic composition and nature of earnings.</li></ul>		



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

<sup>1</sup> Certain assets of the Credit Markets business, certain activities of the Commodity Markets and Finance business, and some other less financially significant activities are undertaken from within the Non-Banking Group.



## Net operating income

Net operating income of \$A7,910 million for the half year ended 30 September 2023 decreased 8% from \$A8,624 million in the prior corresponding period. The decrease was primarily driven by lower net other operating income, partially offset by credit and other impairment reversals, higher fee and commission income and lower share of net losses from associates and joint ventures.

Net interest and trading income			in line with pcp	Fee and commission income			↑ 2% on pcp
HALF YEAR TO				HALF YEAR TO			
30 Sep 23	31 Mar 23	30 Sep 22		30 Sep 23	31 Mar 23	30 Sep 22	
\$Am	\$Am	\$Am	\$Am	\$Am	\$Am		
4,179	6,353	4,170	3,119	3,472	3,055		

This movement was largely driven by:

- growth in the loan portfolio and BFS deposits, and improved average margins from the rising interest rate environment, partially offset by changes in portfolio mix and ongoing lending competition in BFS
- higher net interest income from the private credit portfolio and the non-recurrence of mark-to-market losses on certain debt underwriting positions in Macquarie Capital
- higher earnings on capital reflecting higher central bank rates.

Partially offset by:

- lower risk management revenue on a strong prior corresponding period, primarily in Resources and EMEA Gas, Power and Emissions, partially offset by an increased contribution across Agricultural markets in CGM.

This movement was largely driven by:

- higher base fees in Private Markets due to fundraising and investments made by Private Markets-managed funds and mandates as well as foreign exchange movements, partially offset by asset realisations in Private Markets-managed funds in MAM
- higher fee and commission income due to increased activity in futures and risk premia products in CGM
- higher fee income due to increased administration fees from growth in average funds on platform and higher lending and transaction volumes.

Partially offset by:

- lower base fees in Public Investments primarily driven by outflows in equity strategies, partially offset by favourable foreign exchange movements in MAM
- lower capital markets fee income due to weaker market activity in Macquarie Capital.

Share of net losses from associates and joint ventures			↓ 92% on pcp	Credit and other impairment reversals/(charges)			↑ significantly on pcp
HALF YEAR TO				HALF YEAR TO			
30 Sep 23	31 Mar 23	30 Sep 22		30 Sep 23	31 Mar 23	30 Sep 22	
\$Am	\$Am	\$Am	\$Am	\$Am	\$Am		
(5)	(52)	(61)	117	(168)	(286)		

This movement was largely driven by:

- higher losses on a small number of equity accounted investments in the prior corresponding period and revaluation of underlying investments held by associates and joint ventures in the current period in MAM.

This movement was largely driven by:

- reversal of impairments recognised on a small number of previously underperforming assets and equity investments in MAM and Macquarie Capital
- release of credit provisions reflecting normalisation in sector and counterparty exposures as certain commodity prices normalised in CGM
- lower origination credit provisions on the private credit portfolio in Macquarie Capital due to lower deployment in the current period.

Partially offset by:

- increase in specific provisions on a small number of underperforming positions
- portfolio growth in BFS.

Net other operating income			↓ 71% on pcp
HALF YEAR TO			
30 Sep 23	31 Mar 23	30 Sep 22	
\$Am	\$Am	\$Am	
500	893	1,746	

This movement was largely driven by:

- substantially lower gains on sale of investments in the green energy sector due to timing of asset realisations in MAM
- non-recurrence of material asset realisations in the Americas and Europe in Macquarie Capital.

Partially offset by:

- gains on a small number of investments in Macquarie Capital.

# Operating and financial review

For the half year ended 30 September 2023 continued

## Operating expenses

Total operating expenses of \$A5,919 million for the half year ended 30 September 2023 increased 6% from \$A5,596 million in the prior corresponding period with increases across all expense categories.

Employment expenses			↑ <b>3%</b> on pcp	Brokerage, commission and fee expenses			↑ <b>6%</b> on pcp
HALF YEAR TO				HALF YEAR TO			
30 Sep 23	31 Mar 23	30 Sep 22		30 Sep 23	31 Mar 23	30 Sep 22	
\$Am	\$Am	\$Am	\$Am	\$Am	\$Am		
<b>3,734</b>	4,090	3,613		<b>529</b>	528	500	

This movement was largely driven by:

- higher salary and related expenses from higher average headcount and wage inflation
- higher share-based payments driven by prior years' performance of the Consolidated Entity
- unfavourable foreign exchange movements.

Partially offset by:

- lower profit share expense mainly as a result of the performance of the Consolidated Entity.

This movement was largely driven by:

- increased trading and brokerage activities in CGM.

Non-salary technology expenses			↑ <b>9%</b> on pcp	Other operating expenses			↑ <b>13%</b> on pcp
HALF YEAR TO				HALF YEAR TO			
30 Sep 23	31 Mar 23	30 Sep 22		30 Sep 23	31 Mar 23	30 Sep 22	
\$Am	\$Am	\$Am	\$Am	\$Am	\$Am		
<b>594</b>	547	545		<b>1,062</b>	1,369	938	

This movement was largely driven by:

- increased investment in technology initiatives, with a focus on data and digitalisation to support business activity and compliance
- unfavourable foreign exchange movements.

This movement was largely driven by:

- higher occupancy expenses, higher travel and entertainment expenses, higher indirect and other tax expenses as well as expenses relating to a one off legacy matter.

## Income tax expense

Income tax expense of \$A587 million for the half year ended 30 September 2023 decreased 20% from \$A735 million in the prior corresponding period. The effective tax rate for the half year ended 30 September 2023 was 29.3%, up from 24.2% in the prior corresponding period and up from 27.5% in the prior period.

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

## Statement of financial position

The Consolidated Entity's Statement of financial position was impacted during the half year ended 30 September 2023 by changes resulting from a combination of business activities, Group Treasury management initiatives and macroeconomic factors.

Total assets		
AS AT		
30 Sep 23	31 Mar 23	
\$Am	\$Am	
<b>394,594</b>	387,872	<b>↑ 2%</b> on 31 Mar 23

Total assets of \$A394.6 billion as at 30 September 2023 increased 2% from \$A387.9 billion as at 31 March 2023.

The principal drivers for the increase were as follows:

- cash collateralised lending and reverse repurchase agreements of \$A66.1 billion as at 30 September 2023 increased 22% from \$A54.3 billion as at 31 March 2023, driven by an increase in holdings of reverse repurchase agreements as part of Group Treasury's liquidity portfolio
- loan assets of \$A167.5 billion as at 30 September 2023 increased 6% from \$A158.6 billion as at 31 March 2023, driven by loan volume growth in the BFS home loans and business lending portfolios and Macquarie Capital's private credit portfolio
- trading assets of \$A20.2 billion as at 30 September 2023 increased 20% from \$A16.9 billion as at 31 March 2023, driven by an increase in holdings of listed equity securities in CGM
- other assets of \$A13.7 billion as at 30 September 2023 increased 31% from \$A10.4 billion as at 31 March 2023, driven by higher commodity-related receivables from increased volumes in CGM.

These increases were partially offset by:

- cash and bank balances of \$A29.6 billion as at 30 September 2023 decreased 35% from \$A45.7 billion as at 31 March 2023, driven by a reduction in the overnight deposit held with the Reserve Bank of Australia (RBA) as part of Group Treasury's liquidity portfolio
- derivative assets of \$A29.1 billion as at 30 September 2023 decreased 19% from \$A36.1 billion as at 31 March 2023, driven by stability in price movements, demand and reduced levels of volatility in commodity markets, as well as maturity of prior period positions. After taking into account related financial instruments, cash and other financial collateral, the residual derivative asset exposure was \$A7.4 billion (31 March 2023: \$A9.7 billion). The majority of the residual derivative asset exposure was short-term in nature and managed within the Consolidated Entity's market and credit risk frameworks, with a substantial portion of the exposure with investment grade counterparties.

Total liabilities		
AS AT		
30 Sep 23	31 Mar 23	
\$Am	\$Am	
<b>361,456</b>	353,766	<b>↑ 2%</b> on 31 Mar 23

Total liabilities of \$A361.5 billion as at 30 September 2023 increased 2% from \$A353.8 billion as at 31 March 2023.

The principal drivers for the increase were as follows:

- issued debt securities and other borrowings of \$A119.9 billion as at 30 September 2023 increased 10% from \$A109.5 billion as at 31 March 2023, driven by the issuance of short-term commercial paper and certificates of deposit by Group Treasury and unfavourable foreign exchange movements
- trading liabilities of \$A8.2 billion as at 30 September 2023 increased 71% from \$A4.8 billion as at 31 March 2023, driven by an increase in short listed equity securities positions in CGM
- deposits of \$A136.0 billion as at 30 September 2023 increased 1% from \$A134.7 billion as at 31 March 2023, driven by volume growth in retail and business banking deposits in BFS
- other liabilities of \$A13.8 billion as at 30 September 2023 increased 11% from \$A12.5 billion as at 31 March 2023, driven by higher commodity-related payables from increased volumes in CGM.

These increases were partially offset by:

- cash collateralised borrowing and repurchase agreements of \$A13.5 billion as at 30 September 2023 decreased 28% from \$A18.7 billion as at 31 March 2023, driven by a reduction in trading activity in CGM and partial maturity of the RBA Term-Funding Facility
- derivative liabilities of \$A29.5 billion as at 30 September 2023 decreased 10% from \$A32.8 billion as at 31 March 2023, commensurate with the movement in derivative assets. After taking into account related financial instruments, cash and other financial collateral, the residual derivative liability was \$A7.2 billion (31 March 2023: \$A6.6 billion).

Total equity		
AS AT		
30 Sep 23	31 Mar 23	
\$Am	\$Am	
<b>33,138</b>	34,106	<b>↓ 3%</b> on 31 Mar 23

Total equity of \$A33.1 billion as at 30 September 2023 decreased 3% from \$A34.1 billion as at 31 March 2023.

The decrease in the Consolidated Entity's equity is on account of:

- \$A1.7 billion dividend payment
- \$A1.0 billion acquisition of treasury shares
- \$A0.5 billion decrease in non-controlling interests.

These decreases were partially offset by \$A1.4 billion of earnings generated during the current period and a \$A0.6 billion increase in foreign currency translation reserve largely driven by appreciation of the US Dollar to Australian Dollar.

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

# Operating and financial review

For the half year ended 30 September 2023 continued

## Funding

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

Macquarie has a funding base that is stable with short-term wholesale funding covered by cash, liquids and other short-term assets. As at 30 September 2023, Macquarie's term assets were covered by term funding maturing beyond one year, stable deposits, hybrids and equity.

The weighted average term to maturity of term funding maturing beyond one year (excluding equity and securitisations) was 4.4 years as at 30 September 2023.

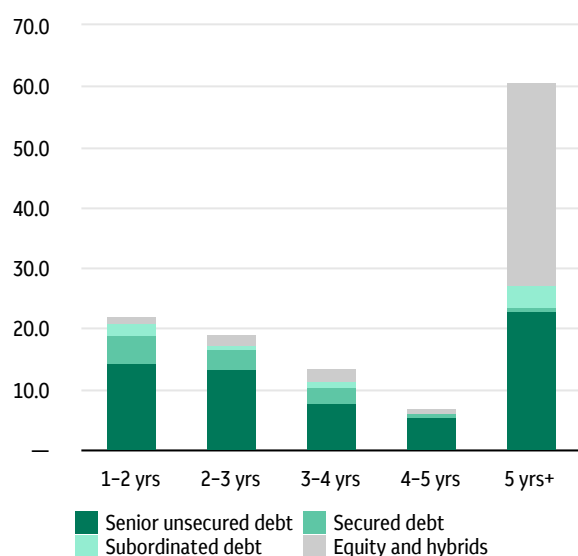
**4.4**  
years

Weighted  
average  
maturity

## Term funding profile

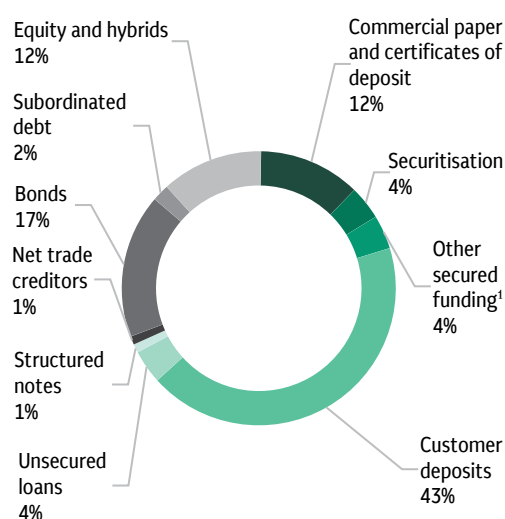
### Detail of drawn funding maturing beyond one year

\$A billion



## Diversity of funding source

### Detail of drawn funding sources maturing across all tenors



Macquarie has a liability-driven approach to balance sheet management, where funding is raised prior to assets being taken on to the balance sheet. Since 1 April 2023, Macquarie has continued to raise term wholesale funding across various products and currencies.

Details of term funding raised between 1 April 2023 and 30 September 2023:

	Bank Group \$Ab	Non-Bank Group \$Ab	Total \$Ab
Issued paper – Senior and subordinated	3.5	1.7	5.2
Secured funding – Term securitisation and other secured finance	2.8	—	2.8
Loan facilities – Unsecured loan facilities	0.3	—	0.3
<b>Total<sup>2</sup></b>	<b>6.6</b>	<b>1.7</b>	<b>8.3</b>

Macquarie has continued to develop its major funding markets and products during the half year ended 30 September 2023.

<sup>1</sup> Includes RBA Term Funding Facility (TFF) of \$A9.5 billion.

<sup>2</sup> Issuances cover a range of tenors, currencies and product types and are Australian dollar equivalent based on FX rates at the time of issuance. Includes refinancing of loan facilities.

## \$A10.5b Capital

Group capital surplus

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

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

Transactions internal to Macquarie are eliminated.

The minimum Common Equity Tier 1 capital ratio (CET1) in accordance with Prudential Standard APS 110 Capital Adequacy is 9%. This includes the industry minimum CET1 requirement of 4.5%, capital conservation buffer (CCB) of 3.75% and a countercyclical capital buffer (CCyB)<sup>1</sup> of 0.75%. The corresponding requirement for Tier 1 capital is 10.5%, inclusive of the CCB and CCyB<sup>1</sup>. APRA also requires ADIs to maintain a minimum leverage ratio of 3.5%. In addition, APRA may impose ADI-specific minimum ratios which may be higher than these levels.

Macquarie is well capitalised, with the following capital adequacy ratios as at 30 September 2023:

Bank Group Level 2 Basel III ratios as at 30 September 2023	APRA Basel III	Harmonised Basel III <sup>2</sup>
Common Equity Tier 1 Capital Ratio	13.2%	18.0%
Tier 1 Capital Ratio	15.2%	20.3%
Leverage Ratio	5.0%	5.6%



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

<sup>1</sup>The CCyB of the Bank Group at Sep-23 is 0.71%, this is rounded to 0.75% for presentation purposes. The individual CCyB varies by jurisdiction and the Bank Group CCyB is calculated as a weighted average based on exposures in different jurisdictions at period end.

<sup>2</sup>Harmonised Basel III estimates are calculated in accordance with the updated BCBS Basel III framework, noting that MBL is not regulated by the BCBS therefore the ratios are indicative only.

# Operating and financial review

For the half year ended 30 September 2023 continued

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

A summary of the Operating Groups' activities for the half year ended 30 September 2023 and medium-term outlook is provided below.

## Annuity-style business

### Macquarie Asset Management

# \$A407m

↓71% on 1H23

MAM is investing to deliver positive impact for everyone.

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

### Highlights

MAM AUM as at 30 September 2023 increased 2% to \$A892.0 billion from March 2023, due to investments made by Private Markets-managed funds and favourable foreign exchange movements, offset by a reduction of co-investment management rights.

During the period, MAM raised \$A8.0 billion in new equity from clients across a diverse range of strategies, including regional and global infrastructure, energy transition and secondaries funds. MAM invested \$A7.8 billion of equity, across 22 new investments, including: 10 real assets, 10 real estate and 2 private credit investments.

From 1 November 2023, MAM is establishing Credit as a division, combining the expertise and investment capabilities across Private Credit, Asset Finance and Public Investments Fixed Income, to create a global integrated credit platform with a broad offering to clients.

### Medium-term

MAM is well-positioned to respond to current market conditions and grow assets under management through its diversified product offering, track record and experienced investment teams. MAM continues to invest in existing and new green platforms as MAM Green Investments transitions to a fiduciary business.

### Banking and Financial Services

# \$A638m

↑10% on 1H23

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

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

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

**Business Banking:** Provides a full range of deposit, lending and payment solutions as well as tailored services to business clients across a range of key industry segments

### Highlights

For the half year ended 30 September 2023, the loan portfolio increased 5% to \$A134.4 billion and BFS deposits increased 1% to \$A131.2 billion. Funds on platform increased 2% to \$A125.1 billion as strong net flows of \$A1.7 billion were partially offset by adverse market movements.

The home loan portfolio increased 6% to \$A114.2 billion driven by strong demand in lower loan-to-value ratio and owner-occupier lending tiers, while the Business Banking loan portfolio increased 12% to \$A14.6 billion driven by an increase in client acquisition across core segments and a continued build into emerging segments.

During the half, BFS expanded the Macquarie Wrap managed accounts offering with funds under administration of \$A11.8 billion, up from \$A10.5 billion at 31 March 2023.

### Medium-term

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



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

## Markets-facing businesses

### Commodities and Global Markets

# \$A1,383m

↓31% on 1H23

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

**Commodities:** provides capital and financing, risk management, and physical execution and logistics solutions across power, gas, emissions, agriculture and oil and resources sectors globally.

**Financial Markets:** provides risk management, capital and financing solutions, and market access to corporate and institutional clients with exposure to foreign exchange, rates, fixed income, credit markets and listed derivatives markets.

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

### Highlights

CGM recorded a net profit contribution of \$A1.4 billion, reflecting the strength and diversity of its client platform. The result was down 31% on the prior corresponding period, which was characterised by strong market volatility, particularly in commodities.

Commodities contribution was down on the prior corresponding period due to lower risk management revenue, particularly in Resources and EMEA Gas, Power and Emissions. This was due to decreased client hedging and trading activity as volatility and price movements stabilised across commodity markets following record highs in the prior corresponding period. These reductions were partially offset by an increased contribution across Agricultural markets.

Financial Markets contribution was slightly down on the prior corresponding period, due to decreased activity across foreign exchange and credit products. This was partially offset by an increased contribution from Futures.

CGM saw an increased contribution from Asset Finance due to increased volumes in the technology and shipping sectors and structured lending.

CGM continues to be recognised across the industries it operates in, with a number of awards earned during the period including House of the year for Oil and Products, Electricity and Commodities Research at the Energy Risk Awards 2023 and House of Year for Commodities Research, Derivatives, Environmental Products, Natural Gas/LNG, Emissions and Commodity Trade Finance at the Energy Risk Asia Awards 2023. CGM is ranked as No.1 Futures Broker on the ASX.

### Medium-term

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

### Macquarie Capital

# \$A430m

↓28% on 1H23

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

It also has global capability in specialist investing across private credit, private equity, real estate, growth equity, venture capital, and in infrastructure and energy projects and companies.

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

### Highlights

Macquarie Capital maintained No.1 ranking in ANZ for M&A (by deal count) over the past decade and No.1 on the ANZ YTD Dealogic league tables for ECM (by deal value).

Macquarie Capital acted as Joint Lead Manager, Underwriter and Bookrunner for the largest ASX capital raising this year, Orora Limited's ~\$A1.3 billion equity raising to support their ~\$A2.2 billion acquisition of SaverGlass SAS.

As a market leading advisory business with global reach, Macquarie Capital acted as Financial Adviser to NextDecade Corporation in connection with the equity financing for the total \$US18.4 billion commitment for Phase 1 of the Rio Grande LNG export facility, the largest greenfield energy project financing in US history.

As at 30 September 2023, committed private credit portfolio grew to over \$A20 billion, with more than \$A1.5 billion deployed in the period through focused investment in credit markets and bespoke financing solutions.

Macquarie Capital supported the Partners Group refinancing of Civica, a leading GovTech company servicing customers across government, healthcare and education in the UK, APAC and US.

Macquarie Capital also invested in KevlinX, a pan-European data centre platform that develops and operates high-performance data centres for large enterprises, governments and cloud companies.

### Medium-term

Macquarie Capital continues to support clients globally across long-term trends including tech-enabled innovation, the need for infrastructure and the growth in private capital. It pursues opportunities for balance sheet investment alongside clients and infrastructure project development. It continues to tailor the business offering to current opportunities and market conditions including providing flexible capital solutions across sectors and regions. Macquarie Capital is well-positioned to respond to changes in market conditions.



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

# Operating and financial review

Our Strategy

## Our Purpose

Empowering people to innovate and invest for a better future.

### What we stand for



#### Opportunity



#### Accountability



#### Integrity

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

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



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

## Our business strategy

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

---

### Risk management approach

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

Macquarie's risk management framework, material risks and approach to managing these risks are outlined in Macquarie Group Limited's Annual Report for the year ended 31 March 2023.

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### Strong balance sheet

Maintaining a strong and conservative balance sheet.

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

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

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

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### Business mix

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

---

### Diversification

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

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

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### Proven expertise

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

---

### Adjacencies

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

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

---

### Pursuit of growth opportunities

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

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



## Outlook

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

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

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

## Events after the reporting date

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

## Interim dividend

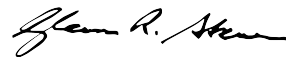
The Directors have resolved to pay an interim dividend for the half year ended 30 September 2023 of \$2.55 per fully paid ordinary MGL share on issue at 14 November 2023.

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

## Rounding of amounts

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

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



**Glenn Stevens AC**  
Independent Director and Chairman



**Shemara Wikramanayake**  
Managing Director and Chief Executive Officer

Sydney  
3 November 2023

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

# Auditor's independence declaration

For the half year ended 30 September 2023



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

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

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

A handwritten signature in black ink, appearing to read 'V. Papageorgiou'.

**Voula Papageorgiou**  
Partner  
PricewaterhouseCoopers

Sydney  
3 November 2023

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Liability limited by a scheme approved under Professional Standards Legislation.

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02



**Financial  
Report**

# Contents

## Financial Statements

<b>Consolidated income statement</b>	<b>21</b>
<b>Consolidated statement of comprehensive income</b>	<b>22</b>
<b>Consolidated statement of financial position</b>	<b>23</b>
<b>Consolidated statement of changes in equity</b>	<b>24</b>
<b>Consolidated statement of cash flows</b>	<b>25</b>
<b>Notes to the consolidated financial statements</b>	<b>26</b>
1. Basis of preparation	26
2. Operating profit before income tax	28
3. Segment reporting	31
4. Income tax expense	37
5. Dividends	38
6. Earnings per share	39
7. Trading assets	40
8. Margin money and settlement assets	40
9. Derivative assets	40
10. Held for sale and other assets	41
11. Loan assets	41
12. Expected credit losses	42
13. Trading liabilities	47
14. Margin money and settlement liabilities	48
15. Derivative liabilities	48
16. Held for sale and other liabilities	48
17. Issued debt securities and other borrowings	49
18. Contributed equity	50
19. Reserves and retained earnings	51
20. Contingent liabilities and commitments	52
21. Measurement categories of financial instruments	53
22. Fair value of assets and liabilities	56
23. Acquisitions and disposals of subsidiaries and businesses	65
24. Events after the reporting date	65
<b>Statutory Declaration</b>	
<b>Directors' declaration</b>	<b>66</b>
<b>Independent auditor's review report</b>	<b>67</b>
<b>Ten year history</b>	<b>68</b>

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

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

# Consolidated income statement

For the half year ended 30 September 2023

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

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

# Consolidated statement of comprehensive income

For the half year ended 30 September 2023

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

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

<sup>1</sup> All items are net of tax, where applicable.



# Consolidated statement of financial position

As at 30 September 2023

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

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

# Consolidated statement of changes in equity

For the half year ended 30 September 2023

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

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

# Consolidated statement of cash flows

For the half year ended 30 September 2023

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

# Notes to the consolidated financial statements

For the half year ended 30 September 2023

## Note 1

### Basis of preparation

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

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

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

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

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

### (i) Critical accounting estimates and significant judgements

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

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

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

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

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

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

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

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

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

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

### The Consolidated Entity's Pillar Two Project

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

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

### Impacts on financial reporting

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

**Note 1****Basis of preparation continued****(c) Other amendments made to existing standards**

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

**(iii) Other developments****(a) ISSB sustainability reporting standards**

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

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

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

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

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

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

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

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

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

**(iv) Comparatives**

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

# Notes to the consolidated financial statements

For the half year ended 30 September 2023 continued

## Note 2

### Operating profit before income tax

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

<sup>1</sup> Prior period comparatives for interest income have been re-presented between Effective interest rate and Other to conform with the presentation in the current period in alignment with the accounting policy.

<sup>2</sup> Includes \$233 million (half year to 31 March 2023: \$450 million; half year to 30 September 2022: \$233 million) from transactions with the Consolidated Entity's associates.

<sup>3</sup> Includes \$433 million (half year to 31 March 2023: \$423 million; half year to 30 September 2022: \$261 million) of transportation, storage and certain other trading-related costs and \$12 million (half year to 31 March 2023: \$9 million; half year to 30 September 2022: \$11 million) depreciation on right-of-use (ROU) assets held for trading-related business.

<sup>4</sup> Includes share of net loss from the Consolidated Entity's 50% ownership interest in Macquarie AirFinance Limited.

**Note 2****Operating profit before income tax continued**

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

<sup>1</sup> Businesses and subsidiaries held for investment purposes are consolidated entities that are held with the ultimate intention to sell as part of the Consolidated Entity's investment activities.

<sup>2</sup> Includes revenue of \$482 million (half year to 31 March 2023: \$363 million; half year to 30 September 2022: \$265 million) before deduction of \$140 million (half year to 31 March 2023: \$113 million; half year to 30 September 2022: \$94 million) related to cost of goods sold and other direct costs.

<sup>3</sup> Includes employment expenses, depreciation, amortisation expense and other operating expenses.

# Notes to the consolidated financial statements

For the half year ended 30 September 2023 continued

## Note 2

### Operating profit before income tax continued

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

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



## Note 3

### Segment reporting

#### (i) Operating segments

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

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

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

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

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

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

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

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

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

#### Internal funding arrangements

Group Treasury has the responsibility for managing wholesale funding for the Consolidated Entity, and Operating Groups obtain their required funding from Group Treasury. The Operating Groups are assumed to be fully debt funded for the purposes of internal funding charges. The interest rates charged by Group Treasury are determined by the currency and term of the funding. Break costs may be charged to Operating Groups for the early repayment of term funding.

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

#### Transactions between Operating Segments

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

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

# Notes to the consolidated financial statements

For the half year ended 30 September 2023 continued

## Note 3

### Segment reporting continued

#### (i) Operating segments continued

##### Accounting for derivatives that economically hedge interest rate risk

With respect to businesses that predominantly earn income from lending activities, derivatives that hedge interest rate risk are measured at fair value through profit or loss (FVTPL). Changes in fair value are presented in net trading income and give rise to income statement volatility unless designated in hedge accounting relationships, in which case the carrying value of the hedged items are adjusted for changes in fair value attributable to the hedged risks to reduce volatility in the income statement. If designated in cash flow hedge accounting relationships, the effective portion of the derivatives' fair value gains or losses are deferred in the cash flow hedge reserve as part of Other Comprehensive Income (OCI), and subsequently recognised in the income statement at the time at which the hedged items affect the income statement for the hedged risks. For segment reporting, derivatives are accounted for on an accrual basis in the results of the Operating Groups to the extent that the Corporate segment manages the derivative volatility, either through the application of hedge accounting or where the derivative volatility may offset the volatility of other positions managed within the Corporate segment.

##### Central Service Groups

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

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

##### Performance-related profit share and share-based payments expense

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

##### Income tax

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

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

##### Presentation of segment income statements

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

##### Reportable segment assets

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

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# Notes to the consolidated financial statements

For the half year ended 30 September 2023 continued

## Note 3

### Segment reporting continued

#### (i) Operating segments continued

	Macquarie Asset Management \$m	Banking and Financial Services \$m
The following is an analysis of the Consolidated Entity's revenue and results by reportable segment:		
Net interest and trading (expense)/income	(265)	1,360
Fee and commission income/(expense)	1,885	273
Share of net profits/(losses) from associates and joint ventures	29	(2)
Other operating income and charges		
Net credit and other impairment reversals/(charges)	110	(23)
Net other operating income and charges	(66)	—
Internal management revenue/(charge)	—	1
Net operating income	1,693	1,609
Total operating expenses	(1,300)	(971)
Operating profit/(loss) before income tax	393	638
Income tax expense	—	—
Loss/(profit) attributable to non-controlling interests	14	—
<b>Net profit/(loss) contribution</b>	<b>407</b>	<b>638</b>
<b>Reportable segment assets</b>	<b>15,183</b>	<b>135,815</b>
Net interest and trading (expense)/income	(253)	1,323
Fee and commission income/(expense)	2,196	255
Share of net profits/(losses) from associates and joint ventures	32	(5)
Other operating income and charges		
Net credit and other impairment charges	(11)	(25)
Net other operating income	353	—
Internal management revenue/(charge)	29	(11)
Net operating income	2,346	1,537
Total operating expenses	(1,398)	(916)
Operating profit/(loss) before income tax	948	621
Income tax expense	—	—
(Profit)/loss attributable to non-controlling interests	(8)	—
<b>Net profit/(loss) contribution</b>	<b>940</b>	<b>621</b>
<b>Reportable segment assets</b>	<b>14,328</b>	<b>129,046</b>
Net interest and trading (expense)/income	(143)	1,197
Fee and commission income/(expense)	1,882	249
Share of net (losses)/profits from associates and joint ventures	(33)	(2)
Other operating income and charges		
Net credit and other impairment charges	(3)	(9)
Net other operating income and charges	839	(13)
Internal management revenue/(charge)	63	1
Net operating income	2,605	1,423
Total operating expenses	(1,197)	(843)
Operating profit/(loss) before income tax	1,408	580
<b>Income tax expense</b>	<b>—</b>	<b>—</b>
(Profit)/loss attributable to non-controlling interests	(6)	—
<b>Net profit/(loss) contribution</b>	<b>1,402</b>	<b>580</b>
<b>Reportable segment assets</b>	<b>14,060</b>	<b>122,240</b>

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

# Notes to the consolidated financial statements

For the half year ended 30 September 2023 continued

## Note 3

### Segment reporting continued

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

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

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

**Note 4****Income tax expense**

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

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

# Notes to the consolidated financial statements

For the half year ended 30 September 2023 continued

## Note 5

### Dividends

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

The 2023 final dividend paid during the period was franked at 40% based on tax paid at 30% (2023 interim dividend and 2022 final dividends were franked at 40%, based on tax paid at 30%).

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

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

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

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

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



**Note 6****Earnings per share**

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

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

	Half year to 30 Sep 23	Half year to 31 Mar 23	Half year to 30 Sep 22
			CENTS
<b>Basic earnings per share</b>	<b>369.2</b>	746.0	603.3
<b>Diluted earnings per share</b>	<b>366.2</b>	725.5	585.1
			\$m
<b>Reconciliation of earnings used in the calculation of basic and diluted earnings per share</b>			
Profit after income tax	1,404	2,875	2,293
Loss attributable to non-controlling interests	11	2	12
<b>Profit attributable to the ordinary equity holders of MGL</b>	<b>1,415</b>	2,877	2,305
Less: profit attributable to participating invested MEREP awards	(48)	(96)	(72)
<b>Earnings used in the calculation of basic earnings per share</b>	<b>1,367</b>	2,781	2,233
<b>Add back:</b>			
Profit attributable to dilutive participating unvested MEREP awards	28	63	45
Interest on convertible subordinated debt <sup>1</sup>	—	139	95
<b>Earnings used in the calculation of diluted earnings per share</b>	<b>1,395</b>	2,983	2,373
			NUMBER OF SHARES
<b>Reconciliation of weighted average number of equity shares used in the calculation of basic and diluted earnings per share</b>			
Weighted average number of equity shares (net of treasury shares) adjusted for vested MEREP awards used in the calculation of basic earnings per share	370,286,556	372,813,086	370,136,531
Add: weighted average number of dilutive potential ordinary shares:			
Unvested MEREP awards	10,708,618	11,806,621	10,563,730
Convertible subordinated debt <sup>1</sup>	—	26,558,982	24,852,954
<b>Weighted average number of equity shares (net of treasury shares) and potential equity shares used in the calculation of diluted earnings per share</b>	<b>380,995,174</b>	411,178,689	405,553,215

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

# Notes to the consolidated financial statements

For the half year ended 30 September 2023 continued

## Note 7

### Trading assets

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

## Note 8

### Margin money and settlement assets

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

## Note 9

### Derivative assets

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

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

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

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

**Note 10****Held for sale and other assets**

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

**Note 11****Loan assets**

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

<sup>1</sup> 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*.

<sup>2</sup> Includes \$18,638 million (half year to 31 March 2023: \$19,862 million; half year to 30 September 2022: \$18,832 million) loans that are held by consolidated Structured Entities (SEs), and which are available as security to note holders and debt providers. Refer to Note 17 *Issued debt securities and other borrowings*.

# Notes to the consolidated financial statements

For the half year ended 30 September 2023 continued

## Note 12

### Expected credit losses

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

### Model Inputs

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

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

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

The key model inputs used in measuring the ECL include:

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

### Significant increase in credit risk (SICR)

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

SICR thresholds, which require judgement, are used to determine whether an exposure's credit risk has increased significantly. The SICR methodology is based on relative credit risk approach which considers changes in an underlying exposure's credit risk since origination. This may result in exposures being classified in Stage II

that are of a higher credit quality than other similar exposures that are classified as Stage I. Accordingly, while similar increases in the quantum of Stage II exposures will suggest a relative deterioration of credit quality, it should not necessarily be inferred that the assets are of a lower credit quality.

### Retail exposures

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

### Wholesale exposures

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

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

For both retail and wholesale portfolios:

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

### Definition of default

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

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

## Note 12

### Expected credit losses continued

#### Forward-looking information (FLI)

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

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

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

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

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

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

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

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

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

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

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

# Notes to the consolidated financial statements

For the half year ended 30 September 2023 continued

## Note 12

### Expected credit losses continued

#### Forward-looking information continued

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

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

**Note 12****Expected credit losses continued**

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

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

<sup>1</sup> Other exposures included in other assets represent fee-related contract assets.

# Notes to the consolidated financial statements

For the half year ended 30 September 2023 continued

## Note 12

### Expected credit losses continued

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

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



**Note 12****Expected credit losses continued****ECL on loan assets**

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

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

**Note 13****Trading liabilities**

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

# Notes to the consolidated financial statements

For the half year ended 30 September 2023 continued

## Note 14

### Margin money and settlement liabilities

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

## Note 15

### Derivative liabilities

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

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

## Note 16

### Held for sale and other liabilities

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

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

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

**Note 17****Issued debt securities and other borrowings**

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

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

**Reconciliation of issued debt securities and other borrowings by major currency**

(In Australian dollar equivalent)

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

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

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

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

# Notes to the consolidated financial statements

For the half year ended 30 September 2023 continued

## Note 18

### Contributed equity

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

	Number of shares	Total \$m
<b>(i) Ordinary share capital<sup>1</sup></b>		
<b>Balance as at 1 Apr 2022</b>	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)
<b>Balance as at 30 Sep 2022</b>	<b>386,476,754</b>	<b>14,741</b>
For employee MEREP awards:		
Transfer from share-based payments reserve on vesting of MEREP awards	—	44
Transfer of deferred tax benefit on MEREP from share-based payments reserve on vesting of MEREP awards	—	11
Transfer from treasury shares for MEREP awards exercised	—	(61)
<b>Balance as at 31 Mar 2023</b>	<b>386,476,754</b>	<b>14,735</b>
For employee MEREP awards:		
Transfer from share-based payments reserve on vesting of MEREP awards	—	549
Transfer of deferred tax benefit on MEREP from share-based payments reserve on vesting of MEREP awards	—	13
Transfer from treasury shares for MEREP awards exercised	—	(485)
<b>Balance as at 30 Sep 2023</b>	<b>386,476,754</b>	<b>14,812</b>

<b>(ii) Treasury shares</b>		
<b>Balance as at 1 Apr 2022</b>	(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
<b>Balance as at 30 Sep 2022</b>	<b>(17,236,284)</b>	<b>(2,389)</b>
Transfer to ordinary share capital for MEREP awards exercised	512,231	61
Acquisition of shares for allocation under DRP scheme	(571,665)	(102)
Allocation of shares under DRP scheme	571,665	102
Acquisition of shares for allocation under ESP scheme	(10,975)	(2)
Allocation of shares under ESP scheme	10,975	2
<b>Balance as at 31 Mar 2023</b>	<b>(16,724,053)</b>	<b>(2,328)</b>
Acquisition of shares for employee MEREP awards	(5,737,537)	(1,028)
Transfer to ordinary share capital for MEREP awards exercised	3,951,704	485
Acquisition of shares for allocation under DRP scheme	(1,319,291)	(233)
Allocation of shares under DRP scheme	1,319,291	233
<b>Balance as at 30 Sep 2023</b>	<b>(18,509,886)</b>	<b>(2,871)</b>

<sup>1</sup> Ordinary shares have no par value.

**Note 19****Reserves and retained earnings**

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

# Notes to the consolidated financial statements

For the half year ended 30 September 2023 continued

## Note 19

### Reserves and retained earnings continued

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

## Note 20

### Contingent liabilities and commitments

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

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

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

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

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

## Note 21

### Measurement categories of financial instruments

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

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

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

<sup>1</sup> Non-financial assets under 'Trading assets' represent commodities inventory carried at fair value less costs to sell.

<sup>2</sup> Items measured at amortised cost or cost includes, where applicable, fair value hedge accounting adjustments for designated hedged risks.

<sup>3</sup> 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 2023 continued

## Note 21

### Measurement categories of financial instruments continued

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

<sup>1</sup> Non-financial assets under 'Trading assets' represent commodities inventory carried at fair value less costs to sell.

<sup>2</sup> Items measured at amortised cost or cost includes, where applicable, fair value hedge accounting adjustments for designated hedged risks.

<sup>3</sup> 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							Statements of financial position total \$m	Fair value \$m	Amortised cost \$m
	HFT \$m	DFVTPL \$m	FVTPL \$m	FVOCI \$m	Amortised cost \$m	Non-financial instruments \$m				
AS AT 30 SEP 2022										
<b>Assets</b>										
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 <sup>1</sup>	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 <sup>2</sup>	—	—	3,720	18,433	750	—	22,903	22,153	750	
Held for sale and other assets	—	—	2,619	3	5,296	4,267	12,185	3,588	5,298	
Loan assets <sup>2</sup>	—	74	1,184	322	147,294	—	148,874	1,580	146,298	
Interests in associates and joint ventures:										
Equity interests	—	—	—	—	—	3,879	3,879	—	—	
Loans to associates and joint ventures <sup>2</sup>	—	—	492	50	419	—	961	542	472	
Property, plant and equipment and right-of-use assets <sup>2</sup>	—	—	—	—	—	5,511	5,511	—	—	
Intangible assets	—	—	—	—	—	4,170	4,170	—	—	
Deferred tax assets	—	—	—	—	—	1,452	1,452	—	—	
<b>Total assets</b>	<b>120,397</b>	<b>74</b>	<b>20,768</b>	<b>63,286</b>	<b>259,662</b>	<b>22,387</b>	<b>486,574</b>	<b>208,599</b>	<b>258,721</b>	
<b>Liabilities</b>										
Cash collateralised borrowing and repurchase agreements	—	256	—	—	22,154	—	22,410	256	22,154	
Trading liabilities	6,443	—	—	—	—	—	6,443	6,443	—	
Margin money and settlement liabilities	—	—	—	—	40,426	—	40,426	—	40,426	
Derivative liabilities	107,172	—	4,562	—	—	—	111,734	111,734	—	
Deposits	—	—	—	—	122,227	—	122,227	—	122,166	
Held for sale and other liabilities <sup>3</sup>	—	2,118	—	—	2,818	6,375	11,311	2,118	2,302	
Issued debt securities and other borrowings <sup>2</sup>	—	2,143	—	—	126,478	—	128,621	2,143	125,213	
Deferred tax liabilities	—	—	—	—	—	258	258	—	—	
Loan capital <sup>2</sup>	—	—	—	—	11,457	—	11,457	—	11,484	
<b>Total liabilities</b>	<b>113,615</b>	<b>4,517</b>	<b>4,562</b>	<b>—</b>	<b>325,560</b>	<b>6,633</b>	<b>454,887</b>	<b>122,694</b>	<b>323,745</b>	

<sup>1</sup> Non-financial assets under 'Trading assets' represent commodities inventory carried at fair value less costs to sell.

<sup>2</sup> Items measured at amortised cost or cost includes, where applicable, fair value hedge accounting adjustments for designated hedged risks.

<sup>3</sup> 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 2023 continued

## Note 22

### Fair value of assets and liabilities

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

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

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

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

<b>Level 1:</b>	unadjusted quoted prices in active markets for identical assets or liabilities
<b>Level 2:</b>	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)
<b>Level 3:</b>	inputs for the asset or liability that are not based on observable market data (unobservable inputs)

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

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

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

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

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

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

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

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

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

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

# Notes to the consolidated financial statements

For the half year ended 30 September 2023 continued

## Note 22

### Fair value of assets and liabilities continued

#### Assets and liabilities measured at fair value

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

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

<sup>1</sup> Includes \$902 million (31 March 2023: \$917 million) of investment properties measured at fair value.

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

	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
<b>Assets</b>				
				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 <sup>1</sup>	—	2,534	1,054	3,588
Loan assets	—	388	1,192	1,580
Loans to associates and joint ventures	—	—	542	542
<b>Total assets</b>	<b>15,728</b>	<b>185,934</b>	<b>6,937</b>	<b>208,599</b>
<b>Liabilities</b>				
Cash collateralised borrowing and repurchase agreements	—	256	—	256
Trading liabilities	6,146	297	—	6,443
Derivative liabilities	13	110,523	1,198	111,734
Held for sale and other liabilities	—	2,118	—	2,118
Issued debt securities and other borrowings	—	2,143	—	2,143
<b>Total liabilities</b>	<b>6,159</b>	<b>115,337</b>	<b>1,198</b>	<b>122,694</b>

<sup>1</sup> Includes \$856 million of investment properties measured at fair value.

# Notes to the consolidated financial statements

For the half year ended 30 September 2023 continued

## Note 22

### Fair value of assets and liabilities continued

#### Reconciliation of balances in Level 3 of the fair value hierarchy

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

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

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

<sup>2</sup> 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.

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

**Note 22****Fair value of assets and liabilities continued****Significant transfers between levels of the fair value hierarchy**

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

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

**Unrecognised gains or losses**

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

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

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

# Notes to the consolidated financial statements

For the half year ended 30 September 2023 continued

## Note 22

### Fair value of assets and liabilities continued

#### Significant unobservable inputs

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

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

<sup>1</sup> The range of inputs to NAV is not disclosed as the diverse nature of underlying investments results in wide range of inputs.



## Note 22

### Fair value of assets and liabilities continued

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

#### Interest rate and other products

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

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

#### Commodities

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

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

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

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

#### Equity and equity-linked products

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

# Notes to the consolidated financial statements

For the half year ended 30 September 2023 continued

## Note 22

### Fair value of assets and liabilities continued

#### Sensitivity analysis of valuations using unobservable inputs

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

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

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

## Note 23

### Acquisitions and disposals of subsidiaries and businesses

#### Acquisitions of subsidiaries and businesses

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

#### Core business operations

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

#### Held for investment purposes

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

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

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

#### Disposal of subsidiaries and businesses

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

#### Core business operations

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

#### Held for investment purposes

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

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

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

## Note 24

### Events after the reporting date

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

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

## Directors' declaration

For the half year ended 30 September 2023

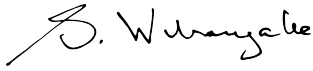
In the Directors' opinion:

- (a) the financial statements and notes set out on pages 18 to 65 are in accordance with the *Corporations Act 2001* (Cth) including:
  - (i) complying with the Australian Accounting Standards, and
  - (ii) giving a true and fair view of the Consolidated Entity's financial position as at 30 September 2023 and performance for the half year ended on that date, and
- (b) there are reasonable grounds to believe that Macquarie Group Limited will be able to pay its debts as and when they become due and payable.

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



**Glenn Stevens AC**  
Independent Director and Chairman



**Shemara Wikramanayake**  
Managing Director and Chief Executive Officer

Sydney  
3 November 2023



# Independent auditor's review report

To the members of Macquarie Group Limited

## Report on the half year financial report

### Conclusion

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

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

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

### Basis for conclusion

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

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

### Responsibilities of the directors for the half year financial report

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

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

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

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

PricewaterhouseCoopers

**Voula Papageorgiou**  
Partner

Sydney  
3 November 2023

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# Ten year history

For the half year ended 30 September 2023

The financial information for the full years ended 31 March 2015–2023 and half year ended 30 September 2023 is based on the reported results using the Australian Accounting Standards that were effective and adopted by the Consolidated Entity at the reporting dates, which also comply with IFRS as issued by the IASB. Reporting periods have been restated only to the extent as required by the accounting standards. The financial reporting periods may hence not be fully comparable with one another as a result of changes in accounting standards' requirement.

Particulars	First half 2024	FINANCIAL YEARS ENDED 31 MARCH								
		2023	2022	2021	2020	2019	2018	2017	2016	2015
<b>Income statement (\$m)</b>										
Net operating income	7,910	19,122	17,324	12,774	12,325	12,754	10,920	10,364	10,158	9,262
Total operating expenses	(5,919)	(12,130)	(10,785)	(8,867)	(8,871)	(8,887)	(7,456)	(7,260)	(7,143)	(6,740)
Operating profit before income tax	1,991	6,992	6,539	3,907	3,454	3,867	3,464	3,104	3,015	2,522
Income tax expense	(587)	(1,824)	(1,586)	(899)	(728)	(879)	(883)	(868)	(927)	(899)
Profit after income tax	1,404	5,168	4,953	3,008	2,726	2,988	2,581	2,236	2,088	1,623
Loss/(profit) attributable to non-controlling interests <sup>1</sup>	11	14	(247)	7	5	(6)	(24)	(19)	(25)	(19)
Profit attributable to ordinary equity holders	1,415	5,182	4,706	3,015	2,731	2,982	2,557	2,217	2,063	1,604
<b>Statement of financial position (\$m)</b>										
Total assets	394,594	387,872	399,176	245,653	255,802	197,757	191,325	182,877	196,755	187,976
Total liabilities	361,456	353,766	370,370	223,302	234,018	179,393	173,145	165,607	181,091	173,580
Net assets	33,138	34,106	28,806	22,351	21,784	18,364	18,180	17,270	15,664	14,396
Total loan assets	167,495	158,572	134,744	105,026	94,117	77,811	73,509	69,288	72,393	67,663
Shareholders' equity <sup>2</sup>	32,651	33,155	28,561	22,048	21,063	17,761	16,357	15,563	15,116	13,909
Impaired loan assets (net of provisions) <sup>3</sup>	1,436	1,631	1,350	1,544	1,528	1,674	351	547	418	594
<b>Share information</b>										
Dividends per share (cents)										
Interim	255	300	272	135	250	215	205	190	160	130
Final	NA	450	350	335	180	360	320	280	240	200
Total	255	750	622	470	430	575	525	470	400	330
Basic EPS (cents per share)	369.2	1,353.7	1,271.7	842.9	791.0	883.3	758.2	657.6	619.2	502.3
Share price at reporting date (\$)	167.73	175.66	203.27	152.83	85.75	129.42	102.90	90.20	66.09	76.67
Ordinary shares (million shares)	386.5	386.5	383.6	361.8	354.4	340.4	340.4	340.4	340.3	333.5
Market capitalisation at reporting date (fully paid ordinary shares) (\$m)	64,824	67,889	77,984	55,297	30,388	44,052	35,024	30,700	22,491	25,569
Net tangible assets per ordinary share (\$)	73.49	75.89	64.59	53.91	50.21	46.21	45.12	42.74	41.23	38.19
<b>Ratios (%)</b>										
Annualised return on equity (%)	8.7	16.9	18.7	14.3	14.5	18.0	16.8	15.2	14.7	14.0
Ordinary dividend payout ratio <sup>4</sup>	69.6	55.9	50.2	56.4	55.8	65.6	69.8	72.0	65.7	67.6
Expense/income ratio	74.8	63.4	62.3	69.4	72.0	69.7	68.3	70.1	70.3	72.8
Net loan losses as % of loan assets (excluding securitisation SPVs)	0.0	0.2	0.1	0.4	0.8	0.4	0.3	0.5	1.0	0.7
<b>Assets under management (\$b)<sup>5</sup></b>										
Staff numbers	21,270	20,509	18,133	16,459	15,849	15,602	14,810	13,925	14,660	14,373

<sup>1</sup> For financial years ended 31 March 2015–2020, includes Macquarie Income Securities distributions and Macquarie Income Preferred Securities distributions.

<sup>2</sup> Represents capital and reserves attributable to the ordinary equity holders of Macquarie Group Limited.

<sup>3</sup> Represents the net exposure in credit impaired loan assets as per Australian Accounting Standards since 31 March 2019. For financial years ended 31 March 2015–2018, represents net exposure in impaired loan assets disclosed as per Australian regulatory authority requirements.

<sup>4</sup> The ordinary dividend payout ratio is calculated as the estimated number of eligible shares on the record date multiplied by the dividend per share, divided by the profit attributable to MGL shareholders.

<sup>5</sup> Private Markets Assets under Management (AUM) includes equity yet to deploy and equity committed to assets but not yet deployed. Prior per periods have been restated to reflect the change.

## Contact details

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