

# Annual Report

**Macquarie Bank**

Year ended 31 March 2023

2023

Macquarie Bank offers transaction accounts,  
home loans, credit cards, online banking,  
business banking and more.

Macquarie Bank Limited is a subsidiary of Macquarie Group Limited ACN 112 169 279 and is regulated by the Australian Prudential Regulation Authority (APRA) as an authorised deposit-taking institution (ADI). Macquarie Group Limited is regulated by APRA as a Non-Operating Holding Company of an ADI.

### **Cover image**

Macquarie Bank's end-to-end digital home loan application process drives innovation to enhance the experience of our brokers and customers.



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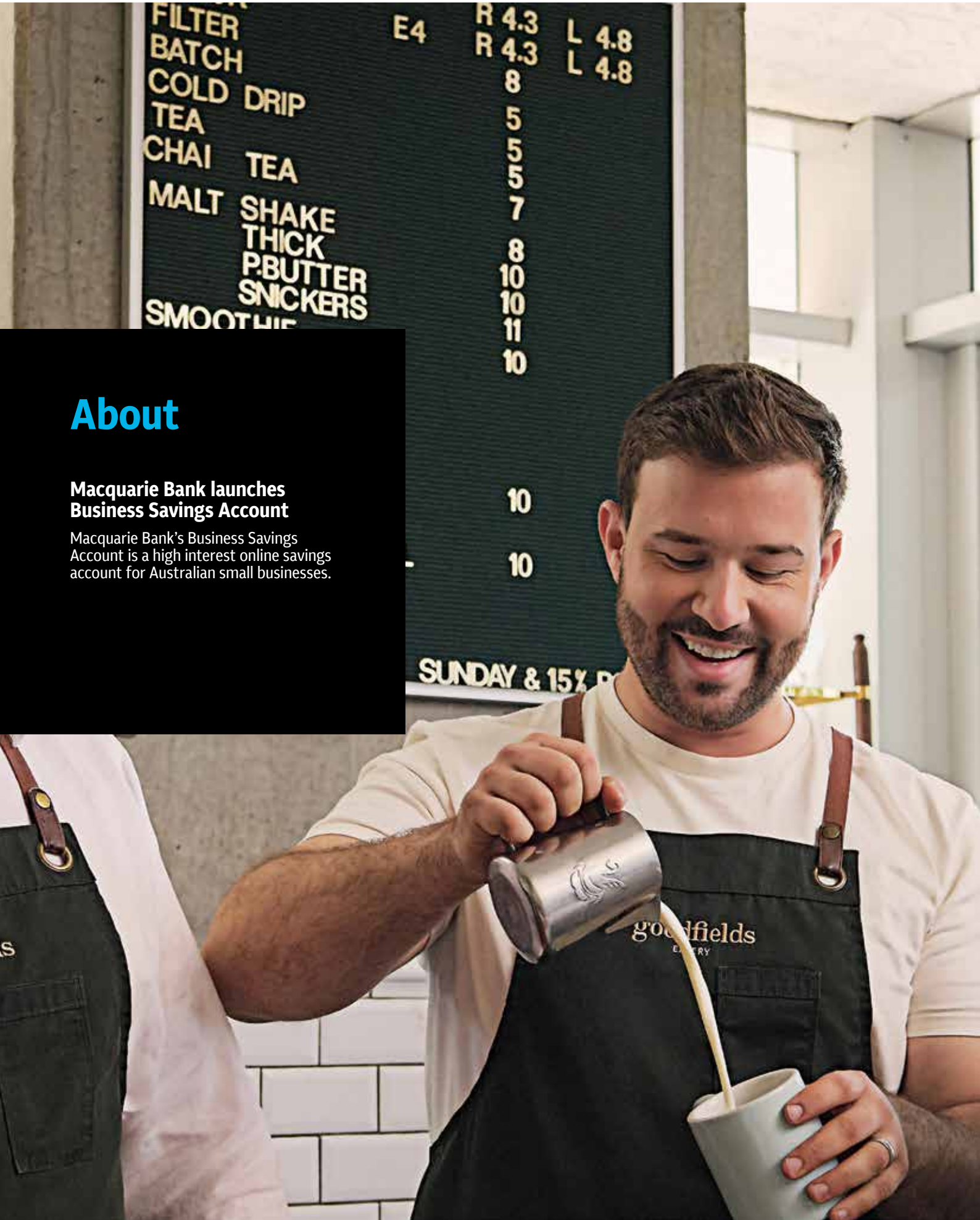
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# 01







# About

## Macquarie Bank launches Business Savings Account

Macquarie Bank's Business Savings Account is a high interest online savings account for Australian small businesses.



“

**Macquarie Bank's businesses collectively delivered a record result in FY2023, which was achieved by balancing innovation and entrepreneurial spirit with strong accountability for owning and managing risks.”**

## Letter from the Managing Director and CEO

The last year has become progressively less certain for the global economy, with central banks implementing the fastest monetary policy tightening cycle in the modern era in an effort to control inflation. While growth in most economies remains resilient, the true impact of these events is yet to be fully felt and the likelihood of a slowdown through 2023 remains high.

Our approach, in such an environment, involves continued engagement and monitoring across our portfolios for impacted clients so that we can provide tailored support and solutions where appropriate. In a rising interest rate environment, Macquarie Bank continues to support customers through discounts on essential spending at Macquarie Marketplace, access to a range of offset accounts and market-leading rates on deposit accounts to maximise returns on savings.

Macquarie Bank's businesses collectively delivered a record result in FY2023, which was achieved by balancing innovation and entrepreneurial spirit with strong accountability for owning and managing risks. Macquarie Bank's consolidated net profit attributable to the ordinary equity holders of \$A3,905 million for the year ended 31 March 2023 increased 44% from \$A2,717 million in the prior year.

Banking and Financial Services (BFS) benefitted from growth in the loan portfolio and BFS deposits, together with improved margins. This was partially offset by higher credit impairment charges due to a deterioration in the macroeconomic outlook and increased technology investment, additional headcount to support business growth, and compliance and regulatory initiatives.

Commodities and Global Markets (CGM) generated an exceptionally strong net profit contribution during the period. The result reflected an increased contribution across Commodities, primarily from inventory management and trading and risk management activities. Inventory management and trading income increased substantially, driven by trading gains from regional supply and demand imbalances primarily in North American Gas and Power markets. Risk management revenue increased across the platform, particularly in Gas and Power, Global Oil and Resources, driven by increased client hedging and trading activity as a result of elevated volatility and price movements in commodity markets. CGM saw increased contribution from Financial Markets with continued strong performance across major products and markets, particularly in foreign exchange, interest rate and credit products income driven by increased client hedging and financing activity. Asset Finance's contribution decreased, largely due to the gain in the prior year from the partial sale of the UK Meters portfolio of assets.

Underpinning this strong result are longstanding fundamentals that have positioned Macquarie Bank Limited (MBL) well to support our clients and other key stakeholders. These fundamentals include the diversity of our business mix, strong capitalisation, a well-funded balance sheet and a conservative approach to risk management. As we move forward, these same strengths position us well to adapt to ongoing changes in market conditions.

## Macquarie culture

Macquarie's purpose of empowering people to innovate and invest for a better future is embedded across our business activities and our conduct and culture, underpinned by our longstanding operating principles of Opportunity, Accountability and Integrity.

These foundational aspects of our culture are further distilled in Macquarie's *Code of Conduct*, which defines the expectations of Management and staff in managing their responsibilities - a consistent commitment since Macquarie's inception some 54 years ago.

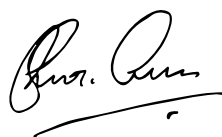
As sophisticated scam and fraud attempts become more prevalent, Macquarie teams have been working proactively to protect our customers and investing in market-leading technology platforms that improve customer experience and support our growth. In a heightened risk environment around cyber incidents, we are also investing to ensure that our security capabilities and response measures can effectively mitigate the impact of any potential incidents.

In relation to the APRA matters we noted last year, Macquarie has been working with APRA on a remediation plan that strengthens MBL's governance, culture, structure and remuneration to ensure full and ongoing compliance with prudential standards. The changes under the plan, on which we will continue to deliver through 2023 and beyond, will have a positive impact on MBL through improved systems, frameworks, processes, and further strengthen its risk culture.

## Board changes

The past year has seen the appointment of bank-only non-executive directors (BONDS) to the Board of MBL, under changes to the governance structure in consultation with APRA to provide appropriate safeguards for the Bank's interests as an authorised deposit-taking institution. Ian Saines joined the MBL Board in June 2022, and Michael Coleman, on his retirement from the Macquarie Group Limited (MGL) Board last July, agreed to serve a two-year term as a BOND. A third BOND appointment is expected to be made in due course.

Finally, I would like to thank our employees for their ongoing commitment to our clients and communities through FY2023. As always, they deliver exceptional results during challenging times and I am pleased to see our staff collaborating and spending time together in our offices, while also benefitting from the flexibility provided by our well-established approach to hybrid working.



**Stuart Green**  
Managing Director and Chief Executive Officer

Sydney  
5 May 2023

## Financial Highlights

FY2023 net profit

**\$A3,905m**

↑ 44% on prior year

FY2023 net operating income

**\$A12,791m**

↑ 34% on prior year

FY2023 operating expenses

**\$A7,380m**

↑ 25% on prior year

BFS clients

**~ 1.8m**

CGM celebrates

**40+ years**

of client partnerships

BFS deposits

**\$A129.4b**

↑ 32% on prior year

BFS home loan portfolio

**\$A108.1b**

↑ 21% on prior year

CGM traded

**~9bcm**

of natural gas volume across  
North America daily



## Operating and Financial Review

Our businesses

Macquarie Bank offers transaction accounts, home loans, credit cards, online banking, business banking and more.



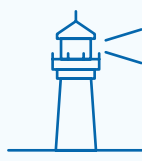
**Lending**

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**Banking**

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**Capital  
solutions**

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**Asset  
finance**

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Further information is also available at  
[macquarie.com/company](https://macquarie.com/company)

For more details on the operational performance of the Operating Groups, see slides 14 to 17 of the presentation to investors and analysts available at  
[macquarie.com/fy23-investor-presentation](https://macquarie.com/fy23-investor-presentation)

# Operating and financial review

Our businesses continued

For internal reporting and risk management purposes, Macquarie Bank is divided into two Operating Groups, which are supported by four Central Service Groups.

## Operating Groups

### Banking and Financial Services (BFS)

BFS provides a diverse range of personal banking, wealth management, and business banking products and services to retail clients, advisers, brokers and business clients.

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### Commodities and Global Markets (CGM)

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, Financial Markets and Asset Finance.

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## Central Service Groups

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

### Risk Management Group (RMG)

An independent and centralised function responsible for independent and objective review and challenge, oversight, monitoring and reporting in relation to Macquarie Bank's material risks. RMG designs and oversees the implementation of the risk management framework. The Head of Internal Audit reports functionally to the Board Audit Committee and operationally to the Head of RMG for day-to-day management.

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### Legal and Governance Group (LGG)

Provides a full range of legal and corporate governance services, including strategic legal and governance advice and risk assessment on corporate transactions, treasury and funding, insurance, regulatory enquiries and litigation.

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### Financial Management Group (FMG)

Responsible for capital, funding, liquidity, tax and provides strategic analysis and advice to support the growth of the business. It ensures Macquarie Bank meets its financial, regulatory and tax reporting compliance obligations, as well as maintaining relationships with a range of significant external stakeholders.

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### Corporate Operations Group (COG)

Provides specialist services in technology, operations, human resources, workplace, data and transformation, strategy, operational risk management, business resilience and global security, and the Macquarie Group Foundation.

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# 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 Bank'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 Bank'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 Bank's robust risk management framework and risk culture are embedded across all Bank Group entities.

#### Strong balance sheet

Maintaining a strong and conservative balance sheet.

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

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

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

#### Business mix

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

#### Diversification

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

Macquarie Bank 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 Bank.

#### Proven expertise

Utilising proven deep expertise has allowed Macquarie Bank to establish leading market positions as a global specialist in sectors including 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.



## Risk management

Macquarie Bank recognises that a sound risk culture is a fundamental requirement of an effective risk management framework.

### Risk culture

Macquarie Bank's risk culture is well established, grounded in the long-held principles of *What We Stand For*: Opportunity, Accountability and Integrity.

Macquarie Bank's approach to maintaining an appropriate risk culture is based on the following three components:

- **setting behavioural expectations:** Senior Management, with oversight from the Board, set behavioural expectations. The way we fulfil Macquarie Bank's purpose is defined by our principles of *What We Stand For*: Opportunity, Accountability and Integrity. Staff are made aware that these principles must form the basis of all behaviours and actions. These behavioural expectations are specified in the Board approved *Code of Conduct*, which is actively promoted by Management and cascaded through the organisation
- **leading and executing:** Management implements behavioural expectations through leadership actions and communication, organisational governance, incentives and consequence management, and organisational and individual capability
- **monitoring, measuring and reporting:** Macquarie Bank monitors and measures its risk culture to gauge effectiveness while promoting continuous improvement.

### Risk management framework

The risk management framework has been established on the premise that a disciplined approach to risk management is best maintained with a single risk management framework that is applied appropriately throughout Macquarie, including the Bank Group.

Macquarie's approach to risk management adopts the 'three lines of defence' model, which sets risk ownership responsibilities functionally independent from oversight and assurance:

- primary responsibility for risk management lies with the business. The risk owner is the first line of defence. All staff throughout Macquarie are expected to manage risks in accordance with the risk management framework
- RMG forms the second line of defence and provides independent and objective review and challenge, oversight, monitoring and reporting in relation to Macquarie's material risks
- Internal Audit, as the third line, provides independent and objective risk-based assurance on the compliance with, and effectiveness of, Macquarie's financial and risk management framework.

The framework is supported by a Macquarie-wide approach to policies and procedures. Macquarie Bank adopts policies, procedures and risk limits in accordance with the risk profile of the Bank Group. Where appropriate, Macquarie's risk management framework is expanded for the Bank Group to appropriately manage contagion risk between the Bank Group and the Non-Bank Group.

The Risk Management Group (RMG) consistently adopts the same level of rigour in relation to risk acceptance, monitoring and reporting for all Macquarie entities, including Bank Group entities.



Refer to the Risk Management section in the MGL Annual Report for details on Macquarie Group's risk management framework, risk culture and conduct risk management, which apply to all Macquarie Group businesses including the Bank Group entities

## Macroeconomic and other factors

The key macroeconomic and other factors that impact Macquarie Bank are:

### Market conditions

The general condition of markets, driven by both macroeconomic, climate and geopolitical factors may have a bearing on Macquarie Bank's businesses. Changing market conditions influence the volume and timing of client and principal transactions across businesses and the value of various equity, credit and market risk exposures held by Macquarie Bank on its balance sheet.

### The value of the Australian dollar

A significant proportion of Macquarie Bank's net income is denominated in foreign currency. Therefore, net income will be lower in Australian dollar terms if the Australian dollar appreciates against other foreign currencies, and net income will be higher in Australia dollar terms if the Australian dollar depreciates against other foreign currencies.

### Potential regulatory changes

Macquarie Bank is affected by changes in regulation. Regulatory change continues to increase at both the global and Australian levels and has the potential to affect the regulatory capital and funding requirements and profitability of Macquarie Bank's businesses.

### Funding and liquidity

Macquarie Bank uses deposits and debt markets, among other funding sources, to fund its assets. Macquarie Bank is therefore exposed to the risk of an increase in the cost of funding, or of reduced access to funding sources.

### Technology

Macquarie recognises that with the use of systems, technology, and platforms to support its business activities, it is exposed to risk of loss resulting from failure, inadequacy or misuse of technology and technology resources.

In addition, there are specific material risks that relate to the nature of Macquarie Bank's operations. Material risks are those that could have a material impact, financial or non-financial, on Macquarie or on the interests of the Bank Group depositors. These include aggregate, asset, conduct, country, credit, environmental and social, equity, financial crime, legal, liquidity, market, operational (including cyber and information security), regulatory and compliance, reputational, strategic, tax, and work health and safety risks. These risks, including those mentioned above, are monitored, mitigated and managed under Macquarie Bank's risk management framework.



Further details on the management of these risks are available at [macquarie.com/risk-management](https://www.macquarie.com/risk-management)

# Operating and financial review

Our strategy continued

Macquarie Bank's approach to risk management is based on stable and robust core risk management principles.

## Ownership of risk at the business level

Group Heads are responsible for ownership of material risks that arise in, or because of, the business' operations, including identification, measurement, evaluation, monitoring, control and mitigation of these risks. Before making decisions, clear analysis of the risks is sought to ensure those decisions are consistent with the risk appetite and strategy of Macquarie Bank.

## Understanding worst-case outcomes

Macquarie Bank's risk management approach is based on examining the consequences of worst-case outcomes and determining whether these are acceptable and within Macquarie Bank's risk appetite. This approach is adopted for all material risk types and is often achieved by stress testing. Macquarie Bank operates a number of sophisticated quantitative risk management processes, but the foundation of the approach is the informed consideration of both quantitative and qualitative inputs by experienced professionals.

## Requirement for an independent sign-off by RMG

Macquarie Bank places significant importance on having a strong, independent risk management function charged with signing off all material risk acceptance decisions. It is essential that RMG has the capability to do this effectively. RMG has invested in recruiting skilled professionals from a range of industries, including those with trading or advisory and capital markets experience. For all material proposals, RMG's opinion must be sought at an early stage in the decision-making process. The approval document submitted to senior management must include independent input from RMG on risks and return.

## Operating and financial review

Review of performance and financial position

### Group performance

#### Overview

Macquarie Bank's consolidated net profit attributable to the ordinary equity holder of \$A3,905 million for the year ended 31 March 2023 increased 44% from \$A2,717 million in the prior year.

|   | FULL YEAR TO      |                   |               |
|---|-------------------|-------------------|---------------|
|   | 31 Mar 23<br>\$Am | 31 Mar 22<br>\$Am | Movement<br>% |
| Net operating income                              | 12,791            | 9,554             | 34            |
| Operating expenses                                | (7,380)           | (5,887)           | 25            |
| Income tax expense                                | (1,506)           | (950)             | 59            |
| Profit attributable to the ordinary equity holder | 3,905             | 2,717             | 44            |

# Operating and financial review

Review of performance and financial position continued

## FY2023 net profit contribution by Operating Group<sup>(1)</sup>

Summary of the Operating Groups' performance for the year ended 31 March 2023.

### Banking and Financial Services

## \$A1,201m

↑ 20% on prior year due to

- higher net interest and trading income mainly driven by growth in the loan portfolio and BFS deposits, and improved margins from the rising interest rate environment.

Partially offset by:

- higher credit impairment charges driven by deterioration in the macroeconomic outlook compared to the prior year and release of COVID-19 overlays in the prior year
- higher expenses driven by increased technology investment, additional headcount to support business growth, and compliance and regulatory initiatives.

### Commodities and Global Markets

## \$A5,820m

↑ 48% on prior year due to

- inventory management and trading income increased substantially driven by trading gains from regional supply and demand imbalances primarily in North American Gas and Power markets
- increased risk management revenue reflecting strong contributions across the platform, particularly from Gas and Power, Global Oil and Resources due to increased client hedging and trading activity as a result of elevated volatility and price movements in commodity markets
- increased foreign exchange, interest rate and credit products income driven by increased client hedging and financing activity.

Partially offset by:

- lower net income on equity, debt and other investments due to the gain on the partial sale of the UK Meters portfolio of assets in the prior year
- higher operating expenses driven by higher expenditure on technology platform and infrastructure, increased compliance and regulatory spend and higher employment costs.

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



## Net operating income

Net operating income of \$A12,790 million for the year ended 31 March 2023 increased 34% from \$A9,554 million in the prior year mainly driven by higher Net interest and trading income and higher Fee and commission income.

### Net interest and trading income

#### FULL YEAR TO

| 31 Mar 23<br>\$Am | 31 Mar 22<br>\$Am |
|-------------------|-------------------|
| 9,948             | 6,667             |

↑ **49%**  
on prior year

### Fee and commission income

#### FULL YEAR TO

| 31 Mar 23<br>\$Am | 31 Mar 22<br>\$Am |
|-------------------|-------------------|
| 2,396             | 1,954             |

↑ **23%**  
on prior year

This result was largely driven by:

- increased inventory management and trading income driven by trading gains from regional supply and demand imbalances primarily in North American Gas and Power markets in CGM
- increased risk management revenue reflecting strong contributions across the platform, particularly from Gas and Power, Global Oil and Resources in CGM
- growth in the average loan portfolio and deposit volumes, and improved margins from the rising interest rate environment in BFS.

This result was largely driven by:

- increased fees received from the Non-Bank for services provided by the Central Services Group reflecting a higher underlying Central Services Group cost base
- higher fee income from the Futures business in CGM.

### Credit and other impairment charges

#### FULL YEAR TO

| 31 Mar 23<br>\$Am | 31 Mar 22<br>\$Am |
|-------------------|-------------------|
| (114)             | (27)              |

↑  
**significantly**  
on prior year

### Net other operating income

#### FULL YEAR TO

| 31 Mar 23<br>\$Am | 31 Mar 22<br>\$Am |
|-------------------|-------------------|
| 561               | 960               |

↓ **42%**  
on prior year

This result was largely driven by:

- higher net credit impairment charges due to deterioration in the macroeconomic outlook
- release of COVID-19 overlays in the prior year.

Partially offset by:

- reduced specific provisions in the current year in CGM.

This result was largely driven by:

- the non-recurrence of a gain on the partial sale of the UK Meters portfolio of assets in the prior year in CGM.

# Operating and financial review

Review of performance and financial position continued

## Operating expenses

Total operating expenses of \$A7,379 million for the year ended 31 March 2023 increased 25% from \$A5,887 million in the prior year with increases across all expense categories.

### Employment expenses

#### FULL YEAR TO

| 31 Mar 23<br>\$Am | 31 Mar 22<br>\$Am |
|-------------------|-------------------|
| 4,758             | 3,696             |

↑ **29%**  
on prior year

This result was largely driven by:

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

### Brokerage, commission and fee expenses

#### FULL YEAR TO

| 31 Mar 23<br>\$Am | 31 Mar 22<br>\$Am |
|-------------------|-------------------|
| 520               | 505               |

↑ **3%**  
on prior year

- Brokerage, commission and fee expenses were broadly in line with the prior year.

### Non-salary technology expenses

#### FULL YEAR TO

| 31 Mar 23<br>\$Am | 31 Mar 22<br>\$Am |
|-------------------|-------------------|
| 890               | 716               |

↑ **24%**  
on prior year

This result was largely driven by:

- increased investment in technology initiatives, with focus on data and digitalisation to support business growth and compliance.

### Other operating expenses

#### FULL YEAR TO

| 31 Mar 23<br>\$Am | 31 Mar 22<br>\$Am |
|-------------------|-------------------|
| 1,212             | 970               |

↑ **25%**  
on prior year

This result was largely driven by:

- higher service provider expenses to support business growth and compliance and regulatory requirements
- higher central and legal expenses
- higher travel and entertainment expenses across the Consolidated Entity following the easing of COVID-19 restrictions.

## Income tax expense

Income tax expense of \$A1,506 million for the year ended 31 March 2023 increased 59% from \$A950 million in the prior year. The effective tax rate for the year ended 31 March 2023 was 27.8%, up from 25.9% in the prior year.

The higher effective tax rate compared to the prior year 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 by changes resulting from a combination of business activities, Group Treasury management initiatives, macroeconomic factors and the elevated levels of volatility, demand and price movements in commodity markets.

### Total assets

| AS AT     |           | ↓ 5%<br>on 31 March 2022 |
|-----------|-----------|--------------------------|
| 31 Mar 23 | 31 Mar 22 |                          |
| \$Am      | \$Am      |                          |
| 330,823   | 349,628   |                          |

Total assets of \$A330.8 billion as at 31 March 2023 decreased 5% from \$A349.6 billion as at 31 March 2022. The principal drivers for the decrease were as follows:

- derivative assets of \$A35.8 billion as at 31 March 2023 decreased 58% from \$A84.6 billion as at 31 March 2022, driven by movements in gas and power commodity prices due to market volatility. After taking into account related financial instruments, cash and other collateral, the residual derivative asset was \$A9.6 billion (31 March 2022: \$A14.4 billion). The majority of the residual derivative exposure is 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
- cash and bank balances of \$A41.6 billion as at 31 March 2023 decreased 15% from \$A49.0 billion as at 31 March 2022, driven by a reduction in the overnight deposit held with the Reserve Bank of Australia (RBA) as part of Treasury's liquidity portfolio.

These decreases were partially offset by:

- loan assets of \$A141.8 billion as at 31 March 2023 increased 15% from \$A123.0 billion as at 31 March 2022, driven by volume growth in the BFS home loan portfolio
- financial investments of \$A16.9 billion as at 31 March 2023 increased significantly from \$A6.5 billion as at 31 March 2022, driven by growth in the portfolio of high quality liquid assets held in Treasury's liquidity portfolio
- trading assets of \$A15.8 billion as at 31 March 2023 increased 35% from \$A11.7 billion as at 31 March 2022, driven by an increase in holdings of listed equity and government securities in CGM.

### Total liabilities

| AS AT     |           | ↓ 6%<br>on 31 March 2022 |
|-----------|-----------|--------------------------|
| 31 Mar 23 | 31 Mar 22 |                          |
| \$Am      | \$Am      |                          |
| 310,471   | 331,660   |                          |

Total liabilities of \$A310.5 billion as at 31 March 2023 decreased 6% from \$A331.7 billion as at 31 March 2022. The principal drivers for the decrease were as follows:

- derivative liabilities of \$A32.5 billion as at 31 March 2023 decreased 61% from \$A84.2 billion as at 31 March 2022, commensurate with the movement in derivative assets. After taking into account related financial instruments, cash and other collateral, the residual derivative liability was \$A7.0 billion (31 March 2022: \$A15.0 billion)
- issued debt securities of \$A58.0 billion as at 31 March 2023 decreased 20% from \$A72.1 billion as at 31 March 2022, driven by net maturity of issued debt securities, partially offset by foreign exchange movements.

These decreases were partially offset by:

- deposits of \$A134.6 billion as at 31 March 2023 increased 33% from \$A101.6 billion as at 31 March 2022, driven by volume growth in retail and business banking deposits in BFS
- loan capital of \$A9.5 billion as at 31 March 2023 increased 38% from \$A6.9 billion as at 31 March 2022, driven by the issuance of Tier 2 loan capital and foreign exchange movements
- borrowings of \$A8.1 billion as at 31 March 2023 increased 42% from \$A5.7 billion as at 31 March 2022, driven by additional funding requirements and foreign exchange movements.

### Total equity

| AS AT     |           | ↑ 13%<br>on 31 March 2022 |
|-----------|-----------|---------------------------|
| 31 Mar 23 | 31 Mar 22 |                           |
| \$Am      | \$Am      |                           |
| 20,352    | 17,968    |                           |

Total equity of \$A20.4 billion as at 31 March 2023 increased 13% from \$A18.0 billion as at 31 March 2022.

The increase in the Consolidated Entity's equity is on account of \$A3.9 billion earnings generated during the current year and \$A0.6 billion increase in foreign currency translation largely driven by appreciation of the United States Dollar to the Australian Dollar, \$A0.6 billion of new issuance, offset by \$A2.7 billion of dividend payments.

# Operating and financial review

Review of performance and financial position continued

## Funding

Macquarie Bank'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 Bank has diversity of funding across a range of tenors, currencies and products. The weighted average term to maturity of term funding maturing beyond one year (excluding equity and securitisations) was 3.6 years excluding the Term Funding Facility (TFF) and 3.1 years inclusive of TFF as at 31 March 2023.

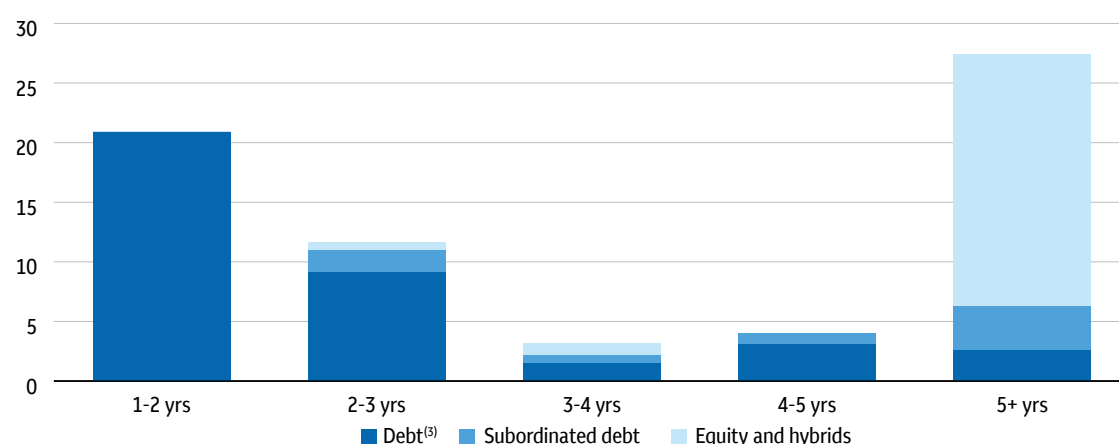
**3.6**  
years

Weighted  
average  
maturity<sup>(2)</sup>

## Term funding profile

### Detail of drawn funding maturing beyond one year

\$A billion



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

Details of term funding raised between 1 April 2022 and 31 March 2023:

|                            |   | Total<br>\$Ab |
|----------------------------|---|---------------|
| Issued paper               | – Senior and subordinated                                     | 4.7           |
| Secured funding            | – Term securitisation, covered bond and other secured finance | 5.6           |
| Loan facilities            | – Unsecured loan facilities                                   | 1.1           |
| <b>Total<sup>(4)</sup></b> |   | <b>11.4</b>   |

Macquarie Bank has continued to develop its major funding markets and products during the year ended 31 March 2023.

(2) Excluding TFF. Including TFF, the weighted average term to maturity of term funding maturing beyond one year was 3.1 years as at 31 March 2023.

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

(4) 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.



## Capital

Under APRA's new "Unquestionably Strong" bank capital framework, which came into effect from 1 January 2023, the minimum requirement for the Tier 1 capital ratio is 10.25% inclusive of the capital conservation buffer (CCB) of 3.75% and a countercyclical buffer (CCyB)<sup>(5)</sup> of 0.50% calculated in accordance with Prudential Standard APS 110 Capital Adequacy. The APRA minimum Common Equity Tier 1 capital ratio requirement is 8.75% inclusive of the CCB and CCyB.<sup>(5)</sup> APRA also requires ADIs to maintain a minimum leverage ratio of 3.5% effective 1 January 2023. In addition, APRA may impose ADI-specific minimum ratios which may be higher than these levels.

Macquarie Bank is well capitalised, with the following capital adequacy ratios as at 31 March 2023.

| Bank Group Level 2 Basel III ratios | APRA Basel III | Harmonised Basel III <sup>(6)</sup> |
|-------------------------------------|----------------|-------------------------------------|
| Common Equity Tier 1 Capital Ratio  | 13.7%          | 18.4%                               |
| Tier 1 Capital Ratio                | 15.6%          | 20.6%                               |
| Leverage Ratio                      | 5.2%           | 5.9%                                |



For further information relating to the capital adequacy of Macquarie Bank, refer to section 6.0 Capital of the Management Discussion and Analysis at [macquarie.com/fy23-mda](https://www.macquarie.com/fy23-mda)

(5) The CCyB of the Bank Group as at 31 March 2023 is 0.61%, which is rounded to 0.5% 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 that time.

(6) Harmonised Basel III estimates are calculated in accordance with the BCBS Basel III framework, noting that MBL is not regulated by the BCBS therefore the ratios are indicative only.

# 02



## Directors' Report

### Supporting Australian small businesses

Macquarie's Banking and Financial Services (BFS) team is supporting Australian small businesses to seamlessly manage their money and empower them to achieve their financial goals.

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# Directors' Report

For the financial year ended 31 March 2023

The Directors of MBL submit their report with the financial report of the Consolidated Entity and the Company for the year ended 31 March 2023.

## Directors

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

### Independent Directors

G.R. Stevens AC, Chair

J.R. Broadbent AC

P.M. Coffey

M.J. Coleman

M.A. Hinchliffe

R.J. McGrath

M. Roche

I.M. Saines

N.M. Wakefield Evans AM

### Executive Voting Directors

S.D. Green, Managing Director and Chief Executive Officer (CEO)

S.R. Wikramanayake

Other than Mr Saines, the Directors listed above each held office as a Director of MBL throughout the financial year ended 31 March 2023.

Mr P.H. Warne retired from his role as Chair and as an Independent Director on 9 May 2022. Mr Stevens became Chair on 10 May 2022. Mr Saines was appointed as an Independent Director on 1 June 2022.

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



Details of the qualifications, experience and special responsibilities of the Directors and qualifications and experience of the Company Secretaries at the date of this report are set out on pages 30 to 36 of this report

## Principal activities

The principal activity of MBL during the financial year ended 31 March 2023 was to act as a full-service financial services provider offering a range of commercial banking and retail financial services in Australia and selected financial services offshore. MBL is a subsidiary of MGL and is regulated by APRA as an authorised deposit-taking institution (ADI). In the opinion of the Directors, there were no significant changes to the principal activities of the Consolidated Entity during the financial year under review that are not otherwise disclosed in this report.

## Result

The financial report for the financial years ended 31 March 2023 and 31 March 2022, and the results have been prepared in accordance with Australian Accounting Standards.

The consolidated profit after income tax attributable to the ordinary equity holders for the financial year ended 31 March 2023 was \$A3,905 million (2022: \$A2,717 million).

## Dividends and distributions

On 29 December 2022 and 30 March 2023, the Company paid a dividend of \$A1,300 million and \$A1,449 million respectively.

No other dividends or distributions were declared or paid during the financial year.

## State of affairs

There were no other significant changes in the state of affairs of the Consolidated Entity that occurred during the financial year under review that are not otherwise disclosed in this report.

## Operating and financial review

Please refer to section 1 of this Annual Report for the following in respect of the Consolidated Entity, which includes:

- a review of the operations during the year and the results of those operations
- comments on the financial position
- comments on business strategies and prospects for future financial years.

In respect of likely developments, business strategies and prospects for future financial years, material which if included would be likely to result in unreasonable prejudice to the Consolidated Entity, has been omitted.

# Directors' Report

For the financial year ended 31 March 2023 continued

## Directors' relevant interests

At the date of this report, none of the Directors held a relevant interest, as required to be notified by the Directors to the Australian Securities Exchange (ASX) in accordance with the *Corporations Act 2001* (Cth) (the Act), in ordinary shares or share options of MBL. The relevant interests of Directors in MBL securities, managed investment schemes made available by related companies of MBL and other disclosable relevant interests are listed in the table below:

| Name and position                | Direct and indirect interests  | Number held |
|----------------------------------|--|-------------|
| <b>Executive Voting Director</b> |  |             |
| S.D. Green                       | Macquarie ordinary shares (MQG)  | 166         |
|                                  | Macquarie Group Employee Retained Equity Plan (MEREP) Restricted Share Units (RSUs) <sup>(1)</sup> | 29,638      |
|                                  | MEREP Performance Share Units (PSUs) <sup>(1)</sup>  | 15,654      |
|                                  | Macquarie Private Infrastructure Fund units  | 90,000      |
| S.R. Wikramanayake               | MQG  | 1,088,094   |
|                                  | MEREP RSUs <sup>(1)</sup>  | 452,095     |
|                                  | MEREP PSUs <sup>(1)</sup>  | 92,315      |
|                                  | MAFCA Investments Pty Ltd ordinary shares  | 2,000,000   |
| <b>Independent Directors</b>     |  |             |
| J.R. Broadbent AC                | MQG  | 16,062      |
|                                  | Macquarie Group Capital Notes 3 (MCN3)   | 7,177       |
|                                  | Macquarie Group Capital Notes 4 (MCN4)   | 4,000       |
|                                  | Macquarie Bank Capital Notes 2 (BCN2)  | 1,500       |
| P.M. Coffey                      | MQG  | 8,895       |
|                                  | Walter Scott Global Equity Fund units  | 408,699.89  |
| M.J. Coleman                     | MQG  | 7,480       |
| M.A. Hinchliffe                  | MQG  | 2,127       |
| R.J. McGrath                     | MQG  | 2,750       |
| M. Roche                         | MQG  | 3,504       |
| I.M. Saines                      | MQG  | 1,500       |
| G.R. Stevens AC                  | MQG  | 5,847       |
| N.M. Wakefield Evans AM          | MQG  | 7,267       |

(1) These RSUs and PSUs were issued pursuant to the MEREP and are subject to the vesting, forfeiture and other conditions applied to grants of awards to Executive Directors, as described in Note 29 *Employee equity participation* disclosure to the financial statements in the Financial Report.

## Board and Board Committee meetings and attendance

The number of meetings of the MBL Board of Directors (the Board) and of the Committees of the Board and the individual attendance by Directors at those meetings which they were eligible to attend as members, during the financial year, is summarised in the table below. The table excludes the attendance of those Directors who attended the Board Committee meetings of which they were not a member:

| Number of meetings                      | Regular Board meetings <sup>(1),(2)</sup> | BAC meetings <sup>(1),(3)</sup> | BCC meetings <sup>(1)</sup> | BGCC meetings <sup>(1),(3)</sup> | BRC meetings <sup>(1),(3)</sup> | BRiC meetings <sup>(1),(3)</sup> | Special Board meetings <sup>(1)</sup> |
|---|---|---------------------------------|-----------------------------|----------------------------------|---------------------------------|----------------------------------|---------------------------------------|
|   | 9   | 7                               | 6                           | 5                                | 5                               | 6                                | 2                                     |
| G.R. Stevens AC                         | 9/9                                       | 2/2                             | 6/6                         | n/a                              | n/a                             | 1/1                              | 2/2                                   |
| S.D. Green                              | 9/9                                       | n/a                             | 6/6                         | n/a                              | n/a                             | n/a                              | 2/2                                   |
| S.R. Wikramanayake                      | 9/9                                       | n/a                             | n/a                         | n/a                              | n/a                             | n/a                              | 2/2                                   |
| J.R. Broadbent AC <sup>(4)</sup>        | 9/9                                       | n/a                             | n/a                         | n/a                              | 5/5                             | 1/1                              | 2/2                                   |
| P.M. Coffey <sup>(5)</sup>              | 9/9                                       | 2/2                             | n/a                         | 5/5                              | n/a                             | 6/6                              | 2/2                                   |
| M.J. Coleman <sup>(6)</sup>             | 9/9                                       | 4/4                             | 6/6                         | 5/5                              | n/a                             | 6/6                              | 2/2                                   |
| M.A. Hinchliffe <sup>(7)</sup>          | 9/9                                       | 7/7                             | n/a                         | 4/4                              | n/a                             | 1/1                              | 2/2                                   |
| R.J. McGrath <sup>(8)</sup>             | 9/9                                       | n/a                             | n/a                         | 5/5                              | 5/5                             | 6/6                              | 2/2                                   |
| M. Roche <sup>(9)</sup>                 | 9/9                                       | 5/5                             | n/a                         | n/a                              | 5/5                             | 6/6                              | 2/2                                   |
| I.M. Saines <sup>(10)</sup>             | 7/7                                       | n/a                             | 6/6                         | n/a                              | 4/5                             | 4/5                              | 2/2                                   |
| N.M. Wakefield Evans AM <sup>(11)</sup> | 9/9                                       | 6/7                             | n/a                         | 5/5                              | n/a                             | 5/6                              | 2/2                                   |
| P.H. Warne <sup>(12)</sup>              | 2/2                                       | n/a                             | n/a                         | n/a                              | n/a                             | 1/1                              | n/a                                   |

The Chair of the Board, MBL CEO and the MGL CEO receive a standing invitation for all Board Committee meetings and attend as they consider appropriate. All Board members are sent Board Committee meeting agendas and may attend any meeting.

MBL has five standing Board Committees. MBL established its stand-alone Board Audit Committee (BAC), Board Governance and Compliance Committee (BGCC), Board Remuneration Committee (BRC) and Board Risk Committee (BRiC) on 1 June 2022. Prior to 1 June 2022, the BAC and BRiC were joint committees of the Board of Directors of MBL and MGL (MBL and MGL Boards) and the MGL BGCC and BRC assisted the MBL and MGL Boards. The Board Conflicts Committee (BCC) was established by the Board on 28 July 2022.

The BAC assists the Board in fulfilling its responsibility for oversight of the quality and integrity of the accounting, auditing and financial reporting of the Bank Group.

The BRiC assists the Board by providing oversight of the Bank Group's risk management framework and advising the Board on the Bank Group's risk appetite, risk culture and risk management strategy.

In addition to the BAC and the BRiC, the Board is also assisted by the BCC, BGCC and the BRC.

There was one Board sub-committee convened during the period, with two meetings held. The meetings were attended by Ms Wikramanayake and the Chief Financial Officer, Mr Harvey for both meetings and by Mr Stevens, Mr Warne, Mr Green, Mr Coleman and Ms Hinchliffe for one meeting each.

(1) Number of meetings attended by the member/total number of meetings eligible to attend as a member.

(2) One meeting was convened in the previous financial year and concluded in the current financial year.

(3) There was one meeting of the relevant committee that was a joint meeting during the year.

(4) Ms Broadbent ceased to be a member of the BRiC on 1 June 2022.

(5) Mr Coffey ceased to be a member of the BAC and became a member of the BGCC on 1 June 2022.

(6) Mr Coleman ceased to be a member of the BAC on 28 July 2022. He became a member of the BCC on 28 July 2022 and was re-appointed to the BAC on 2 March 2023.

(7) Ms Hinchliffe ceased to be a member of the BRiC on 1 June 2022. She became a member of the BGCC and Chair of the BAC on 28 July 2022.

(8) Ms McGrath became a member of the BRC on 1 June 2022.

(9) Mr Roche became a member of the BAC on 1 June 2022.

(10) Mr Saines was appointed to the Board as an Independent Voting Director and became a member of the BRiC and BRC on 1 June 2022. He became a member of the BCC on 28 July 2022 and was appointed Chair of that Committee on 29 August 2022.

(11) Ms Wakefield Evans was an apology for a joint meeting of the BAC, BGCC and BRiC.

(12) Mr Warne retired from his roles as Chair and Independent Voting Director of the Board on 9 May 2022.

# Directors' Report

For the financial year ended 31 March 2023 continued

## Directors' and officers' indemnification and insurance

Under MBL's Constitution, MBL indemnifies all past and present directors and secretaries of MBL and its wholly-owned subsidiaries (including at this time the Directors named in this report and the Secretaries) certain liabilities and costs incurred by them in their respective capacities.

The indemnity covers the following liabilities and legal costs (subject to the exclusions described as follows):

- every liability incurred by the person in their respective capacity
- all legal costs incurred in defending or resisting (or otherwise in connection with) proceedings in which the person becomes involved because of their respective capacity
- legal costs incurred by the person in good faith in obtaining legal advice on issues relevant to the performance and discharge of their duties as an officer of MBL or its wholly-owned subsidiaries, if that has been approved in accordance with MBL policy.

The indemnity does not apply to the extent that:

- MBL is forbidden by law to indemnify the person against the liability or legal costs, or
- an indemnity by MBL of the person against the liability or legal costs would, if given, be made void by law.

MBL has also entered into a Deed of Access, Indemnity, Insurance and Disclosure (as amended from time to time) (Deed) with each of the Directors.

Under the Deed, MBL agrees to, among other things:

- indemnify the Director upon terms broadly consistent with the indemnity contained in MBL's Constitution
- take out and maintain an insurance policy (or procure that an insurance policy is taken out and maintained) against liabilities incurred by the Director acting as an officer of MBL or its wholly owned subsidiaries. The insurance policy must be for an amount and on terms and conditions appropriate for a reasonably prudent company in MBL's position. Insurance must be maintained for seven years after the Director ceases to be a Director or until any proceedings commenced during that period have been finally resolved (including any appeal proceedings)
- grant access to Directors to all relevant company papers (including Board papers and other documents) for seven years after the Director ceases to be a Director or until any proceedings commenced during that period have been finally resolved (including any appeal proceedings).

In addition, MGL made an Indemnity and Insurance Deed Poll on 12 September 2007 (Deed Poll). The benefit of the undertakings made by MGL under the Deed Poll have been given to each of the directors, secretaries, persons involved in the management and certain other persons, of MGL and its wholly-owned subsidiaries (which includes MBL) and other companies where the person is acting as such at the specific request of MGL and its wholly-owned subsidiaries. The Deed Poll provides for broadly the same indemnity and insurance arrangements for those persons with the benefit of the Deed Poll as for the Deed described above.

However, the Deed Poll does not provide for access to company documents. The Deed Poll largely supersedes previous deed polls which were provided by MBL which were on similar terms. Certain directors and secretaries still have the benefit of the previous deed polls.

A Directors' and Officers' insurance policy, taken out by Macquarie Group, is in place that provides cover for each person in favour of whom such insurance is required to be taken out under the Deed and the Deed Poll and for MBL in indemnifying such persons pursuant to the Deed and the Deed Poll. Relevant individuals pay the premium attributable to the direct coverage under the policy and Macquarie Group pays the premium attributable to the reimbursement coverage under the policy. The Directors' and Officers' insurance policy prohibits disclosure of the premium payable under the policy and the nature of the liabilities insured.

To the extent permitted by law, MBL has agreed to reimburse its auditor, PricewaterhouseCoopers (PwC), for any liability (including reasonable legal costs) PwC incurs in connection with any claim by a third party arising from MBL's breach of the letter of engagement dated 23 June 2022.

## Environmental regulations

MBL and its subsidiaries have policies and procedures in place that are designed to ensure that, where operations are subject to any particular and significant environmental regulation under a law of the Commonwealth or of a State or Territory, those obligations are identified, appropriately addressed and material breaches notified.

The Directors have determined that there has not been any material breach of those obligations during the financial year.

## Non-audit services

Fees paid or payable to PwC, being the auditor of the Consolidated Entity, for non-audit services during the year ended 31 March 2023 total \$A22.4 million (2022: \$A8.4 million). Further details of amounts paid or payable to PwC and its related practices are disclosed in Note 38 *Audit and other services provided by PricewaterhouseCoopers* in the Financial Report.

The Voting Directors are satisfied that the provision of non-audit services did not compromise the auditor independence requirements of the Act for the following reasons:

- the operation of the Consolidated Entity's *Audit and Assurance Independence Policy*, restricts the external auditor from providing non-audit services under which the auditor assumes the role of management, becomes an advocate for the Consolidated Entity, audits its own professional expertise, or creates a mutual or conflicting interest between the auditor and the Consolidated Entity. The policy also provides that significant permissible non-audit assignments awarded to the external auditor must be approved in advance by the BAC or the BAC Chair, as appropriate
- the BAC has reviewed a summary of non-audit services provided by PwC, including details of the amount paid or payable, and has provided written advice to the Board of Directors.

Consistent with the advice of the BAC, the Voting Directors are satisfied that the provision of non-audit services during the year by the auditor and its related practices is compatible with the general standard of independence for auditors imposed by the Act.

## Remuneration Report

The Remuneration Report is set out on pages 42 to 66 of this report.

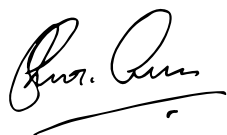
## Rounding of amounts

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

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



**Glenn Stevens AC**  
Independent Director and Chair



**Stuart Green**  
Managing Director and Chief Executive Officer

Sydney  
5 May 2023

## Events subsequent to balance date

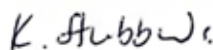
At the date of this report the Directors are not aware of any matter or circumstance, other than transactions disclosed in the financial statements, that has arisen and has significantly affected or may significantly affect the operations of the Consolidated Entity, the results of those operations or the state of affairs of the Consolidated Entity in the financial years subsequent to 31 March 2023.

## Auditor's independence declaration

As lead auditor for the audit of Macquarie Bank Limited for the year ended 31 March 2023, I declare that to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Macquarie Bank Limited and the entities it controlled during the financial year.



**Kristin Stubbins**  
Partner  
PricewaterhouseCoopers

Sydney  
5 May 2023

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One International Towers Sydney, Watermans Quay, Barangaroo,  
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Professional Standards Legislation.

## Directors' experience and special responsibilities



### Glenn R Stevens AC

BEC (Hons) (Sydney),  
MA (Econ) (UWO)

**Age:** 65

**Resides:** New South Wales  
Independent Chair of MBL  
and MGL since May 2022  
Independent Voting Director  
of MBL and MGL since  
November 2017  
Mr Stevens is a member  
of the BCC

### Experience

Glenn Stevens worked at the highest levels of the Reserve Bank of Australia (RBA) for 20 years and, as well as developing Australia's successful inflation targeting framework for monetary policy, played a significant role in central banking internationally. Most recently, he was Governor of the Reserve Bank of Australia between 2006 and 2016.

Mr Stevens has also made key contributions to a number of Australian and international boards and committees, including as chair of the Australian Council of Financial Regulators between 2006 and 2016, as a member of the Financial Stability Board and on a range of G20 committees.

#### Other current directorships/appointments

- Board member, NSW Treasury Corporation
- Director, Anika Foundation
- Director, Lowy Institute
- Deputy Chair, Temora Aviation Museum



### Stuart D Green

BA (Hons) (UCL), MBA (CUL  
Business School), FCA, FCT

**Age:** 58

**Resides:** New South Wales  
Managing Director and Chief  
Executive Officer of MBL  
since July 2021  
Executive Voting Director of  
MBL since July 2021  
Mr Green is a member  
of the BCC

### Experience

Stuart joined Macquarie Group in 2001 and was appointed Group Treasurer in August 2013, a role he held until July 2021. On joining Macquarie, Stuart worked in the Corporate & Asset Finance group, responsible for originating asset financing transactions for Macquarie. In 2002, Stuart assumed responsibility for investor relations for Macquarie's listed airport fund, Macquarie Airports, before moving to become Global Head of Investor Relations for Macquarie's portfolio of listed funds. In 2008 he was appointed Macquarie Group's Head of Corporate Communications and Investor Relations, responsible for managing Macquarie Group's relationships with investors and analysts, government and media.

Prior to joining Macquarie Group, Stuart worked in the UK as a Chartered Accountant in public practice for BDO Binder, where he obtained his professional qualifications, and later in a number of corporate roles as head of finance and corporate strategy.

From 2010 to 2020, Stuart served on the Board of the Juvenile Diabetes Research Foundation (JDRF) where he was the Treasurer and Chair of the Finance & Audit Committee.

#### Other current directorships/appointments

- Director, Australian Financial Markets Association
- Member, Australian Banking Association Council
- Member, Macquarie Group Foundation Committee





## Shemara R Wikramanayake

BCom, LLB (UNSW)

**Age:** 61

**Resides:** New South Wales  
Managing Director and Chief Executive Officer of MGL since December 2018  
Executive Voting Director of MBL and MGL since August 2018

### Experience

Shemara Wikramanayake has been Macquarie Group's Managing Director and CEO since late 2018.

Shemara joined Macquarie in 1987 in Macquarie Capital in Sydney. In her time at Macquarie, Shemara has worked in six countries and across several business lines, establishing and leading Macquarie's corporate advisory offices in New Zealand, Hong Kong and Malaysia, and the infrastructure funds management business in the US and Canada. Shemara has also served as Chair of the Macquarie Group Foundation.

As Head of Macquarie Asset Management for 10 years before her appointment as CEO, Shemara led a team of 1,600 staff in 24 markets. Macquarie Asset Management grew to become a world-leading manager of infrastructure and real assets and a top 50 global public securities manager.

Before joining Macquarie, Shemara worked as a corporate lawyer at Blake Dawson Waldron in Sydney. She holds Bachelor of Commerce and Bachelor of Laws degrees from UNSW and completed the Advanced Management Program at Harvard Business School in 1996.

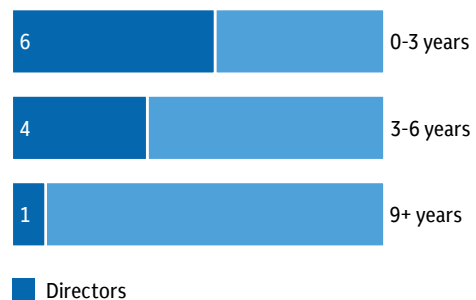
### Other current directorships/appointments

- Board member, Institute of International Finance
- Founding Member, Glasgow Financial Alliance for Net Zero (GFANZ)
- Founding Member, Climate Finance Leadership Initiative; Co-Chair, CFLI India
- Founding Commissioner, Global Commission on Adaptation
- Member, UK Investment Council
- Member, Global Investors for Sustainable Development Alliance
- Member, Australian Universities Accord Panel of Eminent Australians, Australian Universities Accord Review

### Gender diversity



### Board tenure



### Board independence

**82%** of Board members are independent directors



# Directors' experience and special responsibilities

Continued



## Jillian R Broadbent AC

BA (Maths & Economics) (Sydney)

**Age:** 75

**Resides:** New South Wales  
Independent Voting Director of MBL and MGL since November 2018  
Ms Broadbent is Chair of the BRC

### Experience

Jillian Broadbent has extensive investment banking industry knowledge and markets expertise, including a deep knowledge of risk management and regulation in these areas. She also has considerable executive management and listed company board experience. Ms Broadbent spent 22 years at Bankers Trust Australia until 1998, initially as an economic strategist and then as executive director responsible for risk management and derivatives in foreign exchange, interest rates and commodities.

Ms Broadbent was also a Member of the Reserve Bank of Australia Board between 1998 and 2013 and has previously served as Chair of the Board of Clean Energy Finance Corporation (CEFC), and as a director of ASX Limited, SBS, Coca Cola Amatil Limited, Woodside Petroleum Limited, Qantas Airways Limited, Westfield Management Limited, Woolworths Group Limited and the National Portrait Gallery of Australia.

#### Listed company directorships (last three years)

- Director, Woolworths Group Limited (January 2011–November 2020)

#### Other current directorships/appointments

- Director, National Portrait Gallery Board Foundation
- Director, Sydney Dance Company
- Director, Seaborn, Broughton & Walford Pty. Limited
- Director, Lowy Institute



## Philip M Coffey

BEd (Hons) (Adelaide), GAICD, SF Finsia

**Age:** 65

**Resides:** New South Wales  
Independent Voting Director of MBL and MGL since August 2018  
Mr Coffey is Chair of the BRiC and a member of the BGCC

### Experience

Phil Coffey served as the Deputy Chief Executive Officer (CEO) of Westpac Banking Corporation, from April 2014 until his retirement in May 2017. As the Deputy CEO, Mr Coffey had the responsibility for overseeing and supporting relationships with key stakeholders of Westpac including industry groups, regulators, customers and government. He was also responsible for the Group's Mergers & Acquisitions function. Prior to this role, Mr Coffey held a number of executive positions at Westpac including Chief Financial Officer and Group Executive, Westpac Institutional Bank.

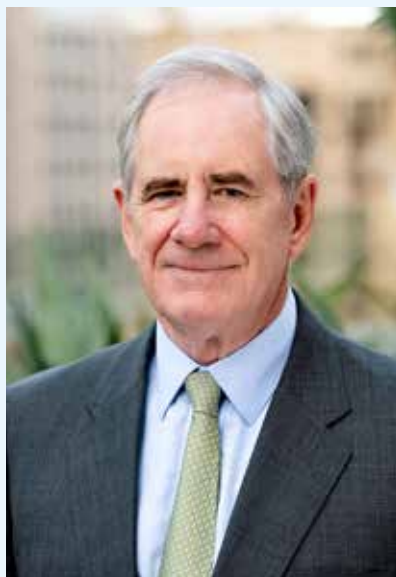
He has successfully led operations based in Australia, New Zealand, the United States, the United Kingdom and Asia and has extensive experience in financial markets, funds management, balance sheet management and risk management. He began his career at the Reserve Bank of Australia and has also held executive positions at the AIDC Limited and Citigroup. Mr Coffey previously served as a director of Clean Energy Finance Corporation.

#### Listed company directorships (last three years)

- Director, Lendlease Corporation Limited (since January 2017)

#### Other current directorships/appointments

- Director, Goodstart Early Learning Ltd



### Michael J Coleman

MCom (UNSW), FCA, FCPA, FAICD

**Age:** 72

**Resides:** New South Wales  
Independent Voting Director of MBL since November 2012  
Mr Coleman is a member of the BAC, BCC, BGCC and BRIC

### Experience

After a career as a senior audit partner with KPMG for 30 years, Mr Coleman has been a professional non-executive director since 2011. He has significant experience in risk management, financial and regulatory reporting and corporate governance.

Mr Coleman has been the Chairman of Bingo Industries Limited and ING Management Limited, a member of the Audit Committee of the Reserve Bank of Australia and a member of the Financial Reporting Council, including terms as Chairman and Deputy Chairman. During his time with KPMG, Mr Coleman was a financial services specialist, providing audit and advisory services to large banks, investment banks and fund managers. He was KPMG's inaugural National Managing Partner Assurance and Advisory from 1998 to 2002, National Managing Partner for Risk and Regulation from 2002 to 2010, and Regional Leader for Asia Pacific Quality and Risk Management from 2002 to 2011.

#### Listed company directorships (last three years)

- Chairman, Bingo Industries Limited (March 2017–August 2021)

#### Other current directorships/appointments

- Deputy Chair and Chair of the Audit and Risk Committee, Planet Ark Environmental Foundation
- Board member, Legal Aid NSW
- Member, Nominations and Governance Committee, Chartered Accountants Australia and New Zealand



### Michelle A Hinchliffe

BCom (UQ), FCA, ACA

**Age:** 58

**Resides:** United Kingdom  
Independent Voting Director of MBL and MGL since March 2022  
Ms Hinchliffe is Chair of the BAC and a member of the BGCC

### Experience

Michelle Hinchliffe has more than 35 years' professional experience within the financial services sector in the United Kingdom and Australia, with extensive experience in leading large global teams in the provision of external audit, internal audit and advisory services to clients across financial services. Michelle was the Global Lead Audit Partner for a number of global banking institutions as well as the Head of Audit, KPMG UK from September 2017 to April 2019 and then Chair of Audit, KPMG UK from May 2019 to September 2021. During the period from May 2019 to February 2022 she was a board member of KPMG UK. Prior to this she was the Head of Financial Services for KPMG Australia, where she was also a member of the board.

#### Listed company directorships (last three years)

- Director, BHP Group Limited (since March 2022)

# Directors' experience and special responsibilities

Continued



## Rebecca J McGrath

BTP (Hons) (UNSW), MAppSc (ProjMgt) (RMIT), FAICD

**Age:** 58

**Resides:** Victoria

Independent Voting Director of MBL and MGL since January 2021

Ms McGrath is a member of the BGCC, BRC and BRiC

## Experience

Rebecca McGrath is an experienced professional company director and chairman, with substantial international business experience. She spent 25 years at BP plc. where she held various executive positions, including Chief Financial Officer Australasia and served as a member of BP's Executive Management Board for Australia and New Zealand.

Ms McGrath has served as a director of Goodman Group, CSR Limited, Big Sky Credit Union and Incitec Pivot Ltd, and as Chairman of Scania Australia Pty Limited and Kilfinan Australia. She is a former member of the JP Morgan Advisory Council. She has attended executive management programmes at Harvard Business School, Cambridge University and MIT in Boston.

### Listed company directorships (last three years)

- Chairman, OZ Minerals Limited (since May 2017); Director (since November 2010)
- Director, Goodman Group (April 2012–February 2023)
- Director, Incitec Pivot Limited (September 2011–December 2020)

### Other current directorships/appointments

- Chairman, Investa Wholesale Funds Management Limited
- Chairman, Investa Office Management Holdings Pty Limited
- President, Victorian Council, Australian Institute of Company Directors
- Director, Melbourne Business School Limited
- Member, National Board, Australian Institute of Company Directors
- Member, The Australian British Chamber of Commerce Advisory Council
- Member, ASIC Corporate Governance Consultative Panel



## Mike Roche

BSc (UQ), GAICD, FIA (London), FIAA

**Age:** 70

**Resides:** New South Wales

Independent Voting Director of MBL and MGL since January 2021

Mr Roche is a member of the BAC, BRC and BRiC

## Experience

Mike Roche has over 40 years' experience in the finance sector as a highly skilled and experienced provider of strategic, financial, mergers and acquisitions, and capital advice to major corporate, private equity and government clients. He held senior positions with AXA Australia as a qualified actuary and Capel Court/ANZ Capel Court.

Mr Roche spent more than 20 years at Deutsche Bank and was Head of Mergers and Acquisitions (Australia and New Zealand) for 10 years where he advised on major takeovers, acquisitions, privatisations, and divestments. He stepped down as Deutsche Bank's Chairman of Mergers and Acquisitions (Australia and New Zealand) in 2016. He was a member of the Takeovers Panel for two terms from 2008 to 2014.

### Listed company directorships (last three years)

- Director, Wesfarmers Limited (since February 2019)

### Other current directorships/appointments

- Director, MaxCap Group Pty Ltd
- Director, Te Pahau Management Ltd
- Managing Director, M R Advisory Pty Ltd
- Co-founder and Director, Sally Foundation





### Ian Saines

BCom (Economics)  
(UNSW), FAICD

**Age:** 61

**Resides:** New South Wales  
Independent Voting Director  
of MBL since June 2022  
Mr Saines is Chair of the  
BCC and a member of the  
BRC and BRiC

### Experience

Ian Saines is an experienced leader in commercial and investment banking and asset management, having held senior roles at Commonwealth Bank of Australia, Challenger, Zurich Financial Services and Bankers Trust Australia. He began his career at the Reserve Bank of Australia and has a strong background in financial markets and highly regulated environments combined with audit, risk and investment committee experience.

Mr Saines was formerly a director of Father Chris Riley's Youth off the Streets, a not-for-profit organisation providing support to chronically homeless and abused youth in our society and a director of the Australian Financial Markets Association (AFMA) from 2008 until 2013.

#### Other current directorships/appointments

- Director, Air Lease Corporation
- Director, NSW Treasury Corporation
- Deputy Chair, United States Studies Centre
- Deputy Chair, American Australian Association Limited
- Member, Sydney Corporate and Philanthropic Council, The Salvation Army Australia
- Member, Advisory Committee, Catholic Schools of Broken Bay



### Nicola M Wakefield Evans AM

BJuris/BLaw (UNSW), FAICD

**Age:** 62

**Resides:** New South Wales  
Independent Voting Director  
of MBL and MGL since  
February 2014  
Ms Wakefield Evans is Chair  
of the BGCC and a member  
of the BAC and BRiC

### Experience

Nicola Wakefield Evans is an experienced non-executive director and corporate finance lawyer. As a lawyer, Nicola has significant Asia-Pacific experience and was a partner at King & Wood Mallesons (and its predecessor, Mallesons Stephen Jaques) for more than 20 years. Ms Wakefield Evans has particular expertise in the financial services, resources and energy, and infrastructure sectors.

She held several key management positions at King & Wood Mallesons including Managing Partner International in Hong Kong and Managing Partner, Practice in Sydney.

#### Listed company directorships (last three years)

- Director, Lendlease Corporation Limited (since September 2013)
- Director, Viva Energy Group Limited (since August 2021)

#### Other current directorships/appointments

- Director, MetLife Insurance Limited
- Director, MetLife General Insurance Limited
- Director and Chair of the Board Audit and Risk Committee, Clean Energy Finance Corporation
- Chair, 30% Club Australia
- Member, Takeovers Panel
- Director, GO Foundation
- Director, UNSW Foundation Limited

# Directors' experience and special responsibilities

Continued

## Company secretaries' qualifications and experience

### Simone Kovacic

BBus LLB (Hons) (UTS), LLM (Sydney), FGIA

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Company Secretary since December 2022

### Experience

Simone Kovacic is a Division Director of Macquarie Group, having joined in 2009. Simone has responsibility for Macquarie Group's, including MBL's, company secretarial requirements and provides advice on governance and certain corporate matters, including aspects of Macquarie Group's employee equity plans. She has over 20 years' experience as a corporate lawyer with Macquarie Group and in private practice at Skadden, Arps, Slate, Meagher & Flom LLP in the US and Freehills, now Herbert Smith Freehills.

### Olivia Shepherd

BCM (UoW), BCom (UoW), MSc (LSBU), FGIA

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Assistant Company Secretary since December 2022

### Experience

Olivia Shepherd is a Division Director of Macquarie. Olivia has company secretarial responsibilities and provides corporate governance advice. She has over 15 years' company secretarial and governance experience with Macquarie Group and Investec Bank plc in the UK.

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Dennis Leong ceased to be a Company Secretary of MBL on 30 November 2022.

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## Executive Committee



### Stuart Green

Managing Director  
Chief Executive Officer of MBL

Chief Executive Officer of MBL  
since July 2021

Member of Executive Committee since  
1 July 2021

### Experience

Stuart has been Managing Director and CEO of Macquarie Bank Ltd since July 2021. Stuart joined Macquarie in 2001 and worked in the Corporate & Asset Finance group, responsible for originating asset financing transactions for Macquarie. In 2002, he assumed responsibility for investor relations for Macquarie's listed airport fund, Macquarie Airports, before moving to become Global Head of Investor Relations for Macquarie's portfolio of listed funds. In 2008, he was appointed Macquarie Group's Head of Corporate Communications and Investor Relations, responsible for managing Macquarie Group's relationships with investors and analysts, government and media.

Stuart was appointed Group Treasurer in August 2013, a role he held until July 2021, when he became Managing Director and CEO of Macquarie Bank Limited.

Prior to joining Macquarie Group, Stuart worked in the UK as a Chartered Accountant in public practice for BDO Binder, where he obtained his professional qualifications, and later in a number of corporate roles as head of finance and corporate strategy.

From 2010 to 2020, Stuart served on the Board of the Juvenile Diabetes Research Foundation where he was Treasurer and Chair of the Finance & Audit Committee.



### Shemara Wikramanayake

Managing Director  
Chief Executive Officer of MGL

Chief Executive Officer of MGL  
since August 2018

Member of Executive Committee since  
1 August 2008

### Experience

Shemara has been Macquarie Group's Managing Director and CEO since late 2018. Shemara joined Macquarie in 1987 in Macquarie Capital in Sydney. In her time at Macquarie, Shemara has worked in six countries and across several business lines, establishing and leading Macquarie's corporate advisory offices in New Zealand, Hong Kong and Malaysia, and the infrastructure funds management business in the US and Canada. Shemara has also served as Chair of the Macquarie Group Foundation.

As Head of Macquarie Asset Management for 10 years before her appointment as CEO, Shemara led a team of 1,600 staff in 24 markets. Macquarie Asset Management grew to become a world-leading manager of infrastructure and real assets and a top 50 global public securities manager.

Shemara sits on the World Bank's Global Commission on Adaptation and was a founding CEO of the United Nations Climate Finance Leadership Initiative (CFLI). She currently leads emerging markets workstreams for CFLI and the Glasgow Financial Alliance for Net Zero (GFANZ).



### Evie Bruce

Group General Counsel  
Head of Legal and Governance Group

Member of Executive Committee since  
2 March 2022

### Experience

Evie has been the Group General Counsel and Head of the Legal and Governance Group since March 2022.

Evie is a lawyer with nearly 30 years' practice and management experience, across ANZ, Asia and the US, specialising in mergers and acquisitions, capital markets, and the financial services sector.

Prior to joining Macquarie, Evie worked for King & Wood Mallesons where she led the law firm's extensive global engagement with Macquarie's businesses for a number of years.

Evie is a member of Corporations Committee of the Law Council of Australia, Law Society of New South Wales, and State Bar of New York. Evie is also a member of the Macquarie Group Foundation Committee.



### Andrew Cassidy

Chief Risk Officer  
Head of Risk Management Group

Member of Executive Committee since  
1 January 2022

### Experience

Andrew was appointed Chief Risk Officer in early 2022.

After joining Macquarie in 2004, Andrew spent over 15 years working in Macquarie Capital, across various roles including leadership of Macquarie's principal investment activity in Asia Pacific. He joined the Risk Management Group in 2019 and has overseen the continued strengthening of Macquarie's risk framework.

Andrew also manages the Internal Audit function jointly with the Board Audit Committee.



### Alex Harvey

Chief Financial Officer  
Head of Financial Management Group

Chairman of the Macquarie Group Foundation  
Executive Chairman of Macquarie Group in Asia  
Member of Executive Committee since  
1 January 2018

### Experience

Alex has been Head of Financial Management Group and the Chief Financial Officer of Macquarie Group since 2018.

Alex joined Macquarie in 1998 and was the CEO of Macquarie Group Asia from 2011 to 2014; he retains the role of Executive Chairman of the region today.

Before being appointed CFO, Alex was the Global Head of the Principal Transaction Group in Macquarie Capital and a member of Macquarie Capital's Management Committee.

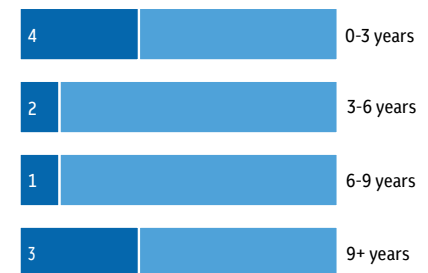
Alex has more than 30 years' experience in the financial services industry across Australia, Asia, Europe and the US.

In January 2022, Alex became Chairman of Macquarie Group Foundation is also a Board member of Loreto Kirribilli.

## Gender diversity



## Committee tenure



# Executive Committee

Continued



## Nick O'Kane

Head of Commodities and  
Global Markets Group

Member of Executive Committee since  
15 June 2017

## Experience

Nick was appointed Head of Commodities and Global Markets in April 2019 and is responsible for its 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.

Nick is also Head of the Commodity Markets and Finance division within Commodities and Global Markets, which offers these services across the energy, metals and agricultural sectors globally.

Prior to this, Nick was appointed Head of the Energy Markets Division in 2007 and under his leadership, Macquarie's energy markets business grew to become a significant market participant.

Nick joined Macquarie in 1995 and has more than 25 years' experience in global commodity and financial markets.

Nick is a founding member and director of the Nick van Gelder Dreamers Foundation.



## Nicole Sorbara

Chief Operating Officer  
Head of Corporate Operations Group

Member of Executive Committee since  
1 January 2013

## Experience

Nicole is Head of Corporate Operations Group and has been Global Chief Operating Officer since 2013.

Nicole leads a global team across 25 countries covering Digital Transformation & Data, Technology, Operations, Human Resources, Business Services, Corporate Strategy & Solutions, and the Macquarie Group Foundation.

During her time at Macquarie, she has worked across various roles in finance, Macquarie Capital and was previously the Head of Human Resources.

Nicole is a Chartered Accountant with more than 30 years' experience in accounting and financial services. She joined Macquarie in 1996.

Nicole is Chair of the Board of PCYC NSW.



## Greg Ward

Deputy Managing Director  
Head of Banking and Financial Services Group

Member of Executive Committee since  
3 March 2005

## Experience

Greg has been Head of Banking and Financial Services Group since July 2013 and Deputy Managing Director of Macquarie Group Limited since 2011.

Greg joined Macquarie in 1996, the year the organisation became publicly listed, and during his tenure has driven the growth of Macquarie's retail financial services business. He has over 30 years' experience in finance and financial services.

Chief Financial Officer for 14 years before being appointed Deputy Managing Director of Macquarie Group, Greg was also Chief Executive Officer of the Group's banking subsidiary, Macquarie Bank, from 2011 to 2013.

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# Remuneration Report



## Introduction

Macquarie Bank is a subsidiary of Macquarie Group Limited. Whilst the Macquarie Group remuneration framework applies to all staff including those within the Macquarie Bank Group, the Board oversees the remuneration policies applicable to MBL staff and approves remuneration outcomes relating to the senior executives of Macquarie Bank. To support the Board on these processes, the MBL Board Remuneration Committee (BRC) was established effective 1 June 2022 and a bank-only non-executive director (BOND) has been appointed among its members.

The Board believes its longstanding and consistent approach to remuneration has served us well and has been a key driver of our sustained success as an international organisation. Nevertheless, we continue to review and adjust our approach to ensure the remuneration framework remains fit for purpose and balances the evolving expectations of all our stakeholders.

Work continues on the remediation program with APRA, that is strengthening MBL's governance, culture, structure and remuneration to ensure full and ongoing compliance with prudential standards. The changes under the program will have a positive impact on MBL through improved systems, frameworks, processes, and further strengthen its risk culture.

The remuneration program of work is well progressed to ensure that the MBL remuneration framework protects MBL's best interests and provides appropriate focus on MBL in the oversight, design and determination of remuneration outcomes for MBL staff. This has seen changes to MBL's remuneration governance arrangements including the establishment of an MBL BRC as noted above. This program of work is being carried out in conjunction with the implementation of broader changes to the remuneration framework related to APRA's Prudential Standard CPS 511 *Remuneration* which came into effect on 1 January 2023. As set out in the 2022 Remuneration Report, the MBL and MGL Boards (the Boards) reviewed all structural components of the remuneration framework, taking into account a range of perspectives including those of regulators. The Boards approved several changes to fine-tune our remuneration framework, which are being implemented in a phased approach. The key structural changes for FY2024 are set out in the relevant sections of the report.

## Remuneration framework

This section explains the link between our purpose, our remuneration objectives and principles, and how these are reflected in the remuneration framework.

Macquarie Bank's longstanding and consistent approach to remuneration continues to meet our remuneration objectives and align with our principles. The Board recognises that to achieve these objectives, we must attract, motivate and retain exceptional people with deep industry expertise, align their interests with stakeholders to meet the needs of clients and customers and ensure that the spirit and intent of regulatory requirements are upheld.<sup>(1)</sup> This broad approach has been in place since Macquarie Bank's inception and is reviewed regularly to ensure the framework continues to meet our remuneration objectives and aligns with the expectations of our stakeholders.

Our remuneration approach has been a key driver of our sustained success as an international organisation. Staff are motivated to grow businesses over the medium to long-term, taking accountability for all decisions and their accompanying risk management, customer, economic and reputational outcomes.

This approach has been fundamental in ensuring we can continue to attract, motivate and retain exceptional, entrepreneurial and ethical people across the global markets in which we operate. We hire and retain world-class people in 19 highly competitive markets. These people come from, and compete in, various industry sectors (including global investment banks, commodity houses and other banks, as well as industries that are not specific to banking or financial services, for example, technology, accounting, and engineering) across many jurisdictions.

The table below shows the link between our purpose and our remuneration objectives and principles.

Our purpose:

Empowering people to innovate and invest for a better future



Opportunity



Accountability



Integrity

✓

☐

☐

≡

≡

≡

Remuneration objectives



Remuneration principles

Macquarie Bank's remuneration framework is designed to:

• attract, motivate and retain exceptional people with deep industry expertise

• deliver strong company performance over the short and long-term whilst prudently managing risk

• promote effective management of financial and non-financial risks, and Macquarie Bank's long-term soundness

• align the interests of staff and MBL's stakeholders to deliver sustained results for our customers, clients and community

• promote innovation and the building of sustainable businesses

• drive behaviours that reflect the best interests of Macquarie Bank, its culture, the principles of *What We Stand For* and support the prevention and mitigation of conduct risk

• foster a diverse, equitable and inclusive work environment.

These objectives are achieved by:

• emphasising performance-based remuneration

• determining an individual's variable remuneration based on a range of financial and non-financial factors

• retaining a significant proportion of performance-based remuneration to enable risk outcomes to be considered over a longer period

• delivering retained profit share in MGL equity to ensure the interests of staff and MBL's stakeholders are aligned over the long-term

• remunerating high-performing staff appropriately, relative to global peers

• providing consistent arrangements over time to give staff the confidence to pursue multi-year initiatives.

(1) Stakeholders include MBL's ultimate parent, MGL and its shareholders.








# Remuneration Report

Continued

## Remuneration framework for FY2023

The remuneration framework operates as an integrated whole. As summarised below, an individual's remuneration comprises fixed remuneration, profit share and, for Executive Committee members (our Executive KMP), Performance Share Units (PSUs).

The table below summarises the framework for FY2023.

| FY2023 remuneration framework   |  |   |
|---|--|---|
| <b>Fixed remuneration</b>   |  |   |
| <ul style="list-style-type: none"> <li>primarily comprises base salary, as well as superannuation contributions and standard country-specific benefits in line with local market practice</li> <li>for Executive KMP, is set at a comparatively low level, relative to the industry, and is a low proportion of total remuneration but sufficient to avoid inappropriate risk-taking</li> <li>is reviewed annually and reflects technical and functional expertise, role scope, market practice and regulatory requirements</li> <li>for risk and financial control staff, is generally a higher proportion of total remuneration than for revenue-generating staff.</li> </ul> |  |   |
| <b>Performance-based remuneration</b>   |  |   |
| Criteria  | Profit share   | Performance Share Units   |
|  <b>Eligibility</b>  | <ul style="list-style-type: none"> <li>all permanent employees</li> </ul>  | <ul style="list-style-type: none"> <li>Executive Committee members</li> </ul>   |
|  <b>Determination</b>   | <ul style="list-style-type: none"> <li>allocations reflect an individual's performance, which is assessed against a range of financial and non-financial factors including:                             <ul style="list-style-type: none"> <li>contribution to financial/business performance</li> <li>approach to risk management and compliance</li> <li>business leadership including outcomes for customers and the community</li> <li>people leadership and professional conduct</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>individual allocations reflect their role as members of the Executive Committee and their contribution to driving the collective performance of MBL and the Macquarie Group</li> <li>allocations are based on the face value of shares on the grant date</li> <li>allocations are subject to Board discretion</li> </ul> |
|  <b>Structure</b>  | <ul style="list-style-type: none"> <li>significant proportion is retained (up to 80% for the MGL CEO, MBL CEO and other Executive KMP)</li> <li>long deferral periods (up to seven years for the MGL CEO, MBL CEO and other Executive KMP)</li> <li>retained profit share is delivered in a combination of MGL equity and Macquarie-managed fund equity</li> </ul>   | <ul style="list-style-type: none"> <li>PSUs vest after four years, subject to the achievement of two financial performance hurdles (no retesting of hurdles)</li> <li>PSUs are structured as Deferred Share Units (DSUs) with no exercise price<sup>(2)</sup></li> <li>PSU holders have no right to dividend equivalent payments</li> </ul>                     |
|  <b>Malus</b>  | <ul style="list-style-type: none"> <li>applies for senior employees, including all Executive Directors</li> </ul>  | <ul style="list-style-type: none"> <li>applies to all awards</li> </ul>   |
|  <b>Forfeiture</b>   | <ul style="list-style-type: none"> <li>retained profit share is subject to forfeiture upon leaving the Macquarie Group except in certain circumstances</li> </ul>  | <ul style="list-style-type: none"> <li>unvested PSUs are subject to forfeiture upon leaving the Macquarie Group except in certain circumstances</li> </ul>  |

## Remuneration framework for FY2024

The Boards periodically review and fine-tune the remuneration framework to ensure it is consistent with changing market conditions and complies with regulatory expectations and corporate governance developments. As set out in the 2022 Remuneration Report, the Boards undertook a holistic review of all structural components of the remuneration framework to address both regulatory requirements under APRA's Prudential Standard CPS 511 *Remuneration* (CPS 511) and the evolving expectations of our stakeholders.

As part of this review, the Boards considered diverse perspectives, including those of shareholders and regulators, as well as global peer group benchmarking and increased global competition for talent in many of Macquarie Group's areas of activity. The Board believes that the revised arrangements are consistent with our longstanding remuneration principles and allow for ongoing attraction, motivation, retention and accountability of talent, respecting and recognising the expectations of all stakeholders.

A detailed summary of the Board-approved changes to the remuneration framework was set out on pages 38 to 39 of the 2022 Annual Report. These changes are being implemented in a phased approach for FY2023 and FY2024 and are referenced where relevant throughout the following sections.

(2) A DSU is a Deferred Share Unit and is an award type under the Macquarie Group Employee Retained Equity Plan (MEREP). For further details, refer to Note 29 *Employee equity participation* to the financial statements in the Financial Report.

## Profit share

This section describes the way in which profit share is determined, structured and delivered.

### Annual process to determine profit share outcomes

Profit share allocations are based on realised outcomes and are determined through a principles-based approach, which considers individual, business group and company-wide performance. At all levels, profit share determinations take into account risk management, compliance and conduct.

### Individual profit share allocations

Individual profit share allocations reflect an employee's performance against their objectives, which are formally assessed annually. Permanent employees are required to have at least one formal Year in Review with their manager each year. The Year in Review comprises two core components:

- **What** was achieved over the past 12 months, including any Operating or Central Service Group specific goals and objectives
- **How** the objectives were achieved, demonstrating the cultural/behavioural expectations as set out in our *Code of Conduct*.

An individual's performance is assessed against a range of financial and non-financial considerations, which fall under four factors and link to the 'what' and 'how' components of the Year in Review. Consideration is given to ensuring there is appropriate focus on MBL. This includes MBL-specific objectives and performance measures (as relevant to an individual's role), for example, the management of MBL-specific projects and risks. The below table outlines the definition of each factor and considerations for assessing performance and determining remuneration outcomes.

| Areas considered                                      |   |
|---|---|
| <b>Financial/<br/>business results</b>                | <ul style="list-style-type: none"> <li>• for revenue-generating staff, based on individual contribution to business profitability (including consideration of capital and risk-adjusted returns)</li> <li>• for risk and financial control roles, primarily based on delivery of or contribution to high-quality risk and control functions</li> <li>• for other staff, based on their delivery of or contribution to high quality services to support the businesses, while managing costs and investing in people and technology to ensure the ongoing robustness of the risk management framework.</li> </ul>  |
| <b>Risk management<br/>and compliance</b>             | <ul style="list-style-type: none"> <li>• the active identification, escalation, ownership and management of MBL-specific financial and non-financial risks including compliance with Banking licence requirements and obligations, prudential standards and the Banking Executive Accountability Regime (BEAR)</li> <li>• motivating a culture of disciplined risk management, and regulatory, policy and business compliance</li> <li>• the management of MBL's funding and capital management strategy and the MBL liquidity and stress testing frameworks</li> <li>• fostering an environment where staff feel comfortable to raise issues or concerns</li> <li>• performance against a risk management objective, which is mandatory for all employees and consistent across Macquarie Bank.</li> </ul> |
| <b>Business leadership</b>                            | <ul style="list-style-type: none"> <li>• sustainable business growth and innovation</li> <li>• delivering appropriate solutions and services to our customers and the communities in which we operate</li> <li>• relationship with external and internal stakeholders, including regulators, customers and clients</li> <li>• seeking out and valuing collaboration and diverse perspectives (internally and externally).</li> </ul>  |
| <b>People leadership and<br/>professional conduct</b> | <ul style="list-style-type: none"> <li>• conduct and behaviour consistent with the <i>Code of Conduct</i> and <i>What We Stand For</i></li> <li>• talent development and succession planning</li> <li>• fostering a diverse, equitable and inclusive work environment, including performance against a mandatory objective on Diversity, Equity and Inclusion (DEI) aligned to Macquarie Group's DEI strategy</li> <li>• for all people managers, performance against a people management objective aligned to our purpose and culture.</li> </ul>  |

Three of these four factors are non-financial, with considerations given to each in varying proportions to reflect an individual's role and responsibilities. Individual profit share allocations also consider relativities in the market in which each business competes for talent.

When determining individual profit share allocations, consideration is given to any matters raised in the independent reports provided to the BRC by the Chief Risk Officer (CRO) and the Head of Internal Audit, or matters raised through the consequence management process, which may result in downward adjustments to profit share allocations for relevant individuals (see page 55). Significant judgement is applied in determining remuneration outcomes to ensure all factors that may potentially impact the quantum of profit share allocations are considered.

# Remuneration Report

Continued

## Profit share pools

The initial business group profit share pools are determined through a combination of a top-down and bottom-up approach. The company-wide profit share pool is an aggregate of the assessments conducted at both the business group and individual level.

The profit share pools reflect consideration of the factors below.

| Operating/Central Service Group Level   |   |   |  |
|---|---|---|--|
| <b>Financial performance</b><br>For Operating Groups: <ul style="list-style-type: none"> <li>• contribution to company-wide profits</li> <li>• returns on economic and regulatory capital</li> <li>• funding requirements and usage.</li> </ul> For Central Service Groups: <ul style="list-style-type: none"> <li>• based on the quality and integrity of control functions and support services</li> <li>• are not primarily determined with reference to profitability.</li> </ul>   | <b>Risk management</b> <ul style="list-style-type: none"> <li>• risk profile of the business (e.g. capital usage)</li> <li>• extent and nature of financial and non-financial risks including any significant reputational, cultural or compliance matters</li> <li>• regulatory environment and regulatory risk considerations.</li> </ul> | <b>Business-specific considerations</b> <ul style="list-style-type: none"> <li>• innovation, new business development (including acquisitions) and maturity of the business</li> <li>• reliance on intellectual versus financial capital</li> <li>• customer/client and community outcomes</li> <li>• impact of one-time gains/losses.</li> </ul> | <b>Market position and trends</b> <ul style="list-style-type: none"> <li>• overall remuneration levels in the market in which each business operates</li> <li>• staff retention considerations.</li> </ul> |
| Macquarie Group/Macquarie Bank level  |   |   |  |
| Additional considerations at a Macquarie Group and Macquarie Bank level include: <ul style="list-style-type: none"> <li>• profitability, including the balance of profit distribution between employees and shareholders</li> <li>• capital metrics (including prudential ratios) and liquidity considerations</li> <li>• impact of the profit share pool on Macquarie Bank's capital position and the ability to strengthen its capital base, as confirmed by the Chief Financial Officer (CFO)</li> <li>• reasonableness of the resultant estimated compensation expense to income ratio and how it compares to that of peers</li> <li>• regulatory considerations, including any company-wide risk and conduct matters</li> <li>• factors that impact the macro environment in which Macquarie Bank operates, including those that may affect its ability to attract and retain high-performing staff</li> <li>• CRO and Head of Internal Audit confirmation as to whether there have been any matters of systemic concern during the year.</li> </ul> |   |   |  |

The Board retains discretion to amend the profit share pool as determined in accordance with the above process to ensure all relevant factors, including risk and conduct matters, have been appropriately taken into consideration.

## Retained profit share: retention and vesting

A percentage of each individual's annual profit share allocation is retained (retained profit share) above certain thresholds. While they are employed, an individual's retained profit share vests and is released over a period that reflects the scope and nature of their role and responsibilities.<sup>(3)</sup> These arrangements ensure that Macquarie Bank continues to retain high-performing staff, provide significant long-term alignment to shareholders and customers, as well as enabling risk outcomes to be considered over a longer period.

Retention and vesting arrangements are determined by the BRC according to prevailing market conditions, remuneration trends, and compliance with regulatory requirements (including under the BEAR and from FY2024, CPS 511). For each year's allocation, once the vesting period has been determined it remains fixed for that allocation.

As explained in the 2022 Remuneration Report, to address both regulatory requirements under CPS 511 and the evolving expectations of our stakeholders, the Boards undertook a holistic review of all structural components of the remuneration framework. One of the key changes was that retention rates and vesting periods will be reduced for certain senior employees (including the MBL CEO, Executive KMP and Designated Executive Directors) for profit share allocations made in respect of FY2024 onwards. These changes reflect that under CPS 511, Macquarie Bank will no longer be able to release unvested awards on retirement or redundancy for such employees over a two-year period (see page 49). Awards will instead be kept on their original vesting schedule (up to five years). The new retention rates and vesting periods remain long enough to appropriately consider the time horizons of risk, and will meet or exceed both the minimum requirement under CPS 511 and the deferral arrangements of many of Macquarie Group's global comparators.

The table below summarises the standard retention and vesting arrangements applicable for FY2023 and FY2024. These vesting periods do not include the performance year but begin following the date remuneration is awarded.

### Standard profit share retention and vesting arrangements for FY2023 and FY2024

| Role  | FY2023                     |  | FY2024                     |  |
|---|----------------------------|--|----------------------------|--|
|   | Profit share retention (%) | Vesting and release of profit share <sup>(4)</sup> | Profit share retention (%) | Vesting and release of profit share <sup>(4)</sup> |
| MBL CEO   | 60                         | One-fifth in each of years 3-7                     | 60                         | One-third in each of years 3-5                     |
| MGL CEO   | 80                         |  | 70                         |  |
| Executive Committee members                         | 60                         |  | 50                         |  |
| Designated Executive Directors <sup>(5)</sup>       | 50                         | One-third in each of years 3-5                     | 40                         | One-third in each of years 3-5                     |
| Executive Directors                                 | 40                         |  | 40                         |  |
| Staff other than Executive Directors <sup>(6)</sup> | 25-60                      | One-third in each of years 2-4                     | 25-60                      | One-third in each of years 2-4                     |

The Board's discretion to change remuneration arrangements, as noted above, includes changes to profit share retention levels provided that at least 30% of profit share is retained for all Executive Directors. For FY2023, the Board exercised such discretion to increase the Head of CGM's retention rate to 70%.

(3) Profit share that is not retained ("available profit share") is delivered in cash except for certain staff subject to requirements under European remuneration regulations, where 50% of available profit share is delivered in Macquarie equity and is subject to either a 6-month or 12-month hold period, as applicable.

(4) For certain staff subject to European remuneration regulations, retained profit share invested in MGL equity is subject to a further 6-month or 12-month hold post the vesting period.

(5) Executive Directors who have significant management or risk responsibility in the organisation (equivalent to "Material Risk Takers" under CPS 511).

(6) Above certain monetary thresholds.

# Remuneration Report

Continued

## Investment of retained profit share

An individual's retained profit share is invested in a combination of MGL ordinary shares under the Macquarie Group Employee Retained Equity Plan (MEREP) and Macquarie-managed fund equity notionally invested under the Directors' Profit Share (DPS) Plan.<sup>(7)</sup> The allocation reflects the nature of their role and responsibilities as set out in the table below.

## Standard investment of retained profit share for FY2023

| Role                                 | Retained profit share investment |   |
|--------------------------------------|----------------------------------|---|
|                                      | MEREP<br>(MGL ordinary shares) % | DPS Plan<br>(Macquarie-managed fund equity) % |
| MBL CEO and MGL CEO                  | 90                               | 10  |
| Executive Committee members          | 80-90                            | 10-20   |
| Executive Directors <sup>(8)</sup>   | 80-100                           | 0-20  |
| Staff other than Executive Directors | 100                              | 0   |

In addition to the arrangements set out in the tables above, different arrangements may apply in certain circumstances:

- Retention rates and vesting and release schedules may vary for certain groups of staff who have become employees as a result of an acquisition, or for staff in certain jurisdictions, for example in the UK or European Union (EU), to ensure compliance with local regulatory requirements.
- In limited circumstances, and only with the approval of the BRC, retained profit share may be allocated under arrangements other than the MEREP or the DPS Plan. For example, this may include investment in funds or products of a specific business group where there is a need to directly align the interests of staff with those of their clients.

## Forfeiture of retained profit share – malus and clawback

The Board has the ability to reduce or eliminate unvested retained profit share for certain senior employees (including all Executive Directors) in certain circumstances (malus), as set out on page 54. For certain employees identified under European remuneration regulations, the Board also has the ability to recover (in whole or in part) vested profit share in certain circumstances (clawback). For changes to Macquarie Bank's malus and clawback framework from FY2024, see page 54.

## Vesting and release of retained profit share upon departure from the Macquarie Group

The standard policy is that staff who cease employment with the Macquarie Group will forfeit their unvested retained profit share. The Board may exercise discretion for the vesting and release of a departing employee's retained profit share after their employment has ended including, for example, retirement from the Macquarie Group, redundancy, death, serious incapacitation, disability, or serious ill-health. For Executive Directors, the Board's discretion for the vesting and release of retained profit share under these circumstances is subject to the conditions of release as set out below.

Discretion may be exercised in certain other limited exceptional circumstances on the grounds of business efficacy, in relation to strategic business objectives, including in connection with the divestment or internalisation of Macquarie Group businesses, or when an employee resigns to fulfil a public service role in a governmental organisation or agency. Where such discretion is exercised, the Board may impose such other conditions as it considers appropriate. This year there were no executives for whom such discretion was exercised.

## Conditions of release to departing Executive Directors – Post Employment Events

Where discretion has been exercised for the vesting and release of retained profit share to a departing Executive Director, the Board may reduce or eliminate their retained profit share if it is determined that, at any time during their employment or the relevant release periods after their employment, a Malus Event has occurred (as set out on page 54) or they have:

- taken staff to a competitor of the Macquarie Group or been instrumental in causing staff to go to a competitor, or
- joined a competitor of the Macquarie Group or otherwise participated in a business that competes with the Macquarie Group.

Each of the above is a Post Employment Event.

(7) Both the MEREP and DPS Plan are fundamental tools in Macquarie Bank's retention, alignment and risk management strategies, encompassing both long-term retention arrangements and equity holding requirements. The MEREP has a flexible plan structure that offers different types of equity grants depending on the jurisdiction in which the participating employees are based. In most cases, the equity grants are in the form of units comprising a beneficial interest in MGL ordinary shares held in a trust for the staff member (Restricted Share Units or RSUs). For further details on the MEREP, refer to Note 29 *Employee equity participation* to the financial statements in the Financial Report. The DPS Plan comprises exposure to a notional portfolio of Macquarie-managed funds. Retained amounts are notionally invested over the retention period. This investment is described as 'notional' because Executive Directors do not directly hold securities in relation to this investment.

(8) For certain Executive Directors subject to European remuneration regulations, retained profit share is invested 60% in Macquarie equity and 40% in the DPS Plan.

For retained profit share awarded in respect of FY2023 and subsequent years, where the release relates to relevant circumstances other than death or serious disability, the release will occur over the period from 12 months to 24 months after the Executive Director leaves, in accordance with the table below.<sup>(9)</sup> Awards in respect of FY2022 and earlier will remain subject to their original conditions of release to a departing Executive Director, as previously disclosed.

As set out in the 2022 Remuneration Report, for profit share allocations made to Executive KMP, Designated Executive Directors and Executive Directors in risk and financial control functions in respect of FY2024 onwards, unvested retained profit share will no longer be released over a 24-month period and will instead be kept on its original vesting schedule (other than in cases of death or serious disability). This may result in final vesting being up to five years from the end of employment. There will be no change in the timeframe for application of the Post Employment Events set out below.

|  | First Period  | Second Period   |
|--|---|---|
| <b>Time post-departure</b>   | 12 months   | 12 months to 24 months  |
| <b>Unvested retained profit share released</b>                               | From all but the last 24 months of employment   | From the last 24 months of employment   |
| <b>Subject to malus</b>  | No Malus Event  | No Malus Event  |
| <b>Subject to Post Employment Events</b>                                     | No Post Employment Event during employment or during the period expiring 6 months following the end of employment, and<br>No Post Employment Event (a) during the period from 6 months to 12 months following the end of employment | No Post Employment Event during employment or during the period expiring 6 months following the end of employment, and<br>No Post Employment Event (a) during the period from 6 months to 12 months following the end of employment |
| <b>Where the release is by reason of retirement from the Macquarie Group</b> | As above and in addition, the release is subject to no Post Employment Event (b) during the First Period  | As above and in addition, the release is subject to no Post Employment Event (b) during the First or Second period  |

In addition to the above, for BEAR Accountable Persons, the exercise of discretion for any release of retained profit share following the end of employment will be subject to Macquarie Bank meeting the minimum deferral periods required under the BEAR.

Where an Executive Director has a tax liability on termination of employment in respect of any unvested retained profit share, the Board has discretion to release unvested retained profit share up to an amount equal to the Executive Director's tax liability at an earlier time than noted above.

(9) In the case of death or serious incapacitation, the Board will typically accelerate the vesting of retained profit share and immediately release it.



# Remuneration Report

Continued

## Performance Share Units

This section describes the way in which PSUs are determined, structured and delivered.

### Allocation and structure

Executive Committee members are the only group of staff eligible to receive PSUs, which are subject to the achievement of two financial performance hurdles. PSU allocations are determined with reference to Macquarie Group's and Macquarie Bank's performance as a whole, and as such they provide an additional incentive to Executive Committee members to drive company-wide performance over the long-term and beyond their Operating and Central Service Group responsibilities. PSU awards are a meaningful incentive but are generally not the major element of an Executive Committee member's total remuneration.

PSU allocations are based on their role as members of the Executive Committee and their contribution to driving the collective performance of Macquarie Bank and Macquarie Group (taking into consideration both financial and non-financial factors), including their collaboration across businesses.

PSUs are granted in August each year, after MGL's Annual General Meeting (AGM), in respect of the previous financial year. The number of PSUs to be allocated is calculated by dividing the face value of the award by the price of MGL ordinary shares on or around the date of grant.

Since their introduction, PSUs have been structured as DSUs with performance hurdles. Holders have no right to dividend equivalent payments. There is no exercise price for PSUs.

### Performance hurdles

The following table summarises the key terms of PSUs and the performance hurdles for allocations in respect of FY2023.

|                            | EPS CAGR hurdle   | ROE hurdle  |
|----------------------------|---|---|
| <b>Application</b>         | 50% of PSU award  | 50% of PSU award  |
| <b>Performance measure</b> | Compound annual growth rate (CAGR) in EPS over the vesting period (four years) <sup>(10)</sup>  | Relative average annual ROE over the vesting period (four years) compared to a reference group of international financial institutions <sup>(10)</sup><br><br>The reference group comprises Bank of America Corporation, Barclays PLC, Citigroup Inc., Deutsche Bank AG, Goldman Sachs Group Inc., JPMorgan Chase & Co., Lazard Ltd, Morgan Stanley and UBS AG. <sup>(11)</sup> |
| <b>Hurdle</b>              | Sliding scale applies: <ul style="list-style-type: none"><li>• 50% becoming exercisable at EPS CAGR of 7.5%</li><li>• 100% at EPS CAGR of 12%.</li></ul> For example, if EPS CAGR was 9.75%, 75% of the relevant awards would become exercisable  | Sliding scale applies: <ul style="list-style-type: none"><li>• 50% becoming exercisable above the 50th percentile</li><li>• 100% at the 75th percentile.</li></ul> For example, if ROE achievement was at the 60th percentile, 70% of the relevant awards would become exercisable  |
| <b>Forfeiture</b>          | <ul style="list-style-type: none"><li>• malus provisions apply</li><li>• the standard policy is that unvested PSUs will be forfeited upon termination</li><li>• in the case of retirement from the Macquarie Group, redundancy, death, serious incapacitation, disability, serious ill-health or other limited exceptional circumstances, the Board or the BRC has the authority to either accelerate the vesting of PSUs or to permit the PSUs to continue to vest in accordance with the original award schedule and remain subject to the same performance hurdles</li><li>• should a change of control occur the Board or the BRC has discretion to determine how unvested PSUs should be treated, having regard to factors such as the length of time elapsed in the performance period, the level of performance to date and the circumstances of the change in control.<sup>(12)</sup></li></ul> |   |

(10) PSUs awarded prior to FY2020 vested in two equal tranches after three and four years.

(11) For FY2023 PSU allocations, Credit Suisse Group has been removed from the international reference group for the ROE hurdle, following its government-supported acquisition by UBS AG, and has been replaced with Citigroup Inc. Comparator company information is presented in the same order throughout the Remuneration Report.

(12) Under the MEREP Plan Rules, a change in control occurs where a person acquires or ceases to hold a relevant interest in more than 30% of MGL ordinary shares or where the Board resolves that a person is in a position to remove one-half or more of the Non-Executive Directors.

## Changes from FY2024

The Boards have approved changes to PSU allocations made in respect of FY2024 onwards. As set out in the 2022 Remuneration Report, from FY2024, the vesting period for PSUs granted to the CEO and the MGL CEO will be extended by a year, to five years. This change reflects regulatory expectations and increases the alignment of the interests of the CEOs and shareholders over the long-term.

Prior to the vesting of PSUs, the Board will conduct a holistic assessment of the Executive Committee's collective contribution to driving the performance of Macquarie Bank over the full vesting period. The framework for the pre-vest assessment primarily consists of non-financial factors to ensure there is appropriate consideration of non-financial measures prior to vesting. Where the Board forms a negative overall assessment of the Executive Committee's collective contribution, it may consider whether an adjustment is appropriate, taking into account events subsequent to PSUs being allocated and any mitigating and aggravating factors.

## Rationale for hurdles

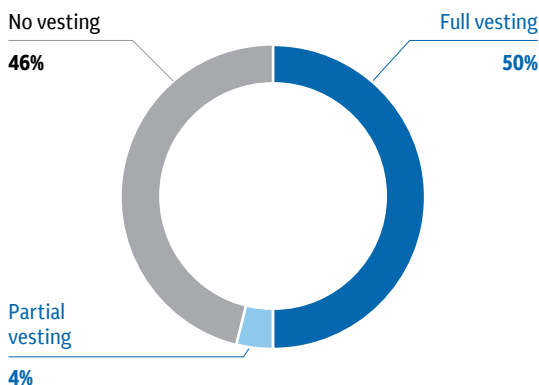
The PSU hurdles are periodically reviewed by the BRC to ensure they continue to align the interests of staff and shareholders and provide a challenging but meaningful incentive to Executive Committee members. The BRC's review includes consideration of the most relevant performance metrics to be used as hurdles as well as the levels at which the hurdles are achieved. The international reference group used for the ROE hurdle is also reviewed to determine whether our comparators remain suitable for Macquarie Group's diversified business interests and global footprint. The BRC also considers historical and forecast market data, the views of corporate governance bodies, shareholders and regulators, as well as market practice.

In the FY2023 annual review, both the relative ROE and absolute EPS hurdles were considered to still be appropriate for the following reasons:

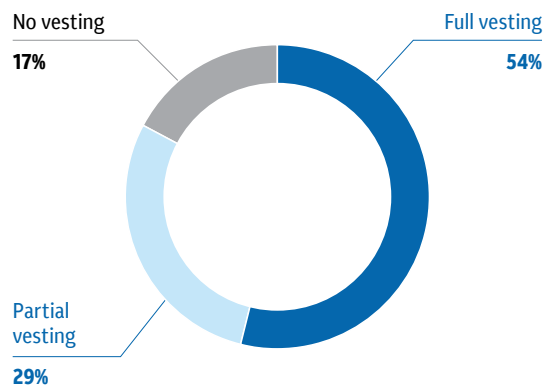
- ROE and EPS growth drive long-term shareholder value and are appropriate as the Executive Committee can affect outcomes on both measures. In contrast, Total Shareholder Return (TSR) is influenced by many external factors over which executives have limited control
- ROE and EPS can be substantiated using information that is disclosed in MGL's annual reports
- a sliding scale diversifies the risk of not achieving the hurdles and provides rewards proportionate to performance for shareholders and is preferable to an all-or-nothing test, which some have argued could promote excessive risk-taking
- the hurdles are designed to reward sustained strong performance and are relatively well-insulated from short-term fluctuations
- the EPS targets are confirmed as rigorous when market performance is considered, with the EPS threshold hurdle exceeding the performance of most of the ASX20, the global reference group and relevant indices over time
- for the EPS element to fully vest, MGL needs to achieve at least 12% CAGR over the vesting period. Supporting the rigour of the hurdle, cumulative EPS growth of 57% over four years is required to achieve full vesting
- the ROE vesting thresholds and sliding scale are in line with the domestic market and are particularly challenging when compared to international practice.

The charts below display MGL's historical EPS and ROE PSU outcomes, highlighting that since their introduction in 2009, 50% of the EPS tranches and 46% of the ROE tranches have resulted in either no vesting or partial vesting.

## Historical EPS tranche outcomes



## Historical ROE tranche outcomes



# Remuneration Report

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## Use of an international reference group

An international reference group recognises the extent of Macquarie Group's diversification and internationalisation. As at 31 March 2023, total international income represented approximately 71% of Macquarie Group's total income, with approximately 51% of Macquarie Group's staff located outside Australia.<sup>(13)</sup> The BRC considers an international reference group to be appropriate on the basis that:

- the international reference group is currently most representative of Macquarie Group's business operations and talent pool. These firms broadly operate in the same markets and in similar business segments, and compete for the same people as Macquarie Group
- Macquarie Group has no directly comparable Australian-listed peers.

The BRC considers it important to not intervene reactively to remove under-performers or over-performers in any given period. However, given the recent government-supported acquisition of Credit Suisse Group by UBS AG, Credit Suisse Group has been removed from the international reference group for awards in respect of FY2023 onwards. The BRC have approved Citigroup Inc. as a replacement, taking into account the markets in which it operates and the diversification of its business segments.

## Executive KMP – PSUs vesting during FY2023

The PSUs that completed their performance period on 30 June 2022 comprised the second tranche of those awards granted in 2018 and the first tranche of those granted in 2019. The performance hurdle tests were performed using data sourced from Bloomberg for all companies in the international reference group (as well as MGL) and the calculations were reviewed independently. The results showed that the performance hurdles:

- based on MGL's relative average annual ROE compared to the international reference group were fully met for both tranches; and
- based on the EPS CAGR in MGL's reported financial year were fully met for both tranches.

As a result, 100% of the awards became exercisable on 1 July 2022, as shown below.

| PSU tranche               | EPS CAGR Hurdle                    |                                      |                     | ROE Hurdle                         |  |                     |
|---------------------------|------------------------------------|--------------------------------------|---------------------|------------------------------------|--|---------------------|
|                           | MGL result<br>(for vesting period) | Hurdle                               | Outcome             | MGL result<br>(for vesting period) | Hurdle   | Outcome             |
| <b>2018<br/>Tranche 2</b> | 13.81%                             | 50% at 7.5% CAGR<br>100% at 12% CAGR | 100%<br>exercisable | 15.48%<br>(88th percentile)        | 50% above the<br>50th percentile <sup>(14)</sup><br>100% at the<br>75th percentile <sup>(14)</sup> | 100%<br>exercisable |
| <b>2019<br/>Tranche 1</b> | 12.93%                             | 50% at 7.5% CAGR<br>100% at 12% CAGR | 100%<br>exercisable | 15.04%<br>(88th percentile)        | 50% above the<br>50th percentile <sup>(15)</sup><br>100% at the<br>75th percentile <sup>(15)</sup> | 100%<br>exercisable |

(13) Headcount includes staff employed in certain operationally segregated subsidiaries (OSS).

(14) International reference group ROE at 50th percentile 12.86% and international reference group ROE at 75th percentile 14.47%.

(15) International reference group ROE at 50th percentile 13.25% and international reference group ROE at 75th percentile 14.84%.

## Culture, accountability and remuneration

This section describes how risk and conduct are considered throughout the remuneration approach.

### Risk culture

Our purpose of 'empowering people to innovate and invest for a better future' and *What We Stand For* principles of Opportunity, Accountability and Integrity remain pivotal to our culture. Our purpose and principles effectively guide our staff in balancing risk and reward and making decisions that realise opportunity for the benefit of our clients, shareholders, partners and the communities in which we operate. Staff are continually made aware that these principles must form the basis of all behaviours and actions. These behavioural expectations are outlined in the Board approved *Code of Conduct*, which is actively promoted by management and cascaded through the organisation through multiple mechanisms. We invest significant time and effort in communicating and reinforcing our culture through communications from senior management, policy reminders, training, and learning and development activities. The Board is able to assess Macquarie Bank's culture in a number of ways including through staff survey results, human capital reporting, strategy presentations, risk culture reports, consequence management reports as well as through personal observation of management, and staff behaviour and actions.

Prudent risk management is a fundamental part of everyone's role at Macquarie Bank. Staff understand they are rewarded not just for their contribution to financial results, but also for how those results are achieved. This includes an assessment of an individual's approach to managing risk, and adherence with the *What We Stand For* principles. Staff are aware of the consequences for non-compliance with the risk management framework and the *Code of Conduct*. Staff training and communications emphasise the link between risk, conduct, policy breaches and consequence management outcomes, including, where appropriate, adjustments to performance-based remuneration.

### Alignment of remuneration with risk outcomes

The Board considers that the effective alignment of remuneration with prudent risk-taking is fundamental to Macquarie Bank's remuneration approach. To ensure there is appropriate focus on MBL, MBL-specific risk considerations are embedded throughout the remuneration process including through the determination of individual profit share allocations, business group and company-wide profit share pools as well as through the way in which remuneration is structured and delivered.

The Board is aware of the increasing focus of regulators and shareholders on ensuring risk-related matters that come to light subsequent to remuneration being awarded are appropriately factored into remuneration decisions. Macquarie Bank's retention and vesting arrangements provide a mechanism for the Board to consider risk outcomes over a longer period. Furthermore, where an investigation has commenced into a risk or conduct-related matter that may result in forfeiture or, for senior employees, the application of malus, Macquarie Bank may further defer the payment, vesting and/or release of profit share to allow for the investigation to be completed.

# Remuneration Report

Continued

## Culture, accountability and remuneration continued

The following mechanisms exist to risk adjust remuneration outcomes.

| In-year profit share adjustments  | Applies to all staff                                |
|---|---|
| <ul style="list-style-type: none"> <li>determined as part of assessing an individual's performance each year</li> <li>the annual assessment includes consideration of compliance with the risk management framework and with the behavioural expectations outlined in the <i>Code of Conduct</i></li> <li>in addition, any outcomes from the consequence management process (such as a formal warning) or the independent reporting from the CRO, Head of Internal Audit, and Group General Counsel (GGC) are also considered.</li> </ul>   |   |
| Forfeiture  | Applies to all staff with retained profit share     |
| <ul style="list-style-type: none"> <li>where an individual's employment is terminated due to a compliance or conduct concern (or they resign), unvested remuneration is forfeited, as per our standard policy.</li> </ul>   |   |
| Malus Events  | Applies to senior employees (all staff from FY2024) |
| <p>The malus provisions, which apply across the whole Macquarie Group, provide the Boards with the ability to reduce or eliminate in full the retained profit share for senior employees, and for Executive Committee members, unvested PSUs, where it is determined:</p> <ul style="list-style-type: none"> <li>there was a significant error in or a significant misstatement of criteria on which the remuneration determination was based; or</li> <li>the employee has at any time: <ul style="list-style-type: none"> <li>engaged in misconduct leading to significant adverse outcomes</li> <li>acted dishonestly (including, but not limited to, misappropriating funds or deliberately concealing a transaction)</li> <li>significantly failed in or breached their compliance, accountability or fitness and propriety requirements or</li> <li>acted or failed to act in a way that contributed to, and/or by virtue of their role or seniority is accountable for: <ul style="list-style-type: none"> <li>a breach of a significant legal or significant regulatory requirement relevant to Macquarie Bank</li> <li>MGL or MBL making a material financial restatement</li> <li>MGL, MBL or any Group within Macquarie Group incurring significant reputational harm<sup>(16)</sup></li> <li>MGL, MBL or any Group within Macquarie Group incurring a significant unexpected financial loss, impairment charge, cost or provision</li> <li>a significant failure of financial or non-financial risk management or</li> <li>a significant adverse outcome for customers, beneficiaries or other stakeholders.</li> </ul> </li> </ul> </li> </ul> |   |

Additional provisions may apply to staff in certain jurisdictions to ensure compliance with local regulations. This includes staff in the UK and EU who are subject to additional malus and clawback provisions under local regulatory requirements.

The BRC considers whether, and the extent to which, to apply malus, taking into account local employment laws, the nature and circumstances of the event and any other redress that has been or may be applied.

As set out in the 2022 Remuneration Report, from FY2024 the malus framework will apply to all employees with retained profit share, and clawback will also apply to certain senior employees in line with CPS 511 requirements. These clawback provisions will allow Macquarie Bank to recover paid or vested remuneration for up to two years from the point of payment or vesting, in exceptional circumstances and where all other adjustment tools have been exhausted.

Clawback events will include where it is determined that:

- there was a significant error in or a significant misstatement of criteria on which the remuneration determination was based;
- the employee has at any time engaged in misconduct leading to significant adverse outcomes;
- the employee has at any time significantly failed in or breached their compliance, accountability or fitness and propriety requirements; or
- the employee has at any time acted or failed to act in a way that contributed to:
  - a significant failure of financial or non-financial risk management; or
  - a significant adverse outcome for customers, beneficiaries or other stakeholders.

(16) A "Group within Macquarie" is a reference to any Operating Group or Central Service Group within MGL or MBL.

## Risk adjustment processes

There are robust processes in place to ensure that all risk, reputation, and conduct-related matters are specifically considered when determining remuneration outcomes. These processes may result in a downward adjustment to group and/or individual profit share allocations where appropriate. A wide range of risks that could have a financial or non-financial impact on Macquarie Bank are considered, including any detriment to customers or impact on prudential standing.

To assist the Board and BRC when determining remuneration outcomes, independent control functions provide input as it applies to the BRC as follows.

### Independent control function input when determining remuneration outcomes

| Risk Management Group   | Internal Audit   | Legal   |
|---|--|---|
| The CRO provides the BRC with an independent report detailing significant risk matters (financial and non-financial) including those relating to incidents, issues, and regulatory and litigation matters.  | The Head of Internal Audit provides the BRC with an independent report detailing notable internal audit issues and any trends at company-wide or business group level. | The GGC provides a further source of independent input and, in conjunction with HR, considers whether there are any incidents (including any breach of the BEAR obligations) that should be reviewed which might lead to a malus determination. |
| Human Resources   |  |   |
| The Global Head of HR discusses the reports from RMG and Internal Audit with the Group Heads to ensure any matters listed in the reports are appropriately reflected in remuneration outcomes for relevant staff and provides a report to the joint committee meeting of the BRC, Board Risk Committee (BRC), Board Audit Committee (BAC) and Board Governance and Compliance Committee (BGCC) on how this has been achieved. |  |   |
| The Global Head of HR also annually reports to the BRC on the outcomes from the consequence management process and confirms that these matters have been considered in determining remuneration and promotion outcomes where appropriate.   |  |   |
| Consequence management process  |  |   |
| Incidents, breaches of policy and misconduct issues are regularly reported to senior management. There are a number of processes in place to ensure consistency (across business groups and staff levels) in the application of consequences and the determination of remuneration outcomes, including the review and challenge by senior management of consequence management outcomes for consistency at year end.          |  |   |
| Where an investigation has commenced into a risk or conduct-related matter, vesting, payment and/or release of profit share (including available and/or retained amounts) to an employee may be deferred to allow for the investigation to be completed.  |  |   |

## Consequence management outcomes

The Consequence Management Guideline applies wherever a breach of internal policy or regulatory requirement is identified, including where there has been a breach of BEAR accountability obligations. Consequences may include further training, removal of delegated authorities or permissions, adjustments to performance-based remuneration, impact on promotion, formal warnings or termination.

Where an employee has received a formal warning, their performance-based remuneration will likely be impacted and in some cases, reduced to zero. Promotion decisions may also be impacted. Impacts may also be applied where a formal warning has not been issued. In each case, judgement is exercised as to the appropriate consequence(s) based on all the relevant circumstances.

In FY2023, for Macquarie Bank, there were 101 (FY2022: 63) matters involving conduct or policy breaches that resulted in formal consequences.

These included 56 (FY2022: 29) *Code of Conduct* or appropriate workplace behaviour related matters and 45 (FY2022: 34) other policy matters including risk management and technology breaches. Of the 101:

- for 43 matters, termination of employment was the outcome (FY2022: 25)
- for 58 matters, a formal warning was issued (FY2022: 38). Additional consequences were applied as appropriate including additional training, adjustments to profit share and/or proposed fixed remuneration increases and/or impact to promotion (13 have resulted in individuals subsequently leaving Macquarie Bank before year-end outcomes were applied and 45 individuals had their profit share reduced by an average of 43%).

The 101 matters were considered isolated incidents and there was no evidence of broader systemic conduct issues.



# Remuneration Report

Continued

## Further details on the remuneration framework

This section describes other key features of the remuneration framework and of the employment contracts for Executive Committee members.

### Other features of the remuneration framework

|   |   |
|---|---|
| <b>Role-based allowances</b>            | <ul style="list-style-type: none"><li>Role-based allowances are a component of fixed remuneration that may be awarded to certain employees, including those identified as Material Risk Takers under European regulatory requirements. These allowances are determined based on the role and organisational responsibility of the individuals.</li></ul>  |
| <b>Minimum shareholding requirement</b> | <ul style="list-style-type: none"><li>Executive Directors are required to hold a relevant interest in MGL ordinary shares that have a value equal to 5% of an Executive Director's aggregate profit share allocations for each of the past five years (10 years for Executive Committee members), which can be satisfied by the requirements of the profit share retention policy</li><li>For Executive Committee members with a minimum of 10 years of service at the Executive Director level, compliance with this policy equates to a minimum shareholding requirement of between 100% to 1,170% of fixed remuneration based on share values unadjusted for market price changes.</li></ul> |
| <b>Promotion and New Hire Awards</b>    | <ul style="list-style-type: none"><li>Staff who are promoted to or hired at Associate Director, Division Director or Executive Director level receive an allocation of MEREP awards set with reference to an Australian dollar value. Currently these awards range from the equivalent of \$A25,000 to \$A175,000 depending on the Director level.</li></ul>  |
| <b>Hedging</b>                          | <ul style="list-style-type: none"><li>Macquarie Group prohibits staff from hedging shares held to meet the minimum shareholding requirement and unvested equity held in the MEREP.</li></ul>  |

### Employment contracts

The following table summarises key features of the employment contracts for Executive Committee members including the CEO.

|                                     |  |
|-------------------------------------|--|
| <b>Length of contract</b>           | Permanent open-ended.  |
| <b>Remuneration review period</b>   | 1 April to 31 March annually.  |
| <b>Profit share participation</b>   | Executive Committee members are eligible to be considered for a profit share allocation that ensures a large part of their remuneration is 'at risk'. Refer to pages 45 to 49 for details.         |
| <b>PSU participation</b>            | Executive Committee members are eligible to receive PSUs. Refer to pages 50 to 52 for details.   |
| <b>Termination of employment</b>    | Requires no more than three months' notice by Macquarie Bank or the Executive Committee member (Post employment restrictions apply).   |
| <b>Post employment restrictions</b> | Restrictions include non-solicitation provisions applicable for six months, and paid non-competition provisions applicable, at Macquarie Bank's election, for up to three months post-termination. |

## Macquarie Bank's performance

### Macquarie Bank's results

Net profit after tax (NPAT) has increased 44% compared to the prior year.

|  | 2019 <sup>(17)</sup> | 2020 <sup>(18)</sup> | 2021  | 2022  | 2023  |
|--|----------------------|----------------------|-------|-------|-------|
| NPAT attributable to the ordinary equity holder (\$Am) | 1,066                | 1,297                | 1,676 | 2,717 | 3,905 |

(17) NPAT attributable to the ordinary equity holder reported above relates to continuing operations only. Additional profit of \$A956 million in FY2019 is attributable to discontinued operations.

(18) NPAT attributable to the ordinary equity holder reported above relates to continuing operations only. Additional profit of \$A164 million in FY2020 is attributable to discontinued operations.

## Executive KMP remuneration outcomes for FY2023

This section details the process for determining Executive KMP remuneration outcomes for FY2023 and demonstrates the link between pay and performance.

### Process to determine Executive KMP profit share outcomes

There is a consistent and comprehensive process for the Board and the BRC to assess the performance of the CEO and each Executive KMP during the year to enable them to determine remuneration outcomes at the end of the year. The Board is always mindful of the external focus on overall remuneration levels and has spent considerable time determining remuneration outcomes. The BRC recognises the range of expectations and has made decisions that take into consideration the perspectives of all stakeholders. Significant judgement is applied to ensure that remuneration outcomes are aligned both with individual and company-wide performance and with outcomes delivered to stakeholders and the communities in which we operate.

As part of the Board's annual review of the CEO's performance, the CEO meets with the Board towards the end of the financial year to consider formal documentation that outlines his views of Macquarie Bank's and his own performance. The presentation includes a broad range of Macquarie Bank's activities covering the following main areas:

- financial/business performance
- risk management and compliance
- business leadership including customer and community outcomes
- people leadership and professional conduct consistent with the *Code of Conduct* and the principles of *What We Stand For*.

Over the course of the year the Board receives regular reports and updates on many of these areas. These are summarised in the CEO's presentation, together with additional information on matters of interest the Board has identified for further discussion as a part of the review process. The Board, in conjunction with the MGL CEO's input, considers the MBL CEO's performance and progress against all of these topics in determining his remuneration for the year.

The Board and the BRC review formal documentation for each Executive KMP, which includes consideration of the same factors as the CEO as set out above.

The BRC also considers risk-related matters raised in the independent reports from the CRO and the Head of Internal Audit (with input from the MBL risk and internal audit delegates respectively). To ensure all matters are appropriately brought to the BRC's attention and to achieve an integrated approach to remuneration that reflects prudent and appropriate risk management, there is a joint meeting of the BRC, BRiC, BAC and the BGCC.

Finally, the BRC considers remuneration levels for organisations that broadly operate in the same markets and compete for the same people as Macquarie Bank.

FY2023 remuneration outcomes reflect:

- this year's achievements against a range of financial and non-financial factors, some of which are discussed below
- the recognition that our people are our greatest asset, and the importance of retaining key people to encourage innovation and pursue growth opportunities
- an alignment to the outcomes delivered to MBL's stakeholders
- risk management, compliance and conduct outcomes.

### Executive KMP fixed remuneration outcomes

In line with our pay for performance approach to remuneration, fixed remuneration for our Executive KMP in FY2023 comprised approximately 5% of total awarded remuneration, with the balance at risk and explicitly linked to performance.

There were no fixed remuneration increases for Executive KMP for FY2023, other than to reflect the appointment of Mr Cassidy and Mr Green to the Executive Committee. As noted in the 2022 Remuneration Report, fixed remuneration levels have been increased from 1 April 2023, as follows:

| Role          | FY2023<br>(\$Am) | FY2024<br>(\$Am) |
|---------------|------------------|------------------|
| MBL CEO       | 0.7              | 1.3              |
| MGL CEO       | 0.8              | 1.5              |
| Executive KMP | 0.7-0.75         | 1.1              |

This is the first fixed remuneration increase for Executive KMP since 2010, other than adjustments made when they were first appointed to the Executive Committee. The increases to fixed remuneration for FY2024 were made following the Boards' holistic review of the remuneration framework last year that considered a range of perspectives including those of shareholders and regulators, as well as global peer group benchmarking and the ongoing global competition for talent. Fixed remuneration remains set at a comparatively low level, relative to the industry, and at a lower proportion of total remuneration, but sufficient to avoid inappropriate risk-taking.

# Remuneration Report

Continued

## **FY2023 Executive KMP profit share outcomes**

The Board's determination of remuneration outcomes for FY2023 for the CEO and Executive KMP reflect the following factors:

- record profits and strong financial performance
- the strength of the underlying franchises which has seen the successful navigation through COVID-19 and an uncertain external environment
- the strong leadership of the Executive Committee to effectively role model our purpose and principles and to embed a strong risk culture
- the delivery of strong outcomes for our communities addressing areas of unmet community need including progress on ESG measures critical to maintaining our social licence to operate
- investment in our operating platform and reinforcement of the importance of long-term solutions to support our growth
- an ongoing focus on Macquarie Group's DEI strategy including the launch of our inaugural Reconciliation Action Plan in Australia
- an ongoing focus to enhance financial and non-financial risk capabilities and frameworks to ensure they are fit for purpose and support changes in the internal and external environment, including emerging risks in areas such as climate, sustainability and technology
- significant progress and continued investment in our regulatory engagement, prudential compliance, regulatory reporting, and governance including progress against the remediation program with APRA to ensure there is appropriate focus on MBL.

## Remuneration governance

Effective governance is central to Macquarie Bank's remuneration strategy and approach. The key elements of the remuneration governance framework are described below.

| BOARD  |  |
|--|--|
| Board Remuneration Committee   | Board Risk Committee, Board Audit Committee and Board Governance and Compliance Committee                            |
| Oversees remuneration policies and practices, and makes recommendations to the Board | Discusses any relevant matters that may impact remuneration in a joint meeting with the Board Remuneration Committee |

### Strong Board oversight

The Board oversees Macquarie Bank's remuneration framework and its effective application. On 1 June 2022, the Board established a BRC. The MBL BRC works closely with the MGL BRC to assist the Board with its oversight of remuneration policies and practices applying to staff of Macquarie Bank.

The BRC currently comprises three independent Non-Executive Directors (NEDs) and a BOND, as set out in the Directors' Report.

The BRC members have the required experience and expertise in human resources, remuneration and risk to enable them to achieve effective governance of the remuneration framework. The BRC has established a regular meeting cycle and met five times during FY2023. Attendance at meetings by the BRC members is set out in the Directors' Report. Strict processes are in place to ensure conflicts of interest are appropriately managed.

### BRC responsibilities

The BRC pays close attention to the design and operation of remuneration practices for all Macquarie Bank staff, not just for the most senior executives. The responsibilities of the BRC are outlined in its Charter, which is reviewed and approved annually by the Board.

Some of the responsibilities include:

- overseeing the process for the annual review by the Board of the CEO's and other Executive KMPs' performance
- recommending to the Board the remuneration outcomes for all Executive KMP, Designated Executive Directors and other senior executives of Macquarie Bank
- assessing the effectiveness of the *Remuneration Policy* to ensure compliance with legal and regulatory requirements, as well as its alignment with Macquarie Bank's strategy to promote its sustainable performance in a manner that supports its long-term soundness
- recommending the *Remuneration Policy* to the Board for approval.

### Alignment to risk

The BRC liaises with the BRiC, BAC and BGCC to ensure there is effective co-ordination between the Committees to assist in producing an integrated approach to remuneration that reflects prudent and appropriate risk management.

As set out on page 55, the CRO and the Head of Internal Audit provide the BRC with independent reports detailing significant risk matters (financial and non-financial) including those relating

to incidents, issues, and regulatory and litigation matters. A joint meeting of the BRC, BRiC, BAC and BGCC is held to discuss these matters, with the CRO and the Head of Internal Audit in attendance. The GGC attends as required to provide a further source of independent input, including on matters that might lead to a malus determination.

### Engagement with external stakeholders

The Chair of the Board and the BRC Chair undertook a series of meetings with investors and proxy advisors during the year to communicate our remuneration approach and to hear any concerns raised by the investor community.

They also engaged with APRA during the year as part of the development of the MBL remuneration framework and Macquarie Group's implementation plan for the requirements of CPS 511.

### Independent remuneration review

The MGL and MBL BRCs (the BRCs) have retained Pay Governance as their independent remuneration consultant, for the use of the MGL and MBL Boards to obtain advice on the appropriateness of Macquarie Group's remuneration framework.

The only service that Pay Governance provides to Macquarie Group is executive compensation consulting to the BRCs. Pay Governance has not made any remuneration recommendations, as defined by the *Corporations Act 2001* (Cth) (the Act). The BRC is responsible for making decisions within the terms of its Charter. Pay Governance's terms of engagement set out their independence from members of Macquarie Group's management. This year, Pay Governance:

- provided information on global remuneration and regulatory trends
- considered alignment with MGL shareholder interests
- compared individual remuneration for Executive KMP where relevant comparator company information was available
- considered Macquarie Group's overall remuneration approach compared to comparator company organisations.

Pay Governance's findings included that:

- the objectives of Macquarie Group's remuneration framework are similar to those cited by other leading global investment banks
- Macquarie Group's remuneration components support its remuneration objectives and principles and are largely consistent with practices at other leading global investment banks, including that performance-based remuneration takes risk management into account.

# Remuneration Report

Continued

## Non-Executive Director remuneration

The Board seeks to appoint and appropriately remunerate high calibre NEDs. Reflecting the Board's role, the remuneration arrangements applicable to NEDs, as outlined in this section, differ significantly from the arrangements applicable to executives.

### Non-Executive Director remuneration

Non-Executive Director fees are set acknowledging the level required to appropriately remunerate highly qualified NEDs who have the relevant skills and experience to govern as a member of the Board.

The NED remuneration framework seeks to remunerate high calibre directors by:

- setting an overall fee that reflects the scale and complexity of the Bank Group (being MBL and its subsidiaries) including additional risk management and regulatory responsibilities and the global financial nature of the Bank Group's activities
- setting MBL Board and Board Committee fees to reflect the time commitment required to meet the responsibilities involved in the annual scheduled calendar, taking into account market rates for relevant organisations and market trends
- paying separate fees for additional responsibilities that may arise on an ad hoc basis
- delivering these fees in a form that is not contingent on the Bank Group's performance.

An internal review of NED fees was completed during the year and the Boards agreed the annual fees to be paid to BONDs. The Boards each determined, following this review, that MBL Board and Board Committee fees would remain unchanged.

The MBL and MGL CEOs are not remunerated separately for acting as Executive Voting Directors.

Unlike MBL's executives, NEDs are not granted equity, nor are they eligible to receive profit share payments. There are no termination payments to NEDs on their retirement from office other than payments relating to their accrued superannuation contributions comprising part of their remuneration, if any.

NEDs may elect to receive their remuneration, in part, in the form of superannuation contributions over and above the minimum level of contribution required under applicable legislation.

The Boards resolved during FY2023, that the NEDs of MGL who are also members of the MBL Board (Common NEDs) will receive their Board and Board Committee fees for services provided to MGL and MBL from MGL. The fees paid to Common NEDs in respect of their services to MBL are paid as an aggregate fee by MGL.

The annual Board and Board Committee fees paid to BONDs are received from MBL and set out in the table below.

| Annual Director Fees   | Chair<br>\$A | Member<br>\$A           |
|--|--------------|-------------------------|
| Board <sup>(19)</sup>  | –            | 245,000 <sup>(20)</sup> |
| Board Audit Committee (BAC) <sup>(19)</sup>                      | –            | 37,000                  |
| Board Conflicts Committee (BCC)                                  | 80,000       | 37,000                  |
| Board Governance and Compliance Committee (BGCC) <sup>(19)</sup> | –            | 37,000                  |
| Board Remuneration Committee (BRC) <sup>(19)</sup>               | –            | 37,000                  |
| Board Risk Committee (BRiC) <sup>(19)</sup>                      | –            | 37,000                  |

(19) As the Chairs of the Board, BAC, BGCC, BRC and BRiC are each Common NEDs, this amount is received from MGL as part of the relevant Director's aggregate fee.

(20) This is the aggregate annual fee paid to BONDs, including fees in respect of their attendance at MGL Board and Board Committee meetings.

## Appendix 1: Key Management Personnel (KMP) for FY2023

All the individuals listed below have been determined to be KMP for FY2023 for the purposes of the Act and as defined by AASB 124 *Related Party Disclosures*. KMP include Executive Voting Directors and Executives with authority and responsibility for planning, directing and controlling the activities of MBL and its controlled entities (together making Executive KMP) and NEDs. MBL's NEDs are required by the Act to be included as KMP for the purposes of disclosures in the Remuneration Report. However, the NEDs do not consider themselves part of management.

| Name                              | Position                                 | Term as KMP for FY2023   |
|-----------------------------------|--|--|
| <b>Executive Voting Directors</b> |  |  |
| S.D. Green                        | Macquarie Bank CEO                       | Full year  |
| S.R. Wikramanayake                | Macquarie Group CEO                      | Full year  |
| <b>Non-Executive Directors</b>    |  |  |
| J.R. Broadbent AC                 | Independent Director                     | Full year  |
| P.M. Coffey                       | Independent Director                     | Full year  |
| M.J. Coleman                      | Independent Director                     | Full year <sup>(21)</sup>  |
| M.A. Hinchliffe                   | Independent Director                     | Full year  |
| R.J. McGrath                      | Independent Director                     | Full year  |
| M. Roche                          | Independent Director                     | Full year  |
| I.M. Saines                       | Independent Director                     | Appointed to the Board on 1 June 2022 <sup>(22)</sup>            |
| G.R. Stevens AC                   | Independent Chair                        | Full year <sup>(23)</sup>  |
| N.M. Wakefield Evans AM           | Independent Director                     | Full year  |
| P.H. Warne                        | Former Independent Chair                 | Ceased to be a member of the Board on 9 May 2022 <sup>(24)</sup> |
| <b>Executives<sup>(25)</sup></b>  |  |  |
| G.N. Bruce                        | GGC, Head of LGG                         | Full year  |
| A. Cassidy                        | CRO, Head of RMG                         | Full year  |
| A.H. Harvey                       | CFO, Head of FMG                         | Full year  |
| N. O'Kane                         | Head of CGM                              | Full year  |
| N. Sorbara                        | COO, Head of COG                         | Full year  |
| G.C. Ward                         | Deputy Managing Director and Head of BFS | Full year  |

(21) Mr Coleman ceased to be a member of the MGL Board on 28 July 2022 and became a BOND on 29 July 2022.

(22) Mr Saines was appointed to the MBL BOND on 1 June 2022.

(23) Mr Stevens became Chair of the MGL and MBL Boards on 10 May 2022.

(24) Mr Warne retired from his roles as Chair and Independent Director of the MGL and MBL Boards on 9 May 2022.

(25) All Executives as well as the MBL and MGL CEOs were members of the Executive Committee as at 5 May 2023.



# Remuneration Report

Continued

## Appendix 2: Executive KMP remuneration disclosure (in accordance with Australian Accounting Standards)

|  |                                       |      | SHORT-TERM EMPLOYEE BENEFITS             |   |   |
|--|---------------------------------------|------|--|---|---|
| Name   | Position                              | Year | Salary (including superannuation)<br>\$A | Performance related remuneration<br>\$A | Total short-term employee benefits<br>\$A |
| Executive Voting Director  |                                       |      |  |   |   |
| S.R. Wikramanayake   | Macquarie Group CEO                   | 2023 | 398,748                                  | 3,108,078                               | 3,506,826                                 |
|  |                                       | 2022 | 412,311                                  | 2,485,000                               | 2,897,311                                 |
| Executives   |                                       |      |  |   |   |
| A.H. Harvey  | CFO, Head of FMG                      | 2023 | 345,425                                  | 1,432,296                               | 1,777,721                                 |
|  |                                       | 2022 | 435,179                                  | 1,708,100                               | 2,143,279                                 |
| N. O'Kane  | Head of CGM                           | 2023 | 638,779                                  | 15,070,161                              | 15,708,940                                |
|  |                                       | 2022 | 616,993                                  | 12,112,600                              | 12,729,593                                |
| N. Sorbara   | COO, Head of COG                      | 2023 | 569,807                                  | 2,362,685                               | 2,932,492                                 |
|  |                                       | 2022 | 545,611                                  | 2,128,600                               | 2,674,211                                 |
| G.C. Ward  | Deputy Managing Director, Head of BFS | 2023 | 771,741                                  | 4,000,000                               | 4,771,741                                 |
|  |                                       | 2022 | 771,594                                  | 3,600,000                               | 4,371,594                                 |
| Total Remuneration – Comparable Executive KMP <sup>(26)</sup>            |                                       | 2023 | 2,724,500                                | 25,973,220                              | 28,697,720                                |
|  |                                       | 2022 | 2,781,688                                | 22,034,300                              | 24,815,988                                |
| New and former Executive Voting Directors                                |                                       |      |  |   |   |
| S.D. Green <sup>(27)</sup>   | Macquarie Bank CEO                    | 2023 | 771,741                                  | 1,400,000                               | 2,171,741                                 |
|  |                                       | 2022 | 531,131                                  | 750,000                                 | 1,281,131                                 |
| M.J. Reemst  | Former Macquarie Bank CEO             | 2023 | -  | -                                       | -   |
|  |                                       | 2022 | 125,773                                  | -                                       | 125,773                                   |
| New and former Executives  |                                       |      |  |   |   |
| G.N. Bruce <sup>(28)</sup>   | GGC, Head of LGG                      | 2023 | 506,803                                  | 761,774                                 | 1,268,577                                 |
|  |                                       | 2022 | 94,182                                   | 147,188                                 | 241,370                                   |
| A. Cassidy <sup>(27)</sup>   | CRO, Head of RMG                      | 2023 | 407,949                                  | 951,497                                 | 1,359,446                                 |
|  |                                       | 2022 | 81,234                                   | 148,400                                 | 229,634                                   |
| P.C. Upfold <sup>(29)</sup>  | Former CRO, Head of RMG               | 2023 | -  | -                                       | -   |
|  |                                       | 2022 | 330,841                                  | 1,038,800                               | 1,369,641                                 |
| Total Remuneration – Executive KMP (including new and former Executives) |                                       | 2023 | 4,410,993                                | 29,086,491                              | 33,497,484                                |
|  |                                       | 2022 | 3,944,849                                | 24,118,688                              | 28,063,537                                |

(26) Comparable Executive KMP are KMP who are members of the Executive Committee for the full year in both FY2023 and FY2022.

(27) Mr Cassidy and Mr Green were appointed to the Executive Committee on 1 January 2022 and 1 July 2021, respectively.

(28) Ms Bruce was hired by Macquarie on 1 January 2022 and appointed to the Executive Committee on 2 March 2022. To secure Ms Bruce's appointment, the Board determined it was necessary and appropriate to provide competitive remuneration arrangements. This included awarding minimum profit share allocations of \$A654,750 and \$A2.619 million for the performance years ending 31 March 2022 and 2023, respectively (subject to Macquarie's standard remuneration arrangements) and a minimum PSU allocation of face value \$A2.0 million for FY2023 (subject to the performance hurdles and other conditions applicable to the PSU allocations awarded to other Executive Committee members).

(29) Mr Upfold ceased to be a member of the Executive Committee on 31 December 2021 and retired on 16 July 2022. As a result of his retirement, the outstanding amortisation related to his equity awards was accelerated resulting in further accounting amortisation of \$A2.6 million in FY2023.

| LONG-TERM EMPLOYEE BENEFITS       |   |   | SHARE BASED PAYMENTS |                  |   | Total<br>Remuneration<br>\$A | Percentage of<br>remuneration that<br>consists of PSUs<br>% |
|-----------------------------------|---|---|----------------------|------------------|---|------------------------------|---|
| Restricted<br>profit share<br>\$A | Earnings on prior<br>years' restricted<br>profit share<br>\$A | Total long-term<br>employee benefits<br>\$A | Equity awards<br>\$A | PSUs<br>\$A      | Total<br>share-based<br>payments<br>\$A |                              |   |
| <b>1,243,231</b>                  | <b>1,283,115</b>  | <b>2,526,346</b>                            | <b>7,285,022</b>     | <b>1,447,237</b> | <b>8,732,259</b>                        | <b>14,765,431</b>            | <b>10%</b>  |
| 994,000                           | 696,423   | 1,690,423                                   | 5,792,292            | 1,412,338        | 7,204,630                               | 11,792,364                   | 12%   |
| <b>214,844</b>                    | <b>153,571</b>  | <b>368,415</b>                              | <b>1,721,442</b>     | <b>837,354</b>   | <b>2,558,796</b>                        | <b>4,704,932</b>             | <b>18%</b>  |
| 256,215                           | 80,245  | 336,460                                     | 2,118,680            | 997,433          | 3,116,113                               | 5,595,852                    | 18%   |
| <b>3,516,371</b>                  | <b>1,077,434</b>  | <b>4,593,805</b>                            | <b>15,535,259</b>    | <b>1,862,649</b> | <b>17,397,908</b>                       | <b>37,700,653</b>            | <b>5%</b>   |
| 1,816,890                         | 360,079   | 2,176,969                                   | 10,967,366           | 1,754,844        | 12,722,210                              | 27,628,772                   | 6%  |
| <b>354,403</b>                    | <b>254,161</b>  | <b>608,564</b>                              | <b>2,847,256</b>     | <b>1,381,282</b> | <b>4,228,538</b>                        | <b>7,769,594</b>             | <b>18%</b>  |
| 319,290                           | 100,141   | 419,431                                     | 2,642,305            | 1,257,621        | 3,899,926                               | 6,993,568                    | 18%   |
| <b>1,200,000</b>                  | <b>946,218</b>  | <b>2,146,218</b>                            | <b>4,606,203</b>     | <b>2,109,455</b> | <b>6,715,658</b>                        | <b>13,633,617</b>            | <b>15%</b>  |
| 1,080,000                         | 381,019   | 1,461,019                                   | 4,408,060            | 2,084,601        | 6,492,661                               | 12,325,274                   | 17%   |
| <b>6,528,849</b>                  | <b>3,714,499</b>  | <b>10,243,348</b>                           | <b>31,995,182</b>    | <b>7,637,977</b> | <b>39,633,159</b>                       | <b>78,574,227</b>            |   |
| 4,466,395                         | 1,617,907   | 6,084,302                                   | 25,928,703           | 7,506,837        | 33,435,540                              | 64,335,830                   |   |
| <b>210,000</b>                    | <b>71,782</b>   | <b>281,782</b>                              | <b>981,118</b>       | <b>936,669</b>   | <b>1,917,787</b>                        | <b>4,371,310</b>             | <b>21%</b>  |
| 112,500                           | 19,704  | 132,204                                     | 581,267              | 345,580          | 926,847                                 | 2,340,182                    | 15%   |
| -                                 | -   | -   | -                    | -                | -                                       | -                            | -%  |
| -                                 | 27,423  | 27,423                                      | 4,118,505            | 1,259,090        | 5,377,595                               | 5,530,791                    | 23%   |
| <b>114,266</b>                    | <b>3,370</b>  | <b>117,636</b>                              | <b>267,874</b>       | <b>484,071</b>   | <b>751,945</b>                          | <b>2,138,158</b>             | <b>23%</b>  |
| 22,078                            | -   | 22,078                                      | 14,517               | 37,239           | 51,756                                  | 315,204                      | 12%   |
| <b>142,725</b>                    | <b>22,524</b>   | <b>165,249</b>                              | <b>460,203</b>       | <b>495,132</b>   | <b>955,335</b>                          | <b>2,480,030</b>             | <b>20%</b>  |
| 22,260                            | 1,682   | 23,942                                      | 74,176               | 60,161           | 134,337                                 | 387,913                      | 16%   |
| -                                 | -   | -   | -                    | -                | -                                       | -                            | -%  |
| 155,820                           | 57,111  | 212,931                                     | 2,471,116            | 760,774          | 3,231,890                               | 4,814,462                    | 16%   |
| <b>6,995,840</b>                  | <b>3,812,175</b>  | <b>10,808,015</b>                           | <b>33,704,377</b>    | <b>9,553,849</b> | <b>43,258,226</b>                       | <b>87,563,725</b>            |   |
| 4,779,053                         | 1,723,827   | 6,502,880                                   | 33,188,284           | 9,969,681        | 43,157,965                              | 77,724,382                   |   |

# Remuneration Report

Continued

## Additional information regarding the statutory remuneration disclosures set out in this Appendix

The remuneration disclosures set out in this Appendix have been prepared in accordance with Australian Accounting Standards.

Under the requirements of AASB 124 *Related Party Disclosures*, the remuneration disclosures for the years ended 31 March 2023 and 31 March 2022 only include remuneration relating to the portion of the relevant periods that each person was an Executive KMP.

The following information provides more detail regarding some of the column headings in this Appendix:

1. *Short-term employee benefits:*
  - (a) *Salary:* includes salary, superannuation, any accrual for long service leave and other benefits
  - (b) *Performance-related remuneration:* this represents the cash portion of each person's profit share allocation for the reporting period as an Executive KMP.
2. *Long-term employee benefits:*
  - (a) *Restricted profit share:* this represents the amount of retained profit share awarded for the current period that is deferred to future periods and held as a notional investment in Macquarie-managed fund equity (DPS Plan)
  - (b) *Earnings on prior years' restricted profit share:* Profit share amounts retained under the DPS Plan are notionally invested in Macquarie-managed funds, providing Executive Directors with an economic exposure to the underlying investments. Executive Directors are each entitled to amounts equivalent to the investment earnings (dividends/distributions and security price appreciation) on the underlying securities. The notional returns are calculated based on Total Shareholder Return. Where these amounts are positive, they may be paid to Executive Directors and are included in these remuneration disclosures as part of 'Earnings on prior years' restricted profit share'. If there is a notional loss, this loss will be offset against any future notional income until the loss is completely offset and is reported as a negative amount in the same column. These earnings reflect the investment performance of the assets in which prior years' retained amounts have been notionally invested. Their inclusion in the individual remuneration disclosures on the previous pages may, therefore, cause distortions when year-on-year remuneration trends are examined. They do not reflect remuneration review decisions made about the individual's current year performance.
3. *Share-based payments:*
  - (a) *Equity awards including shares:* This represents the current year expense for retained profit share that is invested in MGL ordinary shares under the MEREP as described on page 48. This is recognised as an expense over the respective vesting periods, or service period if shorter, as described on page 47 and includes amounts relating to prior years equity awards that have been previously disclosed. Equity awards in respect of FY2023 performance will be granted during FY2024; however, MGL begins recognising an expense for these awards (based on an initial estimate) from 1 April 2022. The expense is estimated using the price of MGL ordinary shares as at 31 March 2023 and the number of equity awards expected to vest. In the following financial year, MGL will adjust the accumulated expense recognised for the final determination of the accounting fair value for each equity award when granted and will use this validation for recognising the expense over the remaining vesting period.
  - (b) *PSUs:* This represents the current year expense for PSUs that is recognised over the vesting period as described on page 50. This includes amounts relating to prior years' PSU awards. PSU awards in respect of FY2023 will be granted during FY2024; however, MGL begins recognising an expense for these awards (based on an initial estimate) from 1 April 2022. The expense is estimated using the price of MGL ordinary shares as at 31 March 2023 and the number of PSUs expected to vest. The estimate also incorporates an interest rate to maturity of 4.24% per annum, expected vesting date of 1 July 2027, and a dividend yield of 3.28% per annum. In the following financial year, MGL will adjust the accumulated expense recognised for the final determination of the accounting fair value for each PSU when granted and will use this validation for recognising the expense over the remaining vesting period. Performance hurdles attached to the PSUs allow for PSUs to become exercisable upon vesting only when the relevant performance hurdles are met. The current year expense is reduced for previously recognised remuneration expense where performance hurdles have not been met, have been partially met or are not expected to be met.

## Appendix 3: Non-Executive Director remuneration

The remuneration arrangements for all the persons listed below as NEDs are described on page 60 of the Remuneration Report. Common NEDs receive their entire Board and Board Committee fees from MGL. Further information on the total aggregate fee paid to Common NEDs by MGL can be found on page 137 of the Remuneration Report in the MGL Annual Report.

|  | Year        | Fees<br>\$A      | Other benefits <sup>(30)</sup><br>\$A | Total Compensation<br>\$A |
|--|-------------|------------------|---------------------------------------|---------------------------|
| <b>Common Non-Executive Directors<sup>(31)</sup></b> |             |                  |                                       |                           |
| J.R. Broadbent AC <sup>(32)</sup>                    | <b>2023</b> | <b>189,000</b>   | -                                     | <b>189,000</b>            |
|  | 2022        | 153,875          | -                                     | 153,875                   |
| G.M. Cairns <sup>(33)</sup>                          | <b>2023</b> | -                | -                                     | -                         |
|  | 2022        | 15,067           | -                                     | 15,067                    |
| P.M. Coffey <sup>(34)</sup>                          | <b>2023</b> | <b>207,500</b>   | -                                     | <b>207,500</b>            |
|  | 2022        | 173,917          | -                                     | 173,917                   |
| D.J. Grady AO <sup>(35)</sup>                        | <b>2023</b> | -                | -                                     | -                         |
|  | 2022        | 139,018          | -                                     | 139,018                   |
| M.A. Hinchliffe <sup>(36)</sup>                      | <b>2023</b> | <b>194,489</b>   | -                                     | <b>194,489</b>            |
|  | 2022        | 14,542           | -                                     | 14,542                    |
| R.J. McGrath <sup>(37)</sup>                         | <b>2023</b> | <b>198,333</b>   | -                                     | <b>198,333</b>            |
|  | 2022        | 153,875          | -                                     | 153,875                   |
| M. Roche <sup>(38)</sup>                             | <b>2023</b> | <b>198,333</b>   | -                                     | <b>198,333</b>            |
|  | 2022        | 153,875          | -                                     | 153,875                   |
| G.R. Stevens AC <sup>(39)</sup>                      | <b>2023</b> | <b>436,452</b>   | -                                     | <b>436,452</b>            |
|  | 2022        | 191,458          | -                                     | 191,458                   |
| N.M. Wakefield Evans AM                              | <b>2023</b> | <b>222,917</b>   | -                                     | <b>222,917</b>            |
|  | 2022        | 172,125          | -                                     | 172,125                   |
| P.H. Warne <sup>(40)</sup>                           | <b>2023</b> | <b>50,269</b>    | -                                     | <b>50,269</b>             |
|  | 2022        | 461,875          | -                                     | 461,875                   |
| <b>Bank-only Non-Executive Directors</b>             |             |                  |                                       |                           |
| M.J. Coleman <sup>(41)</sup>                         | <b>2023</b> | <b>315,134</b>   | -                                     | <b>315,134</b>            |
|  | 2022        | 193,250          | 9,000                                 | 202,250                   |
| I.M. Saines <sup>(42)</sup>                          | <b>2023</b> | <b>316,228</b>   | -                                     | <b>316,228</b>            |
|  | 2022        | -                | -                                     | -                         |
| <b>Total Remuneration – Non-Executive KMP</b>        | <b>2023</b> | <b>2,328,655</b> | -                                     | <b>2,328,655</b>          |
|  | 2022        | 1,822,877        | 9,000                                 | 1,831,877                 |

(30) Other benefits for NEDs include due diligence fees.

(31) From FY2023 Common NEDs receive their entire Board and Board Committee fees from MGL. For further information on the total aggregate fees paid to each of the Common NEDs, please refer to page 137 of the Remuneration Report in the MGL Annual Report.

(32) Ms Broadbent ceased to be a member of the MBL and MGL BRICs on 1 June 2022.

(33) Mr Cairns ceased to be a member of the MBL and MGL Boards on 7 May 2021.

(34) Mr Coffey ceased to be a member of the MBL and MGL BACs and became a member of the MBL and MGL BGCCs on 1 June 2022.

(35) Ms Grady ceased to be a member of the MBL and MGL Boards on 24 February 2022.

(36) Ms Hinchliffe was appointed to the MBL and MGL Boards as an Independent Voting Director and a member of the MBL and MGL BACs and the MBL and MGL BRICs on 1 March 2022. Ms Hinchliffe ceased to be a member of the MBL and MGL BRICs on 1 June 2022. She became a member of the MBL and MGL BGCCs and Chair of the MBL and MGL BACs on 28 July 2022.

(37) Ms McGrath became a member of the MBL and MGL BRCs on 1 June 2022.

(38) Mr Roche became a member of the MBL and MGL BACs on 1 June 2022.

(39) Mr Stevens became Chair of the MBL and MGL Boards on 10 May 2022.

(40) Mr Warne retired from his roles as Chair and Independent Voting Director of the MBL and MGL Boards on 9 May 2022.

(41) Mr Coleman ceased to be a member of the MGL Board, the MBL and MGL BACs and the MGL BRIC, BGCC and BNC on 28 July 2022. He became a member of the MBL BCC on 28 July 2022; and was re-appointed to the MBL BAC on 2 March 2023. Mr Coleman's fees for FY2023 are in respect of his period as a Common NED up to 28 July 2022 and as a BOND from 29 July 2022.

(42) Mr Saines was appointed to the MBL Board as an Independent Voting Director and became a member of the MBL BRIC and BRC on 1 June 2022. He became a member of the MBL BCC on 28 July 2022 and was appointed Chair of that Committee on 29 August 2022.

# Remuneration Report

Continued

## Appendix 4: Loan disclosures

### Loans to Key Management Personnel and their related parties

Details of loans provided by Macquarie Bank to KMP and their related parties are disclosed in the following table.

| Name and Position  | Balance as at<br>1 April 2022 <sup>(43)</sup><br>\$A'000 | Interest<br>charged<br>\$A'000 | Write downs<br>\$A'000 | Balance as at<br>31 March 2023 <sup>(44)</sup><br>\$A'000 | Highest balance<br>during the year<br>\$A'000 |
|--|--|--------------------------------|------------------------|---|---|
| <b>Non-Executive Directors</b>                           |  |                                |                        |   |   |
| N.M. Wakefield Evans AM (related party)                  | 4,638  | 89                             | -                      | 4,489   | 4,638   |
| P.H. Warne (related party)                               | 441  | 1                              | -                      | 440   | 441   |
| <b>Executives</b>  |  |                                |                        |   |   |
| A. Cassidy   | 3,671  | 141                            | -                      | 3,568   | 3,671   |
| A.H. Harvey  | 8,000  | 106                            | -                      | 8,000   | 8,000   |
| Aggregate of KMP and related party loans <sup>(45)</sup> | 16,752   | 343                            | -                      | 16,551  | 16,813  |

This Remuneration Report has been prepared in accordance with the Act. The Remuneration Report contains disclosures as required by AASB 124 *Related Party Disclosures* as permitted by Corporations Regulation 2M.3.03 *Prescribed details*.

Throughout this Remuneration Report financial information for Macquarie Group and Macquarie Bank relating to the years ended 31 March 2019 through to 31 March 2023 has been presented in accordance with Australian Accounting Standards. Compliance with Australian Accounting Standards ensures compliance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(43) Or date of appointment if later.

(44) Or date of ceasing to be a KMP if earlier.

(45) The aggregate of KMP and related party loans includes all loans to KMP (including their related parties) and the table above details KMP (including their related parties) with loans above \$A100,000 during FY2023. All loans provided by Macquarie Bank to KMP are made in the ordinary course of business on an arm's length basis and are entered into under normal terms and conditions consistent with other customers and employees. There have been no write-downs or allowances for doubtful debts.

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# 03



# Financial Report

## Supporting our customers

Macquarie Bank is helping customers navigate the fast-changing landscape on electric vehicle ownership.

# Contents

## Financial statements

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The Financial Report was authorised for issue by the Board of Directors on 5 May 2023.

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

# Income statements

For the financial year ended 31 March 2023

|  | Notes | CONSOLIDATED   |                | COMPANY        |                |
|--|-------|----------------|----------------|----------------|----------------|
|  |       | 2023<br>\$m    | 2022<br>\$m    | 2023<br>\$m    | 2022<br>\$m    |
| Interest and similar income:   |       |                |                |                |                |
| Effective interest rate method   | 2     | 7,542          | 3,369          | 7,555          | 3,062          |
| Other  | 2     | 697            | 105            | 661            | 79             |
| Interest and similar expense   | 2     | (5,599)        | (1,021)        | (5,819)        | (1,122)        |
| <b>Net interest income</b>   |       | <b>2,640</b>   | <b>2,453</b>   | <b>2,397</b>   | <b>2,019</b>   |
| Net trading income   | 2     | 7,308          | 4,214          | 3,507          | 2,068          |
| Fee and commission income  | 2     | 2,396          | 1,954          | 970            | 724            |
| Net credit impairment charges  | 2     | (116)          | (16)           | (122)          | (223)          |
| Net other impairment reversals/(charges)   | 2     | 2              | (11)           | (41)           | 11             |
| Net other operating income   | 2     | 561            | 960            | 2,324          | 4,819          |
| <b>Net operating income</b>  |       | <b>12,791</b>  | <b>9,554</b>   | <b>9,035</b>   | <b>9,418</b>   |
| Employment expenses  | 2     | (4,758)        | (3,696)        | (1,408)        | (1,205)        |
| Brokerage, commission and fee expenses   | 2     | (520)          | (505)          | (431)          | (433)          |
| Non-salary technology expenses   | 2     | (890)          | (716)          | (173)          | (152)          |
| Other operating expenses   | 2     | (1,212)        | (970)          | (2,685)        | (2,038)        |
| <b>Total operating expenses</b>  |       | <b>(7,380)</b> | <b>(5,887)</b> | <b>(4,697)</b> | <b>(3,828)</b> |
| <b>Operating profit before income tax</b>  |       | <b>5,411</b>   | <b>3,667</b>   | <b>4,338</b>   | <b>5,590</b>   |
| Income tax expense   | 4     | (1,506)        | (950)          | (581)          | (487)          |
| <b>Profit after income tax</b>   |       | <b>3,905</b>   | <b>2,717</b>   | <b>3,757</b>   | <b>5,103</b>   |
| <b>Profit attributable to the ordinary equity holder of Macquarie Bank Limited</b> |       | <b>3,905</b>   | <b>2,717</b>   | <b>3,757</b>   | <b>5,103</b>   |

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

# Statements of comprehensive income

For the financial year ended 31 March 2023

|   | Notes | CONSOLIDATED |             | COMPANY      |             |
|---|-------|--------------|-------------|--------------|-------------|
|   |       | 2023<br>\$m  | 2022<br>\$m | 2023<br>\$m  | 2022<br>\$m |
| <b>Profit after income tax</b>  |       | <b>3,905</b> | 2,717       | <b>3,757</b> | 5,103       |
| Other comprehensive income/(loss): <sup>(1)</sup>   |       |              |             |              |             |
| Movements in items that may be subsequently reclassified to the income statement:                                   |       |              |             |              |             |
| Fair value through other comprehensive income (FVOCI) reserve:  |       |              |             |              |             |
| Revaluation movement  | 25    | (6)          | (28)        | (43)         | (16)        |
| Changes in expected credit losses (ECL) allowance   | 25    | 2            | (3)         | (3)          | 1           |
| Cash flow hedges and cost of hedging reserve:   |       |              |             |              |             |
| Revaluation movement  |       | 32           | 69          | 62           | 69          |
| Transferred to income statement on realisation  |       | 33           | 44          | 16           | (27)        |
| Foreign exchange movement on translation and hedge accounting of foreign operations                                 |       | 562          | 41          | 551          | (181)       |
| Other reserves  | 25    | 2            | 3           | -            | -           |
| 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) |       | 1            | 12          | 2            | 12          |
| Others  |       | 3            | -           | 2            | -           |
| <b>Total other comprehensive income/(loss)</b>  |       | <b>629</b>   | 138         | <b>587</b>   | (142)       |
| <b>Total comprehensive income attributable to the ordinary equity holder of Macquarie Bank Limited</b>              |       | <b>4,534</b> | 2,855       | <b>4,344</b> | 4,961       |

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

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

# Statements of financial position

As at 31 March 2023

|  | Notes | CONSOLIDATED   |             | COMPANY        |             |
|--|-------|----------------|-------------|----------------|-------------|
|  |       | 2023<br>\$m    | 2022<br>\$m | 2023<br>\$m    | 2022<br>\$m |
| <b>Assets</b>  |       |                |             |                |             |
| Cash and bank balances   |       | 41,612         | 48,972      | 36,176         | 43,594      |
| Cash collateralised lending and reverse repurchase agreements  |       | 43,201         | 42,548      | 42,844         | 38,205      |
| Trading assets   | 6     | 15,792         | 11,719      | 14,457         | 10,131      |
| Margin money and settlement assets   | 7     | 19,375         | 19,410      | 14,518         | 13,815      |
| Derivative assets  | 8     | 35,820         | 84,616      | 27,175         | 74,444      |
| Financial investments  | 9     | 16,899         | 6,511       | 14,719         | 6,477       |
| Held for sale and other assets   | 10    | 6,278          | 4,990       | 4,152          | 2,941       |
| Loan assets  | 11    | 141,760        | 123,004     | 140,085        | 121,179     |
| Due from subsidiaries  | 27    | -              | -           | 18,314         | 23,956      |
| Due from related body corporate entities   | 27    | 4,421          | 3,425       | 3,887          | 2,954       |
| Property, plant and equipment and right-of-use assets  | 13    | 4,577          | 3,536       | 3,428          | 2,801       |
| Investments in subsidiaries  | 14    | -              | -           | 4,774          | 6,287       |
| Deferred tax assets  | 15    | 1,088          | 897         | 672            | 402         |
| <b>Total assets</b>  |       | <b>330,823</b> | 349,628     | <b>325,201</b> | 347,186     |
| <b>Liabilities</b>   |       |                |             |                |             |
| Cash collateralised borrowing and repurchase agreements  |       | 18,737         | 16,947      | 17,928         | 16,947      |
| Trading liabilities  | 16    | 4,754          | 5,206       | 4,757          | 5,210       |
| Margin money and settlement liabilities  | 17    | 21,913         | 21,577      | 17,364         | 15,593      |
| Derivative liabilities   | 18    | 32,522         | 84,191      | 27,421         | 71,521      |
| Deposits   | 19    | 134,648        | 101,614     | 133,661        | 101,417     |
| Other liabilities  | 20    | 7,627          | 5,744       | 3,963          | 3,022       |
| Borrowings   |       | 8,103          | 5,713       | 2,429          | 2,787       |
| Due to subsidiaries  | 27    | -              | -           | 28,716         | 36,572      |
| Due to related body corporate entities   | 27    | 14,642         | 11,637      | 12,374         | 10,203      |
| Issued debt securities   | 21    | 57,979         | 72,107      | 46,581         | 58,722      |
| Deferred tax liabilities   | 15    | 23             | 28          | 25             | 29          |
| <b>Total liabilities excluding loan capital</b>  |       | <b>300,948</b> | 324,764     | <b>295,219</b> | 322,023     |
| Loan capital   | 23    | 9,523          | 6,896       | 9,523          | 6,896       |
| <b>Total liabilities</b>   |       | <b>310,471</b> | 331,660     | <b>304,742</b> | 328,919     |
| <b>Net assets</b>  |       | <b>20,352</b>  | 17,968      | <b>20,459</b>  | 18,267      |
| <b>Equity</b>  |       |                |             |                |             |
| Contributed equity   | 24    | 10,161         | 9,562       | 10,013         | 9,416       |
| Reserves   | 25    | 1,057          | 432         | 419            | (164)       |
| Retained earnings  | 25    | 9,134          | 7,974       | 10,027         | 9,015       |
| <b>Total capital and reserves attributable to the ordinary equity holder of Macquarie Bank Limited</b> |       | <b>20,352</b>  | 17,968      | <b>20,459</b>  | 18,267      |
| <b>Total equity</b>  |       | <b>20,352</b>  | 17,968      | <b>20,459</b>  | 18,267      |

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



# Statements of changes in equity

For the financial year ended 31 March 2023

|  | Notes | Contributed equity<br>\$m | Reserves<br>\$m | Retained earnings<br>\$m | Total equity<br>\$m |
|--|-------|---------------------------|-----------------|--------------------------|---------------------|
| <b>CONSOLIDATED</b>                                  |       |                           |                 |                          |                     |
| Balance as at 1 Apr 2021                             |       | 8,523                     | 306             | 5,245                    | 14,074              |
| Profit after income tax                              |       | -                         | -               | 2,717                    | 2,717               |
| Other comprehensive income, net of tax               |       | -                         | 126             | 12                       | 138                 |
| <b>Total comprehensive income</b>                    |       | -                         | 126             | 2,729                    | 2,855               |
| Contribution of ordinary equity by the equity holder | 24    | 1,000                     | -               | -                        | 1,000               |
| Other equity movements                               | 24    | 39                        | -               | -                        | 39                  |
|  |       | 1,039                     | -               | -                        | 1,039               |
| <b>Balance as at 31 Mar 2022</b>                     |       | 9,562                     | 432             | 7,974                    | 17,968              |
| Profit after income tax                              |       | -                         | -               | 3,905                    | 3,905               |
| Other comprehensive income, net of tax               |       | -                         | 625             | 4                        | 629                 |
| <b>Total comprehensive income</b>                    |       | -                         | 625             | 3,909                    | 4,534               |
| Dividends paid                                       | 5     | -                         | -               | (2,749)                  | (2,749)             |
| Contribution of ordinary equity by the equity holder | 24    | 600                       | -               | -                        | 600                 |
| Other equity movements                               | 24    | (1)                       | -               | -                        | (1)                 |
|  |       | 599                       | -               | (2,749)                  | (2,150)             |
| <b>Balance as at 31 Mar 2023</b>                     |       | 10,161                    | 1,057           | 9,134                    | 20,352              |
| <b>COMPANY</b>                                       |       |                           |                 |                          |                     |
| Balance as at 1 Apr 2021                             |       | 8,400                     | (10)            | 3,924                    | 12,314              |
| Profit after income tax                              |       | -                         | -               | 5,103                    | 5,103               |
| Other comprehensive (loss)/income, net of tax        |       | -                         | (154)           | 12                       | (142)               |
| <b>Total comprehensive (loss)/income</b>             |       | -                         | (154)           | 5,115                    | 4,961               |
| Contribution of ordinary equity by the equity holder | 24    | 1,000                     | -               | -                        | 1,000               |
| Change attributable to group restructure             | 25    | -                         | -               | (24)                     | (24)                |
| Other equity movements                               | 24    | 16                        | -               | -                        | 16                  |
|  |       | 1,016                     | -               | (24)                     | 992                 |
| <b>Balance as at 31 Mar 2022</b>                     |       | 9,416                     | (164)           | 9,015                    | 18,267              |
| Profit after income tax                              |       | -                         | -               | 3,757                    | 3,757               |
| Other comprehensive income, net of tax               |       | -                         | 583             | 4                        | 587                 |
| <b>Total comprehensive income</b>                    |       | -                         | 583             | 3,761                    | 4,344               |
| Dividends paid                                       | 5     | -                         | -               | (2,749)                  | (2,749)             |
| Contribution of ordinary equity by the equity holder | 24    | 600                       | -               | -                        | 600                 |
| Other equity movements                               | 24    | (3)                       | -               | -                        | (3)                 |
|  |       | 597                       | -               | (2,749)                  | (2,152)             |
| <b>Balance as at 31 Mar 2023</b>                     |       | 10,013                    | 419             | 10,027                   | 20,459              |

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

# Statements of cash flows

For the financial year ended 31 March 2023

|   | Notes | CONSOLIDATED    |             | COMPANY         |             |
|---|-------|-----------------|-------------|-----------------|-------------|
|   |       | 2023<br>\$m     | 2022<br>\$m | 2023<br>\$m     | 2022<br>\$m |
| <b>Cash flows (utilised in)/generated from operating activities</b>                                     |       |                 |             |                 |             |
| Interest income and expense:  |       |                 |             |                 |             |
| Received  |       | 7,988           | 3,466       | 7,986           | 3,109       |
| Paid  |       | (4,934)         | (1,031)     | (5,181)         | (1,152)     |
| Fees, commissions and other income and charges:   |       |                 |             |                 |             |
| Received  |       | 2,565           | 1,934       | 1,313           | 635         |
| Paid  |       | (558)           | (471)       | (481)           | (399)       |
| Operating lease income received   |       | 731             | 841         | 512             | 422         |
| Dividends and distributions received  |       | 3               | 13          | 1,886           | 3,259       |
| Operating expenses paid:  |       |                 |             |                 |             |
| Employment expenses   |       | (4,357)         | (3,303)     | (1,309)         | (1,058)     |
| Other operating expenses including brokerage, commission and fee expenses                               |       | (1,848)         | (1,078)     | (2,396)         | (1,969)     |
| Income tax paid   |       | (1,070)         | (395)       | (147)           | (57)        |
| Changes in operating assets:  |       |                 |             |                 |             |
| Loan assets, receivables and balances with related entities   |       | (16,832)        | (29,716)    | (19,824)        | (26,763)    |
| Assets under operating lease  |       | (867)           | (1,115)     | (534)           | (2,059)     |
| Other assets  |       | (436)           | (1,568)     | (66)            | (1,190)     |
| Trading and related assets, liquid investments and collateralised lending balances (net of liabilities) |       | (9,362)         | 14,089      | (9,026)         | 6,882       |
| Changes in operating liabilities:   |       |                 |             |                 |             |
| Issued debt securities  |       | (19,247)        | 27,369      | (17,512)        | 24,182      |
| Deposits  |       | 32,962          | 17,472      | 31,772          | 17,415      |
| Borrowings and other funding  |       | 1,771           | 13,330      | (597)           | 10,823      |
| Other liabilities   |       | 19              | (298)       | (8)             | (10)        |
| <b>Net cash flows (utilised in)/generated from operating activities</b>                                 | 26    | <b>(13,472)</b> | 39,539      | <b>(13,612)</b> | 32,070      |
| <b>Cash flows utilised in investing activities</b>  |       |                 |             |                 |             |
| Net (payments for)/proceeds from financial investments  |       | (1,074)         | 2,688       | (520)           | 2,606       |
| Associates, joint ventures, subsidiaries and businesses:  |       |                 |             |                 |             |
| Proceeds from disposal or capital return, net of cash deconsolidated                                    |       | 4               | 534         | 2,368           | 5,241       |
| Payments for acquisitions of or additional capital contribution, net of cash acquired                   |       | (45)            | (51)        | (535)           | (3,625)     |
| Property, plant and equipment and intangible assets:  |       |                 |             |                 |             |
| Payments for acquisition  |       | (403)           | (164)       | (305)           | (131)       |
| Proceeds from disposal  |       | 25              | -           | -               | -           |
| <b>Net cash flows (utilised in)/generated from investing activities</b>                                 |       | <b>(1,493)</b>  | 3,007       | <b>1,008</b>    | 4,091       |
| <b>Cash flows generated from/(utilised in) financing activities</b>                                     |       |                 |             |                 |             |
| Loan capital:   |       |                 |             |                 |             |
| Issuance  |       | 2,338           | 1,405       | 2,338           | 1,405       |
| Redemption  |       | -               | (1,101)     | -               | (1,101)     |
| Dividends and distributions paid  |       | (2,749)         | -           | (2,749)         | -           |
| Issuance of ordinary shares   |       | 600             | 1,000       | 600             | 1,000       |
| <b>Net cash flows generated from financing activities</b>   |       | <b>189</b>      | 1,304       | <b>189</b>      | 1,304       |
| <b>Net increase/(decrease) in cash and cash equivalents</b>   |       | <b>(14,776)</b> | 43,850      | <b>(12,415)</b> | 37,465      |
| Cash and cash equivalents at the beginning of the financial year  | 26    | 72,361          | 29,318      | 64,678          | 27,649      |
| Effect of exchange rate movement on cash and cash equivalents   |       | 3,597           | (807)       | 4,300           | (436)       |
| <b>Cash and cash equivalents at the end of the financial year</b>                                       | 26    | <b>61,182</b>   | 72,361      | <b>56,563</b>   | 64,678      |

The above statements of cash flows should be read in conjunction with the accompanying notes.

# Notes to the financial statements

For the financial year ended 31 March 2023

## Note 1

### Basis of preparation

This Financial Report is a General Purpose Financial Report which has been prepared in accordance with Australian Accounting Standards and the *Corporations Act 2001* (Cth). Macquarie Bank Limited is a for-profit company for the purposes of preparing this Financial Report.

The principal accounting policies adopted in the preparation of this Financial Report are set out in Note 41 *Significant accounting policies*. These policies have been consistently applied to all the financial years presented and are applicable to both the Consolidated Entity (Macquarie Bank Limited and its subsidiaries) as well as the Company (Macquarie Bank Limited), unless otherwise stated.

#### (i) Compliance with IFRS as issued by the IASB

Compliance with Australian Accounting Standards ensures that this Financial Report complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Consequently, this Financial Report is compliant with IFRS.

#### (ii) Basis of measurement

This Financial Report has been prepared under the historical cost convention except for the following items, as disclosed in the respective accounting policy:

- financial instruments (including derivatives) required to be measured at fair value through profit or loss (FVTPL); financial assets classified as fair value through other comprehensive income (FVOCI) and financial instruments that have been designated as FVTPL (DFVTPL)
- financial assets and liabilities that are otherwise measured on an amortised cost basis but adjusted for changes in fair value attributable to the risk being hedged in qualifying fair value hedge relationships
- non-current assets and disposal groups that have been classified as held for sale and where a disposal group has been impaired to its fair value less costs to sell
- commodity inventories that are measured at fair value less costs to sell in accordance with the broker-trader exemption.

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

The preparation of this Financial Report in compliance 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 accounting policies. The notes to the financial statements set out areas involving a higher degree of judgement or complexity, or areas where assumptions are significant to the consolidated Financial Report such as:

- determining the appropriate business model for a group of financial assets which includes determining the level at which the business model condition is applied and whether past or expected sales activity is consistent with a held to collect business model Note 41(vii)

- assessing whether the cash flows generated by a financial asset constitute solely payments of principal and interest (SPPI) may require the application of judgement, particularly for certain subordinated or non-recourse positions, and in the determination of whether compensation for early termination of a contract is reasonable (Note 41(vii))
- choice of inputs, estimates and assumptions used in the measurement of Expected Credit Loss, including the determination of significant increase in credit risk (SICR), forecasts of economic conditions and the weightings assigned thereto (Note 41(xxii) and Note 12)
- timing and amount of impairment of interests in associates and joint ventures and investment in subsidiaries, including the reversal thereof (Note 41(i), Note 41(xxii) and Note 14)
- fair value of assets and liabilities including the determination of non-recurring fair values and accounting for day 1 profits or losses for financial instruments (Note 41(vii), Note 41(x) and Note 35)
- determination of significant influence over associates, joint control over arrangements and control over subsidiaries, including the assessment of whether certain rights are protective or substantive in nature, whether these rights are held in the capacity as agent or principal, and whether the level of involvement in an investee's relevant activities is sufficient to significantly affect the returns generated (Note 41(i))
- recoverability of tax receivables, deferred tax assets and measurement of current and deferred tax liabilities can require significant judgement, particularly where the recoverability of such tax balances relies on the estimation of future taxable profits and management's determination of the likelihood that uncertain tax positions will be accepted by the relevant taxation authority (Note 41(vi), Note 4 and Note 15)
- recognition and measurement of provisions related to actual and potential claims and the determination of contingent liabilities (Note 41(xvii) and Note 30)
- application of hedge accounting principles, including the assessment that a forecast transaction is highly probable (Note 41(x) and Note 32).

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events.

Management believes that the estimates used in preparing this Financial Report are reasonable. Actual results in the future may differ from those reported and it is therefore reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year that are different from management's assumptions and estimates could require an adjustment to the carrying amounts of the reported assets and liabilities in future reporting periods.

## Note 1

### Basis of preparation continued

#### (iv) New Australian Accounting Standards and amendments to Australian Accounting Standards and interpretations that are either effective in the current financial year or have been early adopted

The amendments made to existing standards that were mandatorily effective or have been early adopted for the annual reporting period beginning on 1 April 2022 did not result in a material impact on this Financial Report. There were no new Australian Accounting Standards that were mandatorily effective or have been early adopted for this Financial Report.

#### (v) Other developments

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

IBOR interest rate benchmarks, that are used in a wide variety of financial instruments such as derivatives and lending arrangements, are undergoing reforms. Examples of IBOR include the London Inter-bank Offered Rate (LIBOR), the Euro Inter-bank Offered Rate (EURIBOR), the Canadian Dollar Offered Rate (CDOR) and the Australian Bank Bill Swap Rate (BBSW). The nature of the reforms varies across different jurisdictions. For example, in Australia the existing IBOR benchmark (BBSW) has undergone reform and is expected to continue for the foreseeable future alongside the nominated ARR for AUD which is AUD Overnight Index Average (AONIA).

IBOR including the GBP, JPY, EUR and CHF London Inter-bank Offered Rate (LIBOR), and the 1-week and 2-month tenors for USD LIBOR ceased publication on 31 December 2021. The remaining USD LIBOR tenors and some IBOR's for minor currencies, other than CDOR will cease publication on 30 June 2023. CDOR will cease publication on 28 June 2024.

Industry working groups have worked with authorities and consulted with market participants to develop market practices that may be used to transition existing LIBOR-linked contracts for derivatives, loans, bonds and other financial instruments that mature beyond their respective LIBOR cessation dates, to ARRs. Amongst the issues considered were the key differences between LIBOR and ARRs. LIBOR are term rates which are quoted at the beginning of that period (for example, one-, three-, six- or twelve-month periods) and include a component of bank credit risk. ARRs on the other hand are overnight rates with little or no credit risk. To facilitate the transition of contracts from LIBOR to ARRs on an economically equivalent basis, adjustments for term and credit differences needs to be applied.

As a diversified financial services group with a variety of global products and services, IBOR reforms, including the transition from LIBOR to ARRs, are important changes for the Consolidated Entity.

### Impacts on financial reporting

AASB 2019-3 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform* amended AASB 7 *Financial Instruments: Disclosures* (AASB 7) and AASB 9 *Financial Instruments* (AASB 9) to provide certain relief from applying specific accounting requirements to hedge accounting relationships directly affected by IBOR reform. The relief enables the continuation of hedge accounting for impacted hedge relationships during the period of uncertainty prior to IBOR transition. The Consolidated Entity early adopted these amendments for the year ended 31 March 2020.

In August 2020, AASB 2020-8 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2* amended standards including AASB 7, AASB 9 and AASB 16 *Leases* (AASB 16) to address accounting issues following the transition to ARR. The amendments require additional quantitative and qualitative disclosures, and provide certain reliefs from applying specific requirements related to hedge accounting and the modification of financial instruments if certain criteria are met.

Where modifications to a contract, or changes in the basis for determining the contractual cash flows under a contract, are necessitated as a direct consequence of IBOR reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis, the relief allows an entity to reset the yield applied to such an exposure on a prospective basis. Thus, at the time of modification, where the relief applies, there is no impact to the income statement. The relief requires continuation of hedge accounting in circumstances when changes to hedged items and hedging instruments arise as a result of changes required by the IBOR reform.

The Consolidated Entity early adopted the amendments for the year ended 31 March 2021.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 2

### Operating profit before income tax

|  | CONSOLIDATED |              | COMPANY      |              |
|--|--------------|--------------|--------------|--------------|
|  | 2023         | 2022         | 2023         | 2022         |
|  | \$m          | \$m          | \$m          | \$m          |
| <b>Net interest income</b>                                 |              |              |              |              |
| Interest and similar income:                               |              |              |              |              |
| Effective interest rate method - Amortised Cost            | 6,975        | 3,316        | 6,890        | 2,845        |
| Effective interest rate method - FVOCI                     | 567          | 53           | 665          | 217          |
| Other  | 697          | 105          | 661          | 79           |
| Interest and similar expense:                              |              |              |              |              |
| Effective interest rate method - Amortised Cost            | (5,564)      | (963)        | (5,783)      | (1,072)      |
| Other  | (35)         | (58)         | (36)         | (50)         |
| <b>Net interest income</b>                                 | <b>2,640</b> | <b>2,453</b> | <b>2,397</b> | <b>2,019</b> |
| <b>Net trading income<sup>(1)</sup></b>                    |              |              |              |              |
| Commodities trading <sup>(2)</sup>                         | 6,075        | 3,233        | 2,372        | 1,307        |
| Credit, interest rate, foreign exchange and other products | 803          | 645          | 856          | 656          |
| Equities   | 430          | 336          | 279          | 105          |
| <b>Net trading income</b>                                  | <b>7,308</b> | <b>4,214</b> | <b>3,507</b> | <b>2,068</b> |
| <b>Fee and commission income</b>                           |              |              |              |              |
| Service fee from related parties                           | 1,312        | 1,006        | 144          | 132          |
| Brokerage and other trading-related fees                   | 285          | 275          | 196          | 171          |
| Portfolio administration fees                              | 292          | 247          | 67           | 69           |
| Lending fees   | 143          | 133          | 280          | 117          |
| Other fee and commission income                            | 364          | 293          | 283          | 235          |
| <b>Total fee and commission income</b>                     | <b>2,396</b> | <b>1,954</b> | <b>970</b>   | <b>724</b>   |

(1) Includes fair value movements on trading assets and liabilities, ineffective portion of designated hedge relationships, fair value changes on derivatives used to economically hedge the Consolidated Entity's interest rate risk and foreign currency gains and losses on foreign currency-denominated monetary assets and liabilities. Refer to Note 41(x) *Derivative instruments and hedging activities*.

(2) Includes \$529 million (2022: \$409 million) in the Consolidated Entity and \$38 million (2022: \$79 million) in the Company for transportation, storage and certain other trading related costs and \$11 million (2022: \$10 million) in the Consolidated Entity for depreciation on right-of-use (ROU) assets held for trading-related business.

## Note 2

### Operating profit before income tax continued

|   | CONSOLIDATED  |              | COMPANY      |              |
|---|---------------|--------------|--------------|--------------|
|   | 2023<br>\$m   | 2022<br>\$m  | 2023<br>\$m  | 2022<br>\$m  |
| <b>Credit and other impairment (charges)/reversals</b>                            |               |              |              |              |
| <b>Credit impairment (charges)/reversals</b>                                      |               |              |              |              |
| Loan assets   | (100)         | 77           | (100)        | (147)        |
| Margin money and settlement assets  | 33            | (28)         | 21           | (39)         |
| Financial investments, other assets, off balance sheet exposures                  | (52)          | (67)         | (47)         | (46)         |
| Gross credit impairment charges   | (119)         | (18)         | (126)        | (232)        |
| Recovery of amounts previously written off  | 3             | 2            | 4            | 9            |
| <b>Net credit impairment charges</b>  | <b>(116)</b>  | <b>(16)</b>  | <b>(122)</b> | <b>(223)</b> |
| <b>Other impairment reversals/(charges)</b>                                       |               |              |              |              |
| Intangible and other non-financial assets   | 2             | (11)         | (7)          | (10)         |
| Investments in subsidiaries   | -             | -            | (34)         | 21           |
| <b>Net other impairment reversals/(charges)</b>                                   | <b>2</b>      | <b>(11)</b>  | <b>(41)</b>  | <b>11</b>    |
| <b>Total credit and other impairment charges</b>                                  | <b>(114)</b>  | <b>(27)</b>  | <b>(163)</b> | <b>(212)</b> |
| <b>Net other operating income</b>   |               |              |              |              |
| <b>Investment income</b>  |               |              |              |              |
| Net gain from:  |               |              |              |              |
| Disposal of businesses and subsidiaries <sup>(1)</sup>                            | -             | 460          | 31           | 1,403        |
| Interest in associates and joint ventures, financial investments and other assets | 47            | 61           | 25           | 64           |
| Dividends from subsidiaries <sup>(1)</sup>  | -             | -            | 1,883        | 3,259        |
| <b>Total investment income</b>  | <b>47</b>     | <b>521</b>   | <b>1,939</b> | <b>4,726</b> |
| <b>Net operating lease income</b>   |               |              |              |              |
| Rental income   | 724           | 656          | 519          | 262          |
| Depreciation  | (346)         | (317)        | (230)        | (109)        |
| Net operating lease income  | 378           | 339          | 289          | 153          |
| Share of net profits from associates and joint ventures                           | 26            | 39           | -            | -            |
| Other income/(charges)  | 110           | 61           | 96           | (60)         |
| <b>Total net other operating income</b>   | <b>561</b>    | <b>960</b>   | <b>2,324</b> | <b>4,819</b> |
| <b>Net operating income</b>   | <b>12,791</b> | <b>9,554</b> | <b>9,035</b> | <b>9,418</b> |

(1) Balance under Company includes gains on disposal of certain subsidiaries and dividend received from subsidiaries as part of common control business combination transaction during the previous year. For details, refer to Note 27 Related party information.



# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 2

### Operating profit before income tax continued

|   | CONSOLIDATED   |                | COMPANY        |                |
|---|----------------|----------------|----------------|----------------|
|   | 2023<br>\$m    | 2022<br>\$m    | 2023<br>\$m    | 2022<br>\$m    |
| <b>Employment expenses</b>  |                |                |                |                |
| Salary and related costs including commissions, superannuation and performance-related profit share | (4,015)        | (3,099)        | (1,154)        | (984)          |
| Share-based payments  | (417)          | (324)          | (152)          | (121)          |
| Provision for long service leave and annual leave   | (46)           | (57)           | (13)           | (19)           |
| Total compensation expenses   | (4,478)        | (3,480)        | (1,319)        | (1,124)        |
| Other employment expenses including on-costs, staff procurement and staff training                  | (280)          | (216)          | (89)           | (81)           |
| <b>Total employment expenses</b>  | <b>(4,758)</b> | <b>(3,696)</b> | <b>(1,408)</b> | <b>(1,205)</b> |
| <b>Brokerage, commission and fee expenses</b>   |                |                |                |                |
| Brokerage and other trading-related fee expenses  | (445)          | (397)          | (290)          | (275)          |
| Other fee and commission expenses   | (75)           | (108)          | (141)          | (158)          |
| <b>Total brokerage, commission and fee expenses</b>   | <b>(520)</b>   | <b>(505)</b>   | <b>(431)</b>   | <b>(433)</b>   |
| <b>Non-salary technology expenses</b>   |                |                |                |                |
| Information services  | (127)          | (107)          | (58)           | (48)           |
| Depreciation on own use assets: equipment (Note 13)   | (19)           | (18)           | (3)            | (3)            |
| Service provider and other non-salary technology expenses   | (744)          | (591)          | (112)          | (101)          |
| <b>Total non-salary technology expenses</b>   | <b>(890)</b>   | <b>(716)</b>   | <b>(173)</b>   | <b>(152)</b>   |
| <b>Other operating expenses</b>   |                |                |                |                |
| <b>Occupancy expenses</b>   |                |                |                |                |
| Lease and other occupancy expenses  | (233)          | (163)          | (74)           | (74)           |
| Depreciation on own use assets: buildings, furniture, fittings and leasehold improvements (Note 13) | (35)           | (38)           | (2)            | (2)            |
| <b>Total occupancy expenses</b>   | <b>(268)</b>   | <b>(201)</b>   | <b>(76)</b>    | <b>(76)</b>    |
| <b>Other expenses</b>   |                |                |                |                |
| Service cost recoveries by related parties  | -              | -              | (2,148)        | (1,506)        |
| Professional fees   | (265)          | (223)          | (121)          | (111)          |
| Indirect and other taxes  | (96)           | (115)          | (52)           | (85)           |
| Travel and entertainment expenses   | (77)           | (16)           | (23)           | (6)            |
| Advertising and promotional expenses  | (59)           | (45)           | (52)           | (42)           |
| Fees for audit and other services   | (51)           | (29)           | (40)           | (17)           |
| Amortisation of intangible assets   | (11)           | (23)           | (11)           | (20)           |
| Other   | (385)          | (318)          | (162)          | (175)          |
| <b>Total other expenses</b>   | <b>(944)</b>   | <b>(769)</b>   | <b>(2,609)</b> | <b>(1,962)</b> |
| <b>Total other operating expenses</b>   | <b>(1,212)</b> | <b>(970)</b>   | <b>(2,685)</b> | <b>(2,038)</b> |
| <b>Total operating expenses</b>   | <b>(7,380)</b> | <b>(5,887)</b> | <b>(4,697)</b> | <b>(3,828)</b> |
| <b>Operating profit before income tax</b>   | <b>5,411</b>   | <b>3,667</b>   | <b>4,338</b>   | <b>5,590</b>   |

## 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:

- **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.

The Corporate segment, which is not considered an Operating Group, comprises head office and Central Service Groups, including Group Treasury, and holds certain legacy and strategic investments, assets and businesses that are not allocated to any of the Operating Groups. Any individually immaterial balance not attributable to an Operating Segment are also reported as part of the Corporate segment.

Items of income and expense within the Corporate segment include the net result of managing Macquarie Bank'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 expense 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 funding for the Consolidated Entity, and Operating Groups obtain the majority of their funding from Group Treasury. The interest rates charged by Group Treasury are determined by the currency and term of the funding. Break costs may be charged to Operating Groups for the early repayment of term funding.

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

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

#### Transactions between Operating Segments

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

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

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

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

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 3

### Segment reporting continued

#### (i) Operating Segments continued

##### 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 are not allocated to Operating Groups.

##### Income tax

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

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

##### Presentation of segment income statements

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

##### Reportable segment assets

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

## Note 3

### Segment reporting continued

#### (i) Operating Segments continued

The following is an analysis of the Consolidated Entity's revenue and results by reportable segment.

|   | Banking and<br>Financial Services<br>\$m | Commodities and<br>Global Markets<br>\$m | Corporate<br>\$m | Total<br>\$m   |
|---|--|--|------------------|----------------|
| CONSOLIDATED 2023                                   |  |  |                  |                |
| Net interest and trading income                     | 2,520                                    | 7,203                                    | 225              | 9,948          |
| Fee and commission income                           | 504                                      | 595                                      | 1,297            | 2,396          |
| Other operating income and charges:                 |  |  |                  |                |
| Net credit and other impairment charges             | (34)                                     | (53)                                     | (27)             | (114)          |
| Net other operating income and charges              | (20)                                     | 535                                      | 46               | 561            |
| Internal management (charge)/revenue                | (10)                                     | 28                                       | (18)             | -              |
| Net operating income                                | 2,960                                    | 8,308                                    | 1,523            | 12,791         |
| Total operating expenses                            | (1,759)                                  | (2,488)                                  | (3,133)          | (7,380)        |
| Operating profit/(loss) before income tax           | 1,201                                    | 5,820                                    | (1,610)          | 5,411          |
| Income tax expense                                  | -  | -  | (1,506)          | (1,506)        |
| <b>Net profit/(loss) contribution</b>               | <b>1,201</b>                             | <b>5,820</b>                             | <b>(3,116)</b>   | <b>3,905</b>   |
| <b>Reportable segment assets</b>                    | <b>129,049</b>                           | <b>141,925</b>                           | <b>59,847</b>    | <b>330,821</b> |
| CONSOLIDATED 2022                                   |  |  |                  |                |
| Net interest and trading income                     | 1,972                                    | 4,633                                    | 62               | 6,667          |
| Fee and commission income                           | 457                                      | 486                                      | 1,011            | 1,954          |
| Other operating income and charges:                 |  |  |                  |                |
| Net credit and other impairment reversals/(charges) | 22                                       | (66)                                     | 17               | (27)           |
| Net other operating income                          | 9  | 942                                      | 9                | 960            |
| Internal management revenue/(charges)               | 1  | 26                                       | (27)             | -              |
| Net operating income                                | 2,461                                    | 6,021                                    | 1,072            | 9,554          |
| Total operating expenses                            | (1,460)                                  | (2,089)                                  | (2,338)          | (5,887)        |
| Operating profit/(loss) before income tax           | 1,001                                    | 3,932                                    | (1,266)          | 3,667          |
| Income tax expense                                  | -  | -  | (950)            | (950)          |
| <b>Net profit/(loss) contribution</b>               | <b>1,001</b>                             | <b>3,932</b>                             | <b>(2,216)</b>   | <b>2,717</b>   |
| <b>Reportable segment assets</b>                    | <b>111,106</b>                           | <b>171,741</b>                           | <b>66,781</b>    | <b>349,628</b> |

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 3

### Segment reporting continued

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

The following is an analysis of the Consolidated Entity's fee and commission income by reportable segment.

|  | Banking and<br>Financial Services<br>\$m | Commodities and<br>Global Markets<br>\$m | Corporate<br>\$m | Total<br>\$m |
|--|--|--|------------------|--------------|
| <b>CONSOLIDATED 2023</b>                       |  |  |                  |              |
| <b>Fee and commission income</b>               |  |  |                  |              |
| Service fee from related parties               | -  | -  | 1,312            | 1,312        |
| Brokerage and other trading-related fee income | 39                                       | 246                                      | -                | 285          |
| Portfolio administration fees                  | 290                                      | 2  | -                | 292          |
| Lending fees                                   | 140                                      | 3  | -                | 143          |
| Other fee and commission income                | 35                                       | 344                                      | (15)             | 364          |
| <b>Total fee and commission income</b>         | <b>504</b>                               | <b>595</b>                               | <b>1,297</b>     | <b>2,396</b> |
| <b>CONSOLIDATED 2022</b>                       |  |  |                  |              |
| <b>Fee and commission income</b>               |  |  |                  |              |
| Service fee from related parties               | -  | -  | 1,006            | 1,006        |
| Brokerage and other trading-related fee income | 45                                       | 230                                      | -                | 275          |
| Portfolio administration fees                  | 245                                      | 2  | -                | 247          |
| Lending fees                                   | 121                                      | 12                                       | -                | 133          |
| Other fee and commission income                | 46                                       | 242                                      | 5                | 293          |
| <b>Total fee and commission income</b>         | <b>457</b>                               | <b>486</b>                               | <b>1,011</b>     | <b>1,954</b> |

#### (iii) Products and services

The Consolidated Entity's Operating Segments reflect different core products and services offered by the Group. Refer to Note 3(i) *Operating Segments* for net operating income contribution by various Operating Segments.

#### (iv) Geographical areas

Geographical segments have been determined based on the tax domicile of the entity where the transactions have been recorded. The operations of the Consolidated Entity are headquartered in Australia.

|   | <b>CONSOLIDATED 2023</b>                                 |   | <b>CONSOLIDATED 2022</b>                                 |   |
|---|--|---|--|---|
|   | Revenue from<br>external customers <sup>(1)</sup><br>\$m | Non-current<br>Assets <sup>(2)</sup><br>\$m | Revenue from<br>external customers <sup>(1)</sup><br>\$m | Non-current<br>assets <sup>(2)</sup><br>\$m |
| Australia                                     | 9,115  | 1,312                                       | 4,901  | 1,123                                       |
| Americas <sup>(3)</sup>                       | 5,223  | 448   | 2,900  | 329   |
| Europe, Middle East and Africa <sup>(4)</sup> | 4,189  | 2,845                                       | 2,703  | 2,358                                       |
| Asia Pacific                                  | 854  | 481   | 835  | 218   |
| <b>Total</b>                                  | <b>19,381</b>  | <b>5,086</b>                                | <b>11,339</b>  | <b>4,028</b>                                |

#### (v) Major customers

The Consolidated Entity does not rely on any major customers.

(1) Revenue from external customers includes operating income in the nature of fee and commission income, interest and similar income, net trading income, operating lease income, share of net profits/(losses) of associates and joint ventures, and gain on disposal of businesses, subsidiaries, associates and other financial/non-financial assets.

(2) Non-Current assets consist of intangible assets, interests in associates and joint ventures, property, plant and equipment and right-of-use assets and investment properties.

(3) Includes external revenue from the United States of \$4,873 million (2022: \$2,804 million).

(4) Includes external revenue from the United Kingdom of \$3,784 million (2022: \$2,442 million).

## Note 4

### Income tax expense

|   | CONSOLIDATED   |              | COMPANY      |              |
|---|----------------|--------------|--------------|--------------|
|   | 2023<br>\$m    | 2022<br>\$m  | 2023<br>\$m  | 2022<br>\$m  |
| <b>(i) Income tax (expense)/benefit</b>   |                |              |              |              |
| Current tax expense   | (1,693)        | (982)        | (845)        | (329)        |
| Deferred tax benefit/(expense)  | 187            | 32           | 264          | (158)        |
| <b>Total income tax (expense)/benefit</b>   | <b>(1,506)</b> | <b>(950)</b> | <b>(581)</b> | <b>(487)</b> |
| <b>(ii) Reconciliation of income tax expense to <i>prima facie</i> income tax expense</b>               |                |              |              |              |
| <i>Prima facie</i> income tax expense on operating profit @30% (2022: 30%)                              | (1,623)        | (1,100)      | (1,301)      | (1,677)      |
| Tax effect of amounts which are non-assessable/(non-deductible) in calculating taxable income:          |                |              |              |              |
| Rate differential on offshore income  | 146            | 156          | 216          | (162)        |
| Intra-group dividends   | -              | -            | 565          | 978          |
| Gain on internal restructures   | -              | -            | -            | 415          |
| Impairment (charge)/reversal on subsidiaries  | -              | -            | (10)         | 6            |
| Other items   | (29)           | (6)          | (51)         | (47)         |
| <b>Total income tax expense</b>   | <b>(1,506)</b> | <b>(950)</b> | <b>(581)</b> | <b>(487)</b> |
| <b>(iii) Tax (expense)/benefit relating to OCI</b>  |                |              |              |              |
| FVOCI reserve   | 1              | 12           | 19           | 17           |
| Own credit risk   | (6)            | (5)          | (6)          | (5)          |
| Cash flow hedges and cost of hedging  | 1              | (11)         | -            | 7            |
| Foreign currency translation reserve  | -              | 1            | -            | -            |
| Share of other comprehensive benefit/(expense) of associates and joint ventures                         | (1)            | -            | -            | -            |
| <b>Total tax (expense)/benefit relating to OCI</b>  | <b>(5)</b>     | <b>(3)</b>   | <b>13</b>    | <b>19</b>    |
| <b>(iv) Deferred tax benefit/(expense) represents movements in deferred tax assets and liabilities</b>  |                |              |              |              |
| Property, plant and equipment   | 48             | 3            | (6)          | (3)          |
| Intangible assets   | (96)           | 15           | 35           | 7            |
| Financial investments and interests in associates and joint ventures                                    | (113)          | 6            | -            | 11           |
| Tax losses  | 101            | 11           | 11           | 10           |
| Operating and finance leases  | 134            | 1            | 213          | (109)        |
| Loan assets and derivatives   | 2              | (5)          | (24)         | (103)        |
| Other assets and liabilities  | 111            | 1            | 35           | 29           |
| <b>Total deferred tax benefit/(expense) represents movements in deferred tax assets and liabilities</b> | <b>187</b>     | <b>32</b>    | <b>264</b>   | <b>(158)</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 financial statements

For the financial year ended 31 March 2023 continued

## Note 5 Dividends

|  | CONSOLIDATED |             | COMPANY      |             |
|--|--------------|-------------|--------------|-------------|
|  | 2023<br>\$m  | 2022<br>\$m | 2023<br>\$m  | 2022<br>\$m |
| Dividends paid to parent entity (Macquarie B.H. Pty Limited) |              |             |              |             |
| on 29 December 2022  | 1,300        | -           | 1,300        | -           |
| on 30 March 2023   | 1,449        | -           | 1,449        | -           |
| <b>Total dividends paid (Note 25)</b>                        | <b>2,749</b> | <b>-</b>    | <b>2,749</b> | <b>-</b>    |

## Note 6 Trading assets

|                             |               |               |               |               |
|-----------------------------|---------------|---------------|---------------|---------------|
| Listed equity securities    | 7,699         | 4,733         | 7,674         | 4,679         |
| Commodity contracts         | 3,611         | 3,261         | 3,139         | 2,971         |
| Debt securities             | 2,863         | 606           | 2,861         | 605           |
| Commodities                 | 1,619         | 3,119         | 783           | 1,876         |
| <b>Total trading assets</b> | <b>15,792</b> | <b>11,719</b> | <b>14,457</b> | <b>10,131</b> |

The majority of the above amounts are expected to be materially recovered within 12 months of the balance date by the Consolidated Entity and the Company.

## Note 7 Margin money and settlement assets

|   |               |               |               |               |
|---|---------------|---------------|---------------|---------------|
| Margin money                                    | 13,969        | 14,087        | 10,537        | 9,910         |
| Commodity settlements                           | 3,530         | 4,294         | 2,095         | 2,926         |
| Security settlements                            | 1,876         | 1,029         | 1,886         | 979           |
| <b>Total margin money and settlement assets</b> | <b>19,375</b> | <b>19,410</b> | <b>14,518</b> | <b>13,815</b> |

The majority of the above amounts are expected to be materially recovered within 12 months of the balance date by the Consolidated Entity and the Company.



## Note 8

### Derivative assets

|                                   | CONSOLIDATED  |               | COMPANY       |               |
|-----------------------------------|---------------|---------------|---------------|---------------|
|                                   | 2023<br>\$m   | 2022<br>\$m   | 2023<br>\$m   | 2022<br>\$m   |
| Held for trading                  | 34,759        | 84,171        | 26,267        | 74,028        |
| Designated in hedge relationships | 1,061         | 445           | 908           | 416           |
| <b>Total derivative assets</b>    | <b>35,820</b> | <b>84,616</b> | <b>27,175</b> | <b>74,444</b> |

The above amounts under held for trading category are expected to be materially recovered within 12 months of the balance date by the Consolidated Entity and the Company.

## Note 9

### Financial investments

|  |               |              |               |              |
|--|---------------|--------------|---------------|--------------|
| Equity securities:                       |               |              |               |              |
| Listed                                   | 65            | 111          | 62            | 108          |
| Unlisted                                 | 200           | 144          | 147           | 113          |
| Debt securities:                         |               |              |               |              |
| Liquid asset holdings                    | 14,040        | 5,212        | 12,511        | 5,212        |
| Bonds, money market and other securities | 2,594         | 1,044        | 1,999         | 1,044        |
| <b>Total financial investments</b>       | <b>16,899</b> | <b>6,511</b> | <b>14,719</b> | <b>6,477</b> |

Of the above amounts, \$2,218 million (2022: \$1,297 million) is expected to be recovered after 12 months of the balance date by the Consolidated Entity and \$2,165 million (2022: \$1,297 million) by the Company.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 10

### Held for sale and other assets

|   | CONSOLIDATED |              | COMPANY      |              |
|---|--------------|--------------|--------------|--------------|
|   | 2023<br>\$m  | 2022<br>\$m  | 2023<br>\$m  | 2022<br>\$m  |
| <b>Held for sale assets</b>                 |              |              |              |              |
| Assets held for sale                        | 6            | 3            | -            | -            |
| <b>Other financial assets</b>               |              |              |              |              |
| Commodity-related receivables               | 3,247        | 2,508        | 2,391        | 1,647        |
| Trade debtors and other receivables         | 1,526        | 1,148        | 1,286        | 771          |
| Fee and commission receivables              | 113          | 175          | 67           | 141          |
| <b>Total other financial assets</b>         | <b>4,886</b> | <b>3,831</b> | <b>3,744</b> | <b>2,559</b> |
| <b>Other non-financial assets</b>           |              |              |              |              |
| Interests in associates and joint ventures  | 412          | 379          | 120          | 128          |
| Income tax receivables                      | 305          | 180          | 84           | 78           |
| Prepayments                                 | 283          | 287          | 58           | 63           |
| Indirect tax receivables                    | 201          | 155          | 126          | 88           |
| Intangible assets                           | 97           | 101          | 13           | 23           |
| Other                                       | 88           | 54           | 7            | 2            |
| <b>Total other non-financial assets</b>     | <b>1,386</b> | <b>1,156</b> | <b>408</b>   | <b>382</b>   |
| <b>Total held for sale and other assets</b> | <b>6,278</b> | <b>4,990</b> | <b>4,152</b> | <b>2,941</b> |

Of the above other financial and non-financial asset amounts, \$1,045 million (2022: \$1,650 million) is expected to be recovered after 12 months of the balance date by the Consolidated Entity and \$485 million (2022: \$1,241 million) by the Company.

## Note 11

### Loan assets

|   | 2023           |                      |                | 2022           |                      |                |
|---|----------------|----------------------|----------------|----------------|----------------------|----------------|
|   | Gross<br>\$m   | ECL allowance<br>\$m | Net<br>\$m     | Gross<br>\$m   | ECL allowance<br>\$m | Net<br>\$m     |
| <b>CONSOLIDATED</b>                     |                |                      |                |                |                      |                |
| Home loans                              | 114,483        | (163)                | 114,320        | 94,922         | (76)                 | 94,846         |
| Corporate, commercial and other lending | 20,842         | (306)                | 20,536         | 18,590         | (290)                | 18,300         |
| Asset financing                         | 7,059          | (155)                | 6,904          | 10,082         | (224)                | 9,858          |
| <b>Total loan assets</b>                | <b>142,384</b> | <b>(624)</b>         | <b>141,760</b> | <b>123,594</b> | <b>(590)</b>         | <b>123,004</b> |
| <b>COMPANY</b>                          |                |                      |                |                |                      |                |
| Home loans                              | 114,483        | (163)                | 114,320        | 94,853         | (75)                 | 94,778         |
| Corporate, commercial and other lending | 20,021         | (266)                | 19,755         | 18,214         | (264)                | 17,950         |
| Asset financing                         | 6,105          | (95)                 | 6,010          | 8,591          | (140)                | 8,451          |
| <b>Total loan assets</b>                | <b>140,609</b> | <b>(524)</b>         | <b>140,085</b> | <b>121,658</b> | <b>(479)</b>         | <b>121,179</b> |

Of the above amounts, \$92,421 million (2022: \$89,978 million) is expected to be recovered after 12 months after the balance date by the Consolidated Entity and \$92,424 million (2022: \$88,976 million) by the Company.

### Finance lease receivables

Finance lease receivables are included within loan assets. The Consolidated Entity provides finance leases to a broad range of clients to support financing needs in acquiring movable assets such as motor vehicles, small plant and equipment, electronic and IT equipment.

The following table represents the maturity profile of the contractual undiscounted cashflows of the Consolidated Entity and the Company.

|                             | 2023   |                           |  | 2022   |                           |  |
|-----------------------------|--|---------------------------|--|--|---------------------------|--|
|                             | Gross investment in<br>finance lease<br>receivables<br>\$m | Unearned<br>income<br>\$m | Present value<br>of minimum<br>lease payments<br>receivable<br>\$m | Gross investment in<br>finance lease<br>receivables<br>\$m | Unearned<br>income<br>\$m | Present value<br>of minimum<br>lease payments<br>receivable<br>\$m |
| <b>CONSOLIDATED</b>         |  |                           |  |  |                           |  |
| Within one year             | 920  | (77)                      | 843  | 1,015  | (66)                      | 949  |
| Between one to two years    | 598  | (54)                      | 544  | 752  | (47)                      | 705  |
| Between two to three years  | 388  | (37)                      | 351  | 484  | (31)                      | 453  |
| Between three to four years | 228  | (23)                      | 205  | 273  | (18)                      | 255  |
| Between four to five years  | 181  | (11)                      | 170  | 146  | (8)                       | 138  |
| Later than five years       | 22   | (1)                       | 21   | 39   | (1)                       | 38   |
| <b>Total</b>                | <b>2,337</b>   | <b>(203)</b>              | <b>2,134</b>   | <b>2,709</b>   | <b>(171)</b>              | <b>2,538</b>   |
| <b>COMPANY</b>              |  |                           |  |  |                           |  |
| Within one year             | 681  | (48)                      | 633  | 685  | (49)                      | 636  |
| Between one to two years    | 453  | (32)                      | 421  | 553  | (38)                      | 515  |
| Between two to three years  | 297  | (22)                      | 275  | 402  | (27)                      | 375  |
| Between three to four years | 161  | (12)                      | 149  | 250  | (17)                      | 233  |
| Between four to five years  | 108  | (7)                       | 101  | 122  | (8)                       | 114  |
| Later than five years       | 4  | (1)                       | 3  | 16   | (1)                       | 15   |
| <b>Total</b>                | <b>1,704</b>   | <b>(122)</b>              | <b>1,582</b>   | <b>2,028</b>   | <b>(140)</b>              | <b>1,888</b>   |

# Notes to the financial statements

For the financial year ended 31 March 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 predict 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 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 credit watch management committee to closely monitor exposures showing signs of stress. All exposures on CreditWatch are classified as Stage II or, if defaulted, as Stage III.

SICR thresholds, which require judgement, are used to determine whether an exposure's credit risk has increased significantly. The SICR methodology is based on a 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 exposures that are classified as Stage I. Accordingly, while other 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 portfolio 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 \$225 million (2022: \$275 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. This judgement draws on internal risk and economics specialist input, 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 implications of geo-political events, broader inflationary pressures and the path of monetary policy, these scenarios represent plausible forward-looking views as at the reporting date.

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

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

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 12

### Expected credit losses continued

#### Forward-looking information (FLI) continued

| Scenario  | Weighting | Expectation  |
|---|-----------|--|
| <b>Baseline</b><br><br>A 100% weighting to this scenario would result in a total expected credit loss provision on balance sheet at the reporting date of ~\$700 million <sup>(1)</sup> | Probable  | <p><b>Global:</b> The baseline scenario assumes 2023 global GDP growth of around 2.01% year-on-year, slowing from 2.9% in 2022 in the face of inflationary pressures and tighter monetary policy. Interest rates are expected to peak in mid-2023, with rate cuts anticipated in 2024 as inflation eases and growth slows.</p> <p><b>Australia:</b> Growth is expected to slow materially in 2023 to 1.9%, with unemployment increasing by 1 percentage point by Q2 2024, though baseline assumptions are for a recession to be avoided. Policy rate hikes from the Reserve Bank of Australia (RBA) are expected to stop in mid-2023.</p> <p>House prices fell ~8% during 2022 from their peak, and a further ~10% decline is anticipated in 2023 due to pressure on household budgets from high interest rates. Equity prices have been more resilient but are assumed to remain relatively constrained over the next 12-18 months.</p> <p><b>United States:</b> Annual GDP growth is projected to slow in 2023, and contract late 2023 and early 2024 resulting in an overall peak-to-trough fall in GDP of 1.6% over 12 months. As a result, the unemployment rate is projected to increase by 2 percentage points to 5.5% by the end of 2024, with rate cuts to provide support to the economy in early 2024.</p> <p><b>Europe:</b> The Eurozone economy outperformed expectations in 2022, despite the impact of the Russia-Ukraine war, but 2023 is expected to bring growth of just 0.1% as tighter monetary policy and high inflation put pressure on the economy.</p> |
| <b>Downside</b><br><br>A 100% weighting to this scenario would result in a total expected credit loss provision on balance sheet at the reporting date of ~\$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 late 2024.</p> <p><b>Australia:</b> The scenario projects stagnation over the 18 months to September 2024 due to continued inflationary pressure and further monetary tightening. Unemployment rises in the scenario to 5.5% by mid 2024 and recedes slowly in a low growth environment. House prices are projected to be impacted by higher interest rates, falling ~23% from 2022 highs.</p> <p><b>United States:</b> The scenario projects five quarters of negative or zero growth beginning in mid-2023, resulting in a 3% fall in real GDP. Inflation remains sticky, however, and the US Fed delays rate cuts and the possible boost to the economy until disinflationary trends are clear. Unemployment is projected to increase 3 percentage points to 6.6% by mid-2024.</p> <p><b>Europe:</b> The scenario projects a 2% fall in real GDP over the next 12 months, driving unemployment to around 8%. Equity markets are projected to fall around 7% and fail to recover to prior peaks in the forecast period to 2027.</p>  |

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

## Note 12

### Expected credit losses continued

#### Forward-looking information (FLI) continued

| Scenario   | Weighting | Expectation  |
|--|-----------|--|
| <b>Severe Downside</b><br><br>A 100% weighting to this scenario would result in a total expected credit loss provision on balance sheet at the reporting date of ~\$1,350 million <sup>(1)</sup> | Possible  | <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 ~2.5% in the next twelve months and stagnates for the subsequent 12 months.</p> <p><b>Australia:</b> The scenario projects five consecutive quarters of contraction in real GDP, resulting in a 2.5% decline in GDP by mid-2024. Unemployment peaks at 7.5% in late 2024, and house prices fall by 30% from their early 2022 peak.</p> <p><b>United States:</b> The scenario projects a ~6% fall in GDP to the end of 2024, contracting for seven straight quarters and failing to recover prior output levels by the end of 2027. Unemployment reaches 8.8% by the end of 2024, and house prices fall by over 20%.</p> <p><b>Europe:</b> The scenario projects a recession that extends until mid-2024, and output falls by 4% from current levels. Unemployment rates are projected to peak at ~9% and recede slowly.</p> |
| <b>Upside</b><br><br>A 100% weighting to this scenario would result in a total expected credit loss provision on balance sheet at the reporting date of ~\$600 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 over the period until late 2024.</p> <p><b>Australia:</b> The scenario projects a slight slowdown in GDP growth to under 2% annually, but growth remains positive throughout. Unemployment rates increase only modestly, remaining below 4.5%. Interest rate rises are sufficient to calm inflation without sharply impacting growth.</p> <p><b>United States:</b> The scenario projects slowing GDP growth to 1% annually and the economy avoids any quarterly contractions. The Fed pauses monetary tightening as inflation recedes, engineering a 'soft landing' scenario.</p> <p><b>Europe:</b> The scenario projects GDP to grow only 0.4% in 2023, including one quarterly contraction. Thereafter growth remains around 2% annually through to 2027 and unemployment stays broadly flat at 6.5-7%.</p>  |

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



# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## 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<br>FINANCIAL ASSETS<br>CARRIED AT |               |               |                          | ECL ALLOWANCE ON<br>FINANCIAL ASSETS<br>CARRIED AT |              |              |                               |
|---|--|---------------|---------------|--------------------------|--|--------------|--------------|-------------------------------|
|   | Amortised<br>cost<br>\$m                             | FVOCI<br>\$m  | Other<br>\$m  | Gross<br>exposure<br>\$m | Amortised<br>cost<br>\$m                           | FVOCI<br>\$m | Other<br>\$m | Total ECL<br>allowance<br>\$m |
| CONSOLIDATED 2023   |  |               |               |                          |  |              |              |                               |
| Cash and bank balances  | 41,613   | -             | -             | 41,613                   | 1  | -            | -            | 1                             |
| Cash collateralised lending and reverse repurchase agreements | 15,903   | 22,341        | -             | 38,244                   | 6  | 1            | -            | 7                             |
| Margin money and settlement assets                            | 18,850   | -             | -             | 18,850                   | 51   | -            | -            | 51                            |
| Financial investments   | 1,721  | 14,870        | -             | 16,591                   | -  | 3            | -            | 3                             |
| Held for sale and other assets                                | 2,619  | 4             | -             | 2,623                    | 94   | -            | -            | 94                            |
| Loan assets   | 142,200  | -             | -             | 142,200                  | 624  | -            | -            | 624                           |
| Due from related body corporate entities                      | 556  | -             | -             | 556                      | -  | -            | -            | -                             |
| Off balance sheet exposures                                   | -  | -             | 22,534        | 22,534                   | -  | -            | 65           | 65                            |
| <b>Total</b>  | <b>223,462</b>                                       | <b>37,215</b> | <b>22,534</b> | <b>283,211</b>           | <b>776</b>   | <b>4</b>     | <b>65</b>    | <b>845</b>                    |
| CONSOLIDATED 2022   |  |               |               |                          |  |              |              |                               |
| Cash and bank balances  | 48,972   | -             | -             | 48,972                   | 1  | -            | -            | 1                             |
| Cash collateralised lending and reverse repurchase agreements | 11,155   | 27,223        | -             | 38,378                   | 4  | -            | -            | 4                             |
| Margin money and settlement assets                            | 18,967   | -             | -             | 18,967                   | 81   | -            | -            | 81                            |
| Financial investments   | 4  | 6,262         | -             | 6,266                    | -  | 1            | -            | 1                             |
| Held for sale and other assets                                | 2,316  | -             | -             | 2,316                    | 153  | -            | -            | 153                           |
| Loan assets   | 123,435  | -             | -             | 123,435                  | 590  | -            | -            | 590                           |
| Due from related body corporate entities                      | 1,399  | -             | -             | 1,399                    | -  | -            | -            | -                             |
| Off balance sheet exposures                                   | -  | -             | 22,362        | 22,362                   | -  | -            | 17           | 17                            |
| <b>Total</b>  | <b>206,248</b>                                       | <b>33,485</b> | <b>22,362</b> | <b>262,095</b>           | <b>829</b>   | <b>1</b>     | <b>17</b>    | <b>847</b>                    |

Loan assets continue to represent the Consolidated Entity's most significant component of credit exposures on which ECL allowances are carried. The credit quality of the Consolidated Entity's loan assets, is monitored through its credit policies, as set out in Note 33.1 *Credit risk*.

## Note 12

### Expected credit losses continued

|   | GROSS EXPOSURE FOR<br>FINANCIAL ASSETS<br>CARRIED AT |               |               | Gross<br>exposure<br>\$m | ECL ALLOWANCE ON<br>FINANCIAL ASSETS<br>CARRIED AT |              |              | Total ECL<br>allowance<br>\$m |
|---|--|---------------|---------------|--------------------------|--|--------------|--------------|-------------------------------|
|   | Amortised<br>cost<br>\$m                             | FVOCI<br>\$m  | Other<br>\$m  |                          | Amortised<br>cost<br>\$m                           | FVOCI<br>\$m | Other<br>\$m |                               |
| COMPANY 2023  |  |               |               |                          |  |              |              |                               |
| Cash and bank balances  | 36,176   | -             | -             | 36,176                   | -  | -            | -            | -                             |
| Cash collateralised lending and reverse repurchase agreements | 15,692   | 22,195        | -             | 37,887                   | 6  | -            | -            | 6                             |
| Margin money and settlement assets                            | 14,513   | -             | -             | 14,513                   | 45   | -            | -            | 45                            |
| Financial investments   | 1,126  | 13,334        | -             | 14,460                   | -  | 3            | -            | 3                             |
| Held for sale and other assets                                | 2,297  | -             | -             | 2,297                    | 52   | -            | -            | 52                            |
| Loan assets   | 138,448  | 2,145         | -             | 140,593                  | 524  | 40           | -            | 564                           |
| Due from related body corporate entities                      | 340  | -             | -             | 340                      | -  | -            | -            | -                             |
| Due from subsidiaries   | 9,815  | 92            | -             | 9,907                    | 12   | -            | -            | 12                            |
| Off balance sheet exposures                                   | -  | -             | 21,427        | 21,427                   | -  | -            | 64           | 64                            |
| <b>Total</b>  | <b>218,407</b>                                       | <b>37,766</b> | <b>21,427</b> | <b>277,600</b>           | <b>639</b>   | <b>43</b>    | <b>64</b>    | <b>746</b>                    |
| COMPANY 2022  |  |               |               |                          |  |              |              |                               |
| Cash and bank balances  | 43,594   | -             | -             | 43,594                   | -  | -            | -            | -                             |
| Cash collateralised lending and reverse repurchase agreements | 10,447   | 23,588        | -             | 34,035                   | 4  | -            | -            | 4                             |
| Margin money and settlement assets                            | 13,873   | -             | -             | 13,873                   | 64   | -            | -            | 64                            |
| Financial investments   | 4  | 6,262         | -             | 6,266                    | -  | -            | -            | -                             |
| Held for sale and other assets                                | 1,825  | -             | -             | 1,825                    | 109  | -            | -            | 109                           |
| Loan assets   | 118,268  | 3,304         | -             | 121,572                  | 479  | 48           | -            | 527                           |
| Due from related body corporate entities                      | 1,122  | -             | -             | 1,122                    | -  | -            | -            | -                             |
| Due from subsidiaries   | 11,621   | 140           | -             | 11,761                   | 15   | -            | -            | 15                            |
| Off balance sheet exposure                                    | -  | -             | 25,890        | 25,890                   | -  | -            | 17           | 17                            |
| <b>Total</b>  | <b>200,754</b>                                       | <b>33,294</b> | <b>25,890</b> | <b>259,938</b>           | <b>671</b>   | <b>48</b>    | <b>17</b>    | <b>736</b>                    |

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 12

### Expected credit losses continued

The table below provides a reconciliation from the opening to closing balance of the ECL allowances.

|   | Cash and bank balances<br>\$m | Cash collateralised lending and reverse repurchase agreements<br>\$m | Margin money and settlement assets<br>\$m | Financial investments<br>\$m | Held for sale and other assets<br>\$m | Loan assets<br>\$m | Due from related body corporate entities<br>\$m | Off balance sheet exposures<br>\$m | Total<br>\$m |
|---|-------------------------------|--|---|------------------------------|---------------------------------------|--------------------|---|------------------------------------|--------------|
| <b>CONSOLIDATED</b>                                     |                               |  |   |                              |                                       |                    |   |                                    |              |
| Balance as at 1 Apr 2021                                | -                             | -  | 54  | 6                            | 111                                   | 776                | 1   | 24                                 | 972          |
| Credit impairment charges/(reversals) (Note 2)          | -                             | -  | 28  | -                            | 74                                    | (77)               | -   | (7)                                | 18           |
| Amount written off, previously provided for             | -                             | -  | -   | -                            | (26)                                  | (74)               | -   | -                                  | (100)        |
| Reclassifications, foreign exchange and other movements | 1                             | 4  | (1)                                       | (5)                          | (6)                                   | (35)               | (1)   | -                                  | (43)         |
| <b>Balance as at 31 Mar 2022</b>                        | <b>1</b>                      | <b>4</b>   | <b>81</b>                                 | <b>1</b>                     | <b>153</b>                            | <b>590</b>         | <b>-</b>  | <b>17</b>                          | <b>847</b>   |
| Credit impairment charges/(reversals) (Note 2)          | -                             | 3  | (33)                                      | 2                            | 1                                     | 100                | -   | 46                                 | 119          |
| Amount written off, previously provided for             | -                             | -  | -   | -                            | (63)                                  | (72)               | -   | -                                  | (135)        |
| Reclassifications, foreign exchange and other movements | -                             | -  | 3   | -                            | 3                                     | 6                  | -   | 2                                  | 14           |
| <b>Balance as at 31 Mar 2023</b>                        | <b>1</b>                      | <b>7</b>   | <b>51</b>                                 | <b>3</b>                     | <b>94</b>                             | <b>624</b>         | <b>-</b>  | <b>65</b>                          | <b>845</b>   |

|   | Cash collateralised lending and reverse repurchase agreements<br>\$m | Margin money and settlement assets<br>\$m | Financial investments<br>\$m | Held for sale and other assets<br>\$m | Loan assets<br>\$m | Due from subsidiaries<br>\$m | Off balance sheet exposures<br>\$m | Total<br>\$m |
|---|--|---|------------------------------|---------------------------------------|--------------------|------------------------------|------------------------------------|--------------|
| <b>COMPANY</b>  |  |   |                              |                                       |                    |                              |                                    |              |
| Balance as at 1 Apr 2021                                | -  | 25  | 1                            | 77                                    | 433                | 15                           | 14                                 | 565          |
| Credit impairment charges (Note 2)                      | -  | 39  | -                            | 44                                    | 147                | -                            | 2                                  | 232          |
| Amount written off, previously provided for             | -  | -   | -                            | (6)                                   | (43)               | -                            | -                                  | (49)         |
| Reclassifications, foreign exchange and other movements | 4  | -   | (1)                          | (6)                                   | (10)               | -                            | 1                                  | (12)         |
| <b>Balance as at 31 Mar 2022</b>                        | <b>4</b>   | <b>64</b>                                 | <b>-</b>                     | <b>109</b>                            | <b>527</b>         | <b>15</b>                    | <b>17</b>                          | <b>736</b>   |
| Credit impairment charges/(reversals) (Note 2)          | 2  | (21)                                      | 3                            | (5)                                   | 100                | -                            | 47                                 | 126          |
| Amount written off, previously provided for             | -  | -   | -                            | (53)                                  | (68)               | -                            | -                                  | (121)        |
| Reclassifications, foreign exchange and other movements | -  | 2   | -                            | 1                                     | 5                  | (3)                          | -                                  | 5            |
| <b>Balance as at 31 Mar 2023</b>                        | <b>6</b>   | <b>45</b>                                 | <b>3</b>                     | <b>52</b>                             | <b>564</b>         | <b>12</b>                    | <b>64</b>                          | <b>746</b>   |

## Note 12

### Expected credit losses continued

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

|   | LIFETIME ECL                   |   |                                     |              |
|---|--------------------------------|---|-------------------------------------|--------------|
|   | Stage I<br>12 month ECL<br>\$m | Stage II<br>Not credit<br>impaired<br>\$m | Stage III<br>Credit impaired<br>\$m | Total<br>\$m |
| CONSOLIDATED  |                                |   |                                     |              |
| Balance as at 1 Apr 2021                                | 315                            | 202                                       | 259                                 | 776          |
| Transfers during the year                               | 33                             | (3)                                       | (30)                                | -            |
| Credit impairment charges/(reversals) (Note 2)          | (107)                          | (11)                                      | 41                                  | (77)         |
| Amount written off, previously provided for             | -                              | -   | (74)                                | (74)         |
| Reclassifications, foreign exchange and other movements | (27)                           | (1)                                       | (7)                                 | (35)         |
| <b>Balance as at 31 Mar 2022</b>                        | <b>214</b>                     | <b>187</b>                                | <b>189</b>                          | <b>590</b>   |
| Transfers during the year                               | 26                             | (17)                                      | (9)                                 | -            |
| Credit impairment charges (Note 2)                      | 60                             | -   | 40                                  | 100          |
| Amount written off, previously provided for             | -                              | -   | (72)                                | (72)         |
| Reclassifications, foreign exchange and other movements | 2                              | (1)                                       | 5                                   | 6            |
| <b>Balance as at 31 Mar 2023</b>                        | <b>302</b>                     | <b>169</b>                                | <b>153</b>                          | <b>624</b>   |
| COMPANY   |                                |   |                                     |              |
| Balance as at 1 Apr 2021                                | 157                            | 132                                       | 144                                 | 433          |
| Transfers during the year                               | 40                             | (27)                                      | (13)                                | -            |
| Credit impairment charges/(reversals) (Note 2)          | (1)                            | 61  | 87                                  | 147          |
| Amount written off, previously provided for             | -                              | -   | (43)                                | (43)         |
| Reclassifications, foreign exchange and other movements | (3)                            | 2   | (9)                                 | (10)         |
| <b>Balance as at 31 Mar 2022</b>                        | <b>193</b>                     | <b>168</b>                                | <b>166</b>                          | <b>527</b>   |
| Transfers during the year                               | 25                             | (19)                                      | (6)                                 | -            |
| Credit impairment charges (Note 2)                      | 51                             | 8   | 41                                  | 100          |
| Amount written off, previously provided for             | -                              | -   | (68)                                | (68)         |
| Reclassifications, foreign exchange and other movements | -                              | -   | 5                                   | 5            |
| <b>Balance as at 31 Mar 2023</b>                        | <b>269</b>                     | <b>157</b>                                | <b>138</b>                          | <b>564</b>   |

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 13

### Property, plant and equipment and right-of-use assets

|  | 2023         |  |                          | 2022         |  |                          |
|--|--------------|--|--------------------------|--------------|--|--------------------------|
|  | Cost<br>\$m  | Accumulated<br>depreciation<br>and impairment<br>\$m | Carrying<br>value<br>\$m | Cost<br>\$m  | Accumulated<br>depreciation and<br>impairment<br>\$m | Carrying<br>value<br>\$m |
| <b>CONSOLIDATED</b>  |              |  |                          |              |  |                          |
| <b>Assets for own use</b>  |              |  |                          |              |  |                          |
| Land and buildings   | 856          | (41)   | 815                      | 626          | (36)   | 590                      |
| Furniture, fittings and leasehold improvements                     | 604          | (452)  | 152                      | 478          | (416)  | 62                       |
| Equipment  | 115          | (68)   | 47                       | 93           | (61)   | 32                       |
| <b>Total assets for own use</b>                                    | <b>1,575</b> | <b>(561)</b>   | <b>1,014</b>             | <b>1,197</b> | <b>(513)</b>   | <b>684</b>               |
| <b>Assets under operating lease</b>                                |              |  |                          |              |  |                          |
| Meters   | 2,558        | (1,082)  | 1,476                    | 2,268        | (904)  | 1,364                    |
| Telecommunications   | 1,699        | (666)  | 1,033                    | 1,439        | (630)  | 809                      |
| Equipment and other  | 868          | (214)  | 654                      | 535          | (121)  | 414                      |
| <b>Total assets under operating lease</b>                          | <b>5,125</b> | <b>(1,962)</b>                                       | <b>3,163</b>             | <b>4,242</b> | <b>(1,655)</b>                                       | <b>2,587</b>             |
| <b>Right-of-use assets</b>   |              |  |                          |              |  |                          |
| Office premises  | 713          | (370)  | 343                      | 538          | (284)  | 254                      |
| Commodity storage  | 77           | (46)   | 31                       | 38           | (31)   | 7                        |
| Other  | 40           | (14)   | 26                       | 14           | (10)   | 4                        |
| <b>Total assets under right-of-use</b>                             | <b>830</b>   | <b>(430)</b>   | <b>400</b>               | <b>590</b>   | <b>(325)</b>   | <b>265</b>               |
| <b>Total property, plant and equipment and right-of-use assets</b> | <b>7,530</b> | <b>(2,953)</b>                                       | <b>4,577</b>             | <b>6,029</b> | <b>(2,493)</b>                                       | <b>3,536</b>             |

The majority of the above amounts have expected useful lives longer than 12 months after the balance date.

|  |              |                |              |              |                |              |
|--|--------------|----------------|--------------|--------------|----------------|--------------|
| <b>COMPANY</b>                                 |              |                |              |              |                |              |
| <b>Assets for own use</b>                      |              |                |              |              |                |              |
| Land and buildings                             | 617          | -              | 617          | 386          | -              | 386          |
| Furniture, fittings and leasehold improvements | 81           | (11)           | 70           | 13           | (11)           | 2            |
| Equipment                                      | 14           | (9)            | 5            | 11           | (7)            | 4            |
| <b>Total assets for own use</b>                | <b>712</b>   | <b>(20)</b>    | <b>692</b>   | <b>410</b>   | <b>(18)</b>    | <b>392</b>   |
| <b>Assets under operating lease</b>            |              |                |              |              |                |              |
| Meters   | 2,321        | (871)          | 1,450        | 2,015        | (687)          | 1,328        |
| Telecommunications                             | 1,696        | (665)          | 1,031        | 1,439        | (630)          | 809          |
| Land and buildings                             | 374          | (119)          | 255          | 391          | (119)          | 272          |
| <b>Total assets under operating lease</b>      | <b>4,391</b> | <b>(1,655)</b> | <b>2,736</b> | <b>3,845</b> | <b>(1,436)</b> | <b>2,409</b> |
| <b>Total property, plant and equipment</b>     | <b>5,103</b> | <b>(1,675)</b> | <b>3,428</b> | <b>4,255</b> | <b>(1,454)</b> | <b>2,801</b> |

The majority of the above amounts have expected useful lives longer than 12 months after the balance date.

## Note 13

### Property, plant and equipment and right-of-use assets continued

The movement in the carrying value of the Consolidated Entity's property, plant and equipment was as follows.

|  | Land and buildings<br>\$m | Furniture, fittings<br>and leasehold<br>improvements<br>\$m | Equipment<br>\$m | Total<br>\$m |
|--|---------------------------|---|------------------|--------------|
| CONSOLIDATED                                   |                           |   |                  |              |
| <b>Assets for own use</b>                      |                           |   |                  |              |
| Balance as at 1 Apr 2021                       | 460                       | 94  | 29               | 583          |
| Acquisitions and additions                     | 127                       | 9   | 23               | 159          |
| Depreciation expense (Note 2)                  | (5)                       | (33)  | (18)             | (56)         |
| Reclassification and other adjustments         | 8                         | (8)   | (2)              | (2)          |
| <b>Balance as at 31 Mar 2022<sup>(1)</sup></b> | <b>590</b>                | <b>62</b>   | <b>32</b>        | <b>684</b>   |
| Acquisitions and additions                     | <b>230</b>                | <b>118</b>  | <b>57</b>        | <b>405</b>   |
| Disposals                                      | -                         | -   | (23)             | (23)         |
| Depreciation expense (Note 2)                  | (5)                       | (30)  | (19)             | (54)         |
| Impairments                                    | -                         | -   | (1)              | (1)          |
| Foreign exchange movements                     | -                         | 2   | 1                | 3            |
| <b>Balance as at 31 Mar 2023<sup>(1)</sup></b> | <b>815</b>                | <b>152</b>  | <b>47</b>        | <b>1,014</b> |

|   | Meters<br>\$m | Telecommunication<br>\$m | Equipment and other<br>\$m | Total<br>\$m |
|---|---------------|--------------------------|----------------------------|--------------|
| CONSOLIDATED  |               |                          |                            |              |
| <b>Assets under operating lease</b>                   |               |                          |                            |              |
| Balance as at 1 Apr 2021                              | 1,371         | 131                      | 342                        | 1,844        |
| Acquisitions and additions                            | 270           | 684                      | 183                        | 1,137        |
| Disposals   | -             | (1)                      | (15)                       | (16)         |
| Depreciation expense (Note 2)                         | (191)         | (35)                     | (91)                       | (317)        |
| Reclassification and other adjustments <sup>(2)</sup> | (40)          | 54                       | (4)                        | 10           |
| Foreign exchange movements                            | (46)          | (24)                     | (1)                        | (71)         |
| <b>Balance as at 31 Mar 2022</b>                      | <b>1,364</b>  | <b>809</b>               | <b>414</b>                 | <b>2,587</b> |
| Acquisitions and additions                            | <b>262</b>    | <b>265</b>               | <b>362</b>                 | <b>889</b>   |
| Disposals   | -             | -                        | (20)                       | (20)         |
| Depreciation expense (Note 2)                         | (190)         | (35)                     | (121)                      | (346)        |
| Reclassification and other adjustment <sup>(2)</sup>  | (33)          | (51)                     | (10)                       | (94)         |
| Foreign exchange movements                            | 73            | 45                       | 29                         | 147          |
| <b>Balance as at 31 Mar 2023</b>                      | <b>1,476</b>  | <b>1,033</b>             | <b>654</b>                 | <b>3,163</b> |

(1) Includes \$676 million (2022: \$377 million) capital work in progress related to building construction and improvements for Martin Place Metro Project.

(2) Includes \$51 million loss (2022: \$54 million gain) fair value hedge adjustment. Refer to Note 32 *Hedge accounting*.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 13

### Property, plant and equipment and right-of-use assets continued

The movement in the carrying value of the Company's property, plant and equipment was as follows.

|  | Land and buildings<br>\$m | Furniture, fittings<br>and leasehold<br>improvements<br>\$m | Equipment<br>\$m | Total<br>\$m |
|--|---------------------------|---|------------------|--------------|
| COMPANY  |                           |   |                  |              |
| <b>Assets for own use</b>                      |                           |   |                  |              |
| Balance as at 1 Apr 2021                       | 250                       | 12  | 4                | 266          |
| Acquisitions and additions                     | 127                       | 1   | 3                | 131          |
| Reclassification and other adjustments         | 9                         | (9)   | -                | -            |
| Depreciation expense (Note 2)                  | -                         | (2)   | (3)              | (5)          |
| <b>Balance as at 31 Mar 2022<sup>(1)</sup></b> | <b>386</b>                | <b>2</b>  | <b>4</b>         | <b>392</b>   |
| Acquisitions and additions                     | 231                       | 70  | 4                | 305          |
| Depreciation expense (Note 2)                  | -                         | (2)   | (3)              | (5)          |
| <b>Balance as at 31 Mar 2023<sup>(1)</sup></b> | <b>617</b>                | <b>70</b>   | <b>5</b>         | <b>692</b>   |

|  | Meters<br>\$m | Telecommunication<br>\$m | Land and buildings<br>\$m | Total<br>\$m |
|--|---------------|--------------------------|---------------------------|--------------|
| COMPANY  |               |                          |                           |              |
| <b>Assets under operating lease</b>                    |               |                          |                           |              |
| Balance as at 1 Apr 2021                               | -             | 132                      | 274                       | 406          |
| Acquisitions and additions                             | 1,490         | 683                      | 13                        | 2,186        |
| Disposals  | -             | -                        | (2)                       | (2)          |
| Reclassifications and other adjustments <sup>(2)</sup> | (16)          | 54                       | -                         | 38           |
| Foreign exchange movements                             | (85)          | (25)                     | -                         | (110)        |
| Depreciation expense (Note 2)                          | (61)          | (35)                     | (13)                      | (109)        |
| <b>Balance as at 31 Mar 2022</b>                       | <b>1,328</b>  | <b>809</b>               | <b>272</b>                | <b>2,409</b> |
| Acquisitions and additions                             | 263           | 263                      | 11                        | 537          |
| Disposals  | -             | -                        | (2)                       | (2)          |
| Reclassifications and other adjustments <sup>(2)</sup> | (31)          | (51)                     | (13)                      | (95)         |
| Foreign exchange movements                             | 72            | 45                       | -                         | 117          |
| Depreciation expense (Note 2)                          | (182)         | (35)                     | (13)                      | (230)        |
| <b>Balance as at 31 Mar 2023</b>                       | <b>1,450</b>  | <b>1,031</b>             | <b>255</b>                | <b>2,736</b> |

(1) Includes \$679 million (2022: \$377 million) capital work in progress related to building construction and improvements for Martin Place Metro Project.

(2) Includes \$51 million loss (2022: \$54 million gain) fair value hedge adjustment. Refer to Note 32 *Hedge accounting*.



## Note 13

### Property, plant and equipment and right-of-use assets continued

The movement in the carrying value of the Consolidated Entity's ROU was as follows.

|  | Office<br>premises<br>\$m | Commodity<br>storage<br>\$m | Other<br>\$m | Total<br>\$m |
|--|---------------------------|-----------------------------|--------------|--------------|
| <b>CONSOLIDATED</b>                              |                           |                             |              |              |
| <b>Right-of-use assets</b>                       |                           |                             |              |              |
| Balance as at 1 Apr 2021                         | 349                       | 13                          | 8            | 370          |
| Acquisitions and additions                       | 17                        | 4                           | 3            | 24           |
| Disposals  | (11)                      | -                           | -            | (11)         |
| Depreciation expense <sup>(1)</sup>              | (94)                      | (10)                        | (7)          | (111)        |
| Impairments                                      | (4)                       | -                           | -            | (4)          |
| Foreign exchange movements and other adjustments | (3)                       | -                           | -            | (3)          |
| <b>Balance as at 31 Mar 2022</b>                 | <b>254</b>                | <b>7</b>                    | <b>4</b>     | <b>265</b>   |
| Acquisitions and additions                       | <b>169</b>                | <b>34</b>                   | <b>27</b>    | <b>230</b>   |
| Disposals  | <b>(8)</b>                | <b>-</b>                    | <b>-</b>     | <b>(8)</b>   |
| Depreciation expense <sup>(1)</sup>              | <b>(95)</b>               | <b>(11)</b>                 | <b>(5)</b>   | <b>(111)</b> |
| Impairment reversals                             | <b>1</b>                  | <b>-</b>                    | <b>-</b>     | <b>1</b>     |
| Foreign exchange movements and other adjustments | <b>22</b>                 | <b>1</b>                    | <b>-</b>     | <b>23</b>    |
| <b>Balance as at 31 Mar 2023</b>                 | <b>343</b>                | <b>31</b>                   | <b>26</b>    | <b>400</b>   |

The future minimum lease payments expected to be received under non-cancellable operating leases are as follows.

|   | <b>CONSOLIDATED</b> |                     | <b>COMPANY</b>      |                     |
|---|---------------------|---------------------|---------------------|---------------------|
|   | <b>2023<br/>\$m</b> | <b>2022<br/>\$m</b> | <b>2023<br/>\$m</b> | <b>2022<br/>\$m</b> |
| <b>Assets under operating lease</b>                   |                     |                     |                     |                     |
| Within one year                                       | <b>304</b>          | 199                 | <b>110</b>          | 111                 |
| Between one to two years                              | <b>222</b>          | 179                 | <b>97</b>           | 105                 |
| Between two to three years                            | <b>74</b>           | 112                 | <b>30</b>           | 90                  |
| Between three to four years                           | <b>20</b>           | 24                  | <b>23</b>           | 23                  |
| Between four to five years                            | <b>11</b>           | 11                  | <b>2</b>            | 18                  |
| Later than five years                                 | <b>-</b>            | 7                   | <b>-</b>            | 1                   |
| <b>Total future minimum lease payments receivable</b> | <b>631</b>          | 532                 | <b>262</b>          | 348                 |

(1) Includes depreciation expense of \$95 million (2022: \$94 million) on office premise leases presented under other operating expenses and \$11 million (2022: \$10 million) on assets held for trading-related business presented under net trading income and \$4 million (2022: \$7 million) on technology leases presented under non-salary technology expenses in Note 2 Operating profit before income tax.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 14

### Investment in subsidiaries

|  | COMPANY      |              |
|--|--------------|--------------|
|  | 2023<br>\$m  | 2022<br>\$m  |
| Investment at cost with no provisions for impairment     | 4,693        | 6,172        |
| Investment at cost with provisions for impairment        | 126          | 183          |
| Less: provisions for impairment <sup>(1)</sup>           | (45)         | (68)         |
| Investment with provisions for impairment <sup>(1)</sup> | 81           | 115          |
| <b>Total investment in subsidiaries</b>                  | <b>4,774</b> | <b>6,287</b> |

The above amounts are expected to be recovered after 12 months of the balance date by the Company.

The following are the Company's notable subsidiaries:

| Australia   | Americas  |
|---|---|
| <ul style="list-style-type: none"> <li>Macquarie Group Services Australia Pty Ltd</li> <li>Macquarie International Finance Limited</li> <li>Macquarie Offshore Services Pty Ltd</li> <li>Macquarie Equities Limited</li> <li>Macquarie Investment Management Ltd</li> </ul> | <ul style="list-style-type: none"> <li>Macquarie Energy LLC (United States)</li> <li>Macquarie America Holdings Inc. (United States)</li> <li>Macquarie Global Services (USA) LLC (United States)</li> <li>Macquarie Futures USA LLC (United States)</li> </ul> |
| Asia Pacific  | Europe, Middle East and Africa  |
| <ul style="list-style-type: none"> <li>Macquarie Global Services Private Limited (India)</li> <li>Macquarie Group Services (Philippines), Inc. (Philippines)</li> </ul>   | <ul style="list-style-type: none"> <li>Macquarie Bank Europe Designated Activity Company (Ireland)</li> <li>Macquarie Investments 1 Limited (United Kingdom)</li> </ul>   |

The subsidiaries included in the notable subsidiaries list above are identified on the basis of their ongoing contribution to the Consolidated Entity's external assets and operating profit. Additionally, these include the major employing entities, entities that are key providers of funding to other subsidiaries and other operating entities considered key for each Operating Group and region.

The list of notable subsidiaries has been categorised based on the geographic region of their incorporation. The country of incorporation has been stated in brackets. For entities in the Australia region, the country of incorporation is Australia. Overseas subsidiaries conduct business predominantly in their place of incorporation. Notable subsidiaries may conduct business in other geographic regions through branches, the branches have not been included in the list of notable subsidiaries.

All notable subsidiaries have a 31 March reporting date.

### Significant restrictions

During the year, the Company's subsidiaries did not experience any significant restrictions on paying dividends, accessing or using assets and settling liabilities of the Consolidated Entity. There are no foreseen restrictions envisaged with regard to planned dividends or payments. However, the ability of subsidiaries to pay dividends or advance monies to the Company depends on, among other things, their respective local regulatory capital and banking requirements, exchange controls, statutory reserves, and financial and operating performance.

(1) In accordance with its accounting policies, the Company reviewed its investments in subsidiaries for indicators of impairment and, where applicable, reversal of impairment. Where its investments had indicators of reversal of impairment, the investments' carrying value was compared to its recoverable value which was determined as the higher of value-in-use and fair value less cost to sell (valuation). The valuations, which are classified as Level 3 in the fair value hierarchy as defined in Note 35 *Fair value of assets and liabilities*, have been calculated using a valuation technique with significant inputs including the subsidiary's maintainable earnings, growth rates and relevant earnings' multiples.

## Note 15

### Deferred tax assets/(liabilities)

The balance comprises temporary differences attributable to:

|  | CONSOLIDATED |             | COMPANY     |             |
|--|--------------|-------------|-------------|-------------|
|  | 2023<br>\$m  | 2022<br>\$m | 2023<br>\$m | 2022<br>\$m |
| Other assets and liabilities   | 945          | 789         | 450         | 416         |
| Tax losses   | 61           | 50          | 4           | 13          |
| Property, plant and equipment  | 69           | 70          | 1           | 7           |
| Intangible assets  | 151          | 130         | 104         | 93          |
| Financial investments and interests in associates and joint ventures | 50           | 14          | 17          | 20          |
| Loan assets and derivatives  | 196          | 24          | 188         | -           |
| Operating and finance leases   | 17           | 4           | -           | -           |
| Set-off of deferred tax liabilities                                  | (401)        | (184)       | (92)        | (147)       |
| <b>Net deferred tax assets</b>                                       | <b>1,088</b> | <b>897</b>  | <b>672</b>  | <b>402</b>  |
| Operating and finance lease assets                                   | (171)        | (178)       | (104)       | (129)       |
| Loan and derivative assets   | (141)        | (7)         | (9)         | (46)        |
| Other assets and liabilities   | (66)         | (18)        | (3)         | -           |
| Financial investments and interests in associates and joint ventures | (33)         | (3)         | (1)         | (1)         |
| Property, plant and equipment  | (6)          | (1)         | -           | -           |
| Intangible assets  | (7)          | (5)         | -           | -           |
| Set-off of deferred tax assets                                       | 401          | 184         | 92          | 147         |
| <b>Net deferred tax liabilities</b>                                  | <b>(23)</b>  | <b>(28)</b> | <b>(25)</b> | <b>(29)</b> |

The above amounts are expected to be recovered after 12 months of the balance date by the Consolidated Entity and the Company.

Potential tax assets of approximately \$98 million (2022: \$96 million) attributable to tax losses carried forward by subsidiaries and other timing differences have not been brought to account in the Consolidated Entity as Management do not believe that the realisation of the tax assets is probable. Included in this amount are \$nil gross losses (2022: \$nil) that will expire within two years; \$0.3 million (2022: \$1 million) that will expire in 2-5 years; \$19 million (2022: \$97 million) that will expire in 5-10 years and \$126 million (2022: \$61 million) that will expire in 10-20 years. \$418 million (2022: \$401 million) of gross losses do not expire and can be carried forward indefinitely.

## Note 16

### Trading liabilities

|                                  | CONSOLIDATED |              | COMPANY      |              |
|----------------------------------|--------------|--------------|--------------|--------------|
|                                  | 2023<br>\$m  | 2022<br>\$m  | 2023<br>\$m  | 2022<br>\$m  |
| Listed equity securities         | 4,713        | 5,173        | 4,717        | 5,178        |
| Debt securities                  | 41           | 33           | 40           | 32           |
| <b>Total trading liabilities</b> | <b>4,754</b> | <b>5,206</b> | <b>4,757</b> | <b>5,210</b> |

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 17

### Margin money and settlement liabilities

|  |               |               |               |               |
|--|---------------|---------------|---------------|---------------|
| Margin money   | 17,085        | 16,244        | 13,536        | 11,651        |
| Commodity settlements                                | 2,828         | 4,370         | 1,829         | 3,063         |
| Security settlements                                 | 2,000         | 963           | 1,999         | 879           |
| <b>Total margin money and settlement liabilities</b> | <b>21,913</b> | <b>21,577</b> | <b>17,364</b> | <b>15,593</b> |

## Note 18

### Derivative liabilities

|                                     |               |               |               |               |
|-------------------------------------|---------------|---------------|---------------|---------------|
| Held for trading                    | 31,423        | 83,584        | 26,353        | 70,988        |
| Designated in hedge relationships   | 1,099         | 607           | 1,068         | 533           |
| <b>Total derivative liabilities</b> | <b>32,522</b> | <b>84,191</b> | <b>27,421</b> | <b>71,521</b> |

## Note 19

### Deposits

|   |                |                |                |                |
|---|----------------|----------------|----------------|----------------|
| Interest bearing deposits:                          |                |                |                |                |
| Call  | 89,876         | 76,171         | 89,793         | 76,130         |
| Term  | 23,367         | 8,534          | 22,479         | 8,393          |
| Non-interest-bearing deposits – repayable on demand | 21,405         | 16,909         | 21,389         | 16,894         |
| <b>Total deposits</b>                               | <b>134,648</b> | <b>101,614</b> | <b>133,661</b> | <b>101,417</b> |

## Note 20

### Other liabilities

|  | CONSOLIDATED |              | COMPANY      |              |
|--|--------------|--------------|--------------|--------------|
|  | 2023         | 2022         | 2023         | 2022         |
|  | \$m          | \$m          | \$m          | \$m          |
| <b>Other financial liabilities</b>           |              |              |              |              |
| Commodity-related payables                   | 1,158        | 1,208        | 675          | 801          |
| Creditors                                    | 1,064        | 609          | 818          | 409          |
| Lease liabilities                            | 456          | 357          | 1            | 1            |
| Unitholder liabilities                       | -            | 10           | -            | -            |
| <b>Total other financial liabilities</b>     | <b>2,678</b> | <b>2,184</b> | <b>1,494</b> | <b>1,211</b> |
| <b>Other non-financial liabilities</b>       |              |              |              |              |
| Employment-related liabilities               | 1,933        | 1,465        | 657          | 538          |
| Provisions <sup>(1)</sup>                    | 1,383        | 953          | 817          | 678          |
| Accrued charges and other payables           | 653          | 249          | 427          | 118          |
| Income tax provision <sup>(2)</sup>          | 518          | 460          | 228          | 131          |
| Indirect tax payables                        | 83           | 64           | 9            | 7            |
| Other  | 379          | 369          | 331          | 339          |
| <b>Total other non-financial liabilities</b> | <b>4,949</b> | <b>3,560</b> | <b>2,469</b> | <b>1,811</b> |
| <b>Total other liabilities</b>               | <b>7,627</b> | <b>5,744</b> | <b>3,963</b> | <b>3,022</b> |

(1) In the ordinary course of its business, the Consolidated Entity and the Company may be subject to actual and potential civil claims and regulatory enforcement actions. During the current year, 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 change 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 and the Company consider the risk of there being a material adverse effect in respect of claims and actions that have not been provided for to be remote.

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

## Note 21

### Issued debt securities

|                                     | CONSOLIDATED  |               | COMPANY       |               |
|-------------------------------------|---------------|---------------|---------------|---------------|
|                                     | 2023          | 2022          | 2023          | 2022          |
|                                     | \$m           | \$m           | \$m           | \$m           |
| Commercial paper                    | 23,466        | 35,060        | 23,466        | 35,060        |
| Bonds                               | 19,464        | 21,341        | 19,490        | 21,336        |
| Securitised notes <sup>(1)</sup>    | 11,424        | 13,380        | -             | -             |
| Certificates of deposits            | 2,274         | 741           | 2,274         | 741           |
| Structured notes <sup>(2),(3)</sup> | 1,351         | 1,585         | 1,351         | 1,585         |
| <b>Total issued debt securities</b> | <b>57,979</b> | <b>72,107</b> | <b>46,581</b> | <b>58,722</b> |

The Consolidated Entity and the Company have not had any defaults of principal, interest or other breaches with respect to its issued debt securities during the financial years reported.

#### Reconciliation of issued debt securities by major currency (In Australian dollar equivalent)

|                                     |               |               |               |               |
|-------------------------------------|---------------|---------------|---------------|---------------|
| United States dollar                | 31,860        | 40,422        | 31,858        | 40,419        |
| Australian dollar                   | 19,586        | 22,144        | 8,160         | 8,762         |
| Euro                                | 3,425         | 4,689         | 3,455         | 4,689         |
| Pound sterling                      | 1,740         | 3,317         | 1,740         | 3,317         |
| Swiss franc                         | 818           | 1,060         | 818           | 1,060         |
| Other                               | 550           | 475           | 550           | 475           |
| <b>Total issued debt securities</b> | <b>57,979</b> | <b>72,107</b> | <b>46,581</b> | <b>58,722</b> |

(1) Represents payable to note holders and debt holders for which loan assets are held by consolidated Structured Entities (SEs) and are available as security. Refer to Note 37 *Pledged assets and transfer of financial assets* for the details of assets pledged for the liabilities of the Consolidated Entity.

(2) The amount that would be contractually required to be paid at maturity to the holders of issued debt securities measured at DFVTPL for the Consolidated Entity and the Company is \$1,533 million (2022: \$1,706 million). This amount is based on the final notional amount rather than the fair value. Refer to Note 34 *Measurement categories of financial instruments* for the carrying value of issued debt securities measured at DFVTPL.

(3) Includes a cumulative fair value gain recognised in OCI of \$15 million (2022: \$6 million loss) due to changes in own credit risk on DFVTPL debt securities recognised in OCI.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 22

### Capital management

#### Capital management strategy

The Consolidated Entity's capital management strategy is to maximise shareholder value through optimising the mix, level and use of capital resources, whilst also providing the flexibility to take advantage of opportunities as they may arise.

The Consolidated Entity's capital management objectives are to maintain sufficient capital resources to:

- support the Consolidated Entity's business and operational requirements
- safeguard interest of depositors' and the Consolidated Entity's ability to continue as a going concern
- exceed regulatory capital requirements
- support the Consolidated Entity's credit rating.

The Consolidated Entity's capital management strategy uses both internal and external measures of capital. Internally, the Consolidated Entity has developed an Economic Capital Adequacy Model (ECAM) that complements the management of specific risk types such as equity, credit, market and operational risk by providing an aggregate view of the Consolidated Entity's risk profile. Externally, the Consolidated Entity is subject to minimum capital requirements imposed by the Australian Prudential Regulation Authority (APRA).

Measures of capital used to support business decision-making include:

- capital adequacy assessment
- risk appetite setting
- risk-adjusted performance measurement.

The Consolidated Entity's capital management strategy is evaluated annually through an Internal Capital Adequacy Assessment Process (ICAAP).

#### Regulatory capital framework

Regulatory capital requirements are imposed and measured at two levels of consolidation within the Consolidated Entity:

- **Level 1:** The Company and certain subsidiaries which meet the APRA definition of Extended Licensed Entities
- **Level 2:** The Company, its subsidiaries and its immediate parent less certain subsidiaries of the Company which are deconsolidated for APRA reporting purposes. These include entities conducting insurance, funds management and non-financial operations.

The Consolidated Entity reports to APRA under APRA's Basel III capital requirements and is accredited by APRA to apply the Basel III Foundation Internal Ratings Based Approach for credit risk, and the Internal Model Approach for market risk and interest rate risk in the banking book.

APRA requires Authorised Deposit-taking Institutions (ADIs) such as the Consolidated Entity to hold a minimum level of regulatory capital against its risk-weighted assets (RWA) for each category of capital. APRA classifies an ADI's regulatory capital into three categories:

- **Common Equity Tier 1 (CET1):** Consists of share capital, retained earnings, and certain reserves, less prescribed regulatory adjustments including deductions for intangibles, certain capitalised expenses, deferred tax assets, equity investments and investments in certain subsidiaries
- **Tier 1 Capital:** The sum of CET1 Capital and Additional Tier 1 (AT1) Capital. AT1 Capital consists of hybrid instruments
- **Total Capital:** The sum of Tier 1 Capital and Tier 2 Capital. Tier 2 Capital includes term subordinated debt, certain reserves and applicable regulatory adjustments.

Information on hybrid and Tier 2 Capital instruments on issue is available in the Regulatory Disclosures section of the Macquarie public website.

Under APRA's Basel III prudential requirements, ADIs such as the Consolidated Entity are required to maintain a minimum ratio of regulatory capital to RWA of 4.5% for CET1, 6.0% for Tier 1 and 8.0% for Total Capital. The requirement applies at both Level 1 and Level 2. APRA may also impose an ADI specific minimum capital ratio that may be higher than these levels.

In addition, APRA requires ADIs to hold a capital conservation buffer of up to 3.75% in the form of CET1 Capital. The Consolidated Entity is also required to hold an ADI specific countercyclical capital buffer (CCyB) in the form of CET1 Capital.

Under APRA's Basel III prudential requirements, ADIs such as the Consolidated Entity are also required to hold a minimum level of Tier 1 Capital against its regulatory total exposures (Leverage Ratio). The minimum required Leverage Ratio is 3.5%.

The Consolidated Entity has complied with minimum capital requirements at Level 1 and Level 2 throughout the financial year.

## Note 23

### Loan capital

#### Subordinated debt

Subordinated debt comprises of agreements between the Consolidated Entity and its lenders that provide that, in the event of liquidation, entitlement of such lenders to repayment of the principal sum and interest thereon is and shall at all times be and remain subordinated to the rights of all other present and future creditors of the Consolidated Entity.

The table below highlights key capital instruments with conditional repayment obligations (Tier 1 loan capital under APRA's Capital Standards) issued by the Consolidated Entity and the Company.

| Contract feature                              | Macquarie Additional Capital Securities   | Macquarie Bank Capital Notes 2   | Macquarie Bank Capital Notes 3   |
|---|---|--|--|
| <b>Code</b>                                   | MACS  | BCN2   | BCN3   |
| <b>Issuer</b>                                 | Macquarie Bank Limited  | Macquarie Bank Limited   | Macquarie Bank Limited   |
| <b>Par value</b>                              | n/a   | \$100  | \$100  |
| <b>Currency</b>                               | USD   | AUD  | AUD  |
| <b>Carrying value at reporting date</b>       | \$USD 750 million/(\$A1,064 million)  | \$641 million  | \$655 million  |
| <b>Accounting measurement basis</b>           | Financial liability at amortised cost   | Financial liability at amortised cost  | Financial liability at amortised cost  |
| <b>Issue date</b>                             | 8 March 2017  | 2 June 2020  | 27 August 2021   |
| <b>Interest rate</b>                          | 6.125% per annum  | 90-day BBSW plus a fixed margin of 4.70% per annum, adjusted for franking credits  | 90-day BBSW plus a fixed margin of 2.90% per annum, adjusted for franking credits  |
| <b>Interest payment frequency</b>             | Semi-annually in arrears  | Quarterly in arrears   | Quarterly in arrears   |
| <b>Interest payment</b>                       | Discretionary, non-cumulative   | Discretionary, non-cumulative  | Discretionary, non-cumulative  |
| <b>Dividend stopper</b>                       | MBL only  | MBL only   | MBL only   |
| <b>Outstanding notes at reporting date</b>    | — <sup>(1)</sup>  | 6.41 million   | 6.55 million   |
| <b>Maturity</b>                               | Perpetual, redeemable subject to APRA's written approval, and at the discretion of MBL in limited circumstances   | Perpetual unless redeemed, resold, converted, exchanged or written-off in accordance with the terms of the instrument  | Perpetual unless redeemed, resold, converted, exchanged or written-off in accordance with the terms of the instrument  |
| <b>Convertible into ordinary shares</b>       | Yes   | Yes  | Yes  |
| <b>Convertible into issuer shares</b>         | MGL   | MGL  | MGL  |
| <b>Mandatory conversion date</b>              | n/a   | 21 December 2028   | 8 September 2031   |
| <b>Maximum number of shares on conversion</b> | 56,947,286  | 30,532,190   | 20,316,704   |
| <b>Optional exchange dates</b>                | No optional exchange dates  | <ul style="list-style-type: none"> <li>21 December 2025</li> <li>21 June 2026</li> <li>21 December 2026</li> <li>earlier in specified circumstances at the discretion of MBL subject to APRA approval</li> </ul>   | <ul style="list-style-type: none"> <li>7 September 2028</li> <li>7 March 2029</li> <li>7 September 2029</li> <li>earlier in specified circumstances at the discretion of MBL subject to APRA approval</li> </ul>   |
| <b>Other exchange events</b>                  | <ul style="list-style-type: none"> <li>acquisition date (where a party acquires control of MBL or MGL)</li> <li>where APRA determines MBL would be non-viable without an exchange or a public sector injection of capital (or equivalent support)</li> <li>where MBL's common equity Tier 1 Capital ratio falls below 5.125%</li> </ul> | <ul style="list-style-type: none"> <li>acquisition date (where a party acquires control of MBL or MGL)</li> <li>where APRA determines MBL would be non-viable without an exchange or conversion or write-off, of other Relevant Tier-1 securities is necessary or a public sector injection of capital (or equivalent support)</li> <li>where MBL's common equity Tier 1 Capital ratio falls below 5.125%</li> </ul> | <ul style="list-style-type: none"> <li>acquisition date (where a party acquires control of MBL or MGL)</li> <li>where APRA determines MBL would be non-viable without an exchange or conversion or write-off, of other Relevant Tier-1 securities is necessary or a public sector injection of capital (or equivalent support)</li> <li>where MBL's common equity Tier 1 Capital ratio falls below 5.125%</li> </ul> |
| <b>Capital treatment</b>                      | Additional Tier 1 capital   | Additional Tier 1 capital  | Additional Tier 1 capital  |

(1) As at 31 March 2023, the US\$750 million of MACS were held by an authorised representative for the Depository Trust Company being the common depository for the MACS global security.



# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 23

### Loan capital continued

In addition to the subordinated debt with conditional repayment obligations, the Consolidated Entity has also issued certain capital instruments with fixed repayment obligations, denominated in United States dollars and Australian dollars which are eligible Tier 2 capital under APRA's capital standards.

The table below discloses the carrying value of Loan capital at the balance sheet date. Where these instruments are designated in fair value hedge accounting relationships, the carrying value includes the fair value hedge adjustment (refer to Note 32 *Hedge accounting*). The contractual undiscounted cash flows are disclosed in Note 33.2 *Liquidity risk*.

|   | CONSOLIDATED |              | COMPANY      |              |
|---|--------------|--------------|--------------|--------------|
|   | 2023<br>\$m  | 2022<br>\$m  | 2023<br>\$m  | 2022<br>\$m  |
| Subordinated debt with fixed repayment obligations (Tier 2 loan capital),<br>by contractual maturity dates: |              |              |              |              |
| 10 June 2025  | 1,075        | 993          | 1,075        | 993          |
| 28 May 2030   | 750          | 750          | 750          | 750          |
| 3 June 2030   | 921          | 874          | 921          | 874          |
| 17 June 2031  | 750          | 750          | 750          | 750          |
| 7 June 2032   | 849          | -            | 849          | -            |
| 18 January 2033   | 1,497        | -            | 1,497        | -            |
| 3 March 2036  | 1,282        | 1,231        | 1,282        | 1,231        |
| Instruments with conditional repayment obligations (Tier 1 loan capital):                                   |              |              |              |              |
| MACS  | 1,064        | 998          | 1,064        | 998          |
| BCN2  | 641          | 641          | 641          | 641          |
| BCN3  | 655          | 655          | 655          | 655          |
| Accrued interest payable as per terms of instruments:   |              |              |              |              |
| Less than 12 months   | 78           | 39           | 78           | 39           |
|   | 9,562        | 6,931        | 9,562        | 6,931        |
| Less: directly attributable issue costs   | (39)         | (35)         | (39)         | (35)         |
| <b>Total loan capital</b>   | <b>9,523</b> | <b>6,896</b> | <b>9,523</b> | <b>6,896</b> |
| <b>Reconciliation of loan capital by major currency:</b><br><i>(In Australian dollar equivalent)</i>        |              |              |              |              |
| United States dollar  | 5,896        | 4,131        | 5,896        | 4,131        |
| Australian dollar   | 3,666        | 2,800        | 3,666        | 2,800        |
|   | 9,562        | 6,931        | 9,562        | 6,931        |
| Less: directly attributable issue costs   | (39)         | (35)         | (39)         | (35)         |
| <b>Total loan capital</b>   | <b>9,523</b> | <b>6,896</b> | <b>9,523</b> | <b>6,896</b> |

The Consolidated Entity and the Company have not had any defaults of principal, interest or other breaches with respect to their loan capital during the financial years reported.

## Note 24

### Contributed equity

|                                 | CONSOLIDATED  |              | COMPANY       |              |
|---------------------------------|---------------|--------------|---------------|--------------|
|                                 | 2023<br>\$m   | 2022<br>\$m  | 2023<br>\$m   | 2022<br>\$m  |
| Ordinary share capital          | 9,879         | 9,279        | 9,879         | 9,279        |
| Other equity                    | 282           | 283          | 134           | 137          |
| <b>Total contributed equity</b> | <b>10,161</b> | <b>9,562</b> | <b>10,013</b> | <b>9,416</b> |

|  | CONSOLIDATED AND COMPANY    |                             |              |              |
|--|-----------------------------|-----------------------------|--------------|--------------|
|  | 2023<br>Number<br>of shares | 2022<br>Number<br>of shares | 2023<br>\$m  | 2022<br>\$m  |
| <b>(i) Ordinary share capital<sup>(1)</sup></b>                |                             |                             |              |              |
| Opening balance of fully paid ordinary shares                  | 674,817,171                 | 634,361,966                 | 9,279        | 8,279        |
| Issue of shares to parent entity (Macquarie B.H. Pty Limited): |                             |                             |              |              |
| on 30 June 2022 at \$27.54 per share                           | 21,786,493                  | -                           | 600          | -            |
| on 30 December 2021 at \$25.37 per share                       | -                           | 19,708,317                  | -            | 500          |
| on 30 September 2021 at \$24.10 per share                      | -                           | 20,746,888                  | -            | 500          |
| <b>Closing balance of fully paid ordinary shares</b>           | <b>696,603,664</b>          | <b>674,817,171</b>          | <b>9,879</b> | <b>9,279</b> |

### (ii) Other equity<sup>(2)</sup>

|   | CONSOLIDATED |             | COMPANY     |             |
|---|--------------|-------------|-------------|-------------|
|   | 2023<br>\$m  | 2022<br>\$m | 2023<br>\$m | 2022<br>\$m |
| <b>Equity contribution from ultimate parent entity</b>                    |              |             |             |             |
| Balance at the beginning of the financial year                            | 283          | 244         | 137         | 121         |
| Change attributable to share-based payment expense including deferred tax | (1)          | 39          | (3)         | 16          |
| <b>Balance at the end of the financial year</b>                           | <b>282</b>   | <b>283</b>  | <b>134</b>  | <b>137</b>  |

(1) Ordinary shares have no par value.

(2) Capital contribution by ultimate parent MGL towards MEREP awards issued to employees of the Consolidated Entity, where MGL is not subsequently reimbursed by the Consolidated Entity.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 25

### Reserves and retained earnings

|   | CONSOLIDATED |              | COMPANY       |              |
|---|--------------|--------------|---------------|--------------|
|   | 2023<br>\$m  | 2022<br>\$m  | 2023<br>\$m   | 2022<br>\$m  |
| <b>(i) Reserves</b>   |              |              |               |              |
| <b>Foreign currency translation reserve</b>   |              |              |               |              |
| Balance at the beginning of the financial year  | 438          | 397          | (202)         | (21)         |
| Foreign exchange movement on translation and hedge accounting of foreign operations, net of tax | 562          | 41           | 551           | (181)        |
| <b>Balance at the end of the financial year</b>   | <b>1,000</b> | <b>438</b>   | <b>349</b>    | <b>(202)</b> |
| <b>FVOCI reserve</b>  |              |              |               |              |
| Balance at the beginning of the financial year  | 4            | 35           | 44            | 59           |
| Revaluation movement, net of tax  | (6)          | (28)         | (43)          | (16)         |
| Changes in ECL allowance, net of tax  | 2            | (3)          | (3)           | 1            |
| <b>Balance at the end of the financial year</b>   | <b>-</b>     | <b>4</b>     | <b>(2)</b>    | <b>44</b>    |
| <b>Cash flow hedge reserve</b>  |              |              |               |              |
| Balance at the beginning of the financial year  | 8            | (113)        | 10            | (40)         |
| Revaluation movement, net of tax  | 65           | 77           | 92            | 77           |
| Transferred to income statement on realisation, net of tax                                      | 19           | 44           | 2             | (27)         |
| <b>Balance at the end of the financial year</b>   | <b>92</b>    | <b>8</b>     | <b>104</b>    | <b>10</b>    |
| <b>Cost of hedging and other reserves</b>   |              |              |               |              |
| Balance at the beginning of the financial year  | (18)         | (13)         | (16)          | (8)          |
| Revaluation movement, net of tax  | (33)         | (8)          | (30)          | -            |
| Transferred to income statement on realisation, net of tax                                      | 16           | 3            | 14            | (8)          |
| <b>Balance at the end of the financial year</b>   | <b>(35)</b>  | <b>(18)</b>  | <b>(32)</b>   | <b>(16)</b>  |
| <b>Total reserves at the end of the financial year</b>  | <b>1,057</b> | <b>432</b>   | <b>419</b>    | <b>(164)</b> |
| <b>(ii) Retained earnings</b>   |              |              |               |              |
| Balance at the beginning of the financial year  | 7,974        | 5,245        | 9,015         | 3,924        |
| Profit attributable to the ordinary equity holder of MBL  | 3,905        | 2,717        | 3,757         | 5,103        |
| Dividends paid on ordinary share capital (Note 5)   | (2,749)      | -            | (2,749)       | -            |
| Fair value changes attributable to own credit risk on debt classified at DFVTPL, net of tax     | 1            | 12           | 2             | 12           |
| Remeasurement of defined benefit plans  | 3            | -            | 2             | -            |
| Change attributable to group structure  | -            | -            | -             | (24)         |
| <b>Balance at the end of the financial year</b>   | <b>9,134</b> | <b>7,974</b> | <b>10,027</b> | <b>9,015</b> |

## Note 26

### Notes to the statements of cash flows

#### (i) Reconciliation of cash and cash equivalents

Cash and cash equivalents at the end of the financial year are reflected in the relevant items in the Statements of financial position as follows.

|   | CONSOLIDATED  |               | COMPANY       |               |
|---|---------------|---------------|---------------|---------------|
|   | 2023<br>\$m   | 2022<br>\$m   | 2023<br>\$m   | 2022<br>\$m   |
| Cash and bank balances <sup>(1),(2)</sup>                         | 35,952        | 45,604        | 31,491        | 41,424        |
| Cash collateralised lending and reverse repurchase agreements     | 20,027        | 25,391        | 20,027        | 21,888        |
| Financial investments   | 5,203         | 1,366         | 5,045         | 1,366         |
| <b>Cash and cash equivalents at the end of the financial year</b> | <b>61,182</b> | <b>72,361</b> | <b>56,563</b> | <b>64,678</b> |

#### (ii) Reconciliation of profit after income tax to net cash flows generated from operating activities

|   |                 |               |                 |               |
|---|-----------------|---------------|-----------------|---------------|
| Profit after income tax   | 3,905           | 2,717         | 3,757           | 5,103         |
| Adjustments to profit after income tax:   |                 |               |                 |               |
| Depreciation and amortisation   | 523             | 507           | 246             | 134           |
| Expected credit losses and other impairment charges   | 115             | 28            | 162             | 212           |
| Investment income and gain on sale of operating lease assets and other non-financial assets             | (51)            | (529)         | (65)            | (1,415)       |
| Share of net (profits)/losses of associates and joint ventures  | (26)            | (39)          | -               | -             |
| Changes in assets and liabilities:  |                 |               |                 |               |
| Issued debt securities  | (19,247)        | 27,369        | (17,512)        | 24,182        |
| Trading and related assets, liquid investments and collateralised lending balances (net of liabilities) | (16,671)        | 9,810         | (12,532)        | 4,816         |
| Deposits  | 32,962          | 17,472        | 31,772          | 17,415        |
| Borrowings and other funding  | 1,771           | 13,330        | (597)           | 10,823        |
| Debtors, prepayments, accrued charges and creditors   | 495             | 1,060         | 534             | 500           |
| Tax balances  | 436             | 555           | 434             | 430           |
| Carrying value of associates due to dividends received  | 1               | 10            | -               | -             |
| Interest, fees and commissions receivable and payable   | 431             | (54)          | 620             | (108)         |
| Assets under operating lease  | (867)           | (1,115)       | (534)           | (2,059)       |
| Other assets and liabilities  | (417)           | (1,866)       | (73)            | (1,200)       |
| Loan assets and balances with related body corporate entities   | (16,832)        | (29,716)      | (19,824)        | (26,763)      |
| <b>Net cash flows generated from operating activities</b>   | <b>(13,472)</b> | <b>39,539</b> | <b>(13,612)</b> | <b>32,070</b> |

#### (iii) Reconciliation of loan capital

|  |              |              |              |              |
|--|--------------|--------------|--------------|--------------|
| Balance at the beginning of the financial year   | 6,896        | 6,804        | 6,896        | 6,804        |
| Cash flows: <sup>(3),(4)</sup>                   |              |              |              |              |
| Issuance   | 2,338        | 1,405        | 2,338        | 1,405        |
| Redemption                                       | -            | (1,101)      | -            | (1,101)      |
| Non-cash changes:                                |              |              |              |              |
| Foreign currency translation and other movements | 289          | (212)        | 289          | (212)        |
| <b>Balance at the end of the financial year</b>  | <b>9,523</b> | <b>6,896</b> | <b>9,523</b> | <b>6,896</b> |

(1) Includes \$714 million (2022: \$375 million) in the Consolidated entity and \$127 million (2022: \$144 million) in the Company required to be maintained with central banks and other regulatory authorities and balances held in countries where remittance of cash outside the country is subject to certain restrictions and balances held by Consolidated SEs that are restricted from use by the Consolidated Entity.

(2) Amounts excluded from cash and cash equivalents but presented in the Statements of financial position as Cash and bank balances primarily relates to \$5,299 million (2022: \$3,248 million) (for the Company: \$1,357 million, 2022: \$2,083 million) of funds received from clients which are segregated from the Consolidated Entity's own funds and other balances of \$361 million (2022: \$120 million) (for the Company: \$240 million, 2022: \$87 million) that are not readily available to meet the short-term cash commitments.

(3) During the year ended 31 March 2022, the Consolidated Entity and the Company, issued BCN3 for \$655 million. These are perpetual securities which are eligible for conversion into a variable number of Consolidated Entity's ordinary shares on the scheduled mandatory exchange date, provided the exchange conditions are satisfied, unless redeemed, resold or written off earlier. Refer to Note 23 *Loan capital* for details.

(4) During the year ended 31 March 2023, the Consolidated Entity and the Company raised \$2,338 million (2022: \$750 million) through the issue of Tier 2 loan capital and redeemed \$nil million (2022: \$1,101 million) of Tier 2 loan capital under fixed repayment obligations.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 27

### Related party information

Transactions between the Consolidated Entity and the ultimate and immediate parent entities and with other related body corporate entities under common control principally arise from the provision and repayment of funding arrangements, provision of banking and other financial services, provision of management and administration services, facilities and accommodation, the provision of guarantees, restructure of businesses, repayment of capital and distribution of dividends and trading activities including derivative transactions for managing and hedging market risks.

The Master Loan Agreement (MLA) governs the funding and netting arrangements between various subsidiaries and related body corporate entities which are under the common control of MGL and which have acceded to the MLA. The Tripartite Outsourcing Major Services Agreement (TOMSA) governs the provision of intra-group services between subsidiaries and related body corporate entities other than certain excluded entities.

### Ultimate and immediate parent entities

The Consolidated Entity's and Company's ultimate parent entity is MGL and the immediate parent entity is Macquarie B.H. Pty Limited (MBHPL). Both MGL and MBHPL are incorporated in Australia. MGL produces consolidated financial statements that are available for public use. MGL as the ultimate parent entity of the Macquarie Group is the head entity of the Australian tax consolidated group. The terms and conditions of this agreement are set out in Note 41(vi) *Taxation*. Amounts receivable from MGL includes amounts receivable by the Company under the tax funding agreement of the tax consolidated group.

Balances outstanding with MGL and MBHPL are included in Due from related body corporate entities or Due to related body corporate entities, as appropriate, separately in the Statements of financial position of the Consolidated Entity and Company except when the parties have the legally enforceable right and the intention to offset.

The following transactions occurred with the ultimate and immediate parent entities during the financial year.

|                           | CONSOLIDATED   |                | COMPANY        |                |
|---------------------------|----------------|----------------|----------------|----------------|
|                           | 2023<br>\$'000 | 2022<br>\$'000 | 2023<br>\$'000 | 2022<br>\$'000 |
| Interest income           | 1,461          | 503            | 1,436          | 495            |
| Interest expense          | (9,579)        | (366)          | (8,818)        | (1)            |
| Fee and commission income | 4,576          | 3,753          | 544            | 561            |
| Dividend paid             | 2,749,000      | -              | 2,749,000      | -              |

The following balances and off balance sheet arrangements with the ultimate parent and immediate parent entities were outstanding as at financial year end.

|   |           |           |           |           |
|---|-----------|-----------|-----------|-----------|
| <b>On Balance Sheet</b>                                 |           |           |           |           |
| Due from related body corporate entities <sup>(1)</sup> | 717,297   | 440,295   | 398,129   | 247,566   |
| Due to related body corporate entities <sup>(2)</sup>   | (489,392) | (271,279) | (342,134) | (202,241) |
| <b>Off Balance Sheet</b>                                |           |           |           |           |
| Letter of credit  | (18,200)  | (18,321)  | (18,200)  | (18,321)  |
| Guarantees received <sup>(3)</sup>                      | 748,703   | 363,580   | -         | -         |

(1) Due from related body corporates primarily represents the amounts receivable by the Consolidated Entity and the Company, in respect of amounts paid in advance for MEREP awards offered to its employees' net of share-based payment expense (refer to Note 41(xiii) *Performance based remuneration*), loans and receivables as per the terms of the funding arrangements under the MLA and trading-related balances including derivatives designated in hedge accounting relationships.

(2) Due to related body corporates primarily represents the amount payable by the Consolidated Entity and the Company as per the terms of funding arrangements under the MLA, trading-related balances including derivative designated in hedge accounting relationships and payables under other bespoke loans agreements.

(3) Represents Guarantees provided by MGL to counterparties with respect to their exposures to certain subsidiaries.

## Note 27

### Related party information continued

#### Subsidiaries

Balances may arise from lending and borrowing activities between the Company and its subsidiaries which are either repayable on demand or may be extended on a term basis and where appropriate may be either subordinated or collateralised. The Company also transacts with subsidiaries for trading activities including derivative transactions to manage and hedge market risks.

All transactions undertaken with subsidiaries are eliminated in the consolidated financial statements. Amounts Due from and Due to subsidiaries are presented separately in the Statements of financial position of the Company except when the parties have the legal right and intention to offset.

A list of notable subsidiaries is set out in Note 14 *Investment in subsidiaries*.

#### Transaction under common control

During the previous financial year, the Bank Group undertook a reorganisation to meet the requirements of the revised prudential standard APS 222 Associations with Related entities. The reorganisation involved transfer of certain existing assets, legal entities and business activities within the Bank Group. As a result of the reorganisation, the company acquired net assets of \$9,178 million from its subsidiaries primarily in the nature of loan and trading assets and also acquired certain subsidiaries at a fair value of \$2,916 million. Further the company also disposed of its equity interest in certain subsidiaries with a carrying value of \$1,798 million (net of impairment) for a total consideration of \$3,255 million resulting in a gain on disposal of \$1,404 million. The total consideration paid and received by the Company was settled in cash.

The following other transactions occurred with subsidiaries during the financial year.

|   | COMPANY        |                |
|---|----------------|----------------|
|   | 2023<br>\$'000 | 2022<br>\$'000 |
| Interest income                                 | 346,773        | 257,358        |
| Interest expense                                | (954,860)      | (317,330)      |
| Fee and commission income                       | 341,920        | 171,699        |
| Rental income                                   | 19,163         | 19,163         |
| Investment income:                              |                |                |
| Dividend (Note 2)                               | 1,882,685      | 3,259,408      |
| Gain on disposal of businesses and subsidiaries | 30,696         | 1,404,384      |
| Other income/(expenses)                         | 49,493         | (24,366)       |
| Fee and commission expenses                     | (81,839)       | (79,000)       |
| Other operating expenses                        | (2,092,061)    | (1,449,362)    |

The following balances and off balance sheet arrangements with subsidiaries were outstanding as at financial year end.

|  |              |              |
|--|--------------|--------------|
| <b>On Balance Sheet</b>                              |              |              |
| Due from subsidiaries <sup>(1),(2)</sup>             | 18,314,168   | 23,956,615   |
| Due to subsidiaries <sup>(1)</sup>                   | (28,715,915) | (36,572,457) |
| <b>Off Balance Sheet</b>                             |              |              |
| Guarantees provided <sup>(2),(3)</sup>               | (2,351,506)  | (7,386,785)  |
| Performance related contingencies                    | (520)        | (520)        |
| Letter of credit                                     | (24,614)     | (17,177)     |
| Guarantees received from subsidiaries <sup>(4)</sup> | 3,747,491    | 2,664,914    |

(1) Due from and due to subsidiaries primarily represents loans, receivables and payables presented net as per the terms of the funding arrangements under MLA, payables under bespoke funding agreements, reverse repurchase and repurchase agreements and trading-related balances including derivative designated in hedge accounting relationship.

(2) Include \$1,116,231 thousand (2022: 4,143,521 thousand) of guarantees to a subsidiary, Macquarie Bank Europe Limited (MBEL), related to its exposures from certain external counterparties. In support of these guarantees, the Company has deposited a cash collateral of \$2,774,523 thousand (2022: 3,363,128 thousand) included in the due from subsidiaries balance above.

(3) Includes guarantees to counterparties with respect to their exposures from certain subsidiaries. These guarantees have a notional value of \$10,859,025 thousand (2022: \$12,752,961 thousand) with the amount disclosed in the table above being the component of that guarantee value equivalent to the fair value of the underlying risk position at the reporting date. Guarantee exposures reported in table above are also included under Off balance sheet exposures in Note 12 *Expected credit losses* and Note 33.1 *Credit risk*.

(4) The Company's exposures with certain Non-ELE subsidiaries included in amounts due from subsidiaries are guaranteed by a subsidiary, MIFL, for which it has placed cash collateral of \$3,749,052 thousand (2022: \$2,664,011 thousand) with the Company as per the terms of the guarantee arrangement, which is included in the due to subsidiaries balance above.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 27

### Related party information continued

#### Other related body corporate entities

Balances may arise from lending and borrowing activities between the Consolidated Entity and other related body corporate entities which are generally repayable on demand or may be extended on a term basis and where appropriate, may be either subordinated or collateralised.

Balances outstanding with other related parties are presented in due from related body corporate entities or Due to related body corporate entities, as appropriate, separately in the Statements of financial position of the Consolidated Entity and Company except when the parties have the legal right and intention to offset.

The following transactions occurred with other related body corporate entities during the financial year.

|  | CONSOLIDATED   |                | COMPANY        |                |
|--|----------------|----------------|----------------|----------------|
|  | 2023<br>\$'000 | 2022<br>\$'000 | 2023<br>\$'000 | 2022<br>\$'000 |
| Interest income                                    | 10,223         | 6,568          | 9,791          | 6,280          |
| Interest expense                                   | (333,466)      | (15,689)       | (266,230)      | (14,057)       |
| Fee and commission income/(expense) <sup>(1)</sup> | 1,271,948      | 919,682        | (61,302)       | (126,313)      |
| Other income/(expenses)                            | 35,992         | (383)          | 33,850         | (1,966)        |
| Fee and commission expenses                        | -              | (28,323)       | -              | (16,000)       |
| Other operating expenses                           | (9,527)        | (36,000)       | (1,037)        | (4,067)        |

The following balances and off balance sheet arrangements with other related body corporate entities were outstanding at the reporting date.

|   |              |              |              |              |
|---|--------------|--------------|--------------|--------------|
| <b>On Balance Sheet</b>                                       |              |              |              |              |
| Due from other related body corporate entities <sup>(2)</sup> | 3,703,439    | 2,984,219    | 3,488,390    | 2,706,604    |
| Due to other related body corporate entities <sup>(2)</sup>   | (14,152,625) | (11,365,118) | (12,032,267) | (10,001,599) |
| <b>Off Balance Sheet</b>                                      |              |              |              |              |
| Guarantees provided   | (2,236)      | (1,328)      | (1,562)      | (1,328)      |
| Undrawn credit facilities                                     | -            | (20,000)     | -            | (20,000)     |
| Letter of credit  | (90,297)     | (138,213)    | (90,297)     | (138,213)    |
| Performance related contingencies <sup>(3)</sup>              | (208,283)    | (512,469)    | (208,283)    | (512,469)    |
| Guarantees received <sup>(4)</sup>                            | 8,036,990    | 5,939,276    | 8,010,341    | 5,805,743    |

(1) Includes service fees earned by the service entities from the Non-Bank Group.

(2) Due from and due to related body corporates primarily represents loans, receivables and payables as per the terms of the funding arrangements under MLA, payables under bespoke funding agreements and trading-related balances including derivative designated in hedge accounting relationship.

(3) Represents performance related contingent liability in favour of MGL on behalf of MFHPL for which the Company has received securities as collateral from a related group entity, Macquarie GT Holdings Pty Limited (MGTH).

(4) The Company's exposures with certain Non-ELE subsidiaries and certain external counterparties are guaranteed by MFHPL, for which MFHPL has placed cash collateral of \$6,286,483 thousand (2022: \$4,952,916 thousand) with the Company as per the terms of the guarantee arrangement, which is included in the due to other related body corporate entities balance above. In addition to this, the Company's and Consolidated Entity's exposures with certain Non-ELE Non-Bank group entities included in amounts due from related body corporate entities and off balance sheet exposure are guaranteed by MGTH, for which it has placed non-cash collateral of \$1,172,410 thousand (2022: \$852,257 thousand) with the Company as per the terms of the guarantee arrangement.



## Note 27

### Related party information continued

#### Associates and joint ventures

The Consolidated Entity provides a range of services to its associates and joint ventures, including the provision of corporate advisory and management services. Other dealings include lending and borrowing activities. Loans are generally extended on a term basis and, where appropriate, are either subordinated or collateralised. Other transactions with associates and joint ventures may involve the sale of financial investments or the Consolidated Entity's interest in subsidiaries, associates or joint ventures.

During the financial year, the following amounts of income/(expense) resulted from transactions with associates and joint ventures.

|                           | CONSOLIDATED   |                | COMPANY        |                |
|---------------------------|----------------|----------------|----------------|----------------|
|                           | 2023<br>\$'000 | 2022<br>\$'000 | 2023<br>\$'000 | 2022<br>\$'000 |
| Interest income           | 7,981          | 12,028         | 3,785          | 12,028         |
| Fee and commission income | 6,268          | 10,326         | 4,674          | 9,390          |
| Other income              | 4,470          | 1,619          | 2              | 1,619          |

Dividends and distributions of \$1,233 thousand (2022: \$10,697 thousand) were received from the Consolidated Entity's associates and joint ventures. Under the equity method of accounting, these amounts are not included as income but are recorded as a reduction from the carrying amount of the investment.

The following balances and off balance sheet arrangements with associates and joint ventures were outstanding as at financial year end (these exclude amounts which in substance form part of the Consolidated Entity's net investment in associates and joint ventures).

|                          |          |          |          |          |
|--------------------------|----------|----------|----------|----------|
| <b>On Balance Sheet</b>  |          |          |          |          |
| Amounts receivable       | 57,792   | 379,861  | 36,371   | 375,200  |
| Amounts payable          | (29,116) | (11,516) | (21,744) | (5,566)  |
| <b>Off Balance Sheet</b> |          |          |          |          |
| Guarantees provided      | -        | (37,392) | -        | (37,392) |
| Undrawn commitments      | (67,553) | (45,613) | (44,149) | (45,613) |

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 28

### Key management personnel disclosure

#### Key management personnel (KMP)

The following persons were Directors of the Company during the financial years ended 31 March 2023 and 31 March 2022, unless indicated otherwise.

#### Executive Voting Directors

|                    |   |
|--------------------|---|
| S.R. Wikramanayake | Macquarie Group CEO   |
| S.D. Green         | Macquarie Bank CEO (appointed to be a member of the Executive Committee effective from 1 July 2021) |

#### Non-Executive Directors

|                             |  |
|-----------------------------|--|
| G.R. Stevens AC             | Chairman (became Chairman effective 10 May 2022) |
| J.R. Broadbent AC           |  |
| P.M. Coffey                 |  |
| M.J. Coleman <sup>(1)</sup> |  |
| M.A. Hinchliffe             | (appointed effective 1 March 2022)               |
| R.J. McGrath                |  |
| M. Roche                    |  |
| I.M. Saines <sup>(2)</sup>  | (appointed effective 1 June 2022)                |
| N.M. Wakefield Evans AM     |  |

#### Former Non-Executive Directors

|                           |                                      |
|---------------------------|--------------------------------------|
| G.M. Cairns               | (retired effective 7 May 2021)       |
| D.J. Grady AO             | (retired effective 24 February 2022) |
| P.H. Warne <sup>(3)</sup> | (retired effective 9 May 2022)       |

In addition to the Executive Voting Directors listed above, the following persons also had authority and responsibility for planning, directing and controlling the activities of MBL during the financial years ended 31 March 2023 and 31 March 2022, unless otherwise indicated.

#### Current Executives<sup>(4)</sup>

|             |   |
|-------------|---|
| G.N. Bruce  | GGC, Head of LGG (appointed to the Executive Committee effective from 2 March 2022)   |
| A. Cassidy  | CRO, Head of RMG (appointed to the Executive Committee effective from 1 January 2022) |
| A.H. Harvey | CFO, Head of FMG  |
| N. O'Kane   | Head of CGM   |
| N. Sorbara  | COO, Head of COG  |
| G.C. Ward   | Deputy Managing Director and Head of BFS  |

#### Former Executives

|             |  |
|-------------|--|
| M.J. Reemst | Former Macquarie Bank CEO (ceased to be a member of the Executive Committee effective from 1 July 2021)    |
| P.C. Upfold | Former CRO, Head of RMG (ceased to be a member of the Executive Committee effective from 31 December 2021) |

The remuneration arrangements for all of the persons listed above are described on pages 42 to 66 of the Remuneration Report, contained in the Directors' Report.

(1) Mr Coleman ceased to be a member of the MGL Board on 28 July 2022 and became a Bank-only Non-Executive Director (BOND) on 29 July 2022.

(2) Mr Saines was appointed to the MBL Board as a Bank-only Non-Executive Director (BOND) on 1 June 2022.

(3) Mr Warne retired as a Director and Chairman of the MGL and MBL Boards on 9 May 2022.

(4) Except where indicated otherwise, all of the Executives, as well as the CEO were members of the Executive Committee as at 5 May 2023.

## Note 28

### Key management personnel disclosure continued

#### Key management personnel remuneration

The following table details the aggregate remuneration for KMP.

|                                   | SHORT-TERM EMPLOYEE BENEFITS                           |   |                         |   | LONG-TERM<br>EMPLOYEE BENEFITS  | SHARE-BASED PAYMENTS                  |                           |                             |
|-----------------------------------|--|---|-------------------------|---|---|---------------------------------------|---------------------------|-----------------------------|
|                                   | Salary and<br>fees (including<br>superannuation)<br>\$ | Performance<br>related<br>remuneration <sup>(1)</sup><br>\$ | Other<br>benefits<br>\$ | Total<br>short-term<br>employee<br>benefits<br>\$ | Restricted profit<br>share including<br>earnings on restricted<br>profit share <sup>(2)</sup><br>\$ | Equity<br>awards <sup>(3)</sup><br>\$ | PSUs <sup>(4)</sup><br>\$ | Total<br>remuneration<br>\$ |
| <b>Executive remuneration</b>     |  |   |                         |   |   |                                       |                           |                             |
| 2023                              | 4,410,993  | 29,086,491  | -                       | 33,497,484  | 10,808,015  | 33,704,377                            | 9,553,849                 | 87,563,725                  |
| 2022                              | 3,944,849  | 24,118,688  | -                       | 28,063,537  | 6,502,880   | 33,188,284                            | 9,969,681                 | 77,724,382                  |
| <b>Non-Executive remuneration</b> |  |   |                         |   |   |                                       |                           |                             |
| 2023                              | 2,328,655  | -   | -                       | 2,328,655   | -   | -                                     | -                         | 2,328,655                   |
| 2022                              | 1,822,877  | -   | 9,000                   | 1,831,877   | -   | -                                     | -                         | 1,831,877                   |

#### Loans to KMP and their related parties

Details of loans provided by the Consolidated Entity to KMP and their related parties are disclosed in aggregate in the following table.

| Total for KMP<br>and their related parties <sup>(5)</sup> | Opening balance<br>as at 1 Apr<br>\$'000 | Additions<br>during the year <sup>(6)</sup><br>\$'000 | Interest<br>charged<br>\$'000 | Repayments<br>during the year <sup>(7)</sup><br>\$'000 | Write-downs<br>\$'000 | Closing balance<br>as at 31 Mar <sup>(8)</sup><br>\$'000 |
|---|--|---|-------------------------------|--|-----------------------|--|
| 2023  | 17,210                                   | 61  | 343                           | (1,503)  | -                     | 16,111   |
| 2022  | 11,729                                   | 11,196  | 140                           | (5,855)  | -                     | 17,210   |

(1) The cash portion of each KMP's profit share allocation for the reporting period when they were a KMP.

(2) The amount of the retained profit share held via the DPS plan including earnings on notional investments from retained profit share in prior financial years.

(3) The current year amortisation for equity awards calculated as described in 41(xxiii) *Performance based remuneration*.

(4) The current year amortisation for PSUs calculated as described in Note 41(xxiii) *Performance based remuneration*. The current year expense is reduced for previously recognised remuneration expense where performance hurdles have not been met, have been partially met or are not expected to be met.

(5) All loans provided by Macquarie to KMP are made in the ordinary course of business on an arm's length basis and are entered into under normal terms and conditions consistent with other customers and employees. There have been no write-downs or allowances for doubtful debts.

(6) Or loan held as at date of appointment of new KMP.

(7) Or loan held as at date ceased to be a KMP.

(8) Number of persons included in the aggregate as at 31 March 2023: 5 (31 March 2022: 6).

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 29

### Employee equity participation

#### MEREP

MBL participates in its ultimate parent company's, Macquarie Group Limited (MGL), share based compensation plans, being the Macquarie Group Employee Retained Equity Plan (MEREP). In terms of this plan, awards are granted by MGL to qualifying employees for delivery of MGL shares.

#### Award types under the MEREP

##### Restricted Share Units (RSUs)

An RSU is a beneficial interest in a MGL ordinary share held on behalf of a MEREP participant by the plan trustee (Trustee).

The participant is entitled to receive dividends on the share and direct the Trustee how to exercise voting rights of the share. The participant also has the right to request the release of the share from the MEREP Trust, subject to the vesting and forfeiture provisions of the MEREP.

|  | NUMBER OF RSU AWARDS |                  |
|--|----------------------|------------------|
|  | 2023                 | 2022             |
| RSUs on issue at the beginning of the financial year                                 | 6,227,261            | 6,241,630        |
| Granted during the financial year  | 2,418,853            | 1,786,608        |
| Forfeited during the financial year  | (54,635)             | (79,965)         |
| Vested RSUs withdrawn or sold from the MEREP during the financial year               | (1,709,322)          | (1,700,796)      |
| Net transfers from/(to) related body corporate entities <sup>(1)</sup>               | 9,401                | (20,216)         |
| <b>RSUs on issue at the end of the financial year</b>                                | <b>6,891,558</b>     | <b>6,227,261</b> |
| <b>RSUs vested and not withdrawn from the MEREP at the end of the financial year</b> | <b>1,262</b>         | <b>550</b>       |

The weighted average fair value of the RSU awards granted during the financial year was \$164.99 (2022: \$152.21).

##### Deferred Share Units (DSUs)

A DSU represents the right to receive on exercise of the DSU either a MGL share held in the Trust or a newly issued MGL share (as determined by MGL in its absolute discretion) for no cash payment, subject to the vesting and forfeiture provisions of the MEREP. A MEREP participant holding a DSU has no right or interest in any share until the DSU is exercised. MGL may issue shares to the Trustee or direct the Trustee to acquire shares on-market, or via a share acquisition arrangement for potential future allocations to holders of DSUs.

Generally, where permitted by law, DSUs will provide for cash payments in lieu of dividends paid on MGL ordinary shares before the DSU is exercised. Further, the number of shares underlying a DSU will be adjusted upon any bonus issue or other capital reconstruction of MGL in accordance with the ASX Listing Rules, so that the holder of a DSU does not receive a benefit that holders of the MGL's shares do not generally receive. These provisions are intended to provide the holders of DSUs, as far as possible, with the same benefits and risks as holders of RSUs. However, holders of DSUs will have no voting rights with respect to any underlying MGL ordinary shares.

DSUs will only be offered in jurisdictions where legal or tax rules make the grant of RSUs impractical, or where PSUs are structured as DSUs (see PSUs). DSUs have been granted with an expiry period of up to nine years.

|   | NUMBER OF DSU AWARDS |                  |
|---|----------------------|------------------|
|   | 2023                 | 2022             |
| DSUs on issue at the beginning of the financial year              | 1,211,718            | 1,122,300        |
| Granted during the financial year                                 | 392,958              | 309,897          |
| Forfeited during the financial year                               | (7,845)              | (8,576)          |
| Exercised during the financial year                               | (174,200)            | (241,711)        |
| Net transfers from related body corporate entities <sup>(1)</sup> | 1,496                | 29,808           |
| <b>DSUs on issue at the end of the financial year</b>             | <b>1,424,127</b>     | <b>1,211,718</b> |
| <b>DSUs exercisable at the end of the financial year</b>          | <b>590,421</b>       | <b>451,390</b>   |

The weighted average fair value of the DSU awards granted during the financial year was \$155.92 (2022: \$144.10).

(1) Net transfers from related body corporate entities during the year includes transfers relating to the transfer of employees within Macquarie group entities.

## Note 29

### Employee equity participation continued

#### Award types under the MEREP continued

##### Performance Share Units (PSUs)

All PSUs currently on issue are structured as DSUs with performance hurdles related to MGL's performance that must be met before the underlying share or cash equivalent (as the case may be) will be delivered. PSU holders have no right to dividend equivalent payments before the PSUs vest.

|  | NUMBER OF PSU AWARDS |                |
|--|----------------------|----------------|
|  | 2023                 | 2022           |
| PSUs on issue at the beginning of the financial year     | 514,318              | 654,839        |
| Granted during the financial year                        | 124,114              | 91,253         |
| Exercised during the financial year                      | (199,278)            | (108,745)      |
| Expired during the year                                  | -                    | (123,029)      |
| <b>PSUs on issue at the end of the financial year</b>    | <b>439,154</b>       | <b>514,318</b> |
| <b>PSUs exercisable at the end of the financial year</b> | <b>-</b>             | <b>14,278</b>  |

The weighted average fair value of the PSU awards granted during the financial year was \$156.54 (2022: \$134.04).

Participation in the MEREP is currently provided to the following Eligible Employees:

- Executive Directors with retained Directors' Profit Share (DPS) from 2013 onwards, a proportion of which is allocated in the form of MEREP awards (Retained DPS Awards)
- staff other than Executive Directors with retained profit share above a threshold amount (Retained Profit Share Awards) and staff who were promoted to Associate Director, Division Director or Executive Director, who received a fixed Australian dollar value allocation of MEREP awards (Promotion Awards)
- Macquarie Bank staff with retained commission (Commission Awards)
- new Macquarie Bank staff who commence at Associate Director, Division Director or Executive Director level and are awarded a fixed Australian dollar value (New Hire Awards)
- members of the MBL Executive Committees who are eligible for PSUs (PSU awards)
- in limited circumstances, Macquarie Bank staff may receive an equity grant instead of a remuneration or consideration payment in cash. Current examples include individuals who become employees of Macquarie Bank upon the acquisition of their employer by a Macquarie entity or who receive an additional award at the time of joining Macquarie (also referred to above as New Hire Awards).

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 29

### Employee equity participation continued

#### Award types under the MEREP continued

Vesting periods are as follows:

| Award type  | Level  | Vesting  |
|---|--|--|
| <b>Retained Profit Share Awards and Promotion Awards</b>          | Below Executive Director                                       | 1/3 <sup>rd</sup> in the 2 <sup>nd</sup> , 3 <sup>rd</sup> and 4 <sup>th</sup> year following the year of grant <sup>(1)</sup>                                     |
| <b>Retained DPS Awards</b>  | Executive Committee members and Designated Executive Directors | 1/5 <sup>th</sup> in the 3 <sup>rd</sup> , 4 <sup>th</sup> , 5 <sup>th</sup> , 6 <sup>th</sup> and 7 <sup>th</sup> year following the year of grant <sup>(2)</sup> |
| <b>Retained DPS Awards</b>  | All other Executive Directors                                  | 1/3 <sup>rd</sup> in the 3 <sup>rd</sup> , 4 <sup>th</sup> and 5 <sup>th</sup> year following the year of grant <sup>(2)</sup>                                     |
| <b>PSU Awards granted in relation to 2016 to 2019</b>             | Executive Committee members                                    | 50% in the 3 <sup>rd</sup> and 4 <sup>th</sup> years following the year of grant <sup>(3)</sup>  |
| <b>PSU Awards granted in relation to 2020 and following years</b> | Executive Committee members                                    | 100% in the 4 <sup>th</sup> year following the year of grant <sup>(3)</sup>  |
| <b>Commission Awards</b>  | Below Executive Director                                       | 1/3 <sup>rd</sup> in the 2 <sup>nd</sup> , 3 <sup>rd</sup> and 4 <sup>th</sup> year following the year of grant <sup>(1)</sup>                                     |
| <b>New Hire Awards</b>  | All Director-level staff                                       | 1/3 <sup>rd</sup> in the 2 <sup>nd</sup> , 3 <sup>rd</sup> and 4 <sup>th</sup> anniversaries of the date of allocation <sup>(1)</sup>                              |

In limited cases, the invitation or application form for awards may set out a different vesting period, in which case that period will be the vesting period for the award. For example, staff in jurisdictions outside Australia may have a different vesting period due to local regulatory requirements.

For Retained Profit Share awards representing 2022 retention, the allocation price was the weighted average price of the shares acquired for the 2022 purchase period, which was 16 May 2022 to 21 June 2022. That price was calculated to be \$168.81 (2021 retention: \$151.73).

(1) Vesting will occur during an eligible staff trading window.

(2) Vesting will occur during an eligible staff trading window. If an Executive Director has been on leave without pay (excluding leave to which the Executive Director may be eligible under local laws) for 12 months or more, the vesting period may be extended accordingly.

(3) Subject to achieving certain performance hurdles.

## Note 29

### Employee equity participation continued

#### Performance Share Units (PSUs)

PSUs will only be released or become exercisable upon the achievement of certain performance hurdles related to MGL's performance. Only members of the MBL Executive Committees are eligible to receive PSUs. For the PSUs allocated to Executive Committee Members, two performance hurdles have been determined and each will apply individually to 50% of the total number of PSUs awarded. Hurdles are periodically reviewed by the Board Remuneration Committee (BRC) to ensure they continue to align the interests of staff and shareholders and provide a challenging but meaningful incentive to Executive Committee members. The BRC considers historical and forecast market data, the views of corporate governance bodies, shareholders and regulators as well as market practice. No change has been made to the hurdles for this financial year.

The hurdles are outlined below.

#### Performance hurdle 1

| Hurdle  | Reference group  |
|---|--|
| 50% of the PSUs based solely on the relative average annual return on ordinary equity (ROE) over the vesting period compared to a reference group of global financial institutions. | The current reference group comprises Barclays PLC, Bank of America Corporation, Citigroup Inc., Deutsche Bank AG, Goldman Sachs Group Inc., JPMorgan Chase & Co., Lazard Limited, Morgan Stanley and UBS AG. <sup>(1)</sup> |
| A sliding scale applies with 50% becoming exercisable above the 50 <sup>th</sup> percentile and 100% vesting at the 75 <sup>th</sup> percentile.                                    |  |

#### Performance hurdle 2

| Hurdle  | Required result  |
|---|--|
| 50% of the PSUs based solely on the compound annual growth rate (CAGR) in earnings per share (EPS) over the vesting period. | A sliding scale applies with 50% becoming exercisable at EPS CAGR of 7.5% and 100% at EPS CAGR of 12%. For example, if EPS CAGR were 9.75%, 75% of the relevant awards would become exercisable. |

Under both performance hurdles, the objective is examined once only. Testing occurs annually on 30 June immediately before vesting on 1 July, based on the most recent financial year-end results available. To the extent that a condition is not met when examined, the PSUs due to vest will not be exercisable upon vesting, resulting in no benefit to Executive Committee members.

(1) Given the recent government-supported acquisition of Credit Suisse Group by UBS AG, Credit Suisse Group has been removed from the international reference group for PSU allocation in respect of FY2023 onwards. The BRC have approved Citigroup Inc. as a replacement, taking into account the markets in which it operates and the diversification of its business segments.



# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 29

### Employee equity participation continued

#### Assumptions used to determine fair value of MEREP awards

RSUs and DSUs are measured at their grant dates based on their fair value<sup>(1)</sup> and for each PSU, the awards expected to vest are measured on the basis of the assumptions below. This amount is recognised as an expense evenly over the respective vesting periods.

RSUs, DSUs and PSUs relating to the MEREP plan for Executive Committee members have been granted in the current financial year in respect of the 2022 performance. The accounting fair value of each of these grants is estimated using the MGL's share price on the date of grant and for each PSU also incorporates a discounted cash flow method using the following key assumptions:

- interest rate to maturity: 3.13% per annum
- expected vesting dates of PSUs: 1 July 2026
- dividend yield: 3.30% per annum.

While RSUs, DSUs, and PSUs (for Executive Committee members) for FY2023 will be granted during FY2024, the Company begins recognising an expense for these awards (based on an initial estimate) from 1 April 2022 related to these future grants. The expense is estimated using the estimated MEREP retention for FY2023 and applying the amortisation profile to the retained amount.

For PSUs, the estimate also incorporates an interest rate to maturity of 4.24% per annum, expected vesting date of PSUs of 1 July 2027, and a dividend yield of 3.28% per annum. In the following financial year, the Consolidated Entity will adjust the accumulated expense recognised for the final determination of fair value for each RSU, DSU and PSU when granted and will use this validation for recognising the expense over the remaining vesting period.

The Consolidated Entity annually revises its estimates of the number of awards (including those delivered through MEREP) that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the employment expenses in the income statement.

For the financial year ended 31 March 2023, compensation expense relating to the MEREP totalled \$414,674 thousand (2022: \$322,413 thousand).

#### Employee Share Plan

MBL also participates in MGL's Macquarie Group Employee Share Plan (ESP) whereby each financial year eligible employees are offered up to \$1,000 worth of fully paid MGL ordinary shares for no cash consideration.

Shares allocated under the ESP cannot be sold until the earlier of three years after allocation or the time when the participant is no longer employed by MGL or a subsidiary of MGL. In all other respects, shares allocated rank equally with all other fully paid ordinary shares then on issue.

The latest offer under the ESP was made during November 2022. A total of 2,052 (2022: 1,746) staff participated in this offer. On 30 November 2022, the participants were each allocated 5 (2022: 4) fully paid ordinary shares based on the offer amount of \$1,000 and the average market share price of \$178.23 (2022: \$202.00), resulting in a total of 10,260 (2022: 6,984) shares being allocated. The shares were allocated to staff for no cash consideration. The aggregate value of the shares allocated was deducted from staff profit share and commissions.

For the financial year ended 31 March 2023, compensation expense relating to the ESP totalled \$1,840 thousand (2022: \$1,411 thousand).

#### Other plans

MBL operates other local share-based compensation plans, none of which, individually or in aggregate are material.

(1) For employees categorised as Material Risk Takers who are required to comply with the European Banking Authority Guidelines on the CRD IV and CRD V remuneration requirements, the fair value of the awards granted for performance periods after 1 April 2019 has been adjusted to take into account the prohibition of dividends on unvested awards.

## Note 30

### Contingent liabilities and commitments

|   | CONSOLIDATED  |               | COMPANY       |               |
|---|---------------|---------------|---------------|---------------|
|   | 2023<br>\$m   | 2022<br>\$m   | 2023<br>\$m   | 2022<br>\$m   |
| <b>Credit commitments</b>                                     |               |               |               |               |
| Letters of credit and guarantees <sup>(1)</sup>               | 2,156         | 1,909         | 4,464         | 9,313         |
| Undrawn credit facilities and debt commitments <sup>(2)</sup> | 20,378        | 20,453        | 16,963        | 16,577        |
| <b>Total credit commitments</b>                               | <b>22,534</b> | <b>22,362</b> | <b>21,427</b> | <b>25,890</b> |
| <b>Other contingencies and commitments</b>                    |               |               |               |               |
| Asset developments and purchase commitments                   | 1,476         | 1,086         | 925           | 1,080         |
| Performance-related contingencies                             | 677           | 971           | 667           | 972           |
| <b>Total other contingencies and commitments</b>              | <b>2,153</b>  | <b>2,057</b>  | <b>1,592</b>  | <b>2,052</b>  |
| <b>Total contingent liabilities and commitments</b>           | <b>24,687</b> | <b>24,419</b> | <b>23,019</b> | <b>27,942</b> |

## Note 31

### Structured entities

A Structured Entity (SE) is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. SEs are generally established with restrictions on their ongoing activities in order to achieve narrow and well-defined objectives. SEs are classified as subsidiaries and are consolidated when control exists.

The Consolidated Entity engages with SEs for securitisation, asset-backed financing and structured financing arrangements in order to diversify its sources of funding for asset origination and capital efficiency purposes. The Consolidated Entity also engages with SEs when providing fund administration and other fiduciary activities. The Consolidated Entity's involvement with SEs is primarily of the following nature.

| Type  | Details  |
|---|--|
| <b>Securitisation</b>                               | <p>Securitisations involve transferring assets into a vehicle that sells beneficial interests to investors through the issue of debt and equity notes with varying levels of subordination. The notes are collateralised by the assets transferred to these vehicles and pay a return based on the returns of those assets, with residual returns paid to the most subordinated investor. These vehicles are created for securitising assets, including mortgages, finance leases, and credit card receivables of the Consolidated Entity or of its clients.</p> <p>The Consolidated Entity also establishes SEs on behalf of customers to securitise their loans or receivables and may manage these securitisation vehicles or provide liquidity or other support.</p> <p>The Consolidated Entity may serve as a sponsor, servicer, underwriter, liquidity provider, derivative counterparty, purchaser of notes and/or purchaser of residual income units. The Consolidated Entity may also provide redraw facilities or loan commitments to securitisation vehicles.</p> |
| <b>Asset-backed financing</b>                       | Asset-backed vehicles are used to provide tailored lending for the purchase or lease of assets transferred by the Consolidated Entity or its clients. The assets are normally pledged as collateral to the lenders. The Consolidated Entity engages in raising finance for assets such as vessels, electronic and IT equipment.  |
| <b>Funds administration activities</b>              | <p>The Consolidated Entity conducts fund administration and other fiduciary activities as responsible entity, trustee, custodian, of funds, trusts including superannuation and approved deposit fund, wholesale and retail trusts.</p> <p>The Consolidated entity's interests in these funds primarily represents fees receivables for the services.</p>  |
| <b>Structured financing and others arrangements</b> | Includes structured entities established to raise financing and fulfil obligations for prepaid commodity delivery contracts. The Consolidated Entity has contractually guaranteed the performance obligation under these arrangements.   |

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

(2) Undrawn credit facilities include fully or partially undrawn commitments against which clients can borrow money under defined terms and conditions. During the financial year, the Consolidated Entity has updated its accounting policy regarding its undrawn commitments for certain retail banking products which despite being revocable are considered to be exposed to credit risk. The gross exposure of these undrawn commitments is \$13,723 million (2022: 14,643 million) for the Consolidated Entity and \$10,460 million (2022: \$10,930 million) for the Company is disclosed under Undrawn credit facilities and debt commitments in the current period and comparative information has been re-presented.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 31

### Structured entities continued

The following table presents the carrying value and maximum exposure to loss (before the benefit of collateral and credit enhancements) of the Consolidated Entity's interests in unconsolidated SEs.

|  | CONSOLIDATED 2023      |                                  |  |               | CONSOLIDATED 2022      |                                  |  |              |
|--|------------------------|----------------------------------|--|---------------|------------------------|----------------------------------|--|--------------|
|  | Securitisations<br>\$m | Asset-backed<br>financing<br>\$m | Structured<br>Financing<br>and others<br>arrangements<br>\$m | Total<br>\$m  | Securitisations<br>\$m | Asset-backed<br>financing<br>\$m | Structured<br>Financing<br>and others<br>arrangements<br>\$m | Total<br>\$m |
| <b>Maximum exposure to loss</b>                  |                        |                                  |  |               |                        |                                  |  |              |
| Carrying value of assets:                        |                        |                                  |  |               |                        |                                  |  |              |
| Loan assets                                      | 1,143                  | 1,895                            | 3,869  | 6,907         | 1,832                  | 1,788                            | 3,617  | 7,237        |
| Financial investments                            | 2,134                  | -                                | -  | 2,134         | 1,496                  | 4                                | -  | 1,500        |
| Margin money and<br>settlement assets            | 251                    | -                                | -  | 251           | 593                    | -                                | -  | 593          |
| Derivative assets                                | 229                    | -                                | -  | 229           | 299                    | -                                | -  | 299          |
| Trading assets                                   | 132                    | -                                | -  | 132           | 64                     | -                                | -  | 64           |
| Total carrying value<br>of assets <sup>(1)</sup> | 3,889                  | 1,895                            | 3,869  | 9,653         | 4,284                  | 1,792                            | 3,617  | 9,693        |
| Undrawn commitments                              | 8                      | 193                              | 156  | 357           | 30                     | 50                               | 154  | 234          |
| <b>Total maximum<br/>exposure to loss</b>        | <b>3,897</b>           | <b>2,088</b>                     | <b>4,025</b>   | <b>10,010</b> | <b>4,314</b>           | <b>1,842</b>                     | <b>3,771</b>   | <b>9,927</b> |

Additionally, as part of its funds administration activities the Consolidated Entity has interests in certain funds primarily in the form of fee receivables representing the Consolidated Entity's maximum exposure to loss which is disclosed in Note 10 *Held for sale and other assets*.

In respect of the Consolidated Entity's loan assets' exposure in securitisation, asset-backed financing entities and structured financing, the total size of the unconsolidated SEs is \$44,114 million (2022: \$54,951 million). Size represents either the total assets of the SE (measured either at amortised cost excluding impairments or fair values if readily available); outstanding notional of issued notes or the principal amount of liabilities if there is nominal equity. Size is based on the latest available information with the Consolidated Entity.

The Consolidated Entity's exposure to securitisation entities in the nature of trading assets, margin money, derivatives and financial investments are acquired for the purpose of trading and liquidity management. These exposures are typically managed under market risk limits described in Note 33.3 *Market risk*. For these reasons, information on the size and structure for these SEs is not considered meaningful for understanding the related risks, and have not been presented in the table above.

(1) Includes non-investment grade interests of \$540 million (2022: \$721 million) in securitisation activities, \$1,262 million (2022: \$1,232 million) in asset-backed financing activities and \$474 million (2022: \$450 million) in Structured Financing and other arrangements.

## Note 32

### Hedge accounting

#### Hedging strategy

The use of derivative and non-derivative instruments to economically hedge non-traded positions potentially gives rise to income statement volatility as a result of mismatches in the accounting treatment between the derivative and non-derivative instruments and the related exposure. The Consolidated Entity's objective is to reduce the risk of volatility in earnings. This volatility may be managed by allowing hedges to naturally offset one another or, where the earnings volatility exceeds pre-defined thresholds, hedge accounting is considered.

#### Hedging instruments

Detail on hedging instruments, the nature of hedged risks, as well as the notional and the carrying amount of derivative financial instruments and, in the case of net investment hedges, the notional of foreign currency denominated borrowings, for each type of hedge relationship, is shown in the respective sections. The maturity profile for the hedging instruments' notional amounts are reported based on their contractual maturity. Where a cross currency swap has been dual designated in both a cash flow and a fair value hedge, the notional is shown more than once. Increases in notional profiles of hedging instruments are presented as negative figures, with decreases and maturities presented as positive figures.

#### Hedging ineffectiveness

In the case of a fair value hedge, hedge ineffectiveness is the extent to which the changes in the fair value of the hedging instrument differ to that of the hedged item. In the case of a cash flow hedge, hedge ineffectiveness is the extent to which the change in the fair value of the hedging instrument exceeds, in absolute terms, that of the hedged item. In the case of net investment hedge relationships, hedge ineffectiveness is the extent to which the change in the carrying amount of foreign currency denominated borrowings and foreign exchange contracts attributable to the change in exchange rates exceeds, in absolute terms, that of the hedged item. Sources of hedge ineffectiveness primarily arise from basis and timing differences between the hedged items and hedging instruments and designating existing derivatives with a non-zero fair value as hedging instruments. Hedge ineffectiveness is reported in net trading income in the income statement.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 32

### Hedge accounting continued

#### Cash flow hedges

The cash flow hedge reserve, representing the effective portion of the movements in the hedging instrument, is disclosed in Note 25(i) *Reserves*. Changes in this reserve are reported in the Consolidated Entity's Statements of comprehensive income. The cumulative gains and losses remaining in the cash flow hedge reserve for hedging relationships that have ceased, but for which the hedged cash flows are still expected to occur are \$1 million gain (2022: \$1 million loss) for the Consolidated Entity and \$1 million gain (2022: \$1 million loss) for the Company. These amounts will be reclassified to the income statement as and when the hedged item affects the income statement.

#### Hedging instruments

|   |                  | MATURITY ANALYSIS PER NOTIONAL |                          |                        |                        |              |
|---|------------------|--------------------------------|--------------------------|------------------------|------------------------|--------------|
| Instrument type                         | Risk category    | Less than<br>3 months<br>\$m   | 3 to 12<br>months<br>\$m | 1 to 5<br>years<br>\$m | Over<br>5 years<br>\$m | Total<br>\$m |
| CONSOLIDATED 2023                       |                  |                                |                          |                        |                        |              |
| Derivative assets                       |                  |                                |                          |                        |                        |              |
| Cross currency swaps                    | Foreign exchange | (8)                            | 832                      | 1,388                  | 1,007                  | 3,219        |
| Interest rate swaps                     | Interest rate    | 424                            | 384                      | 507                    | 614                    | 1,929        |
| Derivative liabilities                  |                  |                                |                          |                        |                        |              |
| Cross currency swaps                    | Foreign exchange | -                              | -                        | 143                    | -                      | 143          |
| Interest rate swaps                     | Interest rate    | 48                             | 152                      | 42                     | -                      | 242          |
| Borrowings                              |                  |                                |                          |                        |                        |              |
| Foreign currency denominated borrowings | Foreign exchange | -                              | -                        | 254                    | -                      | 254          |
| CONSOLIDATED 2022                       |                  |                                |                          |                        |                        |              |
| Derivative assets                       |                  |                                |                          |                        |                        |              |
| Cross currency swaps                    | Foreign exchange | (14)                           | 308                      | 1,043                  | 574                    | 1,911        |
| Interest rate swaps                     | Interest rate    | 296                            | 345                      | 898                    | 218                    | 1,757        |
| Derivative liabilities                  |                  |                                |                          |                        |                        |              |
| Cross currency swaps                    | Foreign exchange | -                              | -                        | 152                    | 444                    | 596          |
| Interest rate swaps                     | Interest rate    | 609                            | (30)                     | 515                    | 445                    | 1,539        |
| CONSOLIDATED CARRYING AMOUNT            |                  |                                |                          |                        |                        |              |
|   |                  | 2023                           |                          | 2022                   |                        |              |
| Instrument type                         | Risk category    | Asset<br>\$m                   | Liability<br>\$m         | Asset<br>\$m           | Liability<br>\$m       |              |
| Cross currency swaps                    | Foreign exchange | 477                            | 30                       | 190                    | 28                     |              |
| Interest rate swaps                     | Interest rate    | 110                            | 2                        | 21                     | 30                     |              |
| Foreign currency denominated borrowings | Foreign exchange | -                              | 188                      | -                      | -                      |              |

## Note 32

### Hedge accounting continued

|                               |                  | MATURITY ANALYSIS PER NOTIONAL |                          |                        |                        |              |
|-------------------------------|------------------|--------------------------------|--------------------------|------------------------|------------------------|--------------|
| Instrument type               | Risk category    | Less than<br>3 months<br>\$m   | 3 to 12<br>months<br>\$m | 1 to 5<br>years<br>\$m | Over<br>5 years<br>\$m | Total<br>\$m |
| COMPANY 2023                  |                  |                                |                          |                        |                        |              |
| <b>Derivative assets</b>      |                  |                                |                          |                        |                        |              |
| Cross currency swaps          | Foreign exchange | (8)                            | 832                      | 413                    | 1,007                  | 2,244        |
| Interest rate swaps           | Interest rate    | 424                            | 384                      | 507                    | 614                    | 1,929        |
| <b>Derivative liabilities</b> |                  |                                |                          |                        |                        |              |
| Cross currency swaps          | Foreign exchange | -                              | -                        | 143                    | -                      | 143          |
| Interest rate swaps           | Interest rate    | -                              | 152                      | 42                     | -                      | 194          |
| COMPANY 2022                  |                  |                                |                          |                        |                        |              |
| <b>Derivative assets</b>      |                  |                                |                          |                        |                        |              |
| Cross currency swaps          | Foreign exchange | (14)                           | 308                      | 1,043                  | 574                    | 1,911        |
| Interest rate swaps           | Interest rate    | 296                            | 345                      | 898                    | 218                    | 1,757        |
| <b>Derivative liabilities</b> |                  |                                |                          |                        |                        |              |
| Cross currency swaps          | Foreign exchange | -                              | -                        | 152                    | 444                    | 596          |
| Interest rate swaps           | Interest rate    | 609                            | (30)                     | 463                    | 445                    | 1,487        |
| COMPANY CARRYING AMOUNT       |                  |                                |                          |                        |                        |              |
|                               |                  | 2023                           |                          | 2022                   |                        |              |
| Instrument type               | Risk category    | Asset<br>\$m                   | Liability<br>\$m         | Asset<br>\$m           | Liability<br>\$m       |              |
| Cross currency swaps          | Foreign exchange | 387                            | 30                       | 190                    | 28                     |              |
| Interest rate swaps           | Interest rate    | 110                            | 2                        | 21                     | 27                     |              |

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 32

### Hedge accounting continued

#### Hedge ineffectiveness

In the case of cash flow hedge relationships, hedge ineffectiveness is the extent to which the change in the fair value of the hedging instrument exceeds, in absolute terms, that of the hedged item.

|   |                  | GAIN/(LOSS) ON<br>HEDGING INSTRUMENT |             | GAIN/(LOSS)<br>ON HEDGED ITEM |             | HEDGE INEFFECTIVENESS<br>GAIN/(LOSS) |             |
|---|------------------|--------------------------------------|-------------|-------------------------------|-------------|--------------------------------------|-------------|
| Hedging instruments                     | Risk category    | 2023<br>\$m                          | 2022<br>\$m | 2023<br>\$m                   | 2022<br>\$m | 2023<br>\$m                          | 2022<br>\$m |
| CONSOLIDATED                            |                  |                                      |             |                               |             |                                      |             |
| Cross currency swaps                    | Foreign exchange | 1                                    | 16          | 1                             | (16)        | 2                                    | -           |
| Foreign currency denominated borrowings | Foreign exchange | (9)                                  | -           | 9                             | -           | -                                    | -           |
| Interest rate swaps                     | Interest rate    | 110                                  | 116         | (105)                         | (114)       | 5                                    | 2           |
| Total                                   |                  | 102                                  | 132         | (95)                          | (130)       | 7                                    | 2           |
| COMPANY                                 |                  |                                      |             |                               |             |                                      |             |
| Cross currency swaps                    | Foreign exchange | 9                                    | 16          | (7)                           | (16)        | 2                                    | -           |
| Interest rate swaps                     | Interest rate    | 108                                  | 95          | (105)                         | (95)        | 3                                    | -           |
| Total                                   |                  | 117                                  | 111         | (112)                         | (111)       | 5                                    | -           |

#### Hedge accounting executed rates

The following table shows the executed rates for the most significant hedging instruments designated in cash flow hedges.

| Hedging instruments  | Currency pair/currency | CONSOLIDATED |             | COMPANY     |             |
|----------------------|------------------------|--------------|-------------|-------------|-------------|
|                      |                        | 2023         | 2022        | 2023        | 2022        |
| Cross currency swaps | AUD/EUR                | 0.68         | 0.68        | 0.68        | 0.68        |
|                      | USD/GBP                | 0.66         | 0.66        | 0.66        | 0.66        |
|                      | AUD/CHF                | 0.72         | 0.72        | 0.72        | 0.72        |
|                      | GBP/CHF                | 1.46         | 1.46        | 1.46        | 1.46        |
|                      | AUD/NOK                | 5.88         | 5.88        | 5.88        | 5.88        |
| Interest rate swaps  | AUD                    | 0.13%-5.58%  | 0.06%-5.58% | 0.13%-5.58% | 0.06%-5.58% |
|                      | GBP                    | 0.97%-3.48%  | 0.97%-2.13% | 0.97%-3.48% | 0.97%-2.13% |



## Note 32

### Hedge accounting continued

#### Net investment in foreign operation hedges

The Consolidated Entity's net investment in foreign operations (NIFO) changes as a result of earnings, dividends, other capital-related events and changes in the Consolidated Entity's group structure as a result of internal restructures. The risk of changes in the NIFO for movements in foreign exchange rates is hedged by the Consolidated Entity through the use of a combination of derivatives, foreign currency borrowings and other balance sheet items. Refer to Note 33.3 *Market risk*: Non-traded market risk for further information on the Consolidated Entity's risk management strategy.

In order to reflect the Consolidated Entity's risk management strategy, hedge accounting is applied where changes in the derivatives and foreign denominated borrowings are recognised, together with the related foreign currency translation reserve, in the Consolidated Entity's other comprehensive income and is subsequently released to the income statement when the foreign operation is disposed of. Hedge ineffectiveness, if any is recognised in the income statement. Given that the Consolidated Entity's NIFO frequently changes, the hedge designations are reviewed on a monthly basis or more frequently where required.

|   |                  | CARRYING AMOUNT |             |             |             |
|---|------------------|-----------------|-------------|-------------|-------------|
|   |                  | ASSET           |             | LIABILITY   |             |
| Hedging instrument  | Risk category    | 2023<br>\$m     | 2022<br>\$m | 2023<br>\$m | 2022<br>\$m |
| CONSOLIDATED  |                  |                 |             |             |             |
| Foreign exchange contracts and other foreign currency denominated balance sheet items | Foreign exchange | 266             | 80          | 37          | 38          |
| Foreign currency denominated borrowings <sup>(1)</sup>                                | Foreign exchange | -               | -           | 11,630      | 8,616       |
| COMPANY   |                  |                 |             |             |             |
| Foreign exchange contracts and other foreign currency denominated balance sheet items | Foreign exchange | 127             | 54          | 38          | 13          |
| Foreign currency denominated borrowings <sup>(1)</sup>                                | Foreign exchange | -               | -           | 4,415       | 2,642       |

|  |                  | NOTIONAL AMOUNT |             |             |             |
|--|------------------|-----------------|-------------|-------------|-------------|
|  |                  | ASSET           |             | LIABILITY   |             |
| Hedging instrument   | Risk category    | 2023<br>\$m     | 2022<br>\$m | 2023<br>\$m | 2022<br>\$m |
| CONSOLIDATED   |                  |                 |             |             |             |
| Foreign exchange contracts and other foreign currency denominated balance sheet items <sup>(2)</sup> | Foreign exchange | 2,364           | 1,779       | 886         | 1,333       |
| Foreign currency denominated borrowings  | Foreign exchange | -               | -           | 11,555      | 9,188       |
| COMPANY  |                  |                 |             |             |             |
| Foreign exchange contracts and other foreign currency denominated balance sheet items <sup>(2)</sup> | Foreign exchange | 1,548           | 1,058       | 747         | 769         |
| Foreign currency denominated borrowings  | Foreign exchange | -               | -           | 4,382       | 3,291       |

In order to hedge the currency exposure of certain net investment in foreign operations, the Consolidated Entity jointly designates both forward exchange derivative contracts (from the currency of the underlying foreign operation to USD) and foreign denominated debt issued (from USD to AUD). As a result, the notional value of hedging instruments presented by the Consolidated Entity of \$14,805 million (2022: \$12,300 million) and Company of \$6,677 million (2022: \$5,118 million) represents the notional of both the derivative hedging instrument and the debt issued and hence exceeds the \$11,466 million (2022: \$9,205 million) and \$4,286 million (2022: \$3,284 million) notional of the underlying hedged component of the Consolidated Entity's and Company's respective net investment in foreign operations.

Hedge ineffectiveness is the extent to which the absolute change in either the fair value of the derivative or the carrying amount of foreign currency denominated borrowings attributable to the change in exchange rates exceeds that of the hedged item. There was no ineffectiveness recognised in the income statement by the Consolidated Entity or the Company in the current year (2022: \$nil).

(1) The carrying amount of foreign currency denominated borrowings includes amounts of \$80 million and \$nil (2022: \$369 million and \$nil) for the Consolidated Entity and the Company which are disclosed in the respective Statements of financial position as Due to other related body corporate entities.

(2) Where the fair value of the derivative is positive/(negative), the notional of the derivative has been similarly included in the table as an asset/(liability).

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 32

### Hedge accounting continued

#### Fair value hedges

The fair value attributable to the hedged risk is recognised as a fair value adjustment to the hedged item on the balance sheet. In an effective fair value hedge relationship, movements in this fair value adjustment are largely offset by movements in the fair value of the hedging instrument. Any residual is recognised as ineffectiveness in net trading income in the income statement. Executed rates for fair value hedges of interest rate risk and commodity price risk have not been shown as these would represent the market reference rates at the time of designation.

#### Hedging instruments

|                                     |                  | MATURITY ANALYSIS PER NOTIONAL AMOUNT |                          |                        |                        |              |
|-------------------------------------|------------------|---------------------------------------|--------------------------|------------------------|------------------------|--------------|
| Instrument type                     | Risk category    | Less than<br>3 months<br>\$m          | 3 to 12<br>months<br>\$m | 1 to 5<br>years<br>\$m | Over<br>5 years<br>\$m | Total<br>\$m |
| CONSOLIDATED 2023                   |                  |                                       |                          |                        |                        |              |
| Derivative assets                   |                  |                                       |                          |                        |                        |              |
| Commodity forwards and futures      | Commodity price  | -                                     | 35                       | 688                    | -                      | 723          |
| Foreign exchange forwards and swaps | Foreign exchange | 27                                    | 41                       | 369                    | -                      | 437          |
| Interest rate swaps                 | Interest rate    | 937                                   | 3,585                    | 2,640                  | 2,346                  | 9,508        |
| Derivative liabilities              |                  |                                       |                          |                        |                        |              |
| Cross currency swaps                | Interest rate    | -                                     | 491                      | 143                    | 75                     | 709          |
| Commodity forwards and futures      | Commodity price  | 27                                    | 42                       | 605                    | -                      | 674          |
| Interest rate swaps                 | Interest rate    | -                                     | 2,745                    | 8,658                  | 3,917                  | 15,320       |
| Foreign exchange forwards and swaps | Foreign exchange | -                                     | 36                       | 929                    | -                      | 965          |
| CONSOLIDATED 2022                   |                  |                                       |                          |                        |                        |              |
| Derivative assets                   |                  |                                       |                          |                        |                        |              |
| Cross currency swaps                | Interest rate    | -                                     | 326                      | -                      | -                      | 326          |
| Commodity forwards and futures      | Commodity price  | -                                     | -                        | 856                    | -                      | 856          |
| Interest rate swaps                 | Interest rate    | 226                                   | 2,953                    | 5,055                  | 153                    | 8,387        |
| Derivative liabilities              |                  |                                       |                          |                        |                        |              |
| Cross currency swaps                | Interest rate    | -                                     | -                        | 586                    | 74                     | 660          |
| Commodity forwards and futures      | Commodity price  | -                                     | -                        | 856                    | -                      | 856          |
| Interest rate swaps                 | Interest rate    | 1,389                                 | 3,237                    | 7,092                  | 2,757                  | 14,475       |
|                                     |                  | CONSOLIDATED CARRYING AMOUNT          |                          |                        |                        |              |
|                                     |                  | 2023                                  |                          | 2022                   |                        |              |
| Instrument type                     | Risk category    | Asset<br>\$m                          | Liability<br>\$m         | Asset<br>\$m           | Liability<br>\$m       |              |
| Cross currency swaps                | Interest rate    | -                                     | 18                       | 4                      | 7                      |              |
| Commodity forwards and futures      | Interest rate    | 17                                    | 41                       | -                      | 83                     |              |
| Foreign exchange forwards and swaps | Commodity price  | 10                                    | 67                       | 4                      | -                      |              |
| Interest rate swaps                 | Foreign exchange | 263                                   | 904                      | 146                    | 421                    |              |

## Note 32

### Hedge accounting continued

|                                     |                  | MATURITY ANALYSIS PER NOTIONAL |                          |                        |                        |              |
|-------------------------------------|------------------|--------------------------------|--------------------------|------------------------|------------------------|--------------|
| Instrument type                     | Risk category    | Less than<br>3 months<br>\$m   | 3 to 12<br>months<br>\$m | 1 to 5<br>years<br>\$m | Over<br>5 years<br>\$m | Total<br>\$m |
| COMPANY 2023                        |                  |                                |                          |                        |                        |              |
| Derivative assets                   |                  |                                |                          |                        |                        |              |
| Commodity forwards and futures      | Commodity price  | -                              | 35                       | 688                    | -                      | 723          |
| Foreign exchange forwards and swaps | Foreign exchange | 27                             | 41                       | 369                    | -                      | 437          |
| Interest rate swaps                 | Interest rate    | -                              | 2,379                    | 2,740                  | 2,226                  | 7,345        |
| Derivative liabilities              |                  |                                |                          |                        |                        |              |
| Cross currency swaps                | Interest rate    | -                              | 491                      | 143                    | 75                     | 709          |
| Commodity forwards and futures      | Commodity price  | 27                             | 42                       | 605                    | -                      | 674          |
| Foreign exchange forwards and swaps | Foreign exchange | -                              | 36                       | 929                    | -                      | 965          |
| Interest rate swaps                 | Interest rate    | -                              | 2,506                    | 8,136                  | 3,767                  | 14,409       |
| COMPANY 2022                        |                  |                                |                          |                        |                        |              |
| Derivative assets                   |                  |                                |                          |                        |                        |              |
| Cross currency swaps                | Interest rate    | -                              | 326                      | -                      | -                      | 326          |
| Foreign exchange forwards and swaps | Foreign exchange | -                              | -                        | 856                    | -                      | 856          |
| Interest rate swaps                 | Interest rate    | 147                            | 2,908                    | 4,234                  | 153                    | 7,442        |
| Derivative liabilities              |                  |                                |                          |                        |                        |              |
| Cross currency swaps                | Interest rate    | -                              | -                        | 586                    | 74                     | 660          |
| Commodity forwards and futures      | Commodity price  | -                              | -                        | 856                    | -                      | 856          |
| Interest rate swaps                 | Interest rate    | -                              | 1,335                    | 6,762                  | 2,757                  | 10,854       |

The Company designates certain equity investments in foreign currency denominated subsidiaries as hedged items in fair value hedges of foreign exchange risk. The notional of these hedges amounts to \$2,077 million (2022: \$2,207 million). These balances change periodically, which result in periodic rebalancing of the hedge designations.

| Instrument type                         | Risk category    | COMPANY CARRYING AMOUNT |                  |              |                  |
|---|------------------|-------------------------|------------------|--------------|------------------|
|   |                  | 2023                    |                  | 2022         |                  |
|   |                  | Asset<br>\$m            | Liability<br>\$m | Asset<br>\$m | Liability<br>\$m |
| Cross currency swaps                    | Interest rate    | -                       | 18               | 4            | 7                |
| Commodity forwards and futures          | Commodity price  | 17                      | 41               | -            | 83               |
| Foreign exchange forwards and swaps     | Foreign exchange | 10                      | 67               | 4            | -                |
| Interest rate swaps                     | Interest rate    | 256                     | 871              | 143          | 375              |
| Foreign currency denominated borrowings | Foreign exchange | -                       | 2,077            | -            | 2,207            |

#### Hedged item

As the hedged item is adjusted only for the hedged risk, the hedged item's carrying value disclosed in the table will not be equivalent to its fair value as disclosed in other notes to these financial statements. The accumulated amount of the fair value hedge adjustments remaining in the Statements of financial positions for hedged items that have ceased to be adjusted for hedging gains and losses is \$36 million loss (2022: \$7 million gain) for the Consolidated Entity and \$2 million gain for the Company (2022: \$55 million gain) and have been included in the fair value hedge adjustment in the table that follows. These amounts will be amortised to the income statement on an effective interest rate basis.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 32

### Hedge accounting continued

|                                      | 2023                                  |                                    | 2022                                  |                                    |
|--------------------------------------|---------------------------------------|------------------------------------|---------------------------------------|------------------------------------|
|                                      | Carrying amount <sup>(1)</sup><br>\$m | Fair value hedge adjustment<br>\$m | Carrying amount <sup>(1)</sup><br>\$m | Fair value hedge adjustment<br>\$m |
| <b>CONSOLIDATED</b>                  |                                       |                                    |                                       |                                    |
| <b>Assets</b>                        |                                       |                                    |                                       |                                    |
| Financial investments <sup>(2)</sup> | 2,875                                 | -                                  | 310                                   | -                                  |
| Loan assets                          | 4,629                                 | (101)                              | 8,962                                 | (103)                              |
| Property, plant and equipment        | 970                                   | 3                                  | 712                                   | 54                                 |
| <b>Liabilities</b>                   |                                       |                                    |                                       |                                    |
| Issued debt securities               | 12,165                                | 403                                | 9,799                                 | 142                                |
| Loan capital                         | 4,841                                 | 523                                | 4,097                                 | 243                                |
| <b>COMPANY</b>                       |                                       |                                    |                                       |                                    |
| <b>Assets</b>                        |                                       |                                    |                                       |                                    |
| Financial investments <sup>(2)</sup> | 1,600                                 | -                                  | 310                                   | -                                  |
| Loan assets                          | 3,740                                 | (96)                               | 4,470                                 | (90)                               |
| Property, plant and equipment        | 970                                   | 3                                  | 712                                   | 54                                 |
| Investments in subsidiaries          | 2,077                                 | 114                                | 2,207                                 | (118)                              |
| <b>Liabilities</b>                   |                                       |                                    |                                       |                                    |
| Issued debt securities               | 11,259                                | 377                                | 9,899                                 | 146                                |
| Loan capital                         | 4,841                                 | 523                                | 4,097                                 | 243                                |

### Hedge ineffectiveness

In the case of a fair value hedge, hedge ineffectiveness is the extent to which the changes in the fair value of the hedging instrument differ to that of the hedged item.

|   |                  | GAIN/(LOSS) ON<br>HEDGING INSTRUMENT |             | GAIN/(LOSS) ON<br>HEDGED ITEM |             | HEDGE INEFFECTIVENESS<br>GAIN/(LOSS) |             |
|---|------------------|--------------------------------------|-------------|-------------------------------|-------------|--------------------------------------|-------------|
| Hedging instruments                     | Risk category    | 2023<br>\$m                          | 2022<br>\$m | 2023<br>\$m                   | 2022<br>\$m | 2023<br>\$m                          | 2022<br>\$m |
| CONSOLIDATED                            |                  |                                      |             |                               |             |                                      |             |
| Cross currency swaps                    | Interest rate    | (44)                                 | (20)        | 44                            | 20          | -                                    | -           |
| Interest rate swaps and options         | Interest rate    | (538)                                | (337)       | 568                           | 396         | 30                                   | 59          |
| Commodity forwards and futures          | Commodity price  | 101                                  | (48)        | (101)                         | 48          | -                                    | -           |
| Foreign exchange forwards and swaps     | Foreign exchange | (50)                                 | (5)         | 50                            | 5           | -                                    | -           |
| Total                                   |                  | (531)                                | (410)       | 561                           | 469         | 30                                   | 59          |
| COMPANY                                 |                  |                                      |             |                               |             |                                      |             |
| Cross currency swaps                    | Interest rate    | (12)                                 | (20)        | 12                            | 20          | -                                    | -           |
| Interest rate swaps                     | Interest rate    | (561)                                | (469)       | 561                           | 472         | -                                    | 3           |
| Commodity forwards and futures          | Commodity price  | 101                                  | (48)        | (101)                         | 48          | -                                    | -           |
| Foreign exchange forwards and swaps     | Foreign exchange | (50)                                 | (5)         | 50                            | 5           | -                                    | -           |
| Foreign currency denominated borrowings | Foreign exchange | (232)                                | 85          | 232                           | (85)        | -                                    | -           |
| Total                                   |                  | (754)                                | (457)       | 754                           | 460         | -                                    | 3           |

(1) The carrying amounts in the table exclude accrued interest and includes fair value hedge adjustments.

(2) The carrying amount includes debt instruments classified at FVOCI. Where this applies the fair value hedge adjustment for interest rate risk is recognised in the income statement together with changes in the fair value of the hedging instrument.

## Note 33

### Financial risk management

#### Risk Management and Risk Management Group (RMG)

Risk is an integral part of the Consolidated Entity's businesses. The material risks faced by the Consolidated Entity include aggregate, asset, conduct, credit, environmental and social, equity, financial crime, legal, liquidity, market, operational (including cyber and information security), regulatory and compliance, reputational, strategic, tax, and work health and safety risks.

The primary responsibility for risk management lies with the business. An important part of the role of all staff throughout the Consolidated Entity is to ensure they manage risks appropriately.

RMG is independent of other areas of the Consolidated Entity. RMG approval is required for all material risk acceptance decisions. RMG reviews and assesses risks and sets limits. Where appropriate, these limits are approved by the Executive Committee and the Board. The Head of RMG, as the Consolidated Entity's CRO, is a member of the Executive Committee of MGL and MBL and reports directly to the Macquarie Group CEO with a secondary reporting line to the Board Risk Committee. Further details on the Risk Management Framework in the Consolidated Entity can be found in the Risk Management Report of this Annual Report.

#### Note 33.1 Credit risk

Credit risk is the risk that a counterparty will fail to complete its contractual obligations when they fall due. The consequential loss is the amount of the financial obligation not paid back, or the loss incurred in replicating a trading contract with a new counterparty.

#### Credit risk assessment and approval

Exercise of credit authority within the Consolidated Entity is undertaken under authority delegated by the MGL and MBL Boards directly. Credit risk assessments include comprehensive review of the creditworthiness of the counterparty and related entities, key risk and mitigants, and that the downside risk is properly understood and acceptable.

After this analysis is undertaken, limits are set for an acceptable level of potential exposure. All wholesale limits and ratings are reviewed at least once a year or more frequently if required. Retail credit exposures are monitored by the business units and overseen by RMG Credit on a portfolio basis.

All credit exposures are monitored regularly against limits. For limit monitoring, credit exposures for loan assets are reported at amortised cost. Derivative exposures are measured using high confidence potential future underlying asset prices.

To mitigate credit risk, where appropriate, the Consolidated Entity makes use of margining and other forms of collateral or credit enhancement techniques (including guarantees, letters of credit and the purchase of credit default swaps).

#### Ratings and reviews

Refer to Note 12 *Expected credit losses* for details regarding the manner in which the Consolidated Entity has adopted and applied AASB 9's expected credit loss impairment requirements.

For the purpose of presenting the credit risk associated with assets on the Consolidated Entity's Statements of financial position in accordance with the requirements of AASB 9, the following methodology has been adopted.

#### Wholesale rating

Macquarie wholesale ratings broadly correspond to Standard & Poor's credit ratings as follows.

| Credit Profile       | Internal Rating | Standard & Poor's Equivalent |
|----------------------|-----------------|------------------------------|
| Investment grade     | MQ1 to MQ8      | AAA to BBB-                  |
| Non-investment grade | MQ9 to MQ16     | BB+ to C                     |
| Default              | MQ99            | Default                      |

#### Retail rating

Retail pools are mapped to the credit quality grades based on their PDs.

Mapping retail portfolios to the credit grades has been done for comparability of the overall portfolio presentation and does not reflect the way that the retail portfolio is segmented for management purposes. Management reviews a range of information, including past due status for the portfolio, to assess the credit quality of these assets.

#### Due from subsidiaries/due from related body corporate entities

Balances with subsidiaries and related body corporate entities are mapped to the rating grades assigned internally to these counterparties for the pricing of internal funding arrangements on an arm's length basis.

#### Portfolio and country risk

A review of the credit portfolio analysing credit concentrations by counterparty, geography, risk type, industry and credit quality is carried out quarterly and reported to the Board semi-annually. Policies are in place to regulate large exposures to single counterparties or groups of counterparties.

The Consolidated Entity has a country risk management framework which covers the assessment of country risk and the approval of country risk limits. Where appropriate the country risk is mitigated by political risk insurance.

During the financial year, the Consolidated Entity has made changes to the presentation of certain balances under credit quality of financial assets and credit risk concentration sections of Note 33.1 *Credit risk* and has restated comparative information to conform to changes in the current year. Refer to Note 41(xxix) *Comparatives* for the details on these changes.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 33

### Financial risk management continued

#### Note 33.1 Credit risk continued

##### Credit quality of financial assets

The table below discloses, by credit rating grades and ECL impairment stage, the gross carrying amount<sup>(1)</sup> of assets measured at amortised cost or FVOCI and off balance sheet exposures of the Consolidated Entity subject to the impairment requirements of AASB 9 *Financial Instruments*. The credit quality is based on the counterparty's credit rating using the Consolidated Entity's credit rating system and excludes the benefit of collateral and credit enhancements.

|   | Stage I <sup>(1)</sup><br>\$m | Stage II <sup>(2)</sup><br>\$m | Stage III <sup>(2)</sup><br>\$m | Total<br>\$m   |
|---|-------------------------------|--------------------------------|---------------------------------|----------------|
| CONSOLIDATED 2023   |                               |                                |                                 |                |
| <b>Investment grade</b>                                       |                               |                                |                                 |                |
| Cash and bank balances  | 41,455                        | -                              | -                               | 41,455         |
| Cash collateralised lending and reverse repurchase agreements | 35,335                        | -                              | -                               | 35,335         |
| Margin money and settlement assets                            | 16,864                        | -                              | -                               | 16,864         |
| Financial investments   | 16,546                        | -                              | -                               | 16,546         |
| Held for sale and other assets                                | 2,140                         | -                              | -                               | 2,140          |
| Loan assets   | 60,084                        | 1,654                          | -                               | 61,738         |
| Due from related body corporate entities                      | 556                           | -                              | -                               | 556            |
| Off balance sheet exposures                                   | 9,998                         | 75                             | -                               | 10,073         |
| <b>Total investment grade</b>                                 | <b>182,978</b>                | <b>1,729</b>                   | <b>-</b>                        | <b>184,707</b> |
| <b>Non-investment grade</b>                                   |                               |                                |                                 |                |
| Cash and bank balances  | 158                           | -                              | -                               | 158            |
| Cash collateralised lending and reverse repurchase agreements | 2,822                         | -                              | -                               | 2,822          |
| Margin money and settlement assets                            | 1,946                         | -                              | -                               | 1,946          |
| Financial investments   | 45                            | -                              | -                               | 45             |
| Held for sale and other assets                                | 427                           | 6                              | -                               | 433            |
| Loan assets   | 63,178                        | 16,110                         | -                               | 79,288         |
| Off balance sheet exposures                                   | 12,057                        | 316                            | -                               | 12,373         |
| <b>Total non-investment grade</b>                             | <b>80,633</b>                 | <b>16,432</b>                  | <b>-</b>                        | <b>97,065</b>  |
| <b>Default</b>  |                               |                                |                                 |                |
| Cash collateralised lending and reverse repurchase agreements | -                             | -                              | 87                              | 87             |
| Margin money and settlement assets                            | -                             | -                              | 40                              | 40             |
| Financial investments   | -                             | -                              | -                               | -              |
| Held for sale and other assets                                | -                             | -                              | 50                              | 50             |
| Loan assets   | -                             | -                              | 1,174                           | 1,174          |
| Off balance sheet exposures                                   | -                             | -                              | 88                              | 88             |
| <b>Total default</b>  | <b>-</b>                      | <b>-</b>                       | <b>1,439</b>                    | <b>1,439</b>   |
| <b>Total gross credit risk</b>                                | <b>263,611</b>                | <b>18,161</b>                  | <b>1,439</b>                    | <b>283,211</b> |
| <b>Total gross credit risk by ECL stage</b>                   |                               |                                |                                 |                |
| Cash and bank balances  | 41,613                        | -                              | -                               | 41,613         |
| Cash collateralised lending and reverse repurchase agreements | 38,157                        | -                              | 87                              | 38,244         |
| Margin money and settlement assets                            | 18,810                        | -                              | 40                              | 18,850         |
| Financial investments   | 16,591                        | -                              | -                               | 16,591         |
| Held for sale and other assets                                | 2,567                         | 6                              | 50                              | 2,623          |
| Loan assets   | 123,262                       | 17,764                         | 1,174                           | 142,200        |
| Due from related body corporate entities                      | 556                           | -                              | -                               | 556            |
| Off balance sheet exposures                                   | 22,055                        | 391                            | 88                              | 22,534         |
| <b>Total gross credit risk by ECL stage</b>                   | <b>263,611</b>                | <b>18,161</b>                  | <b>1,439</b>                    | <b>283,211</b> |

(1) The gross exposure of financial assets measured at amortised cost represents the amortised cost before the ECL allowance and the gross exposure of financial assets measured at FVOCI represents carrying value before fair value adjustment and ECL allowance. Accordingly, these exposures will not be equal to the amount presented in the Statements of financial position.

(1) For definitions of Stage I, II and III, refer to Note 12 *Expected credit losses*. Whilst exposures may have migrated to Stage II it should not be inferred that such exposures are of a lower credit quality.

## Note 33

### Financial risk management continued

#### Note 33.1 Credit risk continued

The table below discloses, by credit rating grades and ECL impairment stage, the gross carrying amount<sup>(1)</sup> of assets measured at amortised cost or FVOCI and off balance sheet exposures of the Company subject to the impairment requirements of AASB 9 *Financial Instruments*. The credit quality is based on the counterparty's credit rating using the Company's credit rating system and excludes the benefit of collateral and credit enhancements.

|   | Stage I <sup>(1)</sup><br>\$m | Stage II <sup>(2)</sup><br>\$m | Stage III <sup>(2)</sup><br>\$m | Total<br>\$m   |
|---|-------------------------------|--------------------------------|---------------------------------|----------------|
| COMPANY 2023  |                               |                                |                                 |                |
| <b>Investment grade</b>                                       |                               |                                |                                 |                |
| Cash and bank balances  | 36,150                        | -                              | -                               | 36,150         |
| Cash collateralised lending and reverse repurchase agreements | 34,981                        | -                              | -                               | 34,981         |
| Margin money and settlement assets                            | 12,958                        | -                              | -                               | 12,958         |
| Financial investments   | 14,415                        | -                              | -                               | 14,415         |
| Held for sale and other assets                                | 1,653                         | -                              | -                               | 1,653          |
| Loan assets   | 59,560                        | 1,652                          | -                               | 61,212         |
| Due from related body corporate entities                      | 340                           | -                              | -                               | 340            |
| Due from subsidiaries   | 9,907                         | -                              | -                               | 9,907          |
| Off balance sheet exposures <sup>(2)</sup>                    | 8,306                         | 58                             | -                               | 8,364          |
| <b>Total investment grade</b>                                 | <b>178,270</b>                | <b>1,710</b>                   | <b>-</b>                        | <b>179,980</b> |
| <b>Non-investment grade</b>                                   |                               |                                |                                 |                |
| Cash and bank balances  | 26                            | -                              | -                               | 26             |
| Cash collateralised lending and reverse repurchase agreements | 2,819                         | -                              | -                               | 2,819          |
| Margin money and settlement assets                            | 1,515                         | 1                              | -                               | 1,516          |
| Financial investments   | 45                            | -                              | -                               | 45             |
| Held for sale and other assets                                | 592                           | 4                              | -                               | 596            |
| Loan assets   | 62,390                        | 16,032                         | -                               | 78,422         |
| Off balance sheet exposures <sup>(3)</sup>                    | 12,717                        | 259                            | -                               | 12,976         |
| <b>Total non-investment grade</b>                             | <b>80,104</b>                 | <b>16,296</b>                  | <b>-</b>                        | <b>96,400</b>  |
| <b>Default</b>  |                               |                                |                                 |                |
| Cash collateralised lending and reverse repurchase agreements | -                             | -                              | 87                              | 87             |
| Margin money and settlement assets                            | -                             | -                              | 39                              | 39             |
| Held for sale and other assets                                | -                             | -                              | 48                              | 48             |
| Loan assets   | -                             | -                              | 959                             | 959            |
| Off balance sheet exposures <sup>(3)</sup>                    | -                             | -                              | 87                              | 87             |
| <b>Total default</b>  | <b>-</b>                      | <b>-</b>                       | <b>1,220</b>                    | <b>1,220</b>   |
| <b>Total gross credit risk</b>                                | <b>258,374</b>                | <b>18,006</b>                  | <b>1,220</b>                    | <b>277,600</b> |
| <b>Total gross credit risk by ECL stage</b>                   |                               |                                |                                 |                |
| Cash and bank balances  | 36,176                        | -                              | -                               | 36,176         |
| Cash collateralised lending and reverse repurchase agreements | 37,800                        | -                              | 87                              | 37,887         |
| Margin money and settlement assets                            | 14,473                        | 1                              | 39                              | 14,513         |
| Financial investments   | 14,460                        | -                              | -                               | 14,460         |
| Held for sale and other assets                                | 2,245                         | 4                              | 48                              | 2,297          |
| Loan assets   | 121,950                       | 17,684                         | 959                             | 140,593        |
| Due from related body corporate entities                      | 340                           | -                              | -                               | 340            |
| Due from subsidiaries   | 9,907                         | -                              | -                               | 9,907          |
| Off balance sheet exposures <sup>(3)</sup>                    | 21,023                        | 317                            | 87                              | 21,427         |
| <b>Total gross credit risk by ECL stage</b>                   | <b>258,374</b>                | <b>18,006</b>                  | <b>1,220</b>                    | <b>277,600</b> |

(1) The gross exposure of financial assets measured at amortised cost represents the amortised cost before the ECL allowance and the gross exposure of financial assets measured at FVOCI represents carrying value before fair value adjustments and ECL allowance. Accordingly, these exposure values will not equal to amount presented in the Statements of financial position.

(1) For definitions of Stage I, II and III, refer to Note 12 *Expected credit losses*. Whilst exposures may have migrated to Stage II it should not be inferred that such exposures are of a lower credit quality.

(2) The Company includes guarantees to counterparties with respect to their exposures to certain subsidiaries. These guarantees have a maximum value of \$9,944 million (2022: \$12,753 million) with the amount disclosed in the table above being the component of that guarantee value equivalent to the fair value of the underlying risk position at the reporting date.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 33

### Financial risk management continued

#### Note 33.1 Credit risk continued

Further analysis of credit risk for loan assets, being the Consolidated Entity's most material credit exposure is presented below.

|  | Investment<br>grade<br>\$m | Non-investment<br>grade<br>\$m | Total other<br>than default<br>\$m | OF WHICH PAST DUE       |                          |   | Default<br>\$m | Total<br>\$m   |
|--|----------------------------|--------------------------------|------------------------------------|-------------------------|--------------------------|---|----------------|----------------|
|  |                            |                                |                                    | Up to<br>30 days<br>\$m | 31 to<br><90 days<br>\$m | Total past<br>due but<br>not default<br>\$m |                |                |
| CONSOLIDATED 2023                          |                            |                                |                                    |                         |                          |   |                |                |
| Home loans <sup>(1)</sup>                  | 54,396                     | 59,530                         | 113,926                            | 795                     | 235                      | 1,030                                       | 562            | 114,488        |
| Asset financing                            | 516                        | 6,419                          | 6,935                              | 256                     | 40                       | 296   | 223            | 7,158          |
| Corporate, commercial and<br>other lending | 6,826                      | 13,339                         | 20,165                             | 26                      | 22                       | 48  | 389            | 20,554         |
| <b>Total<sup>(2)</sup></b>                 | <b>61,738</b>              | <b>79,288</b>                  | <b>141,026</b>                     | <b>1,077</b>            | <b>297</b>               | <b>1,374</b>                                | <b>1,174</b>   | <b>142,200</b> |
| COMPANY 2023                               |                            |                                |                                    |                         |                          |   |                |                |
| Home loans <sup>(1)</sup>                  | 54,401                     | 59,529                         | 113,930                            | 782                     | 229                      | 1,011                                       | 564            | 114,494        |
| Asset financing                            | 145                        | 5,922                          | 6,067                              | 156                     | 21                       | 177   | 207            | 6,274          |
| Corporate, commercial and<br>other lending | 6,666                      | 12,971                         | 19,638                             | 26                      | 22                       | 48  | 188            | 19,825         |
| <b>Total<sup>(2)</sup></b>                 | <b>61,212</b>              | <b>78,422</b>                  | <b>139,634</b>                     | <b>964</b>              | <b>272</b>               | <b>1,236</b>                                | <b>959</b>     | <b>140,593</b> |

(1) Includes \$7,111 million home loans for which insurance has been obtained from Lenders Mortgage Insurance (LMI) counterparties and another \$24,400 million home loans where the Consolidated Entity has bought risk protection from a panel of investment grade companies via an excess of loss structure. Refer to collateral and credit enhancements section of Note 36.1 *Credit risk* for further details.

(2) The credit quality is based on the counterparties' credit rating as determined by the Consolidated Entity's credit rating system and excludes the benefit of collateral and credit enhancements.



## Note 33

### Financial risk management continued

#### Note 33.1 Credit risk continued

The table below discloses, by credit rating grades and ECL impairment stage, the gross carrying amount<sup>(1)</sup> of assets measured at amortised cost or FVOCI and off balance sheet exposures of the Consolidated Entity subject to the impairment requirements of AASB 9 *Financial Instruments*. The credit quality is based on the counterparty's credit rating using the Consolidated Entity's credit rating system and excludes the benefit of collateral and credit enhancements.

|   | Stage I <sup>(1)</sup><br>\$m | Stage II <sup>(2)</sup><br>\$m | Stage III <sup>(2)</sup><br>\$m | Total<br>\$m   |
|---|-------------------------------|--------------------------------|---------------------------------|----------------|
| CONSOLIDATED 2022   |                               |                                |                                 |                |
| <b>Investment grade</b>                                       |                               |                                |                                 |                |
| Cash and bank balances  | 48,912                        | -                              | -                               | 48,912         |
| Cash collateralised lending and reverse repurchase agreements | 34,845                        | -                              | -                               | 34,845         |
| Margin money and settlement assets                            | 16,543                        | -                              | -                               | 16,543         |
| Financial investments   | 6,076                         | -                              | -                               | 6,076          |
| Held for sale and other assets                                | 1,244                         | -                              | -                               | 1,244          |
| Loan assets   | 50,181                        | 1,148                          | -                               | 51,329         |
| Due from related body corporate entities                      | 1,399                         | -                              | -                               | 1,399          |
| Off balance sheet exposures                                   | 11,296                        | 5                              | -                               | 11,301         |
| <b>Total investment grade</b>                                 | <b>170,496</b>                | <b>1,153</b>                   | <b>-</b>                        | <b>171,649</b> |
| <b>Non-investment grade</b>                                   |                               |                                |                                 |                |
| Cash and bank balances  | 60                            | -                              | -                               | 60             |
| Cash collateralised lending and reverse repurchase agreements | 3,533                         | -                              | -                               | 3,533          |
| Margin money and settlement assets                            | 2,381                         | 5                              | -                               | 2,386          |
| Financial investments   | 190                           | -                              | -                               | 190            |
| Held for sale and other assets                                | 911                           | 9                              | -                               | 920            |
| Loan assets   | 58,470                        | 12,605                         | -                               | 71,075         |
| Off balance sheet exposures                                   | 11,032                        | 22                             | -                               | 11,054         |
| <b>Total non-investment grade</b>                             | <b>76,577</b>                 | <b>12,641</b>                  | <b>-</b>                        | <b>89,218</b>  |
| <b>Default</b>  |                               |                                |                                 |                |
| Margin money and settlement assets                            | -                             | -                              | 38                              | 38             |
| Held for sale and other assets                                | -                             | -                              | 152                             | 152            |
| Loan assets   | -                             | -                              | 1,031                           | 1,031          |
| Off balance sheet exposures                                   | -                             | -                              | 7                               | 7              |
| <b>Total default</b>  | <b>-</b>                      | <b>-</b>                       | <b>1,228</b>                    | <b>1,228</b>   |
| <b>Total gross credit risk</b>                                | <b>247,073</b>                | <b>13,794</b>                  | <b>1,228</b>                    | <b>262,095</b> |
| <b>Total gross credit risk by ECL stage</b>                   |                               |                                |                                 |                |
| Cash and bank balances  | 48,972                        | -                              | -                               | 48,972         |
| Cash collateralised lending and reverse repurchase agreements | 38,378                        | -                              | -                               | 38,378         |
| Margin money and settlement assets                            | 18,924                        | 5                              | 38                              | 18,967         |
| Financial investments   | 6,266                         | -                              | -                               | 6,266          |
| Held for sale and other assets                                | 2,155                         | 9                              | 152                             | 2,316          |
| Loan assets   | 108,651                       | 13,753                         | 1,031                           | 123,435        |
| Due from related body corporate entities                      | 1,399                         | -                              | -                               | 1,399          |
| Off balance sheet exposures                                   | 22,328                        | 27                             | 7                               | 22,362         |
| <b>Total gross credit risk by ECL stage</b>                   | <b>247,073</b>                | <b>13,794</b>                  | <b>1,228</b>                    | <b>262,095</b> |

(1) The gross exposure of financial assets measured at amortised cost represents the amortised cost before the ECL allowance and the gross exposure of financial assets measured at FVOCI represents carrying value before fair value adjustments and ECL allowance. Accordingly, these exposure values will not equal to amount presented in the Statements of financial position.

(1) For definitions of Stage I, II and III, refer to Note 12 *Expected credit losses*. Whilst exposures may have migrated to Stage II it should not be inferred that such exposures are of a lower credit quality.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 33

### Financial risk management continued

#### Note 33.1 Credit risk continued

The table below discloses, by credit rating grades and ECL impairment stage, the gross carrying amount<sup>(1)</sup> of assets measured at amortised cost or FVOCI and off balance sheet exposures of company subject to impairment requirements of AASB9 *Financial Instruments*. The credit quality is based on the counterparty's credit rating using the Company's credit rating system and excludes the benefit of collateral and credit enhancements.

|   | Stage I <sup>(1)</sup><br>\$m | Stage II <sup>(2)</sup><br>\$m | Stage III <sup>(2)</sup><br>\$m | Total<br>\$m   |
|---|-------------------------------|--------------------------------|---------------------------------|----------------|
| COMPANY 2022  |                               |                                |                                 |                |
| <b>Investment grade</b>                                       |                               |                                |                                 |                |
| Cash and bank balances  | 43,594                        | -                              | -                               | 43,594         |
| Cash collateralised lending and reverse repurchase agreements | 31,597                        | -                              | -                               | 31,597         |
| Margin money and settlement assets                            | 11,853                        | -                              | -                               | 11,853         |
| Financial investments   | 6,076                         | -                              | -                               | 6,076          |
| Held for sale and other assets                                | 954                           | -                              | -                               | 954            |
| Loan assets   | 49,830                        | 1,146                          | -                               | 50,976         |
| Due from related body corporate entities                      | 1,122                         | -                              | -                               | 1,122          |
| Due from subsidiaries   | 11,727                        | -                              | -                               | 11,727         |
| Off balance sheet exposures <sup>(2)</sup>                    | 8,187                         | 4                              | -                               | 8,191          |
| <b>Total investment grade</b>                                 | <b>164,940</b>                | <b>1,150</b>                   | <b>-</b>                        | <b>166,090</b> |
| <b>Non-investment grade</b>                                   |                               |                                |                                 |                |
| Cash collateralised lending and reverse repurchase agreements | 2,438                         | -                              | -                               | 2,438          |
| Margin money and settlement assets                            | 1,983                         | 2                              | -                               | 1,985          |
| Financial investments   | 190                           | -                              | -                               | 190            |
| Held for sale and other assets                                | 748                           | 7                              | -                               | 755            |
| Loan assets   | 57,213                        | 12,409                         | -                               | 69,622         |
| Due from subsidiaries   | 34                            | -                              | -                               | 34             |
| Off balance sheet exposures <sup>(3)</sup>                    | 17,670                        | 22                             | -                               | 17,692         |
| <b>Total non-investment grade</b>                             | <b>80,276</b>                 | <b>12,440</b>                  | <b>-</b>                        | <b>92,716</b>  |
| <b>Default</b>  |                               |                                |                                 |                |
| Margin money and settlement assets                            | -                             | -                              | 35                              | 35             |
| Held for sale and other assets                                | -                             | -                              | 116                             | 116            |
| Loan assets   | -                             | -                              | 974                             | 974            |
| Off balance sheet exposures <sup>(3)</sup>                    | -                             | -                              | 7                               | 7              |
| <b>Total default</b>  | <b>-</b>                      | <b>-</b>                       | <b>1,132</b>                    | <b>1,132</b>   |
| <b>Total gross credit risk</b>                                | <b>245,216</b>                | <b>13,590</b>                  | <b>1,132</b>                    | <b>259,938</b> |
| <b>Total gross credit risk by ECL stage</b>                   |                               |                                |                                 |                |
| Cash and bank balances  | 43,594                        | -                              | -                               | 43,594         |
| Cash collateralised lending and reverse repurchase agreements | 34,035                        | -                              | -                               | 34,035         |
| Margin money and settlement assets                            | 13,836                        | 2                              | 35                              | 13,873         |
| Financial investments   | 6,266                         | -                              | -                               | 6,266          |
| Held for sale and other assets                                | 1,702                         | 7                              | 116                             | 1,825          |
| Loan assets   | 107,043                       | 13,555                         | 974                             | 121,572        |
| Due from related body corporate entities                      | 1,122                         | -                              | -                               | 1,122          |
| Due from subsidiaries   | 11,761                        | -                              | -                               | 11,761         |
| Off balance sheet exposures <sup>(3)</sup>                    | 25,857                        | 26                             | 7                               | 25,890         |
| <b>Total gross credit risk by ECL stage</b>                   | <b>245,216</b>                | <b>13,590</b>                  | <b>1,132</b>                    | <b>259,938</b> |

(1) The gross exposure of financial assets measured at amortised cost represents the amortised cost before the ECL allowance and the gross exposure of financial assets measured at FVOCI represents carrying value before fair value adjustments and ECL allowance. Accordingly, these exposure values will not equal to amount presented in the Statements of financial position.

(1) For definitions of Stage I, II and III, refer to Note 12 *Expected credit losses*. Whilst exposures may have migrated to Stage II it should not be inferred that such exposures are of a lower credit quality.

(2) The Company includes guarantees to counterparties with respect to their exposures to certain subsidiaries. These guarantees have a maximum value of \$9,944 million (2022: \$12,753 million) with the amount disclosed in the table above being the component of that guarantee value equivalent to the fair value of the underlying risk position at the reporting date.

## Note 33

### Financial risk management continued

#### Note 33.1 Credit risk continued

Further analysis of credit risk for loan assets being the Consolidated Entity's most material credit exposure is presented below.

|  | Investment<br>grade<br>\$m | Non-investment<br>grade<br>\$m | Total other<br>than default<br>\$m | OF WHICH PAST DUE       |                          |   | Default<br>\$m | Total<br>\$m   |
|--|----------------------------|--------------------------------|------------------------------------|-------------------------|--------------------------|---|----------------|----------------|
|  |                            |                                |                                    | Up to<br>30 days<br>\$m | 31 to<br><90 days<br>\$m | Total past<br>due but<br>not default<br>\$m |                |                |
| CONSOLIDATED 2022                          |                            |                                |                                    |                         |                          |   |                |                |
| Home loans <sup>(1)</sup>                  | 44,431                     | 49,923                         | 94,354                             | 462                     | 203                      | 665   | 560            | 94,914         |
| Asset financing                            | 778                        | 9,100                          | 9,878                              | 236                     | 72                       | 308   | 309            | 10,187         |
| Corporate, commercial<br>and other lending | 6,120                      | 12,052                         | 18,172                             | 29                      | 7                        | 36  | 162            | 18,334         |
| <b>Total<sup>(2)</sup></b>                 | <b>51,329</b>              | <b>71,075</b>                  | <b>122,404</b>                     | <b>727</b>              | <b>282</b>               | <b>1,009</b>                                | <b>1,031</b>   | <b>123,435</b> |
| COMPANY 2022                               |                            |                                |                                    |                         |                          |   |                |                |
| Home loans <sup>(1)</sup>                  | 44,410                     | 49,892                         | 94,302                             | 448                     | 77                       | 525   | 561            | 94,863         |
| Asset financing                            | 468                        | 7,978                          | 8,446                              | 193                     | 2                        | 195   | 258            | 8,704          |
| Corporate, commercial<br>and other lending | 6,098                      | 11,752                         | 17,850                             | 29                      | 1                        | 30  | 155            | 18,005         |
| <b>Total<sup>(2)</sup></b>                 | <b>50,976</b>              | <b>69,622</b>                  | <b>120,598</b>                     | <b>670</b>              | <b>80</b>                | <b>750</b>                                  | <b>974</b>     | <b>121,572</b> |

(1) Includes \$9,350 million home loans for which insurance has been obtained from Lenders Mortgage Insurance (LMI) counterparties and another \$32,016 million home loans where the Consolidated Entity has bought risk protection from a global panel of investment grade reinsurers via an excess of loss and quota share structure. Refer to collateral and credit enhancements section of Note 36.1 *Credit risk* for further details.

(2) The credit quality is based on the counterparties' credit rating as determined by the Consolidated Entity's credit rating system and excludes the benefit of collateral and credit enhancements.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 33

### Financial risk management continued

#### Note 33.1 Credit risk continued

##### Credit risk concentration

The table below details the concentration of credit risk by significant geographical location and counterparty type of the Consolidated Entity's assets measured at amortised cost or FVOCI and off balance sheet exposures subject to the impairment requirements of AASB 9 *Financial Instruments*. The geographical location is determined by the country of risk. Counterparty type is based on APRA classification.

|   | Governments<br>\$m | Financial<br>Institutions<br>\$m | Other<br>\$m   | Total<br>\$m   |
|---|--------------------|----------------------------------|----------------|----------------|
| CONSOLIDATED 2023   |                    |                                  |                |                |
| <b>Australia</b>  |                    |                                  |                |                |
| Cash and bank balances  | -                  | 32,316                           | 2              | 32,318         |
| Cash collateralised lending and reverse repurchase agreements | -                  | 7,720                            | -              | 7,720          |
| Held for sale and other assets                                | 14                 | 105                              | 646            | 765            |
| Margin money and settlement assets                            | 274                | 2,045                            | 912            | 3,231          |
| Financial investments   | 5,290              | 7,743                            | 2              | 13,035         |
| Loan assets <sup>(1)</sup>                                    | 36                 | 2,588                            | 130,280        | 132,904        |
| Due from related body corporate entities <sup>(2)</sup>       | -                  | 169                              | 5              | 174            |
| Off balance sheet exposures                                   | 28                 | 312                              | 19,846         | 20,186         |
| <b>Total Australia</b>  | <b>5,642</b>       | <b>52,998</b>                    | <b>151,693</b> | <b>210,333</b> |
| <b>Asia Pacific</b>   |                    |                                  |                |                |
| Cash and bank balances  | -                  | 1,078                            | -              | 1,078          |
| Cash collateralised lending and reverse repurchase agreements | -                  | 3,774                            | -              | 3,774          |
| Held for sale and other assets                                | 1                  | -                                | 193            | 194            |
| Margin money and settlement assets                            | -                  | 788                              | 243            | 1,031          |
| Financial investments   | -                  | 220                              | -              | 220            |
| Loan assets   | -                  | 110                              | 271            | 381            |
| Due from related body corporate entities <sup>(2)</sup>       | -                  | 150                              | 8              | 158            |
| Off balance sheet exposures                                   | -                  | -                                | 20             | 20             |
| <b>Total Asia Pacific</b>                                     | <b>1</b>           | <b>6,120</b>                     | <b>735</b>     | <b>6,856</b>   |
| <b>Europe, Middle East and Africa</b>                         |                    |                                  |                |                |
| Cash and bank balances  | -                  | 4,605                            | -              | 4,605          |
| Cash collateralised lending and reverse repurchase agreements | -                  | 17,766                           | -              | 17,766         |
| Held for sale and other assets                                | 161                | -                                | 1,085          | 1,246          |
| Margin money and settlement assets                            | -                  | 1,198                            | 9,721          | 10,919         |
| Financial investments   | 2,306              | 309                              | -              | 2,615          |
| Loan assets   | -                  | 894                              | 2,265          | 3,159          |
| Due from related body corporate entities <sup>(2)</sup>       | -                  | 39                               | 22             | 61             |
| Off balance sheet exposures                                   | 30                 | 29                               | 394            | 453            |
| <b>Total Europe, Middle East and Africa</b>                   | <b>2,497</b>       | <b>24,840</b>                    | <b>13,487</b>  | <b>40,824</b>  |
| <b>Americas</b>   |                    |                                  |                |                |
| Cash and bank balances  | -                  | 3,612                            | -              | 3,612          |
| Cash collateralised lending and reverse repurchase agreements | -                  | 8,984                            | -              | 8,984          |
| Held for sale and other assets                                | -                  | 202                              | 216            | 418            |
| Margin money and settlement assets                            | 33                 | 900                              | 2,736          | 3,669          |
| Financial investments   | 6                  | 715                              | -              | 721            |
| Loan assets   | 10                 | 3,751                            | 1,995          | 5,756          |
| Due from related body corporate entities <sup>(2)</sup>       | -                  | 156                              | 7              | 163            |
| Off balance sheet exposures                                   | -                  | 203                              | 1,672          | 1,875          |
| <b>Total Americas</b>   | <b>49</b>          | <b>18,523</b>                    | <b>6,626</b>   | <b>25,198</b>  |
| <b>Total gross credit risk<sup>(3)</sup></b>                  | <b>8,189</b>       | <b>102,481</b>                   | <b>172,541</b> | <b>283,211</b> |

(1) Loan assets in the Australia region includes home loans of \$114,503 million, Asset financing of \$6,367 million and Corporate, commercial and other lending of \$12,034 million.

(2) Due from related body corporates have been presented as Financial institutions and Other based on APRA's Standard Institutional Sector Classifications of Australia (SISCA) classification.

(3) The gross exposure of financial assets measured at amortised cost represents the amortised cost before the ECL allowance and the gross exposure of financial assets measured at FVOCI represents carrying value before fair value adjustments and ECL allowance. Accordingly, these exposure values will not equal the amount presented in the Statements of financial position.

## Note 33

### Financial risk management continued

#### Note 33.1 Credit risk continued

The table below details the concentration of credit risk by significant geographical location and counterparty type of the Company's assets measured at amortised cost or FVOCI and off balance sheet exposures subject to the impairment requirements of AASB 9 *Financial Instruments*. The geographical location is determined by the country of risk. Counterparty type is based on APRA classification.

|   | Governments<br>\$m | Financial<br>Institutions<br>\$m | Other<br>\$m   | Total<br>\$m   |
|---|--------------------|----------------------------------|----------------|----------------|
| COMPANY 2023  |                    |                                  |                |                |
| <b>Australia</b>  |                    |                                  |                |                |
| Cash and bank balances  | -                  | 32,077                           | 2              | 32,079         |
| Cash collateralised lending and reverse repurchase agreements | -                  | 7,187                            | -              | 7,187          |
| Held for sale and other assets                                | 7                  | 82                               | 631            | 720            |
| Margin money and settlement assets                            | 274                | 2,020                            | 779            | 3,073          |
| Financial investments   | 4,695              | 7,745                            | -              | 12,440         |
| Loan assets <sup>(1)</sup>                                    | -                  | 2,567                            | 129,945        | 132,512        |
| Due from related body corporate entities <sup>(2)</sup>       | -                  | 158                              | -              | 158            |
| Due from subsidiaries <sup>(2)</sup>                          | -                  | 5,691                            | -              | 5,691          |
| Off balance sheet exposures                                   | 28                 | 305                              | 17,805         | 18,138         |
| <b>Total Australia</b>  | <b>5,004</b>       | <b>57,832</b>                    | <b>149,162</b> | <b>211,998</b> |
| <b>Asia Pacific</b>   |                    |                                  |                |                |
| Cash and bank balances  | -                  | 855                              | -              | 855            |
| Cash collateralised lending and reverse repurchase agreements | -                  | 3,746                            | -              | 3,746          |
| Held for sale and other assets                                | 1                  | -                                | 188            | 189            |
| Margin money and settlement assets                            | -                  | 743                              | 205            | 948            |
| Financial investments   | -                  | 220                              | -              | 220            |
| Loan assets   | -                  | 109                              | 168            | 277            |
| Due from related body corporate entities <sup>(2)</sup>       | -                  | 57                               | 1              | 58             |
| Due from subsidiaries <sup>(2)</sup>                          | -                  | 142                              | 9              | 151            |
| Off balance sheet exposures                                   | -                  | -                                | 19             | 19             |
| <b>Total Asia Pacific</b>                                     | <b>1</b>           | <b>5,872</b>                     | <b>590</b>     | <b>6,463</b>   |
| <b>Europe, Middle East and Africa</b>                         |                    |                                  |                |                |
| Cash and bank balances  | -                  | 977                              | -              | 977            |
| Cash collateralised lending and reverse repurchase agreements | -                  | 17,594                           | -              | 17,594         |
| Held for sale and other assets                                | 161                | 8                                | 1,027          | 1,196          |
| Margin money and settlement assets                            | -                  | 1,144                            | 6,882          | 8,026          |
| Financial investments   | 772                | 307                              | -              | 1,079          |
| Loan assets   | -                  | 891                              | 1,648          | 2,539          |
| Due from related body corporate entities <sup>(2)</sup>       | -                  | 24                               | 12             | 36             |
| Due from subsidiaries <sup>(2)</sup>                          | -                  | 3,071                            | 440            | 3,511          |
| Off balance sheet exposures                                   | 30                 | 29                               | 1,523          | 1,582          |
| <b>Total Europe, Middle East and Africa</b>                   | <b>963</b>         | <b>24,045</b>                    | <b>11,532</b>  | <b>36,540</b>  |
| <b>Americas</b>   |                    |                                  |                |                |
| Cash and bank balances  | -                  | 2,265                            | -              | 2,265          |
| Cash collateralised lending and reverse repurchase agreements | -                  | 9,360                            | -              | 9,360          |
| Held for sale and other assets                                | -                  | 5                                | 187            | 192            |
| Margin money and settlement assets                            | -                  | 830                              | 1,636          | 2,466          |
| Financial investments   | 6                  | 715                              | -              | 721            |
| Loan assets   | -                  | 3,722                            | 1,543          | 5,265          |
| Due from related body corporate entities <sup>(2)</sup>       | -                  | 88                               | -              | 88             |
| Due from subsidiaries <sup>(2)</sup>                          | -                  | 551                              | 3              | 554            |
| Off balance sheet exposures                                   | -                  | 169                              | 1,519          | 1,688          |
| <b>Total Americas</b>   | <b>6</b>           | <b>17,705</b>                    | <b>4,888</b>   | <b>22,599</b>  |
| <b>Total gross credit risk<sup>(3)</sup></b>                  | <b>5,974</b>       | <b>105,454</b>                   | <b>166,172</b> | <b>277,600</b> |

(1) Loan assets in the Australia region includes home loans of \$114,499 million, Asset financing of \$6,014 million and Corporate, commercial and other lending of \$11,999 million.

(2) Due from related body corporates and subsidiaries have been presented as Financial institutions and Other based on APRA's Standard Institutional Sector Classifications of Australia (SISCA) classification.

(3) The gross exposure of financial assets measured at amortised cost represents the amortised cost before the ECL allowance and the gross exposure of financial assets measured at FVOCI represents carrying value before fair value adjustments and ECL allowance. Accordingly, these exposure values will not equal the amount presented in the Statements of financial position.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 33

### Financial risk management continued

#### Note 33.1 Credit risk continued

The table below details the concentration by significant geographical locations and counterparty type of the Consolidated Entity's financial assets which are not subject to impairment requirements of AASB 9 *Financial Instruments* since they are measured at fair value through profit and loss. Financial assets that are subject to risks other than credit risk, such as equity investments, commodities, bank notes and coins are excluded from the table below.

|   | Governments<br>\$m | Financial<br>Institutions<br>\$m | Other<br>\$m  | Total<br>\$m  |
|---|--------------------|----------------------------------|---------------|---------------|
| CONSOLIDATED 2023   |                    |                                  |               |               |
| <b>Australia</b>  |                    |                                  |               |               |
| Cash collateralised lending and reverse repurchase agreements | -                  | 462                              | -             | 462           |
| Trading assets  | 988                | 125                              | 2             | 1,115         |
| Derivative assets   | 2                  | 742                              | 1,657         | 2,401         |
| Margin money and settlement assets                            | -                  | -                                | -             | -             |
| Held for sale and other assets                                | -                  | -                                | 7             | 7             |
| Loan assets   | -                  | 50                               | 50            | 100           |
| Due from related body corporate entities <sup>(1)</sup>       | -                  | 3,374                            | -             | 3,374         |
| <b>Total Australia</b>  | <b>990</b>         | <b>4,753</b>                     | <b>1,716</b>  | <b>7,459</b>  |
| <b>Asia Pacific</b>   |                    |                                  |               |               |
| Cash collateralised lending and reverse repurchase agreements | -                  | 666                              | -             | 666           |
| Trading assets  | 43                 | 14                               | 560           | 617           |
| Derivative assets   | 38                 | 1,684                            | 1,011         | 2,733         |
| Financial investments   | -                  | 39                               | 6             | 45            |
| Margin money and settlement assets                            | -                  | -                                | 2             | 2             |
| Held for sale and other assets                                | -                  | -                                | 591           | 591           |
| Due from related body corporate entities <sup>(1)</sup>       | -                  | -                                | 2             | 2             |
| <b>Total Asia Pacific</b>                                     | <b>81</b>          | <b>2,403</b>                     | <b>2,172</b>  | <b>4,656</b>  |
| <b>Europe, Middle East and Africa</b>                         |                    |                                  |               |               |
| Cash collateralised lending and reverse repurchase agreements | -                  | 1,441                            | -             | 1,441         |
| Trading assets  | -                  | 10                               | 2,039         | 2,049         |
| Derivative assets   | -                  | 6,726                            | 13,754        | 20,480        |
| Held for sale and other assets                                | -                  | -                                | 947           | 947           |
| Loan assets   | -                  | -                                | 180           | 180           |
| Due from related body corporate entities <sup>(1)</sup>       | -                  | 3                                | -             | 3             |
| <b>Total Europe, Middle East and Africa</b>                   | <b>-</b>           | <b>8,180</b>                     | <b>16,920</b> | <b>25,100</b> |
| <b>Americas</b>   |                    |                                  |               |               |
| Cash collateralised lending and reverse repurchase agreements | -                  | 2,394                            | -             | 2,394         |
| Trading assets  | 1,044              | 1                                | 1,647         | 2,692         |
| Derivative assets   | 46                 | 7,226                            | 2,934         | 10,206        |
| Margin money and settlement assets                            | 1                  | -                                | 573           | 574           |
| Held for sale and other assets                                | -                  | 2                                | 808           | 810           |
| Loan assets   | -                  | -                                | 5             | 5             |
| Due from related body corporate entities <sup>(1)</sup>       | -                  | -                                | -             | -             |
| <b>Total Americas</b>   | <b>1,091</b>       | <b>9,623</b>                     | <b>5,967</b>  | <b>16,681</b> |
| <b>Total gross credit risk</b>                                | <b>2,162</b>       | <b>24,959</b>                    | <b>26,775</b> | <b>53,896</b> |

(1) Due from related body corporates have been presented as Financial institutions and Other based on APRA's Standard Institutional Sector Classifications of Australia (SISCA) classification.

## Note 33

### Financial risk management continued

#### Note 33.1 Credit risk continued

The table below details the concentration by significant geographical locations and counterparty type of the Company's financial assets which are not subject to impairment requirements of AASB 9 *Financial Instruments* since they are measured at fair value through profit and loss. Financial assets that are subject to risks other than credit risk, such as equity investments, commodities, bank notes and coins are excluded from the table below.

|   | Governments<br>\$m | Financial<br>Institutions<br>\$m | Other<br>\$m  | Total<br>\$m  |
|---|--------------------|----------------------------------|---------------|---------------|
| COMPANY 2023  |                    |                                  |               |               |
| <b>Australia</b>  |                    |                                  |               |               |
| Cash collateralised lending and reverse repurchase agreements | -                  | 462                              | -             | 462           |
| Trading assets  | 988                | 124                              | 1             | 1,113         |
| Financial investments   | 4                  | 697                              | 1,647         | 2,348         |
| Derivative assets   | -                  | -                                | -             | -             |
| Other assets  | -                  | -                                | 7             | 7             |
| Loan assets   | -                  | 53                               | 10            | 63            |
| Due from subsidiaries <sup>(1)</sup>                          | -                  | 353                              | 1             | 354           |
| Due from related body corporate entities <sup>(1)</sup>       | -                  | 3,374                            | -             | 3,374         |
| <b>Total Australia</b>  | <b>992</b>         | <b>5,063</b>                     | <b>1,666</b>  | <b>7,721</b>  |
| <b>Asia Pacific</b>   |                    |                                  |               |               |
| Cash collateralised lending and reverse repurchase agreements | -                  | 666                              | -             | 666           |
| Trading assets  | 43                 | 14                               | 560           | 617           |
| Derivative assets   | 38                 | 1,683                            | 925           | 2,646         |
| Financial investments   | -                  | 39                               | 6             | 45            |
| Margin money and settlement assets                            | -                  | -                                | 2             | 2             |
| Other assets  | -                  | -                                | 591           | 591           |
| Due from subsidiaries <sup>(1)</sup>                          | -                  | 92                               | 24            | 116           |
| Due from related body corporate entities <sup>(1)</sup>       | -                  | -                                | 2             | 2             |
| <b>Total Asia Pacific</b>                                     | <b>81</b>          | <b>2,494</b>                     | <b>2,110</b>  | <b>4,685</b>  |
| <b>Europe, Middle East and Africa</b>                         |                    |                                  |               |               |
| Cash collateralised lending and reverse repurchase agreements | -                  | 1,441                            | -             | 1,441         |
| Trading assets  | -                  | 10                               | 2,039         | 2,049         |
| Derivative assets   | -                  | 6,529                            | 7,200         | 13,729        |
| Other assets  | -                  | -                                | 589           | 589           |
| Loan assets   | -                  | -                                | 129           | 129           |
| Due from subsidiaries <sup>(1)</sup>                          | -                  | 5,216                            | 994           | 6,210         |
| Due from related body corporate entities <sup>(1)</sup>       | -                  | 3                                | -             | 3             |
| <b>Total Europe, Middle East and Africa</b>                   | <b>-</b>           | <b>13,199</b>                    | <b>10,951</b> | <b>24,150</b> |
| <b>Americas</b>   |                    |                                  |               |               |
| Financial investments   | -                  | 2,394                            | -             | 2,394         |
| Trading assets  | 1,038              | 1                                | 1,182         | 2,221         |
| Derivative assets   | 11                 | 6,922                            | 1,520         | 8,453         |
| Margin money and settlement assets                            | -                  | -                                | 48            | 48            |
| Held for sale and other assets                                | -                  | 2                                | 310           | 312           |
| Loan assets   | -                  | -                                | 2             | 2             |
| Due from subsidiaries <sup>(1)</sup>                          | -                  | 1,728                            | -             | 1,728         |
| Due from related body corporate entities <sup>(1)</sup>       | -                  | -                                | -             | -             |
| <b>Total Americas</b>   | <b>1,049</b>       | <b>11,047</b>                    | <b>3,062</b>  | <b>15,158</b> |
| <b>Total gross credit risk</b>                                | <b>2,122</b>       | <b>31,803</b>                    | <b>17,789</b> | <b>51,714</b> |

(1) Due from related body corporates and subsidiaries have been presented as Financial institutions and Other based on APRA's Standard Institutional Sector Classifications of Australia (SISCA) classification.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 33

### Financial risk management continued

#### Note 33.1 Credit risk continued

The table below details the concentration of credit risk by significant geographical location and counterparty type of the Consolidated Entity's assets measured at amortised cost or FVOCI and off balance sheet exposures subject to the impairment requirements of AASB 9 *Financial Instruments*. The geographical location is determined by the country of risk. Counterparty type is based on APRA classification.

|   | Governments<br>\$m | Financial<br>Institutions<br>\$m | Other<br>\$m   | Total<br>\$m   |
|---|--------------------|----------------------------------|----------------|----------------|
| CONSOLIDATED 2022   |                    |                                  |                |                |
| <b>Australia</b>  |                    |                                  |                |                |
| Cash and bank balances  | -                  | 40,370                           | -              | 40,370         |
| Cash collateralised lending and reverse repurchase agreements | -                  | 4,378                            | -              | 4,378          |
| Held for sale and other assets                                | 7                  | 87                               | 972            | 1,066          |
| Margin money and settlement assets                            | 20                 | 1,062                            | 906            | 1,988          |
| Financial investments   | 2,323              | 3,479                            | -              | 5,802          |
| Loan assets <sup>(1)</sup>                                    | 35                 | 3,339                            | 111,904        | 115,278        |
| Due from related body corporate entities <sup>(2)</sup>       | -                  | 697                              | 2              | 699            |
| Off balance sheet exposures                                   | 28                 | 467                              | 19,079         | 19,574         |
| <b>Total Australia</b>  | <b>2,413</b>       | <b>53,878</b>                    | <b>132,863</b> | <b>189,155</b> |
| <b>Asia Pacific</b>   |                    |                                  |                |                |
| Cash and bank balances  | -                  | 527                              | -              | 527            |
| Cash collateralised lending and reverse repurchase agreements | -                  | 2,896                            | -              | 2,896          |
| Held for sale and other assets                                | -                  | 5                                | 144            | 149            |
| Margin money and settlement assets                            | -                  | 259                              | 508            | 767            |
| Financial investments   | 154                | 79                               | -              | 233            |
| Loan assets   | -                  | 90                               | 281            | 371            |
| Due from related body corporate entities <sup>(2)</sup>       | -                  | 229                              | 11             | 240            |
| Off balance sheet exposures                                   | -                  | 1                                | 2              | 3              |
| <b>Total Asia Pacific</b>                                     | <b>154</b>         | <b>4,086</b>                     | <b>946</b>     | <b>5,186</b>   |
| <b>Europe, Middle East and Africa</b>                         |                    |                                  |                |                |
| Cash and bank balances  | -                  | 4,591                            | -              | 4,591          |
| Cash collateralised lending and reverse repurchase agreements | -                  | 22,271                           | -              | 22,271         |
| Held for sale and other assets                                | 10                 | 14                               | 884            | 908            |
| Margin money and settlement assets                            | 18                 | 1,876                            | 10,497         | 12,391         |
| Financial investments   | -                  | 220                              | -              | 220            |
| Loan assets   | -                  | 921                              | 1,537          | 2,458          |
| Due from related body corporate entities <sup>(2)</sup>       | -                  | 171                              | 10             | 181            |
| Off balance sheet exposures                                   | -                  | 426                              | 352            | 778            |
| <b>Total Europe, Middle East and Africa</b>                   | <b>28</b>          | <b>30,490</b>                    | <b>13,280</b>  | <b>43,798</b>  |
| <b>Americas</b>   |                    |                                  |                |                |
| Cash and bank balances  | -                  | 3,484                            | -              | 3,484          |
| Cash collateralised lending and reverse repurchase agreements | -                  | 8,833                            | -              | 8,833          |
| Held for sale and other assets                                | -                  | 15                               | 178            | 193            |
| Margin money and settlement assets                            | 44                 | 928                              | 2,849          | 3,821          |
| Financial investments   | -                  | 11                               | -              | 11             |
| Loan assets   | 11                 | 3,650                            | 1,667          | 5,328          |
| Due from related body corporate entities <sup>(2)</sup>       | -                  | 277                              | 2              | 279            |
| Off balance sheet exposures                                   | 17                 | 340                              | 1,650          | 2,007          |
| <b>Total Americas</b>   | <b>72</b>          | <b>17,538</b>                    | <b>6,346</b>   | <b>23,956</b>  |
| <b>Total gross credit risk<sup>(3)</sup></b>                  | <b>2,667</b>       | <b>105,993</b>                   | <b>153,435</b> | <b>262,095</b> |

(1) Loan assets in the Australia region includes home loans of \$94,300 million, Asset financing of \$9,337 million and Corporate, commercial and other lending of \$11,641 million.

(2) Due from related body corporates have been presented as Financial institutions and Other based on APRA's Standard Institutional Sector Classifications of Australia (SISCA) classification.

(3) The gross exposure of financial assets measured at amortised cost represents the amortised cost before the ECL allowance and the gross exposures of financial assets measured at FVOCI represents carrying value before fair value adjustment and ECL allowance. Accordingly, these exposure values will not equal the amount presented in the Statements of financial position.



## Note 33

### Financial risk management continued

#### Note 33.1 Credit risk continued

The table below details the concentration of credit risk by significant geographical location and counterparty type of the Company's assets measured at amortised cost or FVOCI and off balance sheet exposures subject to the impairment requirements of AASB 9 *Financial Instruments*. The geographical location is determined by the country of risk. Counterparty type is based on APRA classification.

|   | Governments<br>\$m | Financial<br>Institutions<br>\$m | Other<br>\$m   | Total<br>\$m   |
|---|--------------------|----------------------------------|----------------|----------------|
| COMPANY 2022  |                    |                                  |                |                |
| <b>Australia</b>  |                    |                                  |                |                |
| Cash and bank balances  | -                  | 40,194                           | -              | 40,194         |
| Cash collateralised lending and reverse repurchase agreements | -                  | 4,026                            | -              | 4,026          |
| Other assets  | -                  | 57                               | 954            | 1,011          |
| Margin money and settlement assets                            | 20                 | 1,039                            | 642            | 1,701          |
| Financial investments   | 2,323              | 3,478                            | -              | 5,802          |
| Loan assets <sup>(1)</sup>                                    | -                  | 3,291                            | 110,784        | 114,075        |
| Due from related body corporate entities <sup>(2)</sup>       | -                  | 576                              | -              | 576            |
| Due from subsidiaries <sup>(2)</sup>                          | -                  | 4,273                            | -              | 4,273          |
| Off balance sheet exposures                                   | 28                 | 468                              | 17,539         | 18,035         |
| <b>Total Australia</b>  | <b>2,371</b>       | <b>57,402</b>                    | <b>129,919</b> | <b>189,693</b> |
| <b>Asia Pacific</b>   |                    |                                  |                |                |
| Cash and bank balances  | -                  | 237                              | -              | 237            |
| Cash collateralised lending and reverse repurchase agreements | -                  | 2,896                            | -              | 2,896          |
| Other assets  | -                  | 5                                | 141            | 146            |
| Margin money and settlement assets                            | -                  | 244                              | 489            | 733            |
| Financial investments   | 154                | 79                               | -              | 233            |
| Loan assets   | -                  | 90                               | 187            | 277            |
| Due from related body corporate entities <sup>(2)</sup>       | -                  | 135                              | 4              | 139            |
| Due from subsidiaries <sup>(2)</sup>                          | -                  | 105                              | 36             | 141            |
| Off balance sheet exposures                                   | -                  | -                                | 46             | 46             |
| <b>Total Asia Pacific</b>                                     | <b>154</b>         | <b>3,791</b>                     | <b>903</b>     | <b>4,848</b>   |
| <b>Europe, Middle East and Africa</b>                         |                    |                                  |                |                |
| Cash and bank balances  | -                  | 1,104                            | -              | 1,104          |
| Cash collateralised lending and reverse repurchase agreements | -                  | 19,557                           | -              | 19,557         |
| Other assets  | 10                 | 2                                | 549            | 561            |
| Margin money and settlement assets                            | 18                 | 1,810                            | 7,437          | 9,265          |
| Financial investments   | -                  | 220                              | -              | 220            |
| Loan assets   | -                  | 919                              | 1,270          | 2,189          |
| Due from related body corporate entities <sup>(2)</sup>       | -                  | 160                              | 2              | 162            |
| Due from subsidiaries <sup>(2)</sup>                          | -                  | 4,484                            | 425            | 4,909          |
| Off balance sheet exposures                                   | -                  | 4,664                            | 1,212          | 5,876          |
| <b>Total Europe, Middle East and Africa</b>                   | <b>28</b>          | <b>32,920</b>                    | <b>10,895</b>  | <b>43,843</b>  |
| <b>Americas</b>   |                    |                                  |                |                |
| Cash and bank balances  | -                  | 2,059                            | -              | 2,059          |
| Cash collateralised lending and reverse repurchase agreements | -                  | 7,556                            | -              | 7,556          |
| Other assets  | -                  | 15                               | 92             | 107            |
| Margin money and settlement assets                            | -                  | 829                              | 1,345          | 2,174          |
| Financial investments   | -                  | 11                               | -              | 11             |
| Loan assets   | 6                  | 3,650                            | 1,375          | 5,031          |
| Due from related body corporate entities <sup>(2)</sup>       | -                  | 245                              | -              | 245            |
| Due from subsidiaries <sup>(2)</sup>                          | -                  | 2,404                            | 34             | 2,438          |
| Off balance sheet exposures                                   | 21                 | 340                              | 1,572          | 1,933          |
| <b>Total Americas</b>   | <b>27</b>          | <b>17,109</b>                    | <b>4,418</b>   | <b>21,554</b>  |
| <b>Total gross credit risk<sup>(3)</sup></b>                  | <b>2,580</b>       | <b>111,223</b>                   | <b>146,135</b> | <b>259,938</b> |

(1) Loan assets in the Australia region includes home loans of \$94,232 million, Asset financing of \$8,321 million and Corporate, commercial and other lending of \$11,522 million.

(2) Due from related body corporates and subsidiaries have been presented as Financial institutions and Other based on APRA's Standard Institutional Sector Classifications of Australia (SISCA) classification.

(3) The gross exposure of financial assets measured at amortised cost represents the amortised cost before the ECL allowance and the gross exposure of financial assets measured at FVOCI represents carrying value before fair value adjustments and ECL allowance. Accordingly, these exposure values will not equal the amount presented in the Statements of financial position.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 33

### Financial risk management continued

#### Note 33.1 Credit risk continued

The table below details the concentration by significant geographical locations and counterparty type of the Consolidated Entity's financial assets which are not subject to the impairment requirements of AASB 9 *Financial Instruments* since they are measured at fair value through profit and loss. Financial assets that are subject to risks other than credit risk, such as equity investments, commodities, bank notes and coins are excluded from the below table.

|   | Governments<br>\$m | Financial<br>Institutions<br>\$m | Other<br>\$m  | Total<br>\$m   |
|---|--------------------|----------------------------------|---------------|----------------|
| CONSOLIDATED 2022   |                    |                                  |               |                |
| <b>Australia</b>  |                    |                                  |               |                |
| Trading assets  | 2                  | 390                              | 871           | 1,263          |
| Derivative assets   | 5                  | 1,834                            | 1,856         | 3,695          |
| Margin money and settlement assets                            | -                  | -                                | 1             | 1              |
| Held for sale and other assets                                | -                  | -                                | 56            | 56             |
| Loan assets   | -                  | 91                               | 61            | 152            |
| Due from related body corporate entities <sup>(1)</sup>       | -                  | 1,721                            | -             | 1,721          |
| <b>Total Australia</b>  | <b>7</b>           | <b>4,036</b>                     | <b>2,845</b>  | <b>6,888</b>   |
| <b>Asia Pacific</b>   |                    |                                  |               |                |
| Cash collateralised lending and reverse repurchase agreements | -                  | 1                                | -             | 1              |
| Trading assets  | 124                | 299                              | 3,923         | 4,346          |
| Derivative assets   | 86                 | 5,209                            | 2,988         | 8,283          |
| Financial investments   | -                  | 9                                | 5             | 14             |
| Money margin and settlement assets                            | -                  | -                                | 5             | 5              |
| Held for sale and other assets                                | -                  | -                                | 300           | 300            |
| Due from related body corporate entities <sup>(1)</sup>       | -                  | 2                                | -             | 2              |
| <b>Total Asia Pacific</b>                                     | <b>210</b>         | <b>5,520</b>                     | <b>7,221</b>  | <b>12,951</b>  |
| <b>Europe, Middle East and Africa</b>                         |                    |                                  |               |                |
| Cash collateralised lending and reverse repurchase agreements | -                  | 2,805                            | -             | 2,805          |
| Trading assets  | 11                 | 102                              | 2,210         | 2,323          |
| Derivative assets   | -                  | 12,138                           | 41,959        | 54,097         |
| Held for sale and other assets                                | -                  | -                                | 382           | 382            |
| Loan assets   | -                  | 32                               | 22            | 54             |
| Due from related body corporate entities <sup>(1)</sup>       | -                  | -                                | 7             | 7              |
| <b>Total Europe, Middle East and Africa</b>                   | <b>11</b>          | <b>15,077</b>                    | <b>44,580</b> | <b>59,668</b>  |
| <b>Americas</b>   |                    |                                  |               |                |
| Cash collateralised lending and reverse repurchase agreements | -                  | 1,364                            | -             | 1,364          |
| Trading assets  | 299                | -                                | 370           | 669            |
| Derivative assets   | 24                 | 12,499                           | 6,018         | 18,541         |
| Money margin and settlement assets                            | -                  | 121                              | 397           | 518            |
| Held for sale and other assets                                | -                  | -                                | 938           | 938            |
| Loan assets   | -                  | -                                | 56            | 56             |
| Due from related body corporate entities <sup>(1)</sup>       | -                  | 11                               | -             | 11             |
| <b>Total Americas</b>   | <b>323</b>         | <b>13,995</b>                    | <b>7,779</b>  | <b>22,097</b>  |
| <b>Total gross credit risk</b>                                | <b>551</b>         | <b>38,628</b>                    | <b>62,425</b> | <b>101,604</b> |

(1) Due from related body corporates have been presented as Financial institutions and Other based on APRA's Standard Institutional Sector Classifications of Australia (SISCA) classification.

## Note 33

### Financial risk management continued

#### Note 33.1 Credit risk continued

The table below details the concentration by significant geographical locations and counterparty type of the Company's financial assets which are not subject to the impairment requirements of AASB 9 *Financial Instruments* since they are measured at fair value through profit and loss. Financial assets that are subject to risks other than credit risk, such as equity investments, commodities, bank notes and coins are excluded from the below table.

|   | Governments<br>\$m | Financial<br>Institutions<br>\$m | Other<br>\$m  | Total<br>\$m   |
|---|--------------------|----------------------------------|---------------|----------------|
| COMPANY 2022  |                    |                                  |               |                |
| <b>Australia</b>  |                    |                                  |               |                |
| Trading assets  | 2                  | 369                              | 871           | 1,242          |
| Derivative assets   | 5                  | 1,786                            | 1,856         | 3,647          |
| Margin money and settlement assets                            | -                  | -                                | 1             | 1              |
| Held for sale and other assets                                | -                  | -                                | 16            | 16             |
| Loan assets   | -                  | 96                               | 11            | 107            |
| Due from subsidiaries <sup>(1)</sup>                          | -                  | 377                              | 2             | 379            |
| Due from related body corporate entities <sup>(1)</sup>       | -                  | 1,721                            | -             | 1,721          |
| <b>Total Australia</b>  | <b>7</b>           | <b>4,349</b>                     | <b>2,757</b>  | <b>7,113</b>   |
| <b>Asia Pacific</b>   |                    |                                  |               |                |
| Cash collateralised lending and reverse repurchase agreements | -                  | 1                                | -             | 1              |
| Trading assets  | 124                | 288                              | 3,879         | 4,291          |
| Derivative assets   | 86                 | 5,199                            | 2,976         | 8,261          |
| Financial investments   | -                  | 9                                | 5             | 14             |
| Margin money and settlement assets                            | -                  | -                                | 4             | 4              |
| Held for sale and other assets                                | -                  | -                                | 300           | 300            |
| Due from subsidiaries <sup>(1)</sup>                          | -                  | 84                               | -             | 84             |
| Due from related body corporate entities <sup>(1)</sup>       | -                  | 2                                | -             | 2              |
| <b>Total Asia Pacific</b>                                     | <b>210</b>         | <b>5,583</b>                     | <b>7,164</b>  | <b>12,957</b>  |
| <b>Europe, Middle East and Africa</b>                         |                    |                                  |               |                |
| Cash collateralised lending and reverse repurchase agreements | -                  | 2,805                            | -             | 2,805          |
| Trading assets  | 11                 | 101                              | 2,211         | 2,323          |
| Derivative assets   | -                  | 12,015                           | 34,187        | 46,202         |
| Held for sale and other assets                                | -                  | -                                | 366           | 366            |
| Loan assets   | -                  | 32                               | 22            | 54             |
| Due from subsidiaries <sup>(1)</sup>                          | -                  | 7,966                            | 232           | 8,198          |
| Due from related body corporate entities <sup>(1)</sup>       | -                  | -                                | 7             | 7              |
| <b>Total Europe, Middle East and Africa</b>                   | <b>11</b>          | <b>22,919</b>                    | <b>37,025</b> | <b>59,955</b>  |
| <b>Americas</b>   |                    |                                  |               |                |
| Cash collateralised lending and reverse repurchase agreements | -                  | 1,364                            | -             | 1,364          |
| Trading assets  | 299                | -                                | 100           | 399            |
| Derivative assets   | 4                  | 12,301                           | 4,029         | 16,334         |
| Margin money and settlement assets                            | -                  | -                                | -             | -              |
|   | -                  | -                                | 168           | 168            |
| Loan assets   | -                  | -                                | 52            | 52             |
| Due from subsidiaries <sup>(1)</sup>                          | -                  | 3,544                            | -             | 3,544          |
| Due from related body corporate entities <sup>(1)</sup>       | -                  | 5                                | -             | 5              |
| <b>Total Americas</b>   | <b>303</b>         | <b>17,214</b>                    | <b>4,349</b>  | <b>21,866</b>  |
| <b>Total gross credit risk</b>                                | <b>531</b>         | <b>50,065</b>                    | <b>51,295</b> | <b>101,891</b> |

(1) Due from related body corporates and subsidiaries have been presented as Financial institutions and Other based on APRA's Standard Institutional Sector Classifications of Australia (SISCA) classification.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 33

### Financial risk management continued

#### Note 33.1 Credit risk continued

##### Maximum exposure to credit risk

For on-balance sheet instruments, the maximum exposure to credit risk is the carrying amount reported on the balance sheet (refer to Note 34 *Measurement categories of financial instruments*). For off balance sheet instruments, the maximum exposure to credit risk is a function of the contractual notional amount except for certain usage-based guarantees in which case the maximum exposure is determined with respect to the fair value of the underlying exposure and is disclosed in Note 12 *Expected credit losses*.

##### Collateral and credit enhancements held

##### Cash collateralised lending and reverse repurchase agreements

The Consolidated Entity enters into stock and commodity borrowing and reverse repurchase transactions with counterparties which require lodgement of collateral. These arrangements includes:

- securities and commodities borrowed in return for cash, for which the fair value of the securities and commodities borrowed is equal to or less than the cash deposited with the counterparty
- reverse repurchase agreements (collateralised financing arrangements) for which the fair value of the securities and commodities received as collateral generally in excess of the principal amount
- securities received as collateral in return for the transfer of other securities
- securities borrowed on an unsecured basis in return for a fee.

The non-cash collateral received is not recognised by the Consolidated Entity in the Statements of financial position, as the risks and rewards of ownership remain with the counterparty. The Consolidated Entity is permitted to sell or repledge the securities and commodities received. In the absence of default by the counterparty, the Consolidated Entity has an obligation to return the non-cash collateral received to counterparty.

For securities and commodities borrowed in return for cash and reverse repurchase arrangements, the fair value of non-cash collateral received by the Consolidated Entity is \$44,636 million (2022: \$43,233 million) and the Company is \$48,421 million (2022: \$41,380 million).

For securities borrowed in return for other securities, the fair value of the securities received by the Consolidated Entity is \$11,801 million (2022: \$8,877 million) and by the Company is \$10,626 million (2022: \$8,868 million).

For securities borrowed on an unsecured basis, the fair value of the securities received by the Consolidated Entity is \$7,899 million (2022: \$6,199 million) and the Company is \$3,957 million (2022: \$3,855 million).

Out of the above, the fair value of securities repledged by the Consolidated Entity is \$20,893 million (2022: \$18,526 million) and by the Company is \$20,747 million (2022: \$18,518 million).

The fair value attributed to non-cash collateral held is judgemental and measured with reference to quoted prices in active markets where available (for example, listed securities). If quoted prices in active markets are not available, the fair value are estimated using pricing models or other recognised valuation techniques that maximise the use of quoted prices and observable market inputs.

## Note 33

### Financial risk management continued

#### Note 33.1 Credit risk continued

##### Loan assets

##### Home loans

Macquarie purchases risk protection for its home loans portfolio. Prior to 2017 this was in the form of Lenders Mortgage Insurance (LMI) from a well rated Australian LMI provider. Since then Macquarie has diversified its risk protection coverage to a global panel of reinsurers with diverse lines of business coverage and ratings ranging from AA+ to A- from external rating agencies. The length of risk protection cover is up to 10 years from the year of origination with the type of cover including excess of loss and quota share.

The following table provides information on the loan to collateral value ratio as determined using loan carrying values and the most recent valuation of the home loan collateral.

|                         | CONSOLIDATED   |               | COMPANY        |               |
|-------------------------|----------------|---------------|----------------|---------------|
|                         | 2023<br>\$m    | 2022<br>\$m   | 2023<br>\$m    | 2022<br>\$m   |
| <b>Australia</b>        |                |               |                |               |
| <= 25%                  | 3,818          | 2,966         | 3,818          | 2,961         |
| >25% to 50%             | 24,214         | 19,009        | 24,214         | 18,990        |
| >50% to 70%             | 47,851         | 39,889        | 47,851         | 39,857        |
| >70% to 80%             | 35,117         | 29,232        | 35,117         | 29,221        |
| >80% to 90%             | 2,911          | 3,171         | 2,911          | 3,170         |
| >90% to 100%            | 382            | 547           | 382            | 547           |
| Partly collateralised   | 27             | 32            | 27             | 32            |
| <b>Total home loans</b> | <b>114,320</b> | <b>94,846</b> | <b>114,320</b> | <b>94,778</b> |

##### Asset financing

The Consolidated Entity leases assets and provides asset-related financing, to corporate and retail clients. Titles to the underlying assets are held by the Consolidated Entity as collateral. Of the asset finance portfolio of \$6,904 million (2022: \$9,858 million), the credit exposure after considering the depreciated value of collateral is \$3,020 million (2022: \$4,217 million). For the Company, of the asset finance portfolio of \$6,010 million (2022: \$8,451 million), the credit exposure after considering the depreciated value of collateral is \$2,545 million (2022: \$3,552 million).

##### Corporate, commercial and other lending

Collateral held against corporate, commercial and other lending consists of secured positions over assets of the counterparty, often in the form of corporate assets. For the Consolidated Entity, of the term lending of \$20,536 million (2022: \$18,300 million), the credit exposure after considering the estimated value of collateral and credit enhancements is \$2,514 million (2022: \$2,116 million). For the Company, of the term lending of \$19,755 million (2022: \$17,950 million), the credit exposure after the estimated value of collateral and credit enhancements is \$2,103 million (2022: \$1,952 million).

##### Derivative instruments

Derivatives may be traded on an exchange (exchange traded) or they may be privately negotiated contracts, which are referred to as Over-the-Counter (OTC) derivatives. The Consolidated Entity's and Company's OTC derivatives are cleared and settled either through central clearing counterparties (OTC-cleared), or bilateral contracts between two counterparties.

The Consolidated Entity's approach to financial risk management includes entering into margining and collateralisation arrangements and enforceable master netting arrangements (MNA) with counterparties. The MNAs allow for net settlement with counterparties 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.

Refer to Note 36 *Offsetting of financial assets and financial liabilities* for impact of master netting arrangements and margins and other financial collateral held against the positions as at balance date.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 33

### Financial risk management continued

#### Note 33.1 Credit risk continued

##### Financial investments

Debt securities held by the Consolidated Entity carrying a credit risk are primarily in nature of bonds, NCD, floating rate notes (FRN), commercial paper and other debt securities for liquidity management purposes and other securities for short-term gains.

The Consolidated Entity utilises Credit Default Swaps, guarantees and other forms of credit enhancements or collateral in order to minimise the exposure to this credit risk.

##### Settlement assets

Security and commodity settlements of \$1,876 million (2022: \$1,029 million) and \$3,530 million (2022: \$4,294 million) in the Consolidated Entity and \$1,886 million (2022: \$979 million) and \$2,095 million (2022: \$2,926 million) in the Company, presented under Margin money and settlement assets represent amounts owed by the exchange (or a client) for equities (or bought on behalf of a client), other commodities and securities sold.

These assets are collateralised with the underlying equity securities, commodities or cash held by the Consolidated Entity and the Company until the date of settlement. The period between trade and settlement date varies as per regional regulatory and business norms.

##### Other financial assets

Commodity related receivables under other financial assets are typically either collateralised with underlying commodity held by the Consolidated Entity until the date of settlement or short-term receivables with standard credit terms which would be backed by a bank guarantee where required to remain within credit limits.

##### Due from subsidiaries and guarantees received

The Company's balances with its subsidiaries and guarantees provided are based on standard terms and are fully or partially collateralised. The Company's exposures with certain Non-ELE subsidiaries included in amounts due from subsidiaries are secured through cash collateralised guarantees of \$6,286 million (2022: \$4,953 million) provided by MFHPL and \$3,749 million (2022: \$2,664 million) provided by MIFL. Refer to Note 27 *Related party information* and Note 36 *Offsetting of financial assets and financial liabilities* for details.

##### Due from related body corporate entities and guarantees received

The Consolidated Entity's and Company's exposures with its related body corporate entities and guarantees provided are based on standard terms and are fully or partially collateralised. Refer to Note 27 *Related party information* and Note 36 *Offsetting of financial assets and financial liabilities* for details.

##### Credit commitments

Undrawn facilities and lending commitments of \$22,534 million (2022: \$22,362 million) in the Consolidated Entity and \$21,427 million (2022: \$25,890 million) in the Company are secured through collateral and credit enhancement. The remaining credit exposure after considering the estimated value of collateral is \$2,836 million (2022: \$2,711 million) in the Consolidated Entity and \$4,192 million (2022: \$2,668 million) in the Company.

##### Additional collateral

Apart from the collateral detail disclosed above, the Consolidated Entity and the Company also holds other types of collateral, such as unsupported guarantees.

While such mitigants have value as a credit risk mitigant often providing rights in insolvency, their assignable values are uncertain and therefore are assigned no value for disclosure purposes.

##### Reposessed collateral

In the event of a customer default, the Consolidated Entity may either take possession of the underlying collateral held as security and/or exercise its right to dispose of the customer's asset. At the reporting date the Consolidated Entity did not have any material amounts of such collateral recognised in its Statements of financial position.

#### Note 33.2 Liquidity risk

##### Governance and oversight

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

Liquidity management is performed centrally by Group Treasury, with oversight from the MBL Asset and Liability Committee (ALCO), the MBL Board and RMG. Macquarie Bank's liquidity policy is approved by the MBL Board after endorsement by the ALCO and liquidity reporting is provided to the Board on a regular basis. The MBL ALCO includes the MGL CEO, MBL CEO, CFO, CRO, COO, Group General Counsel, Co-Heads of Group Treasury and relevant Operating Group Heads.

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

##### Liquidity policy and risk appetite

The *MBL Liquidity Policy* is designed so that the Bank Group maintains sufficient liquidity to meet its obligations as they fall due.

The *MBL Liquidity Policy* outlines the standalone framework for the Bank Group and its principles are consistent with the *MGL Liquidity Policy*.

Macquarie Bank's liquidity risk appetite is intended to ensure that Macquarie Bank is able to meet all of its liquidity obligations during a period of liquidity stress: a twelve month period with constrained access to funding markets and with only a limited reduction in Macquarie Bank's franchise businesses. MBL is an authorised deposit-taking institution and is funded mainly with capital, long-term liabilities and deposits.

## Note 33

### Financial risk management continued

#### Note 33.2 Liquidity risk continued

##### Liquidity contingency plan

Group Treasury maintains a *Liquidity Contingency Plan* for MBL, which outlines how a liquidity crisis would be managed. The plan defines roles and responsibilities and actions to be taken in a liquidity event, including identifying key information requirements and appropriate communication plans with both internal and external parties.

Specifically, the plan details:

- factors that may constitute a crisis
- the officers responsible for enacting the plan
- a committee of senior executives responsible for managing a crisis
- the information required to effectively manage a crisis
- a communications strategy
- a high level checklist of possible actions to conserve or raise additional liquidity
- contact lists to facilitate prompt communication with all key internal and external stakeholders.

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

The *Liquidity Contingency Plan* is subject to regular review by both Group Treasury and RMG. It is submitted annually to the MBL ALCO and the MBL Board for approval.

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

##### Funding strategy

Macquarie Bank prepares a *Funding Strategy* for MBL on an annual basis and monitors progress against the strategy throughout the year.

The *Funding Strategy* aims to maintain Macquarie Bank's diversity of funding sources, ensure ongoing compliance with all liquidity requirements and facilitate forecast asset growth.

The *Funding Strategy* is reviewed by the MBL ALCO and approved by the MBL Board.

##### Scenario analysis

Scenario analysis is central to Macquarie Bank's liquidity risk management framework. In addition to regulatory defined scenarios, Group Treasury models additional liquidity scenarios covering both market-wide and Macquarie Bank name-specific crises.

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

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

##### Liquid asset holdings

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

The cash and liquid asset portfolio contains only unencumbered assets that can be relied on to maintain their liquidity in a crisis scenario. Specifically, cash and liquid assets held to meet minimum internal and regulatory requirements must be cash balances (including central bank reserves and overnight lending to financial institutions), qualifying High-Quality Liquid Assets and other Reserve Bank of Australia (RBA) repo eligible securities. Composition constraints are also applied to ensure appropriate diversity and quality of the assets in the portfolio. The cash and liquid asset portfolio is held in a range of currencies consistent with the distribution of liquidity needs by currency, allowing for an acceptable level of currency mismatches.

##### Funds transfer pricing

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



# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 33

### Financial risk management continued

#### Note 33.2 Liquidity risk continued

##### Contractual undiscounted cash flows

The following tables summarise the maturity profile of the Consolidated Entity's financial liabilities as at 31 March based on a contractual undiscounted repayment basis and hence would vary from the carrying value as reported in the Statements of financial position at the balance date. Repayments subject to notice are treated as if notice were given immediately. This does not reflect the behaviour of the expected cash flows as indicated by the Consolidated Entity's deposit retention history since the Consolidated Entity expects that many customers will not request repayment on the earliest date the Consolidated Entity could be required to pay.

|  | Statements of<br>financial position<br>carrying value<br>\$m | On<br>demand<br>\$m | 0 to 3<br>months<br>\$m | 3 to 12<br>months<br>\$m | 1 to 5<br>years<br>\$m | More than<br>5 years<br>\$m | Total<br>\$m   |
|--|--|---------------------|-------------------------|--------------------------|------------------------|-----------------------------|----------------|
| CONSOLIDATED 2023  |  |                     |                         |                          |                        |                             |                |
| Cash collateralised borrowing and repurchase agreements                        | 18,737   | 269                 | 7,076                   | 1,759                    | 9,657                  | -                           | 18,761         |
| Trading liabilities <sup>(1)</sup>   | 4,754  | -                   | 4,754                   | -                        | -                      | -                           | 4,754          |
| Margin money and settlement liabilities  | 21,913   | 17,086              | 4,827                   | -                        | -                      | -                           | 21,913         |
| Derivative liabilities (trading) <sup>(1)</sup>                                | 31,322   | -                   | 31,322                  | -                        | -                      | -                           | 31,322         |
| Derivative liabilities (hedge accounting relationships) <sup>(2)</sup> :       | 1,200  |                     |                         |                          |                        |                             |                |
| Contractual amount payable   |  | -                   | 364                     | 595                      | 2,840                  | 324                         | 4,123          |
| Contractual amount receivable  |  | -                   | (200)                   | (308)                    | (2,164)                | (152)                       | (2,824)        |
| Deposits   | 134,648  | 111,023             | 12,689                  | 10,671                   | 722                    | -                           | 135,105        |
| Other liabilities  | 2,946  | 500                 | 1,449                   | 444                      | 453                    | 149                         | 2,995          |
| Borrowings   | 8,103  | 521                 | 3,057                   | 496                      | 4,814                  | -                           | 8,888          |
| Issued debt securities <sup>(3)</sup>  | 57,979   | -                   | 15,037                  | 20,973                   | 21,471                 | 4,223                       | 61,704         |
| Due to other related body corporate entities                                   | 14,405   | 5,208               | 2,840                   | 71                       | 6,287                  | -                           | 14,406         |
| Loan capital <sup>(4)</sup>  | 9,523  | -                   | 134                     | 404                      | 6,686                  | 5,256                       | 12,480         |
| <b>Total</b>   | <b>305,530</b>   | <b>134,607</b>      | <b>83,349</b>           | <b>35,105</b>            | <b>50,766</b>          | <b>9,800</b>                | <b>313,627</b> |
| <b>Total undiscounted contingent liabilities and commitments<sup>(5)</sup></b> |  | <b>19,297</b>       | <b>2,241</b>            | <b>967</b>               | <b>1,497</b>           | <b>685</b>                  | <b>24,687</b>  |

(1) Derivative liabilities (trading) and trading liabilities are included in the '0 to 3 months' at their fair value. Liquidity risk on these items is not managed on the basis of contractual maturity, as they are frequently traded.

(2) Where multiple derivatives are combined in order to form a single hedge instrument designated in a hedge accounting relationship, each derivative is considered independently for the purposes of assessing liquidity risk and for the disclosure requirements.

(3) Includes \$11,424 million payables to SE note holders which is disclosed on the basis of expected maturity of the notes which are dependent on the repayment of the underlying loans that the SE holds.

(4) Includes securities with conditional repayment obligations. The cash outflow on the principal component on these securities is disclosed using the earliest optional exchange dates and the cash outflow of the interest component is disclosed using coupon dates instead of the contractual maturity. For contractual maturity of these securities, refer to Note 23 *Loan capital*, further these instruments may be converted into ordinary shares on the occurrence of an other exchange event, and this may impact their maturity profile.

(5) Cash flows on contingent liabilities and commitments are dependent on the occurrence of various future events and conditions and may or may not result in an outflow of resources.



## Note 33

### Financial risk management continued

#### Note 33.2 Liquidity risk continued

|  | Statements of<br>financial position<br>carrying value<br>\$m | On<br>demand<br>\$m | 0 to 3<br>months<br>\$m | 3 to 12<br>months<br>\$m | 1 to 5<br>years<br>\$m | More than<br>5 years<br>\$m | Total<br>\$m   |
|--|--|---------------------|-------------------------|--------------------------|------------------------|-----------------------------|----------------|
| CONSOLIDATED 2022  |  |                     |                         |                          |                        |                             |                |
| Cash collateralised borrowing and repurchase agreements                        | 16,947   | 55                  | 5,479                   | 142                      | 11,297                 | -                           | 16,973         |
| Trading liabilities <sup>(1)</sup>   | 5,206  | -                   | 5,206                   | -                        | -                      | -                           | 5,206          |
| Margin money and settlement liabilities  | 21,577   | 16,172              | 4,873                   | 532                      | -                      | -                           | 21,577         |
| Derivative liabilities (trading) <sup>(1)</sup>                                | 83,584   | -                   | 83,584                  | -                        | -                      | -                           | 83,584         |
| Derivative liabilities (hedge accounting relationships) <sup>(2)</sup> :       | 607  |                     |                         |                          |                        |                             |                |
| Contractual amount payable   |  | -                   | 482                     | 194                      | 1,459                  | 683                         | 2,818          |
| Contractual amount receivable  |  | -                   | (460)                   | (167)                    | (970)                  | (541)                       | (2,138)        |
| Deposits   | 101,614  | 93,077              | 5,210                   | 3,089                    | 305                    | 15                          | 101,696        |
| Other liabilities  | 2,184  | 113                 | 1,396                   | 377                      | 295                    | 23                          | 2,204          |
| Borrowings   | 5,713  | 446                 | 1,624                   | 72                       | 3,686                  | 24                          | 5,852          |
| Issued debt securities <sup>(3)</sup>  | 72,107   | -                   | 19,313                  | 25,420                   | 17,515                 | 11,376                      | 73,624         |
| Due to other related body corporate entities                                   | 11,548   | 3,608               | 2,766                   | 207                      | 4,976                  | -                           | 11,557         |
| Loan capital <sup>(4)</sup>  | 6,896  | -                   | 64                      | 218                      | 2,031                  | 6,395                       | 8,708          |
| <b>Total</b>   | <b>327,983</b>   | <b>113,471</b>      | <b>129,537</b>          | <b>30,084</b>            | <b>40,594</b>          | <b>17,975</b>               | <b>331,661</b> |
| <b>Total undiscounted contingent liabilities and commitments<sup>(5)</sup></b> |  | <b>15,764</b>       | <b>3,457</b>            | <b>693</b>               | <b>2,939</b>           | <b>1,566</b>                | <b>24,419</b>  |

(1) Derivative liabilities (trading) and trading liabilities are included in the '0 to 3 months' at their fair value. Liquidity risk on these items is not managed on the basis of contractual maturity, as they are frequently traded.

(2) Where multiple derivatives are combined in order to form a single hedge instrument designated in a hedge accounting relationship, each derivative is considered independently for the purposes of assessing liquidity risk and for the disclosure requirements.

(3) Includes \$13,380 million payables to SE note holders which is disclosed on the basis of expected maturity of the notes which are dependent on the repayment of the underlying loans that the SE holds.

(4) Includes securities with conditional repayment obligations. The cash outflow on the principal component on these securities is disclosed using the earliest optional exchange dates and the cash outflow of the interest component is disclosed using coupon dates instead of the contractual maturity. For contractual maturity of these securities, refer to Note 23 *Loan capital*, further these instruments may be converted into ordinary shares on the occurrence of an other exchange event, and this may impact their maturity profile.

(5) Cash flows on contingent liabilities and commitments are dependent on the occurrence of various future events and conditions and may or may not result in an outflow of resources.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 33

### Financial risk management continued

#### Note 33.2 Liquidity risk continued

|  | Statements of<br>financial position<br>carrying value<br>\$m | On demand<br>\$m | 0 to 3<br>months<br>\$m | 3 to 12<br>months<br>\$m | 1 to 5<br>years<br>\$m | More than<br>5 years<br>\$m | Total<br>\$m   |
|--|--|------------------|-------------------------|--------------------------|------------------------|-----------------------------|----------------|
| COMPANY 2023   |  |                  |                         |                          |                        |                             |                |
| Cash collateralised borrowing and repurchase agreements                        | 17,928   | 29               | 6,613                   | 1,759                    | 9,551                  | -                           | 17,952         |
| Trading liabilities <sup>(1)</sup>   | 4,757  | -                | 4,757                   | -                        | -                      | -                           | 4,757          |
| Margin money and settlement liabilities  | 17,363   | 13,535           | 3,828                   | -                        | -                      | -                           | 17,363         |
| Derivative liabilities (trading) <sup>(1)</sup>                                | 26,224   | -                | 26,224                  | -                        | -                      | -                           | 26,224         |
| Derivative liabilities (hedge accounting relationships) <sup>(2)</sup> :       | 1,197  |                  |                         |                          |                        |                             |                |
| Contractual amount payable   |  | -                | 325                     | 565                      | 3,097                  | 301                         | 4,288          |
| Contractual amount receivable  |  | -                | (169)                   | (287)                    | (2,403)                | (118)                       | (2,977)        |
| Deposits   | 133,661  | 110,941          | 11,854                  | 10,615                   | 704                    | -                           | 134,114        |
| Other liabilities  | 1,762  | 501              | 913                     | 86                       | 217                    | 46                          | 1,763          |
| Borrowings   | 2,429  | 476              | 1,797                   | 185                      | 2                      | -                           | 2,460          |
| Issued debt securities   | 46,581   | -                | 13,976                  | 19,143                   | 14,573                 | 1,281                       | 48,973         |
| Due to subsidiaries  | 28,711   | 9,063            | 5,262                   | 1,411                    | 10,142                 | 2,874                       | 28,752         |
| Due to other related body corporate entities                                   | 12,313   | 5,168            | 862                     | 71                       | 6,212                  | -                           | 12,313         |
| Loan capital <sup>(3)</sup>  | 9,523  | -                | 134                     | 404                      | 6,686                  | 5,256                       | 12,480         |
| <b>Total</b>   | <b>302,449</b>   | <b>139,713</b>   | <b>76,376</b>           | <b>33,952</b>            | <b>48,781</b>          | <b>9,640</b>                | <b>308,462</b> |
| <b>Total undiscounted contingent liabilities and commitments<sup>(4)</sup></b> |  | <b>16,058</b>    | <b>4,436</b>            | <b>919</b>               | <b>1,308</b>           | <b>298</b>                  | <b>23,019</b>  |

(1) Derivative liabilities (trading) and trading liabilities are included in the '0 to 3 months' at their fair value. Liquidity risk on these items is not managed on the basis of contractual maturity, as they are frequently traded.

(2) Where multiple derivatives are combined in order to form a single hedge instrument designated in a hedge accounting relationship, each derivative is considered independently for the purposes of assessing liquidity risk and for disclosure requirements.

(3) Includes securities with conditional repayment obligations. The cash outflow on the principal component on these securities is disclosed using the earliest optional exchange dates and the cash outflow of the interest component is disclosed using coupon dates instead of the contractual maturity. For contractual maturity of these securities, refer to Note 23 *Loan capital*, further these instruments may be converted into ordinary shares on the occurrence of an other exchange event, and this may impact their maturity profile.

(4) Cash flows on contingent liabilities and commitments are dependent on the occurrence of various future events and conditions and may or may not result in an outflow of resources.

## Note 33

### Financial risk management continued

#### Note 33.2 Liquidity risk continued

|  | Statements of<br>financial position<br>carrying value<br>\$m | On demand<br>\$m | 0 to 3<br>months<br>\$m | 3 to 12<br>months<br>\$m | 1 to 5<br>years<br>\$m | More than<br>5 years<br>\$m | Total<br>\$m   |
|--|--|------------------|-------------------------|--------------------------|------------------------|-----------------------------|----------------|
| COMPANY 2022   |  |                  |                         |                          |                        |                             |                |
| Cash collateralised borrowing and reverse repurchase agreements                | 16,947   | 55               | 5,479                   | 142                      | 11,297                 | -                           | 16,973         |
| Trading liabilities <sup>(1)</sup>   | 5,210  | -                | 5,210                   | -                        | -                      | -                           | 5,210          |
| Margin money and settlement liabilities  | 15,593   | 11,575           | 3,637                   | 381                      | -                      | -                           | 15,593         |
| Derivative liabilities (trading) <sup>(1)</sup>                                | 70,988   | -                | 70,988                  | -                        | -                      | -                           | 70,988         |
| Derivative liabilities (hedge accounting relationships) <sup>(2)</sup> :       | 533  |                  |                         |                          |                        |                             |                |
| Contractual amount payable   |  | -                | 372                     | 163                      | 1,292                  | 676                         | 2,503          |
| Contractual amount receivable  |  | -                | (363)                   | (146)                    | (852)                  | (535)                       | (1,896)        |
| Deposits   | 101,417  | 93,034           | 5,109                   | 3,086                    | 255                    | -                           | 101,484        |
| Other liabilities  | 1,211  | 91               | 982                     | 87                       | 52                     | -                           | 1,212          |
| Borrowings   | 2,787  | 446              | 1,605                   | 8                        | 743                    | -                           | 2,802          |
| Issued debt securities   | 58,722   | -                | 18,622                  | 24,656                   | 15,490                 | 1,212                       | 59,980         |
| Due to subsidiaries  | 36,566   | 7,739            | 16,655                  | 8                        | 48                     | 12,118                      | 36,568         |
| Due to other related body corporate entities                                   | 10,203   | 3,610            | 1,621                   | 6                        | 4,976                  | -                           | 10,213         |
| Loan capital <sup>(3)</sup>  | 6,896  | -                | 64                      | 218                      | 2,031                  | 6,395                       | 8,708          |
| <b>Total</b>   | <b>327,073</b>   | <b>116,550</b>   | <b>129,981</b>          | <b>28,609</b>            | <b>35,332</b>          | <b>19,866</b>               | <b>330,338</b> |
| <b>Total undiscounted contingent liabilities and commitments<sup>(4)</sup></b> |  | <b>12,025</b>    | <b>10,836</b>           | <b>605</b>               | <b>2,925</b>           | <b>1,551</b>                | <b>27,942</b>  |

(1) Derivative liabilities (trading) and trading liabilities are included in the '0 to 3 months' at their fair value. Liquidity risk on these items is not managed on the basis of contractual maturity, as they are frequently traded.

(2) Where multiple derivatives are combined in order to form a single hedge instrument designated in a hedge accounting relationship, each derivative is considered independently for the purposes of assessing liquidity risk and for disclosure requirements.

(3) Includes securities with conditional repayment obligations. The cash outflow on the principal component on these securities is disclosed using the earliest optional exchange dates and the cash outflow of the interest component is disclosed using coupon dates instead of the contractual maturity. For contractual maturity of these securities, refer to Note 23 *Loan capital*, further these instruments may be converted into ordinary shares on the occurrence of another exchange event, and this may impact their maturity profile.

(4) Cash flows on contingent liabilities and commitments are dependent on the occurrence of various future events and conditions and may or may not result in an outflow of resources.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 33

### Financial risk management continued

#### Note 33.3 Market risk

Macquarie's balance sheet includes a '**trading book**', which is defined in accordance with APRA's traded market risk prudential statement (APS116), and subject to the traded market risk framework. Any position not deemed to be trading book is considered to be '**banking book**', and covered by either the non-traded market risk or equity risk frameworks.

#### Traded market risk

Market risk is the risk of adverse changes in the value of the Consolidated Entity's trading positions as a result of changes in market conditions. The Consolidated Entity is exposed to the following risks:

- **price:** The risk of loss due to changes in price of a risk factor (interest rates, foreign exchange, commodities etc.)
- **volatility:** The risk of loss due to changes in the volatility of a risk factor
- **basis:** Risk of imperfect correlation between offsetting investments in a hedging strategy
- **correlation:** Risk that the actual correlation between two assets or variables is different from the assumed correlation
- **illiquid market:** Risk of inability to sell assets or close out positions in thinly-traded markets at close to the last market prices
- **concentration:** Risk of over concentration of trading exposures in certain markets and products
- **valuation adjustments:** Risk of actual valuation adjustments to derivative positions; specifically Credit Valuation Adjustment, Debit Valuation Adjustment and Funding Valuation Adjustment (FVA).

It is recognised that all trading activities contain calculated elements of risk taking. The Consolidated Entity is prepared to accept such risks provided they are within agreed limits, independently and correctly identified, calculated and monitored by RMG, and reported to Senior Management on a regular basis.

RMG monitors positions within the Consolidated Entity according to a limit structure which sets limits for all exposures in all markets. Limits are for both individual trading desks and divisions as well as in aggregate.

RMG sets three complementary limit structures:

- **contingent loss limits:** Worst-case scenarios that shock prices and volatilities by more than that which has occurred historically. Multiple scenarios are set for each market to capture the non-linearity and complexity of exposures arising from derivatives. A wide range of assumptions about the correlation between markets is applied
- **position limits:** Volume, maturity and open position limits are set on a large number of market instruments and securities in order to constrain concentration risk and to avoid the accumulation of risky, illiquid positions
- **Value-at-Risk (VaR) limits:** A statistical measure based on a 10-day holding period and a 99% confidence level, as stipulated by the APRA capital adequacy standard. The model is validated daily by back testing a one-day VaR against hypothetical and actual daily trading profit or loss.

## Note 33

### Financial risk management continued

#### Note 33.3 Market risk continued

##### Value-at-Risk figures (1 day, 99% confidence level)

The table below shows the average, maximum and minimum VaR over the financial year for the major markets in which the Consolidated Entity and Company operate. The VaR shown in the table is based on a one-day holding period, being the mark-to-market loss that could be incurred over that period. The aggregated VaR is on a correlated basis.

|                                     | 2023           |                |                | 2022           |                |                |
|-------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
|                                     | Average<br>\$m | Maximum<br>\$m | Minimum<br>\$m | Average<br>\$m | Maximum<br>\$m | Minimum<br>\$m |
| <b>CONSOLIDATED</b>                 |                |                |                |                |                |                |
| Equities                            | 3.73           | 7.14           | 1.36           | 3.28           | 5.44           | 1.52           |
| Interest rates                      | 6.19           | 11.24          | 2.11           | 2.93           | 5.96           | 1.71           |
| Foreign exchange                    | 4.06           | 9.82           | 0.90           | 1.73           | 3.39           | 0.83           |
| Commodities and Commodity contracts | 52.95          | 116.87         | 33.98          | 29.90          | 52.27          | 14.97          |
| Aggregate                           | 53.51          | 113.28         | 34.49          | 30.19          | 53.23          | 14.61          |
| <b>COMPANY</b>                      |                |                |                |                |                |                |
| Equities                            | 3.71           | 7.03           | 1.37           | 3.28           | 5.42           | 1.55           |
| Interest rates                      | 6.95           | 11.47          | 2.30           | 2.69           | 5.35           | 1.61           |
| Foreign exchange                    | 5.05           | 29.32          | 1.67           | 3.65           | 8.48           | 1.09           |
| Commodities and Commodity contracts | 27.19          | 43.25          | 20.07          | 20.85          | 37.08          | 10.41          |
| Aggregate                           | 28.39          | 42.93          | 19.53          | 21.92          | 37.12          | 10.85          |

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 33

### Financial risk management continued

#### Note 33.3 Market risk continued

##### Value-at-Risk

The VaR model uses a Monte Carlo simulation where price and volatility paths are derived from multiple normal distributions, based on three years of historical data. The following factors can limit the effectiveness of VaR in predicting future price moves:

- the use of historical data means that the current model parameters may not reflect future market conditions, especially when entering a period of heightened volatility. The model utilises exponential weighting to place emphasis on the most recent market movements to more accurately reflect current conditions
- VaR focuses on unexceptional price moves so that it does not account for losses that could occur beyond the 99% level of confidence.

For capital adequacy purposes, debt-specific risk is measured using APRA's standard method, whilst all other exposures are captured by the VaR model. This combined approach has been approved by APRA and is subject to periodic review.

##### Non-traded market risk

The Consolidated Entity and the Company have exposure to non-traded market risks arising from transactions entered into during its normal course of business and as a result of its investments in foreign operations. These risks include:

- **interest rate:** Changes in the level, shape and volatility of yield curves, and/or client behaviour given these changes
- **foreign exchange:** Changes in the spot exchange rates.

The Consolidated Entity has limited appetite for non-traded market risks. Where commercially feasible, these risks are transferred into the trading books of CGM and Group Treasury and governed within the traded market risk framework described above. Responsibility for managing exposures rests with individual businesses, with independent monitoring performed by RMG and FMG.

##### Accounting considerations arising from hedging activities

The use of derivative and other financial instruments to hedge non-traded positions potentially gives rise to income statement volatility due to difference in accounting treatments. The Consolidated Entity manages this through hedge accounting as set out in Note 41(x) *Derivative instruments and hedging activities* and Note 32 *Hedge accounting*.

##### Interest rate risk in the banking book (IRRBB)

Macquarie measures and monitors interest rate risk on both an economic value and earnings basis, which are modelled as the worst-case contingent loss from a set of six severe interest rate shocks, including both parallel and non-parallel shocks. Aggregate IRRBB exposures for the Consolidated Entity are constrained on both measures:

- **Economic Value Sensitivity (EVS):** The EVS metric measures the change in net present value of the interest-bearing portfolios in the banking book as a result of changes in interest rates
- **Earnings at Risk (EaR):** The EaR model constrains the impact on reported net income over 12 months for a change in interest rates.

A central objective of the Consolidated Entity's *Non-traded Market Risk Policy* is to reduce earnings volatility to interest rate movements. A key component of this arises where shareholders equity invested in interest bearing assets are managed by holding a portfolio of 'receive fixed' interest rate swaps. The duration of this hedging program is governed as part of the capital management strategy, and subject to independent oversight by RMG.

## Note 33

### Financial risk management continued

#### Note 33.3 Market risk continued

##### Foreign exchange risk

The Consolidated Entity is active in various currencies globally. A key objective of the Consolidated Entity's *Non-traded Market Risk Policy* is to reduce this sensitivity of regulatory capital ratios to foreign currency movements.

This is achieved by leaving specific investments in foreign operations exposed to foreign currency translation movements and captured in the foreign currency translation reserve, a component of regulatory capital, which aligns the foreign exchange sensitivity of capital supply with that of foreign currency capital requirements.

The table below presents the sensitivity of the Consolidated Entity's net investment in foreign operations to the most material currencies. As a result of the policy described above, these movements will not have a material impact on the capital ratios.

|                      | 2023                               |  | 2022                               |  |
|----------------------|------------------------------------|--|------------------------------------|--|
|                      | Movement in<br>exchange rates<br>% | Sensitivity of other<br>comprehensive<br>income after tax<br>\$m | Movement in<br>exchange rates<br>% | Sensitivity of other<br>comprehensive<br>income after tax<br>\$m |
| <b>CONSOLIDATED</b>  |                                    |  |                                    |  |
| United States dollar | +10                                | (555)  | +10                                | (405)  |
| Pound sterling       | +10                                | (84)   | +10                                | (46)   |
| Canadian dollar      | +10                                | -  | +10                                | (10)   |
| <b>Total</b>         |                                    | <b>(639)</b>   |                                    | <b>(461)</b>   |
| United States dollar | -10                                | 679  | -10                                | 495  |
| Pound sterling       | -10                                | 103  | -10                                | 56   |
| Canadian dollar      | -10                                | -  | -10                                | 13   |
| <b>Total</b>         |                                    | <b>782</b>   |                                    | <b>564</b>   |
| <b>COMPANY</b>       |                                    |  |                                    |  |
| United States dollar | +10                                | (555)  | +10                                | (405)  |
| Pound sterling       | +10                                | (84)   | +10                                | (46)   |
| Canadian dollar      | +10                                | -  | +10                                | (10)   |
| <b>Total</b>         |                                    | <b>(639)</b>   |                                    | <b>(461)</b>   |
| United States dollar | -10                                | 679  | -10                                | 495  |
| Pound sterling       | -10                                | 103  | -10                                | 56   |
| Canadian dollar      | -10                                | -  | -10                                | 13   |
| <b>Total</b>         |                                    | <b>782</b>   |                                    | <b>564</b>   |

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 33

### Financial risk management continued

#### Note 33.3 Market risk continued

##### Interest rate risk – Interest Rate Benchmark Reform (IBOR)

During 2018, the Consolidated Entity initiated a group-wide project, sponsored by its Chief Financial Officer (CFO), to manage the impacts of IBOR reform, including overseeing the transition from LIBOR to ARR. A group-wide steering committee was established with its key responsibility being the governance of the project and comprised of senior executives from the Consolidated Entity's Operating Groups, Financial Management Group (FMG), Risk Management Group (RMG), Corporate Operations Group (COG) and Legal and Governance Group (LGG).

The Consolidated Entity's reform project oversaw the successful transition of contracts referencing LIBORs that ceased publication on 31 December 2021 in accordance with industry and regulatory guidance.

The remaining transition focus is on the USD LIBOR tenors and IBOR for other minor currencies that will cease publication on 30 June 2023, and the Canadian Dollar Offered Rate (CDOR) which will cease publication on 28 June 2024. The Consolidated Entity has actively begun to engage with clients to support them through the transition from USD LIBOR to SOFR.

Whilst the transition of legacy USD LIBOR contracts continues to expose the Consolidated Entity to inherent risks (including those outlined below), the remaining IBOR transition efforts and risk has significantly reduced. The Consolidated Entity's IBOR transition governance was decentralised from 1 April 2022, commensurate with the risk. Under the decentralised governance model, central oversight was reduced and operating groups manage remaining IBOR transition risks within the Consolidated Entity's existing risk management framework.

The Consolidated Entity is exposed to inherent risks arising from transition of legacy USD LIBOR contracts, including but not limited to:

- **financial risk:** This includes
  - (i) value transfers arising from the transition to ARRs,
  - (ii) basis risk from products and IBORs transitioning at different times,
  - (iii) impacts arising from a change in accounting treatment including hedge accounting, capital, tax and reported earnings
  - (iv) loss in revenue/market share from not being ready to participate in ARR markets
- **conduct risk:** This includes
  - (i) real or perceived benefit of information asymmetry between financial institutions and clients during transition,
  - (ii) real or perceived unfair treatment of clients during transition
  - (iii) market participants attempt to influence ARRs during transition or misconduct in markets where there is insufficient liquidity

- **legal risk:** This includes
  - (i) client disputes over amendment terms
  - (ii) litigation from clients and counterparties (including potential class actions) due to inappropriate/unenforceable contractual terms or losses from transition
- **operational risk:** This includes
  - (i) infrastructure and processes that result in errors upon transition
  - (ii) reduced model accuracy due to lack of historical data.

Whilst IBOR reforms, including the transition from LIBOR to ARRs, are important changes for the Consolidated Entity, they have not resulted in changes to the Consolidated Entity's risk management strategy and these risks are managed within the existing risk management framework.

**Exposure yet to be transitioned to ARRs:** The notional value of the Consolidated Entity's and the Company's financial instruments which are yet to transition to ARRs as at the reporting date includes:

- **derivatives:** The Consolidated Entity had gross exposures of \$80,713 million in USD LIBOR and \$4,197 million in other currencies (2022: \$80,006 million in USD LIBOR and \$279 million in other currencies). The Company had gross exposures of \$80,713 million in USD LIBOR and \$4,197 million in other currencies (2022: \$80,006 million in USD LIBOR and \$279 million in other currencies)
- **non-derivative financial assets:** The Consolidated Entity had exposures of \$995 million in USD LIBOR (2022: \$2,913 million in USD LIBOR and \$21 million in other currencies). The Company had exposures of \$995 million in USD LIBOR (2022: 2,913 million in USD LIBOR and \$21 million in other currencies)
- **non-derivative financial liabilities:** The Consolidated Entity had exposures of \$367 million in USD LIBOR (2022: \$553 million). The Company had exposures of \$314 million in USD LIBOR (2022: \$486 million).

The scope of the above-mentioned exposures has been determined as follows:

- the benchmark will be replaced, and the replacement date is known. Only exposures with contractual maturities extending beyond the replacement date have been included
- the gross notional values for derivatives and both on-balance sheet and off-balance sheet exposures have been included
- for contracts that reference more than one benchmark, such as a cross currency swap, the exposure includes both benchmarks to reflect the absolute exposure to different reference rates
- derivative contracts of \$4,713 million (2022: \$8,479 million) designated in hedge accounting relationships have synthetically transitioned and have been excluded, primarily relating to USD LIBOR to SOFR transition.



## Note 34

### 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 descriptions of measurement categories are included in Note 41(vii) *Financial instruments*.

The methods and significant assumptions that have been applied in determining the fair values of assets and liabilities are disclosed in Note 35 *Fair value of assets and liabilities*.

|   | FINANCIAL INSTRUMENTS CARRIED AT |               |              |              |                          |                                     | Statements<br>of financial<br>position total<br>\$m | FAIR VALUE OF ITEMS<br>CARRIED AT |                          |
|---|----------------------------------|---------------|--------------|--------------|--------------------------|-------------------------------------|---|-----------------------------------|--------------------------|
|   | FAIR VALUE                       |               |              |              | Amortised<br>cost<br>\$m | Non-financial<br>instruments<br>\$m |   | Fair value<br>\$m                 | Amortised<br>cost<br>\$m |
|   | HFT<br>\$m                       | DFVTPL<br>\$m | FVTPL<br>\$m | FVOCI<br>\$m |                          |                                     |   |                                   |                          |
| CONSOLIDATED 2023   |                                  |               |              |              |                          |                                     |   |                                   |                          |
| Assets  |                                  |               |              |              |                          |                                     |   |                                   |                          |
| Cash and bank balances  | -                                | -             | -            | -            | 41,612                   | -                                   | 41,612  | -                                 | 41,612                   |
| Cash collateralised lending and<br>reverse repurchase agreements        | -                                | -             | 4,963        | 22,341       | 15,897                   | -                                   | 43,201  | 27,304                            | 15,897                   |
| Trading assets <sup>(1)</sup>   | 14,174                           | -             | -            | -            | -                        | 1,618                               | 15,792  | 15,792                            | -                        |
| Margin money and<br>settlement assets                                   | -                                | -             | 576          | -            | 18,799                   | -                                   | 19,375  | 576                               | 18,799                   |
| Derivative assets   | 34,759                           | -             | 1,061        | -            | -                        | -                                   | 35,820  | 35,820                            | -                        |
| Financial investments:  |                                  |               |              |              |                          |                                     |   |                                   |                          |
| Equity  | -                                | -             | 265          | -            | -                        | -                                   | 265   | 265                               | -                        |
| Debt <sup>(2)</sup>   | -                                | -             | 45           | 14,868       | 1,721                    | -                                   | 16,634  | 14,913                            | 1,721                    |
| Held for sale and other assets  | -                                | -             | 2,355        | 4            | 2,527                    | 1,390                               | 6,276   | 2,359                             | 2,527                    |
| Loan assets <sup>(2)</sup>  | -                                | -             | 285          | -            | 141,475                  | -                                   | 141,760   | 285                               | 140,872                  |
| Due from related body<br>corporate entities <sup>(3)</sup>              | 3,379                            | -             | -            | -            | 556                      | 486                                 | 4,421   | 3,379                             | 556                      |
| Property, plant and equipment<br>and right-of-use assets <sup>(2)</sup> | -                                | -             | -            | -            | -                        | 4,577                               | 4,577   | -                                 | -                        |
| Deferred tax assets   | -                                | -             | -            | -            | -                        | 1,088                               | 1,088   | -                                 | -                        |
| Total assets  | 52,312                           | -             | 9,550        | 37,213       | 222,587                  | 9,159                               | 330,821   | 100,693                           | 221,984                  |
| Liabilities   |                                  |               |              |              |                          |                                     |   |                                   |                          |
| Cash collateralised borrowing<br>and repurchase agreements              | -                                | 277           | -            | -            | 18,460                   | -                                   | 18,737  | 277                               | 18,460                   |
| Trading liabilities   | 4,754                            | -             | -            | -            | -                        | -                                   | 4,754   | 4,754                             | -                        |
| Margin money and settlement<br>liabilities                              | -                                | -             | -            | -            | 21,913                   | -                                   | 21,913  | -                                 | 21,913                   |
| Derivative liabilities  | 31,423                           | -             | 1,099        | -            | -                        | -                                   | 32,522  | 32,522                            | -                        |
| Deposits  | -                                | -             | -            | -            | 134,648                  | -                                   | 134,648   | -                                 | 134,532                  |
| Other liabilities <sup>(4)</sup>  | -                                | 1,118         | -            | -            | 1,828                    | 4,681                               | 7,627   | 1,118                             | 1,828                    |
| Borrowings  | -                                | 260           | -            | -            | 7,843                    | -                                   | 8,103   | 260                               | 7,859                    |
| Due to related body<br>corporate entities <sup>(3)</sup>                | 462                              | -             | -            | -            | 13,943                   | 237                                 | 14,642  | 462                               | 13,943                   |
| Issued debt securities <sup>(2)</sup>                                   | -                                | 1,351         | -            | -            | 56,628                   | -                                   | 57,979  | 1,351                             | 56,515                   |
| Deferred tax liabilities  | -                                | -             | -            | -            | -                        | 23                                  | 23  | -                                 | -                        |
| Loan capital <sup>(2)</sup>   | -                                | -             | -            | -            | 9,523                    | -                                   | 9,523   | -                                 | 9,355                    |
| Total liabilities   | 36,639                           | 3,006         | 1,099        | -            | 264,786                  | 4,941                               | 310,471   | 40,744                            | 264,405                  |

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

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

(3) Due from related body corporate entities and due to related body corporate entities includes derivatives and trading positions classified as HFT. All other intercompany receivables or payables are carried at amortised cost except for non-financial instruments.

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

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 34

### Measurement categories of financial instruments continued

|  | FINANCIAL INSTRUMENTS CARRIED AT |               |              |              |                       | Non-financial instruments<br>\$m | Statements of financial position total<br>\$m | FAIR VALUE OF ITEMS CARRIED AT |                       |
|--|----------------------------------|---------------|--------------|--------------|-----------------------|----------------------------------|---|--------------------------------|-----------------------|
|  | FAIR VALUE                       |               |              |              | Amortised cost<br>\$m |                                  |   | Fair value<br>\$m              | Amortised cost<br>\$m |
|  | HFT<br>\$m                       | DFVTPL<br>\$m | FVTPL<br>\$m | FVOCI<br>\$m |                       |                                  |   |                                |                       |
| CONSOLIDATED 2022  |                                  |               |              |              |                       |                                  |   |                                |                       |
| Assets   |                                  |               |              |              |                       |                                  |   |                                |                       |
| Cash and bank balances   | -                                | -             | -            | -            | 48,972                | -                                | 48,972  | -                              | 48,972                |
| Cash collateralised lending and reverse repurchase agreements        | -                                | -             | 4,170        | 27,223       | 11,155                | -                                | 42,548  | 31,393                         | 11,155                |
| Trading assets <sup>(1)</sup>  | 8,601                            | -             | -            | -            | -                     | 3,118                            | 11,719  | 11,719                         | -                     |
| Margin money and settlement assets                                   | -                                | -             | 524          | -            | 18,886                | -                                | 19,410  | 524                            | 18,886                |
| Derivative assets  | 84,171                           | -             | 445          | -            | -                     | -                                | 84,616  | 84,616                         | -                     |
| Financial investments:   |                                  |               |              |              |                       |                                  |   |                                |                       |
| Equity   | -                                | -             | 255          | -            | -                     | -                                | 255   | 255                            | -                     |
| Debt <sup>(2)</sup>  | -                                | -             | 14           | 6,238        | 4                     | -                                | 6,256   | 6,252                          | 4                     |
| Held for sale other assets   | -                                | -             | 1,677        | -            | 2,158                 | 1,155                            | 4,990   | 1,676                          | 2,158                 |
| Loan assets <sup>(2)</sup>   | -                                | 78            | 184          | -            | 122,742               | -                                | 123,004                                       | 262                            | 122,980               |
| Due from other related body corporate entities <sup>(3)</sup>        | 1,741                            | -             | -            | -            | 1,399                 | 285                              | 3,425   | 1,741                          | 1,399                 |
| Property, plant and equipment and right-of-use assets <sup>(2)</sup> | -                                | -             | -            | -            | -                     | 3,536                            | 3,536   | -                              | -                     |
| Deferred tax assets  | -                                | -             | -            | -            | -                     | 897                              | 897   | -                              | -                     |
| Total assets   | 94,513                           | 78            | 7,269        | 33,461       | 205,316               | 8,991                            | 349,628                                       | 138,438                        | 205,554               |
| Liabilities  |                                  |               |              |              |                       |                                  |   |                                |                       |
| Cash collateralised borrowing and repurchase agreements              | -                                | 241           | -            | -            | 16,706                | -                                | 16,947  | 241                            | 16,706                |
| Trading liabilities  | 5,206                            | -             | -            | -            | -                     | -                                | 5,206   | 5,206                          | -                     |
| Margin money and settlement liabilities                              | -                                | -             | -            | -            | 21,577                | -                                | 21,577  | -                              | 21,577                |
| Derivative liabilities   | 83,584                           | -             | 607          | -            | -                     | -                                | 84,191  | 84,191                         | -                     |
| Deposits   | -                                | -             | -            | -            | 101,614               | -                                | 101,614                                       | -                              | 101,630               |
| Other liabilities <sup>(4)</sup>                                     | -                                | 1,128         | -            | -            | 1,056                 | 3,560                            | 5,744   | 1,128                          | 699                   |
| Borrowings   | -                                | -             | -            | -            | 5,713                 | -                                | 5,713   | -                              | 5,724                 |
| Due to related body corporate entities <sup>(3)</sup>                | 513                              | -             | -            | -            | 11,035                | 89                               | 11,637  | 513                            | 11,035                |
| Issued debt securities <sup>(2)</sup>                                | -                                | 1,585         | -            | -            | 70,522                | -                                | 72,107  | 1,585                          | 70,494                |
| Deferred tax liabilities   | -                                | -             | -            | -            | -                     | 28                               | 28  | -                              | -                     |
| Loan capital <sup>(2)</sup>  | -                                | -             | -            | -            | 6,896                 | -                                | 6,896   | -                              | 7,027                 |
| Total liabilities  | 89,303                           | 2,954         | 607          | -            | 235,119               | 3,677                            | 331,660                                       | 92,864                         | 234,892               |

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

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

(3) Due from related body corporate entities and due to related body corporate entities includes derivatives and trading positions classified as HFT. All other intercompany receivables or payables are carried at amortised cost except for non-financial instruments.

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

## Note 34

### Measurement categories of financial instruments continued

The following table contains information relating to the measurement categories of assets and liabilities of the Company. The descriptions of measurement categories are included in Note 41(vii) *Financial instruments*.

The methods and significant assumptions that have been applied in determining the fair values of assets and liabilities are disclosed in Note 35 *Fair value of assets and liabilities*.

|  | FINANCIAL INSTRUMENTS CARRIED AT |               |              |              |                       | Non-financial instruments<br>\$m | Statements of financial position total<br>\$m | FAIR VALUE OF ITEMS CARRIED AT |                       |
|--|----------------------------------|---------------|--------------|--------------|-----------------------|----------------------------------|---|--------------------------------|-----------------------|
|  | FAIR VALUE                       |               |              |              | Amortised cost<br>\$m |                                  |   | Fair value<br>\$m              | Amortised cost<br>\$m |
|  | HFT<br>\$m                       | DFVTPL<br>\$m | FVTPL<br>\$m | FVOCI<br>\$m |                       |                                  |   |                                |                       |
| COMPANY 2023   |                                  |               |              |              |                       |                                  |   |                                |                       |
| Assets   |                                  |               |              |              |                       |                                  |   |                                |                       |
| Cash and bank balances   | -                                | -             | -            | -            | 36,176                | -                                | 36,176  | -                              | 36,176                |
| Cash collateralised lending and reverse repurchase agreements        | -                                | -             | 4,963        | 22,195       | 15,686                | -                                | 42,844  | 27,158                         | 15,686                |
| Trading assets <sup>(1)</sup>  | 13,675                           | -             | -            | -            | -                     | 782                              | 14,457  | 14,457                         | -                     |
| Margin money and settlement assets                                   | -                                | -             | 50           | -            | 14,468                | -                                | 14,518  | 50                             | 14,468                |
| Derivative assets  | 26,267                           | -             | 908          | -            | -                     | -                                | 27,175  | 27,175                         | -                     |
| Financial investments:   |                                  |               |              |              |                       |                                  |   |                                |                       |
| Equity   | -                                | -             | 209          | -            | -                     | -                                | 209   | 209                            | -                     |
| Debt   | -                                | -             | 45           | 13,339       | 1,126                 | -                                | 14,510  | 13,384                         | 1,126                 |
| Held for sale and other assets                                       | -                                | -             | 1,499        | -            | 2,245                 | 408                              | 4,152   | 1,499                          | 2,245                 |
| Loan assets <sup>(2),(3)</sup>                                       | -                                | -             | 194          | 2,063        | 137,828               | -                                | 140,085                                       | 2,257                          | 137,272               |
| Due from related body corporate entities <sup>(4)</sup>              | 3,379                            | -             | -            | -            | 340                   | 168                              | 3,887   | 3,379                          | 340                   |
| Due from subsidiaries <sup>(4)</sup>                                 | 8,263                            | -             | 145          | 93           | 9,802                 | 11                               | 18,314  | 8,501                          | 9,802                 |
| Property, plant and equipment and right-of-use assets <sup>(2)</sup> | -                                | -             | -            | -            | -                     | 3,428                            | 3,428   | -                              | -                     |
| Investments in subsidiaries  | -                                | -             | -            | -            | -                     | 4,774                            | 4,774   | -                              | -                     |
| Deferred tax assets  | -                                | -             | -            | -            | -                     | 672                              | 672   | -                              | -                     |
| Total assets   | 51,584                           | -             | 8,013        | 37,690       | 217,671               | 10,243                           | 325,201                                       | 98,069                         | 217,115               |
| Liabilities  |                                  |               |              |              |                       |                                  |   |                                |                       |
| Cash collateralised borrowing and repurchase agreements              | -                                | 171           | -            | -            | 17,757                | -                                | 17,928  | 171                            | 17,757                |
| Trading liabilities  | 4,757                            | -             | -            | -            | -                     | -                                | 4,757   | 4,757                          | -                     |
| Margin money and settlement liabilities                              | -                                | -             | -            | -            | 17,364                | -                                | 17,364  | -                              | 17,364                |
| Derivative liabilities   | 26,353                           | -             | 1,068        | -            | -                     | -                                | 27,421  | 27,421                         | -                     |
| Deposits   | -                                | -             | -            | -            | 133,661               | -                                | 133,661                                       | -                              | 133,545               |
| Other liabilities  | -                                | 636           | -            | -            | 1,126                 | 2,201                            | 3,963   | 636                            | 1,125                 |
| Borrowings   | -                                | -             | -            | -            | 2,429                 | -                                | 2,429   | -                              | 2,431                 |
| Due to related body corporate entities <sup>(4)</sup>                | 461                              | -             | -            | -            | 11,852                | 61                               | 12,374  | 461                            | 11,852                |
| Due to subsidiaries <sup>(4)</sup>                                   | 5,331                            | -             | 39           | -            | 23,341                | 5                                | 28,716  | 5,368                          | 23,341                |
| Issued debt securities <sup>(2)</sup>                                | -                                | 1,351         | -            | -            | 45,230                | -                                | 46,581  | 1,351                          | 45,165                |
| Deferred tax liabilities   | -                                | -             | -            | -            | -                     | 25                               | 25  | -                              | -                     |
| Loan capital <sup>(2)</sup>  | -                                | -             | -            | -            | 9,523                 | -                                | 9,523   | -                              | 9,355                 |
| Total liabilities  | 36,902                           | 2,158         | 1,107        | -            | 262,283               | 2,292                            | 304,742                                       | 40,165                         | 261,935               |

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

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

(3) Loan assets measured at FVOCI represents certain loan portfolio assessed to be managed under a held to collect and sell business model in the Company. In the Consolidated Entity, the portfolio is managed under a held to collect business model and hence measured at amortised cost.

(4) Due from related body corporate entities and subsidiaries and due to related body corporate entities and subsidiaries includes derivatives and trading positions classified as HFT. All other intercompany receivables or payables are carried at amortised cost except for non-financial instruments.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 34

### Measurement categories of financial instruments continued

|  | FINANCIAL INSTRUMENTS CARRIED AT |               |              |               |                       | Non-financial instruments<br>\$m | Statements of financial position total<br>\$m | FAIR VALUE OF ITEMS CARRIED AT |                       |
|--|----------------------------------|---------------|--------------|---------------|-----------------------|----------------------------------|---|--------------------------------|-----------------------|
|  | FAIR VALUE                       |               |              |               | Amortised cost<br>\$m |                                  |   | Fair value<br>\$m              | Amortised cost<br>\$m |
|  | HFT<br>\$m                       | DFVTPL<br>\$m | FVTPL<br>\$m | FVOCI<br>\$m  |                       |                                  |   |                                |                       |
| COMPANY 2022   |                                  |               |              |               |                       |                                  |   |                                |                       |
| <b>Assets</b>  |                                  |               |              |               |                       |                                  |   |                                |                       |
| Cash and bank balances   | -                                | -             | -            | -             | 43,594                | -                                | 43,594  | -                              | 43,594                |
| Cash collateralised lending and reverse repurchase agreements        | -                                | -             | 4,170        | 23,588        | 10,447                | -                                | 38,205  | 27,758                         | 10,447                |
| Trading assets <sup>(1)</sup>  | 8,255                            | -             | -            | -             | -                     | 1,876                            | 10,131  | 10,131                         | -                     |
| Margin money and settlement assets                                   | -                                | -             | 5            | -             | 13,810                | -                                | 13,815  | 5                              | 13,810                |
| Derivative assets  | 74,028                           | -             | 416          | -             | -                     | -                                | 74,444  | 74,444                         | -                     |
| Financial investments:   |                                  |               |              |               |                       |                                  |   |                                |                       |
| Equity   | -                                | -             | 221          | -             | -                     | -                                | 221   | 221                            | -                     |
| Debt   | -                                | -             | 14           | 6,238         | 4                     | -                                | 6,256   | 6,252                          | 4                     |
| Held for sale and other assets                                       | -                                | -             | 850          | -             | 1,709                 | 382                              | 2,941   | 850                            | 1,709                 |
| Loan assets <sup>(2),(3)</sup>                                       | -                                | 78            | 135          | 3,266         | 117,700               | -                                | 121,179                                       | 3,479                          | 117,658               |
| Due from other related body corporate entities <sup>(4)</sup>        | 1,735                            | -             | -            | -             | 1,122                 | 97                               | 2,954   | 1,735                          | 1,122                 |
| Due from subsidiaries <sup>(4)</sup>                                 | 11,973                           | -             | 232          | 140           | 11,606                | 5                                | 23,956  | 12,345                         | 11,606                |
| Property, plant and equipment and right-of-use assets <sup>(2)</sup> | -                                | -             | -            | -             | -                     | 2,801                            | 2,801   | -                              | -                     |
| Investments in subsidiaries  | -                                | -             | -            | -             | -                     | 6,287                            | 6,287   | -                              | -                     |
| Deferred tax assets  | -                                | -             | -            | -             | -                     | 402                              | 402   | -                              | -                     |
| <b>Total assets</b>  | <b>95,991</b>                    | <b>78</b>     | <b>6,043</b> | <b>33,232</b> | <b>199,992</b>        | <b>11,850</b>                    | <b>347,186</b>                                | <b>137,220</b>                 | <b>199,950</b>        |
| <b>Liabilities</b>   |                                  |               |              |               |                       |                                  |   |                                |                       |
| Cash collateralised borrowing and repurchase agreements              | -                                | 241           | -            | -             | 16,706                | -                                | 16,947  | 241                            | 16,706                |
| Trading liabilities  | 5,210                            | -             | -            | -             | -                     | -                                | 5,210   | 5,210                          | -                     |
| Margin money and settlement liabilities                              | -                                | -             | -            | -             | 15,593                | -                                | 15,593  | -                              | 15,593                |
| Derivative liabilities   | 70,988                           | -             | 533          | -             | -                     | -                                | 71,521  | 71,521                         | -                     |
| Deposits   | -                                | -             | -            | -             | 101,417               | -                                | 101,417                                       | -                              | 101,433               |
| Other liabilities  | -                                | 711           | -            | -             | 500                   | 1,811                            | 3,022   | 711                            | 500                   |
| Borrowings   | -                                | -             | -            | -             | 2,787                 | -                                | 2,787   | -                              | 2,792                 |
| Due to other related body corporate entities <sup>(5)</sup>          | 512                              | -             | -            | -             | 9,691                 | -                                | 10,203  | 512                            | 9,691                 |
| Due to subsidiaries <sup>(5)</sup>                                   | 13,870                           | -             | 40           | -             | 22,656                | 6                                | 36,572  | 13,910                         | 22,656                |
| Issued debt securities <sup>(2)</sup>                                | -                                | 1,585         | -            | -             | 57,137                | -                                | 58,722  | 1,585                          | 57,160                |
| Deferred tax liabilities   | -                                | -             | -            | -             | -                     | 29                               | 29  | -                              | -                     |
| Loan capital <sup>(2)</sup>  | -                                | -             | -            | -             | 6,896                 | -                                | 6,896   | -                              | 7,027                 |
| <b>Total liabilities</b>   | <b>90,580</b>                    | <b>2,537</b>  | <b>573</b>   | <b>-</b>      | <b>233,383</b>        | <b>1,846</b>                     | <b>328,919</b>                                | <b>93,690</b>                  | <b>233,558</b>        |

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

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

(3) Loan assets measured at FVOCI represents certain loan portfolio assessed to be managed under a held to collect and sell business model in the Company. In the Consolidated Entity, the portfolio is managed under a held to collect business model and hence measured at amortised cost.

(4) Due from related body corporate entities includes derivatives and trading positions classified as HFT and all other financial receivables from related body corporate entities are carried at amortised cost.

(5) Due to related body corporate entities and subsidiaries includes derivatives and trading positions classified as HFT. All other financial payables to related body corporate entities are carried at amortised cost.

## Note 35

### 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.

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

| Asset or liability  | Valuation techniques, inputs and other significant assumptions  |
|---|---|
| <b>Cash and bank balances, Cash collateralised lending and reverse repurchase agreement, Cash collateralised borrowing and repurchase agreement</b> | The fair values of cash and bank balance, cash collateralised lending and reverse repurchase agreement, cash collateral borrowing and repurchase agreement approximates their carrying amounts as these are highly liquid and short-term in nature.   |
| <b>Loan assets and Deposits</b>   | <p>The fair values of fixed rate loan assets and term deposits is determined with reference to changes in interest rates and credit spreads.</p> <p>The fair values of variable rate loan assets and deposits approximates their carrying amounts, subject to any adjustment for changes in the credits spreads.</p> <p>The fair values of demand deposits with no fixed maturity approximates their carrying amount as they are short-term in nature or are payable on demand.</p> |
| <b>Financial investments</b>  | <p>The fair values of liquid assets and other instruments maturing within three months are approximate to their carrying amounts.</p> <p>The fair values of fixed rate debt investments carried at amortised cost is estimated by reference to current market rates offered on similar securities and the creditworthiness of the borrower.</p> <p>The fair values of variable rate investments approximate their carrying amounts.</p>   |
| <b>Issued debt securities, Borrowings and Loan capital</b>  | The fair values 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</b>   | The fair values of margin money, settlement assets, settlement liabilities, other financial assets and financial liabilities approximate their carrying amounts.  |
| <b>Other financial assets and financial liabilities</b>   |   |

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 35

### Fair value of assets and liabilities continued

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

| Asset or liability   | Valuation techniques, inputs and other significant assumptions  |
|--|---|
| <b>Trading assets, Trading liabilities and Derivatives</b> | <p>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.</p> <p>The Consolidated Entity has incorporated the market implied funding costs for uncollateralised derivative positions as a Funding Valuation Adjustment (FVA). FVA is determined by calculating the net expected exposures at a counterparty level and applying the Consolidated Entity's internal Treasury lending rates as an input into the calculation. The approach takes into account the PD of each counterparty, as well as any mandatory break clauses.</p> |
| <b>Repurchase and reverse repurchase agreements</b>        | <p>Repurchase and reverse repurchase agreements, being collateralised financing arrangements, are measured at fair value with reference to the securities which are held or provided as the collateral for the financing agreement.</p>   |
| <b>Financial investments</b>                               | <p>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.</p>   |
| <b>Loan assets and Issued debt securities</b>              | <p>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.</p>  |
| <b>Other financial assets and financial liabilities</b>    | <p>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.</p>   |

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

## Note 35

### Fair value of assets and liabilities continued

#### Assets and liabilities measured at amortised cost

The fair values calculated for financial instruments which are carried in the Statements of financial position at amortised cost are for disclosure purposes only. The methods and assumptions applied to derive these fair values can require significant judgement by management and therefore may not necessarily be comparable to other financial institutions.

The following table summarises the levels of the fair value hierarchy of financial assets and financial liabilities measured at amortised cost except where the carrying value is approximately equal to the fair value.

|                          | Level 1<br>\$m | Level 2<br>\$m | Level 3<br>\$m | Total<br>\$m |
|--------------------------|----------------|----------------|----------------|--------------|
| <b>CONSOLIDATED 2023</b> |                |                |                |              |
| <b>Assets</b>            |                |                |                |              |
| Loan assets              | -              | 5,844          | 135,028        | 140,872      |
| <b>Total assets</b>      | -              | 5,844          | 135,028        | 140,872      |
| <b>Liabilities</b>       |                |                |                |              |
| Deposits                 | 94,516         | 40,016         | -              | 134,532      |
| Borrowings               | 476            | 7,060          | 323            | 7,859        |
| Issued debt securities   | -              | 45,381         | 11,134         | 56,515       |
| Loan capital             | 1,328          | 8,027          | -              | 9,355        |
| <b>Total liabilities</b> | 96,321         | 100,484        | 11,457         | 208,261      |
| <b>CONSOLIDATED 2022</b> |                |                |                |              |
| <b>Assets</b>            |                |                |                |              |
| Loan assets              | -              | 5,492          | 117,488        | 122,980      |
| <b>Total assets</b>      | -              | 5,492          | 117,488        | 122,980      |
| <b>Liabilities</b>       |                |                |                |              |
| Deposits                 | 80,717         | 20,913         | -              | 101,630      |
| Borrowings               | 446            | 5,175          | 103            | 5,724        |
| Issued debt securities   | -              | 57,931         | 12,563         | 70,494       |
| Loan capital             | 1,351          | 5,676          | -              | 7,027        |
| <b>Total liabilities</b> | 82,514         | 89,695         | 12,666         | 184,875      |

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 35

### Fair value of assets and liabilities continued

#### Assets and liabilities measured at amortised cost continued

The following table summarises the levels of the fair value hierarchy of financial assets and financial liabilities measured at amortised cost except where the carrying value is approximately equal to the fair value.

|                          | Level 1<br>\$m | Level 2<br>\$m | Level 3<br>\$m | Total<br>\$m |
|--------------------------|----------------|----------------|----------------|--------------|
| COMPANY 2023             |                |                |                |              |
| <b>Assets</b>            |                |                |                |              |
| Loan assets              | -              | 5,294          | 131,978        | 137,272      |
| <b>Total assets</b>      | -              | 5,294          | 131,978        | 137,272      |
| <b>Liabilities</b>       |                |                |                |              |
| Deposits                 | 94,425         | 39,120         | -              | 133,545      |
| Borrowings               | 476            | 1,955          | -              | 2,431        |
| Issued debt securities   | -              | 45,165         | -              | 45,165       |
| Loan capital             | 1,328          | 8,027          | -              | 9,355        |
| <b>Total liabilities</b> | 96,229         | 94,267         | -              | 190,496      |
| COMPANY 2022             |                |                |                |              |
| <b>Assets</b>            |                |                |                |              |
| Loan assets              | -              | 5,198          | 112,460        | 117,658      |
| <b>Total assets</b>      | -              | 5,198          | 112,460        | 117,658      |
| <b>Liabilities</b>       |                |                |                |              |
| Deposits                 | 80,639         | 20,794         | -              | 101,433      |
| Borrowings               | 446            | 2,346          | -              | 2,792        |
| Issued debt securities   | -              | 57,160         | -              | 57,160       |
| Loan capital             | 1,351          | 5,676          | -              | 7,027        |
| <b>Total liabilities</b> | 82,436         | 85,976         | -              | 168,412      |



## Note 35

### 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<br>\$m | Level 2<br>\$m | Level 3<br>\$m | Total<br>\$m   |
|---|----------------|----------------|----------------|----------------|
| CONSOLIDATED 2023   |                |                |                |                |
| <b>Assets</b>   |                |                |                |                |
| Cash collateralised lending and reverse repurchase agreements | -              | 27,304         | -              | 27,304         |
| Trading assets  | 8,207          | 6,827          | 758            | 15,792         |
| Margin money and settlement assets                            | -              | 576            | -              | 576            |
| Derivative assets   | 12             | 35,056         | 752            | 35,820         |
| Financial investments   | 3,770          | 11,135         | 273            | 15,178         |
| Held for sale and other assets                                | -              | 2,311          | 48             | 2,359          |
| Loan assets   | -              | 282            | 3              | 285            |
| Due from related body corporate entities                      | -              | 3,379          | -              | 3,379          |
| <b>Total assets</b>   | <b>11,989</b>  | <b>86,870</b>  | <b>1,834</b>   | <b>100,693</b> |
| <b>Liabilities</b>  |                |                |                |                |
| Cash collateralised borrowing and repurchase agreements       | -              | 277            | -              | 277            |
| Trading liabilities   | 4,641          | 113            | -              | 4,754          |
| Derivative liabilities  | 8              | 31,767         | 747            | 32,522         |
| Other liabilities   | -              | 1,118          | -              | 1,118          |
| Borrowings  | -              | 260            | -              | 260            |
| Due to related body corporate entities                        | -              | 462            | -              | 462            |
| Issued debt securities  | -              | 1,351          | -              | 1,351          |
| <b>Total liabilities</b>                                      | <b>4,649</b>   | <b>35,348</b>  | <b>747</b>     | <b>40,744</b>  |
| CONSOLIDATED 2022   |                |                |                |                |
| <b>Assets</b>   |                |                |                |                |
| Cash collateralised lending and reverse repurchase agreements | -              | 31,393         | -              | 31,393         |
| Trading assets  | 4,309          | 6,889          | 521            | 11,719         |
| Margin money and settlement assets                            | -              | 524            | -              | 524            |
| Derivative assets   | 1              | 84,064         | 551            | 84,616         |
| Financial investments   | 1,412          | 4,180          | 915            | 6,507          |
| Held for sale and other assets                                | -              | 1,616          | 60             | 1,676          |
| Loan assets   | -              | 259            | 3              | 262            |
| Due from related body corporate entities                      | -              | 1,741          | -              | 1,741          |
| <b>Total assets</b>   | <b>5,722</b>   | <b>130,666</b> | <b>2,050</b>   | <b>138,438</b> |
| <b>Liabilities</b>  |                |                |                |                |
| Cash collateralised borrowing and repurchase agreements       | -              | 241            | -              | 241            |
| Trading liabilities   | 5,034          | 172            | -              | 5,206          |
| Derivative liabilities  | 10             | 82,877         | 1,304          | 84,191         |
| Other liabilities   | -              | 1,128          | -              | 1,128          |
| Due to related body corporate entities                        | -              | 513            | -              | 513            |
| Issued debt securities  | -              | 1,585          | -              | 1,585          |
| <b>Total liabilities</b>                                      | <b>5,044</b>   | <b>86,516</b>  | <b>1,304</b>   | <b>92,864</b>  |

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 35

### Fair value of assets and liabilities continued

#### Assets and liabilities measured at fair value continued

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<br>\$m | Level 2<br>\$m | Level 3<br>\$m | Total<br>\$m   |
|---|----------------|----------------|----------------|----------------|
| COMPANY 2023  |                |                |                |                |
| <b>Assets</b>   |                |                |                |                |
| Cash collateralised lending and reverse repurchase agreements | -              | 27,158         | -              | 27,158         |
| Trading assets  | 8,203          | 5,964          | 290            | 14,457         |
| Margin money and settlement assets                            | -              | 50             | -              | 50             |
| Derivative assets   | 12             | 26,881         | 282            | 27,175         |
| Financial investments   | 2,237          | 11,135         | 221            | 13,593         |
| Held for sale and other assets                                | -              | 1,499          | -              | 1,499          |
| Loan assets   | -              | 192            | 2,065          | 2,257          |
| Due from subsidiaries   | -              | 8,324          | 177            | 8,501          |
| Due from related body corporate entities                      | -              | 3,379          | -              | 3,379          |
| <b>Total assets</b>   | <b>10,452</b>  | <b>84,582</b>  | <b>3,035</b>   | <b>98,069</b>  |
| <b>Liabilities</b>  |                |                |                |                |
| Cash collateralised borrowing and repurchase agreements       | -              | 171            | -              | 171            |
| Trading liabilities   | 4,645          | 112            | -              | 4,757          |
| Derivative liabilities  | 8              | 27,254         | 159            | 27,421         |
| Other liabilities   | -              | 636            | -              | 636            |
| Due to subsidiaries   | -              | 5,264          | 104            | 5,368          |
| Due to related body corporate entities                        | -              | 461            | -              | 461            |
| Issued debt securities  | -              | 1,351          | -              | 1,351          |
| <b>Total liabilities</b>                                      | <b>4,653</b>   | <b>35,249</b>  | <b>263</b>     | <b>40,165</b>  |
| COMPANY 2022  |                |                |                |                |
| <b>Assets</b>   |                |                |                |                |
| Cash collateralised lending and reverse repurchase agreements | -              | 27,758         | -              | 27,758         |
| Trading assets  | 4,303          | 5,672          | 156            | 10,131         |
| Margin money and settlement assets                            | -              | 5              | -              | 5              |
| Derivative assets   | 1              | 74,189         | 254            | 74,444         |
| Financial investments   | 1,409          | 4,179          | 885            | 6,473          |
| Held for sale and other assets                                | -              | 848            | 2              | 850            |
| Loan assets   | -              | 210            | 3,269          | 3,479          |
| Due from subsidiaries   | -              | 11,738         | 607            | 12,345         |
| Due from related body corporate entities                      | -              | 1,735          | -              | 1,735          |
| <b>Total assets</b>   | <b>5,713</b>   | <b>126,334</b> | <b>5,173</b>   | <b>137,220</b> |
| <b>Liabilities</b>  |                |                |                |                |
| Cash collateralised borrowing and repurchase agreements       | -              | 241            | -              | 241            |
| Trading liabilities   | 5,037          | 173            | -              | 5,210          |
| Derivative liabilities  | 11             | 71,080         | 430            | 71,521         |
| Other liabilities   | -              | 711            | -              | 711            |
| Due to subsidiaries   | -              | 13,453         | 457            | 13,910         |
| Due to related body corporate entities                        | -              | 512            | -              | 512            |
| Issued debt securities  | -              | 1,585          | -              | 1,585          |
| <b>Total liabilities</b>                                      | <b>5,048</b>   | <b>87,755</b>  | <b>887</b>     | <b>93,690</b>  |

## Note 35

### 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<br>assets<br>\$m | Financial<br>investments<br>\$m | Held for<br>sale and<br>other assets<br>\$m | Loan<br>assets<br>\$m | Derivative<br>financial<br>instruments<br>(net fair value) <sup>(1)</sup><br>\$m | Total<br>\$m |
|---|--------------------------|---------------------------------|---|-----------------------|--|--------------|
| CONSOLIDATED 2022   |                          |                                 |   |                       |  |              |
| Balance as at 1 Apr 2021  | 420                      | 652                             | 25  | 55                    | (17)   | 1,135        |
| Purchases, originations, issuances and other additions  | 103                      | 172                             | 60  | 3                     | 23   | 361          |
| Sales, settlements and repayments   | (43)                     | (43)                            | (21)  | (55)                  | 27   | (135)        |
| Transfers into Level 3 <sup>(2)</sup>   | 55                       | 349                             | -   | -                     | (31)   | 373          |
| Transfers out of Level 3 <sup>(2)</sup>   | (223)                    | (218)                           | (3)   | -                     | (14)   | (458)        |
| Fair value movements recognised in the income statement:  |                          |                                 |   |                       |  |              |
| Net trading income/(loss) <sup>(3)</sup>  | 209                      | (8)                             | -   | -                     | (741)  | (540)        |
| Other income/(loss)   | -                        | 8                               | (1)   | -                     | -  | 7            |
| Fair value movements recognised in OCI <sup>(3)</sup>   | -                        | 3                               | -   | -                     | -  | 3            |
| <b>Balance as at 31 Mar 2022</b>  | <b>521</b>               | <b>915</b>                      | <b>60</b>                                   | <b>3</b>              | <b>(753)</b>   | <b>746</b>   |
| Fair value movements for the financial year included in the income statements for assets and liabilities held at the end of the financial year <sup>(3)</sup> | 225                      | (5)                             | (1)   | -                     | (698)  | (479)        |
| CONSOLIDATED 2023   |                          |                                 |   |                       |  |              |
| Balance as at 1 Apr 2022  | 521                      | 915                             | 60  | 3                     | (753)  | 746          |
| Purchases, originations, issuances and other additions  | 249                      | 149                             | 12  | 8                     | 305  | 723          |
| Sales, settlements and repayments   | (23)                     | (23)                            | (62)  | (9)                   | 232  | 115          |
| Transfers into Level 3 <sup>(2)</sup>   | 212                      | 50                              | 39  | -                     | 162  | 463          |
| Transfer out of Level 3 <sup>(2)</sup>  | (178)                    | (836)                           | (5)   | -                     | 84   | (935)        |
| Fair value movements recognised in the income statement:  |                          |                                 |   |                       |  |              |
| Net trading (loss)/income <sup>(3)</sup>  | (23)                     | 51                              | 1   | 1                     | (25)   | 5            |
| Other income  | -                        | 28                              | 3   | -                     | -  | 31           |
| Fair value movements recognised in OCI <sup>(3)</sup>   | -                        | (61)                            | -   | -                     | -  | (61)         |
| <b>Balance as at 31 Mar 2023</b>  | <b>758</b>               | <b>273</b>                      | <b>48</b>                                   | <b>3</b>              | <b>5</b>   | <b>1,087</b> |
| Fair value movements for the financial year included in the income statements for assets and liabilities held at the end of the financial year <sup>(3)</sup> | (17)                     | 70                              | -   | -                     | (29)   | 24           |

(1) The derivative financial instruments in the table above are presented on a net basis. On a gross basis, derivative assets are \$752 million (2022: \$551 million) and derivative liabilities are \$747 million (2022: \$1,304 million).

(2) Assets and liabilities transferred into or out of Level 3 are presented as if those assets or liabilities were transferred at the beginning of the financial year.

(3) The Consolidated Entity employs various hedging techniques in order to manage market risks including foreign exchange risks in Level 3 positions. The gains and losses relating to such hedging techniques that 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 denominated financial instruments that are measured at amortised cost, are not presented in the table above.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 35

### Fair value of assets and liabilities continued

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

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

|   | Trading<br>assets<br>\$m | Financial<br>investments<br>\$m | Loan<br>assets<br>\$m | Due from/to<br>subsidiaries<br>(net values) <sup>(1)</sup><br>\$m | Held for<br>sale and<br>other assets<br>\$m | Derivative<br>financial<br>instruments<br>(net replacement<br>values) <sup>(2)</sup><br>\$m | Total<br>\$m |
|---|--------------------------|---------------------------------|-----------------------|---|---|---|--------------|
| COMPANY 2022  |                          |                                 |                       |   |   |   |              |
| Balance as at 1 Apr 2021  | 173                      | 593                             | 2,755                 | 223   | 19  | 9   | 3,772        |
| Purchases, originations, issuances and other additions  | 51                       | 167                             | 1,936                 | 573   | 2   | (18)  | 2,711        |
| Sales, settlements and repayments   | (37)                     | (10)                            | (1,372)               | (643)   | (15)  | 13  | (2,064)      |
| Transfers into Level 3 <sup>(3)</sup>   | 37                       | 349                             | -                     | (12)  | -   | (49)  | 325          |
| Transfer out of Level 3 <sup>(3)</sup>  | (78)                     | (218)                           | -                     | 4   | -   | (12)  | (304)        |
| Fair value movements recognised in income statement:  |                          |                                 |                       |   |   |   |              |
| Net trading income/(loss) <sup>(4)</sup>  | 10                       | (8)                             | -                     | -   | -   | (119)   | (117)        |
| Other income/(loss)   | -                        | 9                               | -                     | 5   | (4)   | -   | 10           |
| Fair value movements recognised in OCI <sup>(4)</sup>   | -                        | 3                               | (50)                  | -   | -   | -   | (47)         |
| <b>Balance as at 31 Mar 2022</b>  | <b>156</b>               | <b>885</b>                      | <b>3,269</b>          | <b>150</b>  | <b>2</b>                                    | <b>(176)</b>  | <b>4,286</b> |
| Fair value movements for the financial year included in the income statements for assets and liabilities held at the end of the financial year <sup>(4)</sup> | 28                       | (7)                             | -                     | 5   | -   | (121)   | (95)         |
| COMPANY 2023  |                          |                                 |                       |   |   |   |              |
| Balance as at 1 Apr 2022  | 156                      | 885                             | 3,269                 | 150   | 2   | (176)   | 4,286        |
| Purchases, originations, issuances and other additions  | 122                      | 149                             | -                     | -   | -   | 32  | 303          |
| Sales, settlements and repayments   | (18)                     | (23)                            | (1,155)               | (64)  | -   | 104   | (1,156)      |
| Transfers into Level 3 <sup>(3)</sup>   | 138                      | 50                              | -                     | -   | -   | 73  | 261          |
| Transfer out of Level 3 <sup>(3)</sup>  | (90)                     | (836)                           | -                     | -   | (2)   | 19  | (909)        |
| Fair value movements recognised in income statement:  |                          |                                 |                       |   |   |   |              |
| Net trading (loss)/income <sup>(4)</sup>  | (18)                     | 46                              | -                     | -   | -   | 71  | 99           |
| Other income/(loss)   | -                        | 11                              | -                     | (13)  | -   | -   | (2)          |
| Fair value movements recognised in OCI <sup>(4)</sup>   | -                        | (61)                            | (49)                  | -   | -   | -   | (110)        |
| <b>Balance as at 31 Mar 2023</b>  | <b>290</b>               | <b>221</b>                      | <b>2,065</b>          | <b>73</b>   | <b>-</b>                                    | <b>123</b>  | <b>2,772</b> |
| Fair value movements for the financial year included in the income statements for assets and liabilities held at the end of the financial year <sup>(4)</sup> | (14)                     | 29                              | -                     | (13)  | -   | 71  | 73           |

(1) The balance due from/to subsidiaries in the table above is presented on a net basis. On a gross basis, due from subsidiaries are \$177 million (2022: \$607 million) and due to subsidiaries are \$104 million (2022: \$430 million).

(2) The derivative financial instruments in the table above are presented on a net basis. On a gross basis, derivative assets are \$282 million (2022: \$254 million) and derivative liabilities are \$159 million (2022: \$430 million).

(3) Assets and liabilities transferred into or out of Level 3 are presented as if those assets or liabilities had been transferred at the beginning of the financial year.

(4) The Company employs various hedging techniques in order to manage market risks including foreign exchange risks in Level 3 positions. The gains and losses relating to such hedging techniques, that 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 denominated financial instruments that are measured at amortised cost, are not presented in the table above.

## Note 35

### Fair value of assets and liabilities continued

#### Significant transfers between levels of the fair value hierarchy

During the financial year the Consolidated Entity and the Company did not have significant transfers between Level 1 and Level 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 financial year. 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 interest 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 when 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 in which significant unobservable inputs are used.

|   | CONSOLIDATED |             | COMPANY     |             |
|---|--------------|-------------|-------------|-------------|
|   | 2023<br>\$m  | 2022<br>\$m | 2023<br>\$m | 2022<br>\$m |
| Balance at the beginning of the financial year                  | 53           | 75          | 42          | 65          |
| Deferred gains on new transactions and other adjustments        | 228          | 40          | 105         | 27          |
| Foreign exchange movements                                      | 21           | 1           | 5           | 1           |
| Recognised in net trading income during the year <sup>(1)</sup> | (55)         | (63)        | (29)        | (51)        |
| <b>Balance at the end of the financial year</b>                 | <b>247</b>   | <b>53</b>   | <b>123</b>  | <b>42</b>   |

(1) Includes amortisation, subsequent realisation due to unobservable inputs becoming observable, maturity and termination.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 35

### 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 therefore reflect the level of uncertainty regarding a particular input, but rather the different underlying characteristics of the relevant assets and liabilities.

|                                   |                          |                               |                         |                                  | RANGE OF INPUTS |               |
|-----------------------------------|--------------------------|-------------------------------|-------------------------|----------------------------------|-----------------|---------------|
|                                   | Fair value of assets \$m | Fair value of liabilities \$m | Valuation technique(s)  | Significant unobservable inputs  | Minimum value   | Maximum value |
| CONSOLIDATED 2023                 |                          |                               |                         |                                  |                 |               |
| Commodities                       | 1,482                    | 747                           | Pricing model           | Commodity margin curves          | (97.3)          | 626.9         |
|                                   |                          |                               | Pricing model           | Correlation                      | (72.0%)         | 100.0%        |
|                                   |                          |                               | Pricing model           | Volatility and related variables | 1.3%            | 153.5%        |
| Equity and equity-linked products | 199                      | -                             | Market comparability    | Price in % <sup>(1)</sup>        |                 |               |
| Interest rate and other products  | 153                      | -                             | Discounted cash flows   | Discount rate - Credit spreads   | 0.0%            | 10.0%         |
| Total                             | 1,834                    | 747                           |                         |                                  |                 |               |
| CONSOLIDATED 2022                 |                          |                               |                         |                                  |                 |               |
| Commodities                       | 1,073                    | 1,304                         | Pricing model           | Commodity margin curves          | (270.0)         | 1,665.0       |
|                                   |                          |                               | Pricing model           | Correlation                      | (40.0%)         | 100.1%        |
|                                   |                          |                               | Pricing model           | Volatility and related variables | (12.6%)         | 90.9%         |
| Equity and equity-linked products | 101                      | -                             | Market comparability    | Price in % <sup>(1)</sup>        |                 |               |
| Interest rate and other products  | 876                      | -                             | Discounted cash flows   | Discount rate - Credit spreads   | 1.0%            | 10.0%         |
|                                   |                          |                               | Pricing model           | Yield                            | 2.7%            | 3.5%          |
|                                   |                          |                               | Comparable transactions | Price in %                       | 0.0%            | 100.0%        |
| Total                             | 2,050                    | 1,304                         |                         |                                  |                 |               |

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

#### Commodities

**Commodity margin curves:** 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. Correlation is a key input into the valuation of derivatives with more than one underlying (e.g., interest rates, credit spreads, foreign exchange 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.

(1) The range of inputs related to market comparability has not been disclosed as the diverse nature of the underlying investments results in a wide range of inputs.

## Note 35

### Fair value of assets and liabilities continued

#### 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 NAV and discount rates determined using inputs specific to the underlying investment and forecast cash flows and earnings/revenues of investee entities.

#### Interest rate and other products

**Discount rate - Credit spreads:** 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 asset. Credit spreads may be implied from the market prices and may not be observable in more illiquid markets

**Yield:** Yield represents expected rate of annual return on an instrument. In certain circumstances, yield of a specific security is not observable in the market, it is estimated using the historical data or by adjusting the yield of similar securities to capture the characteristics of the security being valued

**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 unobservable input and judgemental depending on the characteristics of the asset/liability.

#### Sensitivity analysis of valuations using unobservable inputs

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

|                                   | FAVOURABLE CHANGES    |            | UNFAVOURABLE CHANGES  |            |
|-----------------------------------|-----------------------|------------|-----------------------|------------|
|                                   | Profit or loss<br>\$m | OCI<br>\$m | Profit or loss<br>\$m | OCI<br>\$m |
| CONSOLIDATED 2023                 |                       |            |                       |            |
| <b>Product type</b>               |                       |            |                       |            |
| Commodities                       | 116                   | -          | (103)                 | -          |
| Equity and equity-linked products | 15                    | -          | (15)                  | -          |
| Interest rate and other products  | 2                     | -          | (2)                   | -          |
| <b>Total</b>                      | <b>133</b>            | <b>-</b>   | <b>(120)</b>          | <b>-</b>   |
| CONSOLIDATED 2022                 |                       |            |                       |            |
| <b>Product type</b>               |                       |            |                       |            |
| Commodities                       | 134                   | -          | (137)                 | -          |
| Equity and equity-linked products | 8                     | -          | (24)                  | -          |
| Interest rate and other products  | 12                    | -          | (12)                  | -          |
| <b>Total</b>                      | <b>154</b>            | <b>-</b>   | <b>(173)</b>          | <b>-</b>   |

The favourable and unfavourable changes from using reasonable possible alternative assumptions for the valuation of 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.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 35

### Fair value of assets and liabilities continued

|                                   | FAVOURABLE CHANGES    |            | UNFAVOURABLE CHANGES  |            |
|-----------------------------------|-----------------------|------------|-----------------------|------------|
|                                   | Profit or loss<br>\$m | OCI<br>\$m | Profit or loss<br>\$m | OCI<br>\$m |
| COMPANY 2023                      |                       |            |                       |            |
| <b>Product type</b>               |                       |            |                       |            |
| Commodities                       | 46                    | -          | (40)                  | -          |
| Equity and equity-linked products | 12                    | -          | (12)                  | -          |
| Interest rate and other products  | 2                     | -          | (2)                   | -          |
| <b>Total</b>                      | <b>60</b>             | <b>-</b>   | <b>(54)</b>           | <b>-</b>   |
| COMPANY 2022                      |                       |            |                       |            |
| <b>Product type</b>               |                       |            |                       |            |
| Commodities                       | 55                    | -          | (50)                  | -          |
| Equity and equity-linked products | 6                     | -          | (22)                  | -          |
| Interest rate and other products  | 7                     | -          | (8)                   | -          |
| <b>Total</b>                      | <b>68</b>             | <b>-</b>   | <b>(80)</b>           | <b>-</b>   |

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



## Note 36

### Offsetting of financial assets and financial liabilities

The Consolidated Entity and the Company present financial assets and financial liabilities on a net basis in the Statements of financial position when they meet the criteria described in the offsetting of financial instruments section of Note 41(vii) *Financial instruments*. The following tables provide information on the impact of offsetting of financial instruments in the Statements of financial position, as well as amounts subject to enforceable netting arrangements that do not meet all the criteria for offsetting and therefore are presented gross in the Statements of financial position. Enforceable netting arrangements may allow for net settlement of specified contracts with a counterparty only in the event of default or other pre-determined events, such that their potential effects on the Consolidated Entity's and the Company's financial position in that circumstance is to settle these contracts as one arrangement.

The Consolidated Entity and the Company use a variety of credit risk mitigation strategies in addition to netting and collateral arrangements, therefore amounts presented in this note are not intended to represent the credit risk exposure of the entity. Refer to Note 33.1 *Credit risk* for information on credit risk management.

|   | EFFECT OF OFFSETTING<br>ON THE STATEMENTS OF<br>FINANCIAL POSITION |   |   | RELATED AMOUNTS SUBJECT<br>TO ENFORCEABLE NETTING<br>ARRANGEMENTS <sup>(1)</sup> |   | Other collateral<br>for exposures<br>not subject to<br>enforceable<br>netting<br>arrangements <sup>(1)</sup><br>\$m | Net<br>exposure<br>\$m |
|---|--|---|---|--|---|---|------------------------|
|   | Gross<br>amount <sup>(2),(3)</sup><br>\$m                          | Amounts<br>offset on the<br>Statements<br>of financial<br>position<br>\$m | Net amounts<br>reported on<br>the Statements<br>of financial<br>position<br>\$m | Other<br>recognised<br>financial<br>instruments<br>\$m                           | Cash<br>and other<br>financial<br>collateral<br>\$m |   |                        |
|   | CONSOLIDATED 2023  |   |   |  |   |   |                        |
| Cash collateralised lending and reverse repurchase agreements | 43,510   | (309)   | 43,201  | (166)  | (37,165)  | (5,823)   | 47                     |
| Settlement assets <sup>(4)</sup>                              | 10,530   | (5,124)   | 5,406   | (1,263)  | -   | -   | 4,143                  |
| Derivative assets   | 45,004   | (9,184)   | 35,820  | (19,730)   | (6,379)   | (93)  | 9,618                  |
| Due from related body corporate entities <sup>(5)</sup>       | 4,171  | (383)   | 3,788   | (443)  | (2,942)   | -   | 403                    |
| <b>Total assets</b>   | <b>103,215</b>   | <b>(15,000)</b>   | <b>88,215</b>   | <b>(21,602)</b>  | <b>(46,486)</b>                                     | <b>(5,916)</b>  | <b>14,211</b>          |
| Cash collateralised borrowings and repurchase agreements      | (19,046)   | 309   | (18,737)  | 166  | 14,707  | 250   | (3,614)                |
| Settlement liabilities <sup>(4)</sup>                         | (9,952)  | 5,124   | (4,828)   | 1,388  | -   | -   | (3,440)                |
| Derivative liabilities  | (41,706)   | 9,184   | (32,522)  | 19,605   | 6,322   | 137   | (6,458)                |
| Due to related body corporate entities <sup>(5)</sup>         | (11,743)   | 383   | (11,360)  | 443  | 137   | -   | (10,780)               |
| <b>Total liabilities</b>                                      | <b>(82,447)</b>  | <b>15,000</b>   | <b>(67,447)</b>   | <b>21,602</b>  | <b>21,166</b>                                       | <b>387</b>  | <b>(24,292)</b>        |

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

(2) Gross amounts for assets include \$5,830 million of cash collateral lending and reverse repurchase agreements, \$933 million of settlements assets, \$1,792 million of derivative assets and \$300 million of due from related body corporate entities not subject to enforceable netting agreements. Gross liabilities includes \$250 million of cash collateralised borrowing and repurchase agreements, \$869 million of settlements liabilities and \$1,442 million of derivative liabilities and \$6,535 million of due to related body corporate entities not subject to enforceable netting agreements.

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

(4) Excludes margin money assets of \$13,969 million and liabilities of \$17,085 million presented under Note 7 *Margin money and settlement assets* and Note 17 *Margin money and settlement liabilities* respectively on the Statements of financial position.

(5) Excludes margin money and non-financial assets of \$633 million and liabilities of \$3,282 million presented under Due from related body corporate entities and Due to related body corporate entities respectively on the Statements of financial position.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 36

### Offsetting of financial assets and financial liabilities continued

|  | EFFECT OF OFFSETTING<br>ON THE STATEMENTS OF<br>FINANCIAL POSITION |   |   | RELATED AMOUNTS SUBJECT<br>TO ENFORCEABLE NETTING<br>ARRANGEMENTS <sup>(1)</sup> |   | Other collateral<br>for exposures<br>not subject to<br>enforceable<br>netting<br>arrangements <sup>(1)</sup><br>\$m | Net<br>exposure<br>\$m |
|--|--|---|---|--|---|---|------------------------|
|  | Gross<br>amount <sup>(2),(3)</sup><br>\$m                          | Amounts<br>offset on<br>the Statements<br>of financial<br>position<br>\$m | Net amounts<br>reported on<br>the Statements<br>of financial<br>position<br>\$m | Other<br>recognised<br>financial<br>instruments<br>\$m                           | Cash<br>and other<br>financial<br>collateral<br>\$m |   |                        |
|  |  |   |   |  |   |   |                        |
| CONSOLIDATED 2022  |  |   |   |  |   |   |                        |
| Cash collateralised lending and<br>reverse repurchase agreements | 43,894   | (1,346)   | 42,548  | (28)   | (37,409)  | (4,948)   | 163                    |
| Settlement assets <sup>(4)</sup>                                 | 12,500   | (7,178)   | 5,322   | (1,184)  | -   | -   | 4,138                  |
| Derivative assets  | 104,346  | (19,730)  | 84,616  | (62,513)   | (7,747)   | -   | 14,356                 |
| Due from related body<br>corporate entities <sup>(5)</sup>       | 3,418  | (486)   | 2,932   | (490)  | (1,306)   | -   | 1,136                  |
| <b>Total assets</b>  | <b>164,158</b>   | <b>(28,740)</b>   | <b>135,418</b>  | <b>(64,215)</b>  | <b>(46,462)</b>                                     | <b>(4,948)</b>  | <b>19,793</b>          |
| Cash collateralised borrowings<br>and repurchase agreements      | (18,293)   | 1,346   | (16,947)  | 28   | 13,754  | -   | (3,165)                |
| Settlement liabilities <sup>(4)</sup>                            | (12,511)   | 7,178   | (5,333)   | 3,419  | -   | -   | (1,914)                |
| Derivative liabilities   | (103,921)  | 19,730  | (84,191)  | 60,278   | 8,866   | -   | (15,047)               |
| Due to related body corporate<br>entities <sup>(5)</sup>         | (10,686)   | 486   | (10,200)  | 490  | 61  | -   | (9,649)                |
| <b>Total liabilities</b>   | <b>(145,411)</b>   | <b>28,740</b>   | <b>(116,671)</b>  | <b>64,215</b>  | <b>22,681</b>                                       | <b>-</b>  | <b>(29,775)</b>        |

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

(2) Gross amounts for assets include \$4,948 million of cash collateral lending and reverse repurchase agreements, \$816 million of settlements assets, \$1,839 million of derivative assets and \$1,045 million of due from related body corporate entities not subject to enforceable netting agreements. Gross liabilities includes \$nil cash collateralised borrowing and repurchase agreements, \$968 million of settlements liabilities and \$4,262 million of derivative liabilities and \$1,087 million of due to related body corporate entities not subject to enforceable netting agreements.

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

(4) Excludes margin money assets of \$14,087 million and liabilities of \$16,244 million presented under Note 7 *Margin money and settlement assets* and Note 17 *Margin money and settlement liabilities* respectively on the Statements of financial position.

(5) Excludes margin money and non-financial assets of \$493 million and liabilities of \$1,437 million presented under Due from related body corporate entities and Due to related body corporate entities respectively on the Statements of financial position.

## Note 36

### Offsetting of financial assets and financial liabilities continued

|   | EFFECT OF OFFSETTING<br>ON THE STATEMENTS OF<br>FINANCIAL POSITION |   |   | RELATED AMOUNTS SUBJECT<br>TO ENFORCEABLE NETTING<br>ARRANGEMENTS <sup>(1)</sup> |   | Other collateral<br>for exposures<br>not subject to<br>enforceable<br>netting<br>arrangements <sup>(1)</sup><br>\$m | Net<br>exposure<br>\$m |
|---|--|---|---|--|---|---|------------------------|
|   | Gross<br>amount <sup>(2),(3)</sup><br>\$m                          | Amounts<br>offset on the<br>Statements<br>of financial<br>position<br>\$m | Net amounts<br>reported on<br>the Statements<br>of financial<br>position<br>\$m | Other<br>recognised<br>financial<br>instruments<br>\$m                           | Cash and<br>other<br>financial<br>collateral<br>\$m |   |                        |
|   |  |   |   |  |   |   |                        |
| COMPANY 2023  |  |   |   |  |   |   |                        |
| Cash collateralised lending and reverse repurchase agreements | 43,153   | (309)   | 42,844  | (166)  | (36,874)  | (5,765)   | 39                     |
| Settlement assets <sup>(4)</sup>                              | 8,346  | (4,365)   | 3,981   | (1,112)  | -   | -   | 2,869                  |
| Derivative assets   | 35,627   | (8,452)   | 27,175  | (17,292)   | (4,238)   | -   | 5,645                  |
| Due from subsidiaries <sup>(5)</sup>                          | 18,326   | (711)   | 17,615  | (5,159)  | (6,577)   | -   | 5,879                  |
| Due from related body corporate entities <sup>(6)</sup>       | 3,985  | (365)   | 3,620   | (443)  | (2,941)   | -   | 236                    |
| <b>Total assets</b>   | <b>109,437</b>   | <b>(14,202)</b>   | <b>95,235</b>   | <b>(24,172)</b>  | <b>(50,630)</b>                                     | <b>(5,765)</b>  | <b>14,668</b>          |
| Cash collateralised borrowings and repurchase agreements      | (18,237)   | 309   | (17,928)  | 166  | 14,148  | -   | (3,614)                |
| Settlement liabilities <sup>(4)</sup>                         | (8,193)  | 4,365   | (3,828)   | 1,208  | -   | -   | (2,620)                |
| Derivative liabilities  | (35,873)   | 8,452   | (27,421)  | 17,196   | 5,734   | 15  | (4,476)                |
| Due to subsidiaries <sup>(5)</sup>                            | (25,916)   | 711   | (25,205)  | 5,159  | 616   | -   | (19,430)               |
| Due to related body corporate entities <sup>(6)</sup>         | (9,656)  | 365   | (9,291)   | 443  | 137   | -   | (8,711)                |
| <b>Total liabilities</b>                                      | <b>(97,875)</b>  | <b>14,202</b>   | <b>(83,673)</b>   | <b>24,172</b>  | <b>20,635</b>                                       | <b>15</b>   | <b>(38,851)</b>        |
| COMPANY 2022  |  |   |   |  |   |   |                        |
| Cash collateralised lending and reverse repurchase agreements | 39,551   | (1,346)   | 38,205  | (27)   | (33,331)  | (4,683)   | 164                    |
| Settlement assets <sup>(4)</sup>                              | 10,044   | (6,139)   | 3,905   | (1,021)  | -   | -   | 2,884                  |
| Derivative assets   | 94,106   | (19,662)  | 74,444  | (58,032)   | (6,811)   | -   | 9,601                  |
| Due to subsidiaries <sup>(5)</sup>                            | 23,382   | (2,307)   | 21,075  | (11,854)   | (2,658)   | -   | 6,563                  |
| Due from related body corporate entities <sup>(6)</sup>       | 3,121  | (466)   | 2,655   | (490)  | (1,226)   | -   | 939                    |
| <b>Total assets</b>   | <b>170,204</b>   | <b>(29,920)</b>   | <b>140,284</b>  | <b>(71,424)</b>  | <b>(44,026)</b>                                     | <b>(4,683)</b>  | <b>20,151</b>          |
| Cash collateralised borrowings and repurchase agreements      | (18,293)   | 1,346   | (16,947)  | 27   | 13,754  | 1   | (3,165)                |
| Settlement liabilities <sup>(4)</sup>                         | (10,018)   | 6,139   | (3,879)   | 3,079  | -   | -   | (800)                  |
| Derivative liabilities  | (91,183)   | 19,662  | (71,521)  | 55,974   | 7,332   | -   | (8,215)                |
| Due to subsidiaries <sup>(5)</sup>                            | (36,708)   | 2,307   | (34,401)  | 11,854   | 866   | -   | (21,681)               |
| Due to related body corporate entities <sup>(6)</sup>         | (9,357)  | 466   | (8,891)   | 490  | 61  | -   | (8,340)                |
| <b>Total liabilities</b>                                      | <b>(165,559)</b>   | <b>29,920</b>   | <b>(135,639)</b>  | <b>71,424</b>  | <b>22,013</b>                                       | <b>1</b>  | <b>(42,201)</b>        |

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

(2) Gross assets includes balances not subject to offsetting, \$5,765 million (2022: \$4,684 million) of cash collateral lending and reverse repurchase agreements, \$275 million (2022: \$408 million) of settlements assets, \$457 million (2022: \$897 million) of derivative assets, \$206 million (2022: \$850 million) of due from related body corporate entities and \$6,512 million (2022: \$5,897 million) of due from subsidiaries. Gross liabilities includes balances not subject to offsetting, \$nil (2022: \$nil) of cash collateralised borrowing and repurchase agreements, \$496 million (2022: \$561 million) of settlements liabilities and \$619 million (2022: \$1,120 million) of derivative liabilities and \$5,139 (2022: \$5,000 million) of due to related body corporate entities and \$16,929 million (2022: \$16,333 million) of due to subsidiaries.

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

(4) Excludes margin money assets of \$10,537 million (2022: \$9,910 million) and liabilities of \$13,536 million (2022: \$11,651 million) presented under Note 7 *Margin money and settlement assets* and Note 17 *Margin money and settlement liabilities* respectively on the Statements of financial position.

(5) Excludes margin money and non-financial assets of \$699 million (2022: \$2,881 million) and liabilities of \$3,511 million (2022: \$2,171 million) presented under Due from subsidiaries and Due to subsidiaries respectively on the Statements of financial position.

(6) Excludes margin money and non-financial assets of \$267 million (2022: \$299 million) and liabilities of \$3,083 million (2022: \$1,312 million) presented under Due from related body corporate entities and Due to related body corporate entities respectively on the Statements of financial position.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 37

### Pledged assets and transfers of financial assets

#### Pledged assets

Items pledged as security for liabilities include the following:

- securities and commodities included under trading assets and off-balance sheet collateral securities pledged for repurchase transactions, stock lending arrangements and trading liabilities. These transactions are governed by standard industry agreements
- loan assets held by the Consolidated SEs provided as collateral against issued debt or repurchase transactions
- other types of financial and non-financial assets disclosed in the following table provided as collateral for borrowings and issued debt securities.

The table below represents items that have been pledged as security for liabilities.

|  | CONSOLIDATED  |               | COMPANY       |               |
|--|---------------|---------------|---------------|---------------|
|  | 2023<br>\$m   | 2022<br>\$m   | 2023<br>\$m   | 2022<br>\$m   |
| <b>On Balance Sheet items</b>  |               |               |               |               |
| Cash and bank balances   | 203           | -             | 95            | -             |
| Trading assets <sup>(1)</sup>  | 3,516         | 2,899         | 2,733         | 2,890         |
| Financial investments  | 947           | 1,116         | 385           | 1,116         |
| Loan assets <sup>(2)</sup>   | 29,679        | 28,960        | 29,356        | 27,935        |
| Margin money and settlement assets                                   | 327           | -             | -             | -             |
| Due from subsidiaries <sup>(3)</sup>                                 | -             | -             | 2,775         | 3,363         |
| Property, plant and equipment  | 285           | 86            | -             | -             |
| Other assets   | 1             | 236           | -             | -             |
| <b>Total On Balance Sheet assets pledged for liabilities</b>         | <b>34,958</b> | <b>33,297</b> | <b>35,344</b> | <b>35,304</b> |
| <b>Off Balance Sheet items</b>                                       |               |               |               |               |
| Securities and commodities <sup>(4),(5)</sup>                        | 20,999        | 18,607        | 21,192        | 18,861        |
| <b>Total On and Off Balance Sheet assets pledged for liabilities</b> | <b>55,957</b> | <b>51,904</b> | <b>56,536</b> | <b>54,165</b> |

(1) Includes assets transferred under cash collateralised borrowing and repurchase agreements or in return for the loan of other securities where there is no associated liability on the Consolidated Entity's Statements of financial position. For trading assets pledged by the Consolidated Entity and Company, the transferee has the right to sell or re-pledge the entire value of securities received.

(2) Includes \$15,699 million (2022: \$15,013 million) held by Consolidated SEs, which are available as security to note holders and debt providers. Additionally, includes \$13,972 million (2022: \$13,934 million) held by consolidated SEs wherein internally held bonds have been pledged against repurchase agreement liabilities.

(3) Includes cash collateral for guarantees provided to subsidiaries with respect to their exposures from certain counterparties.

(4) Off balance sheet securities and commodities held by the Consolidated Entity include \$44,636 million (2022: \$43,233 million) of securities and commodities borrowed in return for cash and reverse repurchase arrangements and \$7,899 million (2022: \$6,199 million) of securities borrowed on an unsecured basis. Of these, the Consolidated Entity re-pledged \$20,999 million (2022: \$18,607 million) as collateral for repurchase agreement liabilities, as margin for trading purposes or as transfers in return for the loan of other securities, for trading portfolio liabilities and borrowings. Refer to Note 33.1 *Credit risk* for further details.

(5) Off balance sheet securities and commodities held by the Company include \$48,421 million (2022: \$41,380 million) of securities and commodities borrowed in return for cash and reverse repurchase arrangements from external clients and subsidiaries and \$3,957 million (2022: \$3,855 million) of securities borrowed on an unsecured basis. Of these, the Company re-pledged \$21,192 million (2022: \$18,861 million) as collateral for repurchase agreement liabilities, as margin for trading purposes or as transfers in return for the loan of other securities, for trading portfolio liabilities and borrowings. Refer to Note 33.1 *Credit risk* for further details.

## Note 37

### Pledged assets and transfers of financial assets continued

#### Transfers of financial assets

The Consolidated Entity may enter into transactions in the normal course of business that transfer risks and rewards of financial assets recognised in the Consolidated Entity Statements of financial position to other entities. Depending on the criteria discussed in Note 41(xii) *Financial instruments*, the Consolidated Entity may be unable to derecognise the transferred asset, be able to derecognise the transferred assets in full or continue to recognise the asset to the extent of its continuing involvement.

#### Transferred financial assets that are derecognised

When financial assets are derecognised, some continuing involvement may be retained in the assets in the form of liquidity support, financial guarantees, certain derivatives or retention of part of the securitisation interest through interest rate or basis swaps. The Company has interests in certain SEs (into which the Company has previously transferred securitised mortgage assets) through debt notes amounting \$12 million in 2022 which is equal to the Company's maximum exposure to loss.

The Consolidated Entity has not retained any material continuing involvement in transferred financial assets.

#### Transferred financial assets that are not derecognised

The Consolidated Entity did not derecognise any financial assets to the extent of continuing involvement in the years ended 31 March 2023 and 31 March 2022. The following transactions typically result in the transferred assets continuing to be recognised in full.

#### Repurchase and securities lending agreements

Securities and commodities sold under an agreement to repurchase and securities subject to lending agreements continue to be recognised in the Statements of financial position and an associated liability is recognised for the consideration received.

Where securities are transferred in return for the loan of other securities or on an unsecured basis in return for a fee, the transferred asset continues to be recognised in full. There is no associated liability as the securities received is not recognised on the balance sheet. The Consolidated Entity is unable to use, sell or pledge the transferred assets for the duration of the transaction and remains exposed to interest rate risk and credit risk on these assets.

In certain arrangements, the transferee cannot otherwise sell or pledge the transferred securities, however, the assets may be substituted if the required collateral is maintained.

#### Financial investment – Total return swap

Financial assets sold, while concurrently entering into a total return swap with the counterparty, continue to be recognised along with an associated liability for the consideration received. The Consolidated Entity does not have legal rights to these assets but has full economic exposure to them. The transferred assets cannot otherwise be pledged or sold by the transferee.

#### Interests in securitisations

Financial assets (principally home loans and finance lease receivables) are packaged and securities issued to investors. Securitisation vehicles used to achieve this purpose are consolidated when the rights to the residual income of the vehicles, after all payments to investors and costs of the program have been met, is retained. When the Company is entitled to any residual income of a securitisation vehicle, the Company continues to recognise the financial assets. The transferred assets cannot otherwise be pledged or sold.

#### Other financial transfers not derecognised

Includes loans and leases sold or lent to an external funder but the Consolidated Entity still has full economic exposure to them. In such instances, the Consolidated Entity has a right to receive cash from the lessee and an obligations to pay those cash flows to the external funder.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 37

### Pledged assets and transfers of financial assets continued

The following tables provide a summary of financial assets that have been transferred in such a way that part or all of the transferred financial assets do not qualify for derecognition, together with the associated liabilities.

|  | Carrying amount<br>of transferred<br>assets<br>\$m | Carrying amount<br>of associated<br>liabilities<br>\$m | FOR THOSE LIABILITIES THAT ONLY HAVE RECOURSE<br>TO THE TRANSFERRED ASSETS |   |                          |
|--|--|--|--|---|--------------------------|
|  |  |  | Fair value of<br>transferred<br>assets<br>\$m                              | Fair value of<br>associated<br>liabilities<br>\$m | Net<br>fair value<br>\$m |
| CONSOLIDATED 2023  |  |  |  |   |                          |
| Financial assets not derecognised due to repurchase and securities lending agreements: |  |  |  |   |                          |
| Trading assets <sup>(1)</sup>  | 2,122  | (459)  | -  | -   | -                        |
| Financial investments  | 742  | (740)  | -  | -   | -                        |
| Financial assets not derecognised due to total return/asset swaps:                     |  |  |  |   |                          |
| Financial investments  | 205  | (189)  | -  | -   | -                        |
| Other financial assets not derecognised:   |  |  |  |   |                          |
| Trading assets   | 308  | -  | -  | -   | -                        |
| Loan assets  | 7  | (7)  | 7  | (7)   | -                        |
| <b>Total financial assets not derecognised</b>   | <b>3,384</b>                                       | <b>(1,395)</b>   | <b>7</b>   | <b>(7)</b>  | <b>-</b>                 |
| CONSOLIDATED 2022  |  |  |  |   |                          |
| Financial assets not derecognised due to repurchase and securities lending agreements: |  |  |  |   |                          |
| Trading assets <sup>(1)</sup>  | 1,198  | (245)  | -  | -   | -                        |
| Financial investments  | 884  | (852)  | -  | -   | -                        |
| Financial assets not derecognised due to total return/asset swaps:                     |  |  |  |   |                          |
| Financial investments  | 231  | (212)  | -  | -   | -                        |
| Other financial assets not derecognised:   |  |  |  |   |                          |
| Trading assets   | 270  | -  | -  | -   | -                        |
| Loan assets  | 13   | (13)   | 13   | (13)  | -                        |
| <b>Total financial assets not derecognised</b>   | <b>2,596</b>                                       | <b>(1,322)</b>   | <b>13</b>  | <b>(13)</b>                                       | <b>-</b>                 |

(1) Includes assets transferred under repurchase agreement liabilities or in return for the loan of other securities where there is no associated liability on the Consolidated Entity's Statements of financial position.

## Note 37

### Pledged assets and transfers of financial assets continued

The following tables provide a summary of financial assets that have been transferred in such a way that part or all of the transferred financial assets do not qualify for derecognition, together with the associated liabilities.

|  |  |  | FOR THOSE LIABILITIES THAT ONLY HAVE RECOURSE<br>TO THE TRANSFERRED ASSETS |   |                          |
|--|--|--|--|---|--------------------------|
|  | Carrying amount<br>of transferred<br>assets<br>\$m | Carrying amount<br>of associated<br>liabilities<br>\$m | Fair value of<br>transferred<br>assets<br>\$m                              | Fair value of<br>associated<br>liabilities<br>\$m | Net<br>fair value<br>\$m |
| COMPANY 2023   |  |  |  |   |                          |
| Financial assets not derecognised due to repurchase and securities lending agreements: |  |  |  |   |                          |
| Trading assets <sup>(1)</sup>  | 2,117  | (459)  | -  | -   | -                        |
| Financial investments  | 273  | (271)  | -  | -   | -                        |
| Due from subsidiaries <sup>(2)</sup>   | 13,972   | (11,280)   | -  | -   | -                        |
| Financial assets not derecognised due to total return/asset swaps:                     |  |  |  |   |                          |
| Financial investments  | 205  | (189)  | -  | -   | -                        |
| Financial assets not derecognised due to securitisation:                               |  |  |  |   |                          |
| Loan assets <sup>(3)</sup>   | 13,049   | (10,484)   | 12,990   | (10,419)  | 2,571                    |
| Other financial assets not derecognised:   |  |  |  |   |                          |
| Trading assets   | 308  | -  | -  | -   | -                        |
| <b>Total financial assets not derecognised</b>   | <b>29,924</b>                                      | <b>(22,683)</b>  | <b>12,990</b>  | <b>(10,419)</b>                                   | <b>2,571</b>             |
| COMPANY 2022   |  |  |  |   |                          |
| Financial assets not derecognised due to repurchase and securities lending agreements: |  |  |  |   |                          |
| Trading assets <sup>(1)</sup>  | 1,191  | (245)  | -  | -   | -                        |
| Financial investments  | 884  | (852)  | -  | -   | -                        |
| Due from subsidiaries <sup>(2)</sup>   | 13,935   | (11,269)   | -  | -   | -                        |
| Financial assets not derecognised due to total return/asset swaps:                     |  |  |  |   |                          |
| Financial investments  | 231  | (212)  | -  | -   | -                        |
| Financial assets not derecognised due to securitisation:                               |  |  |  |   |                          |
| Loan assets <sup>(3)</sup>   | 13,894   | (11,868)   | 13,894   | (11,826)  | 2,067                    |
| Other financial assets not derecognised:   |  |  |  |   |                          |
| Trading assets   | 270  | -  | -  | -   | -                        |
| <b>Total financial assets not derecognised</b>   | <b>30,405</b>                                      | <b>(24,446)</b>  | <b>13,894</b>  | <b>(11,826)</b>                                   | <b>2,067</b>             |

(1) Includes assets transferred under repurchase agreement liabilities or in return for the loan of other securities where there is no associated liability on the Company's Statements of financial position.

(2) Represents the fair value of the SEs securitised bonds internally held by the Company which are pledged against repurchase agreement liabilities.

(3) Excludes \$51,013 million (March 2022: \$45,151 million) of securitised assets where the Company holds all of the instruments issued by the SEs.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 38

### Audit and other services provided by PricewaterhouseCoopers

During the financial year, PricewaterhouseCoopers (PwC) and its network firms, the auditor of the Consolidated Entity and the Company, earned the following remuneration.

|   | CONSOLIDATED   |                               | COMPANY        |                               |
|---|----------------|-------------------------------|----------------|-------------------------------|
|   | 2023<br>\$'000 | 2022 <sup>(1)</sup><br>\$'000 | 2023<br>\$'000 | 2022 <sup>(1)</sup><br>\$'000 |
| Audit of the Group and controlled entities <sup>(2)</sup> :                                 |                |                               |                |                               |
| PwC – Australia   | 19,359         | 18,124                        | 17,767         | 16,719                        |
| Network firms of PwC Australia  | 7,085          | 5,678                         | 1,188          | 1,078                         |
| <b>Total audit services</b>   | <b>26,444</b>  | <b>23,802</b>                 | <b>18,955</b>  | <b>17,797</b>                 |
| Audit-related services <sup>(3)</sup> :   |                |                               |                |                               |
| PwC – Australia   | 20,964         | 5,225                         | 18,694         | 3,961                         |
| Network firms of PwC Australia  | 154            | 682                           | 82             | 194                           |
| <b>Total audit-related services</b>   | <b>21,118</b>  | <b>5,907</b>                  | <b>18,776</b>  | <b>4,155</b>                  |
| <b>Total audit and audit-related services</b>   | <b>47,562</b>  | <b>29,709</b>                 | <b>37,731</b>  | <b>21,952</b>                 |
| Taxation services:  |                |                               |                |                               |
| PwC – Australia   | 152            | 307                           | 9              | 164                           |
| Network firms of PwC Australia  | 387            | 784                           | 155            | 226                           |
| <b>Total taxation services</b>  | <b>539</b>     | <b>1,091</b>                  | <b>164</b>     | <b>390</b>                    |
| Other services:   |                |                               |                |                               |
| PwC – Australia   | 536            | 1,380                         | 443            | 90                            |
| Network firms of PwC Australia  | 252            | 40                            | 223            | -                             |
| <b>Total other services</b>   | <b>788</b>     | <b>1,420</b>                  | <b>666</b>     | <b>90</b>                     |
| <b>Total other non-audit services</b>   | <b>1,327</b>   | <b>2,511</b>                  | <b>830</b>     | <b>480</b>                    |
| <b>Total remuneration paid to PwC for audit, audit-related and other non-audit services</b> | <b>48,889</b>  | <b>32,220</b>                 | <b>38,561</b>  | <b>22,432</b>                 |

Use of PwC's services for engagements other than audit is restricted in accordance with the Consolidated Entity's *Audit and Assurance Independence Policy*. It is the Consolidated Entity's policy to seek competitive tenders for all major advisory projects and all non-audit services provided by PwC have been approved in accordance with its *Audit and Assurance Independence Policy*.

(1) Comparative information has been restated to conform to the presentation in the current year.

(2) Prior period includes:

- Consolidated Entity: additional fees of \$1,704 thousand (2021: \$867 thousand) for PwC Australia and \$nil (2021: \$1,242 thousand) for network firms of PwC Australia that related to the year ended 31 March 2022 but were incurred during the 2023 financial year
- Company: additional fees of \$1,354 thousand (2021: \$740 thousand) for PwC Australia and \$nil (2021: \$130 thousand) for network firms of PwC Australia that related to the year ended 31 March 2022 but were incurred during the 2023 financial year.

(3) Audit related services consist of assurance and related services traditionally performed by the independent external auditor of the Consolidated Entity. While in addition to their statutory audit role, these services are consistent with the role of the external auditor and include statutory assurance and other assurance services such as engagements required under regulatory, prudential, legislative or financing programmes as well as reviews requested by regulators and other agreed upon procedures.



## Note 39

### Acquisitions and disposals of subsidiaries and businesses

#### Acquisitions and Disposal of subsidiaries and businesses

Other than those disclosed in Note 27 *Related party information*, the Consolidated Entity did not acquire or sell any other subsidiaries or businesses during the current and previous financial year.

## Note 40

### Events after the reporting date

There were no material events subsequent to 31 March 2023 and up until the authorisation of the financial statements for issue, that have not been disclosed elsewhere in the financial statements.

## Note 41

### Significant accounting policies

#### (i) Principles of consolidation

##### Subsidiaries

The consolidated Financial Report reflects the financial performance and financial position of the Consolidated Entity. Subsidiaries are all those entities (including structured entities) which the Consolidated Entity controls. The Consolidated Entity controls an entity where it has:

- power to direct the relevant activities
- exposure, or rights, to variable returns
- the ability to utilise power to affect the entity's returns.

The determination of control is based on current facts and circumstances and is continuously assessed. The Consolidated Entity has power over an entity when it has existing substantive rights that provide it with the current ability to direct the entity's relevant activities, being those activities that significantly affect the entity's returns. The Consolidated Entity also considers the entity's purpose and design. If the Consolidated Entity determines that it has power over an entity, the Consolidated Entity then evaluates its exposure, or rights, to variable returns by considering the magnitude and variability associated with its economic interests.

All variable returns are considered in making that assessment including, but not limited to, returns from debt or equity investments, guarantees, liquidity arrangements, variable fees and certain derivative contracts. In certain instances, the Consolidated Entity has determined that it controls entities that it has less than half of the voting rights on the basis of its ability to direct the relevant activities of those entities.

##### Structured entities

Structured Entities (SEs) are those entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when voting rights relate to administrative tasks only and the relevant activities of the SE are directed by means of contractual arrangements. When assessing whether the Consolidated Entity controls (and therefore consolidates) a SE, judgement is required as to whether the Consolidated Entity has power over the relevant activities as well as exposure, or rights, to variable returns of the SE.

Where the Consolidated Entity has power over the SE's relevant activities, has assessed that its exposure to variable returns (through the residual risk associated with its involvement in SEs) is sufficient, and is able to affect its returns, the underlying assets, liabilities, revenues and expenses of these SEs are reported in the consolidated financial statements. Refer to Note 31 *Structured entities* for further information related to both consolidated and unconsolidated structured entities.

##### Consolidation

The effects of all transactions between subsidiaries in the Consolidated Entity are eliminated in full. Unrealised losses are eliminated in the same manner as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests (NCI) in the results and equity of subsidiaries are shown separately in the consolidated Income statements, consolidated Statements of comprehensive income and consolidated Statements of financial position and are determined on the basis of the Consolidated Entity's present ownership interest in the entity.

Where control of an entity was obtained during the financial year, its results are included in the consolidated Income statements from the date on which control was obtained. Where control of an entity ceased during the financial year, its results are included for that part of the financial year during which control existed.

The Consolidated Entity determines the dates of obtaining control (i.e. acquisition date) and losing control (i.e. disposal date) of another entity based on an assessment of all pertinent facts and circumstances that affect the ability to direct the relevant activities and the extent of the Consolidated Entity's exposure to the entity's variable returns. Facts and circumstances that have the most impact include the contractual arrangements agreed with the counterparty, the manner in which those arrangements are expected to operate in practice and whether regulatory approval is required (including the nature of such approval). The acquisition or disposal date does not necessarily occur when the transaction is closed or finalised under law.

Subsidiaries held by the Company are carried in its financial statements at cost less accumulated impairments, adjusted for changes in fair value attributable to the spot foreign exchange risk where such subsidiaries are designated in qualifying fair value hedge relationships.

##### Interests in associates and joint ventures

Associates and joint ventures are entities over which the Consolidated Entity has significant influence or joint control. Existing ownership interests (including in-substance ownership interests) in associates and joint ventures are accounted for under the equity method. In-substance ownership interests are interests that are substantially similar to an investee's ordinary shares. Equity accounting of the ownership interests is applied from the date that the Consolidated Entity has significant influence or joint control and ceases when the Consolidated Entity no longer has significant influence or joint control.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 41

### Significant accounting policies continued

#### (i) Principles of consolidation continued

The Consolidated Entity determines the dates of obtaining or losing significant influence or joint control of another entity based on an assessment of all pertinent facts and circumstances that affect the ability to significantly influence the financial and operating policies or jointly control the relevant activities of that entity. Facts and circumstances that have the most impact include the contractual arrangements agreed with the counterparty, the manner in which those arrangements are expected to operate in practice, and whether regulatory approval is required (including the nature of such approval). The acquisition or disposal date does not necessarily occur when the transaction is closed or finalised under law.

The equity method of accounting is applied in the consolidated Financial Report and requires the recognition of the Consolidated Entity's share of its associates' and joint ventures' post-acquisition profits or loss (including impairments of the associates' or joint ventures' assets) in the consolidated income statement, and the share of the post-acquisition movements in other comprehensive income in the consolidated statement of comprehensive income. Transactions reported directly in equity (besides those reflected in other comprehensive income) are accounted for by the Consolidated Entity in accordance with the substance of the transaction and whether the transaction is dilutive to the Consolidated Entity's ownership interest. Where the transaction is dilutive, the impact is recorded as part of the Consolidated Entity's share of profits or losses of associates and joint ventures.

Equity accounting of losses is restricted to the Consolidated Entity's interests in its associate or joint venture, unless the Consolidated Entity has an obligation or has made payment on behalf of the entity.

Long-term interests in an associate or joint venture, to which the equity method is not applied but in-substance form part of the net investment in the associate or joint venture, are accounted for in accordance with the Consolidated Entity's financial instruments' accounting policies, which includes accounting for expected credit losses, where applicable. Subsequently, the loss allocation and impairment requirements in AASB 128 *Investments in Associates and Joint Ventures* are applied to long-term interests.

At the end of each reporting period, management reviews the Consolidated Entity's investments in associates and joint ventures for indicators of impairment. Where there is an indicator of impairment, the carrying amount of the investment is tested for impairment by comparing its recoverable amount with its carrying value. Impairment losses are recognised in other impairment charges/reversals. A reversal of a previously recognised impairment loss is recognised only to the extent that the investment's carrying value does not exceed the carrying amount that would have been determined (including consideration of any equity accounted losses), if no impairment loss had been recognised.

Interests in associates and joint ventures are classified as held for sale when the Consolidated Entity determines that the interest will be recovered principally through a sale transaction rather than through continuing use. Equity accounting is suspended when the interest is classified as held for sale.

On disposal of an investment in an associate or a joint venture, the difference between the sales consideration, any retained interest and the carrying value is recognised as a gain or loss in investment income as part of other operating income and charges together with any gains and losses in OCI that related to the associate or joint venture.

Investments (including in-substance existing ownership interests) in associates and joint ventures held by the Company are carried in its financial statements at cost less accumulated impairment.

#### Changes in ownership interests

When acquiring additional interests:

- of a financial asset (such that it becomes an associate, joint venture or subsidiary), or
- in an investment in an associate or joint venture (such that it becomes a subsidiary), where the underlying entity constitutes a business,

previously held interests are revalued to their fair value and any gain or loss is recognised in investment income as part other operating income and charges.

Similarly, when selling ownership interests of a subsidiary (such that control is lost), or an investment in an associate or joint venture (such that it becomes a financial asset), retained ownership interests are revalued to their fair value and any gain or loss is recognised in investment income as part of other operating income and charges. Retained ownership interests are not revalued where the sale represents a contribution to an associate or joint venture.

Increases and decreases in the Consolidated Entity's interest in a subsidiary (that do not result in the loss of control) are accounted for directly within equity. Increases in the Consolidated Entity's ownership interest in an associate or joint venture are accounted for as an increase in the carrying value of the interest in associate or joint venture. The difference between the reduction in the Consolidated Entity's interest in an associate or joint venture that remains an associate or joint venture and the fair value of consideration received is accounted for as a gain or loss within investment income as part of other operating income and charges. A proportionate amount of associated OCI is reclassified to profit or loss, or reclassified within equity, as would otherwise be required on disposal of the underlying position.

## Note 41

### Significant accounting policies continued

#### (ii) Business combinations

Distinguishing between whether assets or a business is acquired involves judgement. The Consolidated Entity identifies a business where an acquired integrated set of activities and assets includes an economic resource (input) and a substantive process that together significantly contribute to the ability to provide goods or services to customers, generate investment income or other income from ordinary activities (outputs).

On a transaction-by-transaction basis, the Consolidated Entity may use a practical expedient to determine that an acquired set of activities is not a business. Under this assessment, the transaction is accounted for as an asset acquisition if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

Business combinations are accounted for using the acquisition method. The consideration exchanged is measured as the aggregate of the acquisition-date fair values of assets transferred, equity instruments issued, and liabilities incurred. Transaction costs of a business combination are recognised directly in the consolidated income statement as part of other operating expenses.

Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are measured at fair value on the acquisition date. The Consolidated Entity elects, on a transaction-by-transaction basis, to initially measure NCI either at fair value or at the NCI's proportionate share of the fair values of the identifiable assets and liabilities.

Goodwill is measured as the excess of the consideration exchanged, recognised NCI, and the fair value of previously held equity interests over the fair value of the identifiable net assets of the business acquired and is recognised as part of intangible assets. Goodwill is subsequently measured at cost less accumulated impairment.

If the consideration is less than the Consolidated Entity's share of the fair value of the identifiable net assets of the business acquired, the difference is recognised in investment income as part of other operating income and charges, but only after a reassessment of the identification and measurement of the net assets acquired.

Contingent consideration that is dependent on any subsequent event is measured at fair value with changes in its fair value recognised in investment income as part of other operating income and charges.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present values as at the acquisition date. The discount rate used is the Consolidated Entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

#### Combinations between entities or businesses under common control

Common control transactions, which are business combinations involving entities or businesses that are ultimately controlled by the same parent entity, are accounted for at book value.

Where the Consolidated Entity acquires, as part of a common control transaction, assets that meet the definition of a business, the assets and liabilities acquired are recorded using the book values included in the consolidated financial statements of the entity having the highest level within the common control group and, where applicable, are presented gross of any accumulated amortisation, depreciation and impairment. The Consolidated Entity accounts for the difference between the consideration paid and the book value of the assets and liabilities acquired as a restructure reserve in equity, generally in retained earnings.

In the Consolidated Entity's financial statements, to the extent the common control transaction occurred between entities ultimately controlled by Macquarie Bank Limited, the selling entity's gains and losses relating to a common control transaction are eliminated against the amount recorded in the acquirer's equity relating to the common control transaction.

#### (iii) Foreign currency translation

##### Functional and presentation currency

The functional currency of each entity (including branches) in the Consolidated Entity is determined as the currency of the primary economic environment in which the entity operates. The Consolidated Entity and the Company's financial statements are presented in Australian dollars (the presentation currency), which is also the Company's functional currency.

##### Transactions and balances

At initial recognition, a foreign currency transaction is translated into the entity's functional currency using the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of each reporting period:

- foreign currency monetary assets and liabilities are translated using the closing exchange rate
- non-monetary items (including equity) measured in terms of historical cost in a foreign currency remain translated using the spot exchange rate at the date of the transaction
- non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date that the fair value was measured.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 41

### Significant accounting policies continued

#### (iii) Foreign currency translation continued

Foreign exchange gains and losses arising from the settlement or translation of monetary items, or non-monetary items measured at fair value are recognised in net trading income, with one exception. Where such monetary items are designated as hedging instruments in qualifying cash flow hedge or net investment hedge relationships, the foreign exchange gains and losses may be deferred in OCI to the extent the hedge is effective (refer to Note 32 *Hedge accounting* and Note 41(x) *Derivative instruments and hedging activities*).

#### Subsidiaries and other entities

The results and financial position of all entities that have a functional currency other than Australian dollars are translated into Australian dollars as follows:

- assets and liabilities for each Statements of financial position presented are translated at the closing exchange rate at the date of that Statements of financial position. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and are translated at the closing exchange rate
- income and expenses for each income statement are translated at actual or average exchange rates at the dates of the transactions
- all resulting exchange differences are recognised in OCI within a separate component of reserves, being the foreign currency translation reserve (FCTR).

Foreign currency gains and losses on intragroup loans are recognised in the income statement except where the loan is in-substance part of the Consolidated Entity's net investment in the foreign operation, in which case the foreign currency gains and losses are recognised in the Consolidated Entity's FCTR.

The exchange gains or losses recognised in FCTR are reclassified to the income statement or reattributed within equity as follows:

- if there is a disposal of a foreign operation, then the accumulated FCTR is reclassified from OCI to investment income within other operating income and charges
- if there is a partial disposal of a foreign operation that is an associate or joint arrangement, without loss of significant influence or joint control, then a proportionate share of the accumulated FCTR is reclassified to investment income
- if there is a partial disposal of a foreign operation that is a subsidiary, without loss of control, then a proportionate share of the accumulated FCTR is reattributed within equity to non-controlling interests.

#### (iv) Revenue and expense recognition

##### Net interest income

Interest income and interest expense (with the exception of borrowing costs that are capitalised on a qualifying asset which is not measured at fair value) are recognised using the effective interest rate (EIR) method for financial assets and financial liabilities carried at amortised cost, and debt financial assets classified as at fair value through OCI. The EIR method calculates the amortised cost of a financial instrument at a rate that discounts estimated future cash receipts or payments through the expected life of the financial instrument to the net carrying amount of the financial asset or liability. The calculation of the EIR does not include ECL. Fees and transaction costs that are integral to the lending arrangement are recognised in interest income or interest expense, as applicable, over the expected life (or, when appropriate, a shorter period) of the instrument in accordance with the EIR method.

When the estimates of payments or receipts of a financial instrument are subsequently revised, the carrying amount is adjusted to reflect the actual or revised cash flows with the remeasurement recognised as part of interest income (financial assets) or interest expense (financial liabilities).

The calculation of the EIR does not include ECL, except for financial assets which on initial recognition are classified as purchased or originated credit impaired (POCI). Interest income on these assets is determined using a credit adjusted EIR by discounting the estimated future cash receipts, including credit losses expected at initial recognition, through the expected life of the financial instrument to the net carrying amount of the financial asset.

Interest income on financial assets that are not credit-impaired is determined by applying the financial asset's EIR to the financial asset's gross carrying amount. Interest income on financial assets that are subsequently classified as credit-impaired (Stage III), is recognised by applying the EIR to the amortised cost carrying value (being the gross carrying value after deducting the impairment loss).

Interest income and expense on financial assets and liabilities that are classified as FVTPL is accounted for on a contractual rate basis.

##### Fee and commission income

Revenue earned by the Consolidated Entity from its contracts with customers primarily consists of the following categories of fee and commission income.

##### Brokerage and other trading-related fee income

The Consolidated Entity enters into contracts with customers to act as an agent to buy and sell securities. The brokerage and commission income related to this service is recognised on trade date and is presented net of any rebates.

## Note 41

### Significant accounting policies continued

#### (iv) Revenue and expense recognition continued

##### Service fee from related body corporates

Service fees for the provision of resources or other ancillary services to other Group entities, when the Company or its subsidiaries performs a service for other entities within the Macquarie Group as per the group shared services agreements, are recognised as and when those services are performed.

##### Other fee and commission income

Other fee and commission income includes fees earned on a range of banking products and services platforms, wealth services, credit cards, structuring fees, portfolio administration, lending services, stock borrow and lending activities and income on structured products which is recognised when the performance obligation is satisfied.

The revenue recognition policies above are applied to internal fee sharing arrangements between the entities within the Macquarie Group. Management fees and other cost recoveries are recognised as and when the Company performs a service to other entities within the Macquarie Group as per the agreed cost or profit sharing arrangements.

##### Net operating lease income

Operating lease income is recognised on a straight-line basis over the lease term and is presented net of the related depreciation expense.

##### Other operating income and charges

Other operating income and charges includes investment income, and other income.

Investment income includes gains and losses arising from subsequent changes in the fair values of equity and debt investment securities that are classified as FVTPL and dividends or distributions on these securities which represent the return on such investments. Impairment losses/reversal of impairment losses on these financial assets are not reported separately.

Gains or losses on the change of control, joint control and/or significant influence and reclassifications to/from held for sale also forms part of investment income. Refer to Note 41(i) *Principles of consolidation* for details on the timing of recognition of such gains or losses.

##### Dividends

Dividends or distributions are recognised when the right to receive a dividend or distribution is established, it is probable the economic benefits associated with the dividend will flow to the Company and/or Consolidated Entity and the dividend can be measured reliably.

Dividends or distributions from HFT assets are recognised in net trading income, as investment income as part of other operating income and charges for other financial assets measured at FVTPL or FVOCI, or as a reduction to the carrying amount of the investment in associates and joint ventures. Where associates and joint ventures are classified as held for sale, dividends or distributions are recognised within other income as part of other operating income and charges.

Judgement is applied in determining whether distributions from subsidiaries, associates and joint ventures are to be recognised as dividend income or as a return of capital. Distributions that represent a return of capital are accounted for by the Company as a reduction to the cost of its investment and are otherwise recognised by the Company within investment income as part of other operating income and charges when the recognition criteria are met.

##### Expenses

Expenses are recognised in the income statement as and when the provision of services is received.

#### (v) Segment reporting

Operating Segments are identified on the basis of internal reports to Senior Management about components of the Consolidated Entity that are regularly reviewed by Senior Management who have been identified as the chief operating decision makers, in order to allocate resources to the segment and to assess its performance. Information reported to Senior Management for the purposes of resource allocation and assessment of performance is specifically focused on core products and services offered, comprising three reportable segments as disclosed in Note 3 *Segment reporting*.

Information about products and services is based on the financial information used to produce the Consolidated Entity's financial statements. Information about geographical segments is based on the jurisdiction of the respective entities.

#### (vi) Taxation

The balance sheet approach to tax effect accounting has been adopted whereby the income tax expense for the financial year is the tax payable on the current year's taxable income adjusted for changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and unused tax losses.

Deferred tax assets are recognised when temporary differences arise between the tax bases of assets and liabilities and their respective carrying amounts which give rise to a future tax benefit, or when a benefit arises due to unused tax losses. In both cases, deferred tax assets are recognised only to the extent that it is probable that future taxable amounts will be available against which to utilise those temporary differences or tax losses.

Deferred tax liabilities are recognised when such temporary differences give rise to taxable amounts that are payable in future periods. Deferred tax assets and liabilities are recognised at the tax rates expected to apply when the assets are recovered, or the liabilities are settled under enacted or substantively enacted tax law.



# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 41

### Significant accounting policies continued

#### (vi) Taxation continued

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Current tax assets and liabilities are offset when there is a legally enforceable right to offset and an intention to either settle on a net basis or realise the asset and settle the liability simultaneously.

Current and deferred taxes attributable to amounts recognised in OCI are also recognised in OCI.

The Consolidated Entity exercises judgement in determining whether deferred tax assets, particularly in relation to tax losses, are probable of recovery.

Factors considered include the ability to offset tax losses within the tax consolidated group in Australia or groups of entities in overseas jurisdictions, the nature of the tax loss, the length of time that tax losses are eligible for carry forward to offset against future taxable profits and whether future taxable profits are expected to be sufficient to allow recovery of deferred tax assets.

The Consolidated Entity undertakes transactions in the ordinary course of business where the income tax treatment requires the exercise of judgement. The Consolidated Entity estimates the amount expected to be paid to/(recovered from) tax authorities based on its understanding and interpretation of the law. Uncertain tax positions are presented as current or deferred tax assets or liabilities with reference to the nature of the underlying uncertainty.

#### Tax consolidation

The Consolidated Entity's Australian tax liabilities are determined according to tax consolidation legislation.

All eligible Australian resident wholly owned subsidiaries of Macquarie Group Limited (MGL, the Company's ultimate parent entity) comprise a tax consolidated group (TCG) with MGL as the head entity. As a consequence, the Company and the relevant subsidiaries are not liable to make income tax payments and do not recognise any current tax balances or any deferred tax assets arising from unused tax losses or credits.

The TCG recognises its current and deferred taxes using the 'group allocation approach' detailed in AASB UIG Interpretation 1052 *Tax Consolidation Accounting* (AASB Interpretation 1052). Under the terms and conditions of a tax funding agreement, MGL charges each subsidiary for all current tax liabilities incurred in respect of their activities and reimburses each subsidiary for any tax assets arising from unused tax losses. The tax funding agreement also allows for the transfer of tax balances between TCG entities as required. Where the recognition of a deferred tax balance in the transferee is precluded under AASB 112 *Income taxes*, the funding paid or received is accounted for in equity.

MGL's group allocation approach is based on a 'standalone taxpayer' approach as defined in AASB Interpretation 1052 which requires each subsidiary member to record income taxes as though they each continued to be a taxable entity in their own right. Modifications, such as the removal of the standalone tax effect of intra-group dividend income, are then made to this approach wherever it does not appropriately reflect the tax outcome to the TCG.

Should MGL be in default of its tax payment obligations, or a default is probable, the current tax balances of its subsidiaries will be determined in accordance with the terms and conditions of a tax sharing agreement between the MGL and entities in the tax consolidated group.

#### Goods and Services tax (GST)

Where GST (or other value added tax) is not recoverable from global tax authorities, it is either capitalised to the Statements of financial position as part of the cost of the related asset or is recognised as part of other operating expenses. Where GST (or other value added tax) is recoverable from or payable to global tax authorities, the amount is recorded as a separate asset or liability in the Statements of financial position.

#### (vii) Financial instruments

##### Recognition of financial instruments

Financial instruments are recognised when the Consolidated Entity becomes a party to the contractual provisions of the instrument.

A financial instrument is initially recognised at fair value and is adjusted (in the case of instruments not classified at FVTPL) for transaction costs that are incremental and directly attributable to the acquisition or issuance of the financial instrument, and fees that are an integral part of the effective interest rate. Transaction costs and fees paid or received relating to financial instruments carried at FVTPL are recorded in the income statement.

The best evidence of a financial instruments' 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 inputs from observable markets. Where such alternative evidence exists, the Consolidated Entity recognises profit or loss immediately when the instrument 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 net trading income over the life of the transaction or when the inputs become observable.

## Note 41

### Significant accounting policies continued

#### (vii) Financial instruments continued

Financial instruments arising in multiple transactions are accounted for as a single arrangement if this best reflects the substance of the arrangement. Factors considered in this assessment include whether the financial instruments:

- are entered into at the same time and in contemplation of one another
- have the same counterparty
- relate to the same risk
- there is no apparent economic need or substantive business purpose for structuring the transactions separately that could not also have been accomplished in a single transaction, or
- whether each of the financial instruments has its own terms and conditions and may be transferred or settled separately.

#### Derecognition of financial instruments

##### Financial assets

Financial assets are derecognised from the Statements of financial position when:

- the contractual rights to cash flows have expired, or
- the Consolidated Entity has transferred the financial asset such that it has transferred substantially all the risks and rewards of ownership of the financial asset.

A financial asset is transferred if, and only if, the Consolidated Entity:

- transfers the contractual rights to receive the cash flows of the financial asset, or
- retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement where the Consolidated Entity is:
  - not obligated to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset
  - prohibited from selling or pledging the original asset other than as security to the eventual recipients, and
  - obligated to remit any cash flows it collects on behalf of the eventual recipients without material delay.

In transactions where the Consolidated Entity neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, the asset is derecognised if control over the asset is lost. Any interest in the transferred and derecognised financial asset that is created or retained by the Consolidated Entity is recognised as a separate asset or liability.

In transfers where control over the asset is retained, the Consolidated Entity continues to recognise the asset to the extent of its continuing involvement as determined by the extent to which it is exposed to changes in the value of the transferred asset.

#### Financial liabilities

Financial liabilities are derecognised from the Statements of financial position when the Consolidated Entity's obligation has been discharged, cancelled or has expired.

#### Gains and losses on the derecognition of debt financial assets and liabilities

Gains and losses arising from the derecognition of debt financial assets or financial liabilities are recognised in:

- net trading income in respect of trading-related balances that are subsequently measured at amortised cost
- investment income within other operating income and charges in respect of financial investments and loans to associates, and
- other income and charges as part of other operating income and charges for all other financial assets and financial liabilities.

#### Financial guarantee contracts issued

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under AASB 9, or
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of AASB 15 *Revenue from Contracts with Customers*.

#### Modification of financial instruments

A financial instrument is modified when its original contractual cash flows are renegotiated or modified. A financial asset that is renegotiated is derecognised if the rights to receive cash flows from the existing agreement have expired, either through replacement by a new agreement or the existing terms are modified to that effect. A financial liability that is renegotiated is derecognised if the existing agreement is cancelled and a new agreement is made on substantially different terms or if the existing terms are modified such that the renegotiated financial instrument is a substantially different financial instrument. Where the modification results in derecognition of the original financial instrument, the new financial instrument is recorded initially at its fair value and the resulting difference is recognised in the income statement in accordance with the nature of the financial instrument as described in the derecognition of financial instruments policy.

For financial instruments measured at amortised cost, and for debt financial assets measured at FVOCI, when the modification does not result in derecognition, the gross carrying amount of the financial instrument is recalculated and a modification gain or loss is recognised in the income statement. The gain or loss is measured as the adjustment of the gross carrying amount to reflect the renegotiated or modified contractual cash flows, discounted at the instrument's original EIR.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 41

### Significant accounting policies continued

#### (vii) Financial instruments continued

##### Classification and subsequent measurement

##### Financial assets

Financial assets are classified based on the business model within which the asset is held and on the basis of the financial asset's contractual cash flow characteristics.

##### Business model assessment

The Consolidated Entity uses judgement in determining the business model at the level that reflects how groups of financial assets are managed together to achieve a particular business objective. In determining the business model, all relevant evidence that is available at the date of the assessment is used including:

- how the performance of the business model and the financial assets held within that business model is evaluated and reported to the Consolidated Entity's Senior Management personnel and senior executives
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed, and
- how managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

##### Solely payment of principal and interest (SPPI)

The contractual cash flows of a financial asset are assessed to determine whether these represent SPPI on the principal amount outstanding consistent with a basic lending arrangement. This includes an assessment of whether the cash flows primarily reflect consideration for the time value of money and credit risk of the principal outstanding. Interest may also include consideration for other basic lending risks and costs.

##### Amortised cost

A financial asset is subsequently measured at amortised cost using the EIR method where:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows,
- the contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI requirements, and
- the financial asset has not been classified as DFVTPL.

Interest income is determined in accordance with the EIR method and recognised as part of interest and similar income.

##### Fair value through other comprehensive income

A financial asset is subsequently measured at FVOCI if the following conditions are met:

- the financial asset is held within a business model whose objective is to both collect contractual cash flows and to sell the financial assets
- the contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI requirements
- the financial asset has not been classified as DFVTPL.

Subsequent changes in fair value are recognised in OCI, with the exception of interest (which is recognised as part of interest income), ECL (which is recognised in credit and other impairment charges/reversal) and foreign exchange gains and losses (which are recognised in net trading income) and is net of any related hedge accounting adjustments. When debt financial assets classified as at FVOCI are derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from OCI to investment income in respect of debt financial investments and loans to associates, or to other income and charges as part of other operating income and charges for all other financial assets.

##### Fair value through profit or loss

Financial assets that do not meet the criteria to be measured at amortised cost or FVOCI are subsequently measured at FVTPL. For the purposes of the Consolidated Entity's financial statements, the FVTPL classification consists of the following:

- financial assets that are held for active trading (held for trading (HFT)). This classification includes all derivative financial assets, except those that are designated as hedging instruments in qualifying hedge relationships and are classified as FVTPL
- financial assets in a business model whose objective is achieved by managing the financial assets on a fair value basis in order to realise gains and losses as opposed to a business model in which the objective is to collect contractual cash flows (FVTPL)
- financial assets that fail the SPPI test (FVTPL), and
- financial assets that have been designated to be measured at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch (DFVTPL).

Equity financial assets that are not held for active trading are measured at FVTPL. Subsequent changes in fair value are recognised as investment income within other operating income and charges.



## Note 41

### Significant accounting policies continued

#### (vii) Financial instruments continued

Subsequent changes in the fair value of debt financial assets measured at FVTPL are presented as follows:

- changes in the fair value of financial assets that are classified as HFT and financial assets managed on a fair value basis are recognised in net trading income
- changes in the fair value of debt financial investments and loans to associates and joint ventures that fail SPPI are recognised in investment income as part of other operating income and charges
- changes in the fair value of all other FVTPL and DFVTPL financial assets are recognised as part of other income and charges within other operating income and charges.

Where applicable, the interest component of these financial assets is recognised as interest and similar income.

#### Reclassification of financial instruments

The Consolidated Entity reclassifies debt financial assets when and only when its business model for managing those assets changes. Financial assets that are reclassified are subsequently measured based on the financial asset's new measurement category.

The Consolidated Entity does not reclassify financial liabilities after initial recognition.

#### Financial liabilities

Financial liabilities are subsequently measured at amortised cost, unless they are either HFT, or have been designated to be measured at FVTPL (DFVTPL). A financial liability may be DFVTPL if:

- such a designation eliminates or significantly reduces an accounting mismatch that would otherwise have arisen
- a group of financial liabilities, or financial assets and financial liabilities, is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, or
- the liability contains embedded derivatives which must otherwise be separated and carried at fair value.

All derivative financial liabilities are classified as HFT, except those that are designated as hedging instruments in qualifying hedge relationships and are classified as FVTPL. Refer to Note 41(x) *Derivative instruments and hedging activities* for the detailed hedge accounting policy.

Changes in the fair value of financial liabilities that are not classified as HFT, with the exception of changes relating to the Consolidated Entity's own credit risk are recognised in net trading income, or other income and charges as part of other operating income and charges, depending on the nature of the transaction. Changes in fair value relating to changes in the Consolidated Entity's own credit risk are presented separately in OCI and are not subsequently reclassified to profit or loss.

Where applicable, the interest component of these financial liabilities is recognised as interest and similar expense.

#### Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount reported in the Statements of financial position, when there is a current legally enforceable right to offset the amounts and either there is an intention to settle on a net basis or realise the financial asset and settle the financial liability simultaneously.

#### (viii) Cash collateral on securities borrowed and lent and repurchase and reverse repurchase agreements

As part of its trading and financing activities, the Consolidated Entity borrows and lends securities, commodities and other assets ('underlying') on a collateralised basis. The underlying that is subject to the arrangement is not derecognised from the Statements of financial position of the relevant parties, as the risks and rewards of ownership remain with the initial holder.

These transactions include:

- reverse repurchase transactions, where the Consolidated Entity purchases an underlying under an agreement to resell
- repurchase transactions, where the Consolidated Entity sells an underlying under an agreement to repurchase.

The Consolidated Entity continually reviews the fair values of the underlying on which the above transactions are based and where appropriate, requests or provides additional collateral to support the transactions, in accordance with the terms of the respective agreements.

Reverse repurchase agreements are measured as follows by the Consolidated Entity:

- agreements that are collateralised with commodities are measured at amortised cost when they are held in a business model to collect contractual cash flows and AASB 9's SPPI criteria are met
- agreements that are held within the Consolidated Entity's cash and liquid assets portfolio are measured at FVOCI as they are held in a business model to both collect contractual cash flows and with the intention to sell
- all other reverse repurchase agreements are measured at FVTPL to reflect the Consolidated Entity's business model to realise fair value gains and losses as opposed to a business model in which the objective is to collect contractual cash flows.

Also refer to Note 34 *Measurement categories of financial instruments*.

Repurchase agreements are subsequently measured at amortised cost, except where they are DFVTPL to eliminate an accounting mismatch created by managing the agreements together with the associated reverse repurchase agreements that are measured at FVTPL.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 41

### Significant accounting policies continued

#### (ix) Trading assets and liabilities

The Consolidated Entity uses trade date accounting when recording regular way purchases and sales of financial assets and liabilities that are classified as HFT. At the date a purchase transaction is entered into (trade date), the Consolidated Entity recognises the resulting financial asset or liability and any subsequent unrealised gain or loss arising from revaluing that contract to fair value as part of net trading income, except for interest income on HFT debt financial assets which is recognised in interest income. Refer to Note 41(vii) *Financial instruments*.

Trading assets (long positions) comprise financial instruments such as debt and equity securities, bank bills, treasury notes, and loans, commodity contracts and commodities purchased with the intent of being actively traded either individually or as part of a portfolio.

Trading liabilities comprise obligations to deliver assets (short positions) across the same trading categories and which the Consolidated Entity intends to actively trade.

Commodity inventory is recognised when the Consolidated Entity controls the commodity, the determination of which includes consideration of price risk, and is measured at fair value less costs to sell in accordance with the broker-trader exemption, on the basis that such assets are acquired with the purpose of selling in the near future and generating a profit from fluctuations in price or broker-traders' margin.

When the Consolidated Entity becomes party to a sale contract, and the derecognition criteria are met (refer to Note 41(vii) *Financial instruments*), it derecognises the trading asset or liability and recognises a trade receivable or trade payable from trade date until settlement date.

#### (x) Derivative instruments and hedging activities

Derivative instruments entered into by the Consolidated Entity include futures, forwards and forward rate agreements, swaps and options in the interest rate, foreign exchange, commodity, credit and equity markets. These derivative instruments are principally used by the Consolidated Entity for the purposes of risk management of existing financial assets and liabilities and forecast transactions and are also entered into for client trading purposes.

Derivatives are recognised in the Statements of financial position as an asset where they have a positive fair value at the reporting date or as a liability where they have a negative fair value at the reporting date.

Derivatives that may have both positive or negative values must meet both the asset and liability derecognition tests before being derecognised from the Statements of financial position.

Fair values are obtained from quoted prices in active markets where available, or valuation techniques including discounted cash flow models and option pricing models, as appropriate. The accounting for derivatives is subject to the application of the day 1 profit or loss policy as described in Note 41(vii) *Financial instruments*.

The Consolidated Entity applies trade date accounting to the recognition and derecognition of derivative financial instruments.

#### Hedge accounting

As part of its ongoing business, the Consolidated Entity is exposed to several financial risks, principally that of interest rate, foreign exchange rate and commodity price risk (collectively referred to as the hedged risk or exposure). The Consolidated Entity has limited appetite for such risks and has policies and practices in place to ensure that these risks are effectively managed. The Consolidated Entity mitigates these risks through the use of derivative financial instruments, and, in the case of foreign currency risk, foreign-denominated debt issued (collectively referred to as hedging instruments). The Consolidated Entity applies hedge accounting to manage accounting mismatches arising from the difference in measurement bases or location of the gains and losses recognised between the exposure that is being hedged and the hedging instrument. Refer to details provided in the table on the following page.

## Note 41

### Significant accounting policies continued

#### (x) Derivative instruments and hedging activities continued

|  | Fair value hedge   | Cash flow hedge   | Net investment hedge   |
|--|--|---|--|
| <b>Nature of hedge</b>                                 | The hedge of the fair value risk of a financial or non-financial asset or liability.   | The hedge of the change in cash flows of a financial asset or liability.  | The hedge of changes in the Consolidated Entity's foreign denominated net assets for changes in foreign currency rates.            |
| <b>Nature of material hedged risks</b>                 | <ul style="list-style-type: none"> <li>Interest rate risk</li> <li>Commodity price risk</li> <li>Foreign exchange risk.<sup>(1)</sup></li> </ul>   | <ul style="list-style-type: none"> <li>Interest rate risk</li> <li>Foreign exchange risk.</li> </ul>  | <ul style="list-style-type: none"> <li>Foreign exchange risk.</li> </ul>   |
| <b>Material hedged items</b>                           | <ul style="list-style-type: none"> <li>Fixed interest rate financial assets and liabilities</li> <li>Property, Plant and Equipment</li> <li>Investment in subsidiaries.<sup>(1)</sup></li> </ul>   | <ul style="list-style-type: none"> <li>Floating interest rate financial liabilities</li> <li>Highly probably forecast floating interest rate financial liabilities</li> <li>Foreign currency denominated interest bearing financial liabilities.</li> </ul> | <ul style="list-style-type: none"> <li>Net investment in foreign operations.</li> </ul>  |
| <b>Material hedging instruments</b>                    | <ul style="list-style-type: none"> <li>Interest rate swaps</li> <li>Cross currency swaps</li> <li>Commodity forwards and futures</li> <li>Foreign exchange forwards and swaps</li> <li>Foreign currency denominated borrowings.<sup>(1)</sup></li> </ul>   | <ul style="list-style-type: none"> <li>Interest rate swaps</li> <li>Cross currency swaps</li> <li>Foreign currency denominated borrowings.</li> </ul>   | <ul style="list-style-type: none"> <li>Foreign exchange contracts</li> <li>Foreign currency denominated issued debt.</li> </ul>    |
| <b>Designation and documentation</b>                   | At inception of the hedge relationship, documentation is required of the risk management objective and strategy for the hedge, the hedging instrument, hedged item, hedged risk and how the hedge relationship will meet the hedge effectiveness requirements.   |   |  |
| <b>Hedge effectiveness method</b>                      | <p>All hedge relationships are assessed for prospective hedge effectiveness both at the inception of the hedge, at each reporting period and following any significant change in circumstances affecting the hedge, by demonstrating that:</p> <ul style="list-style-type: none"> <li>an economic relationship exists between the hedged item and the hedging instrument</li> <li>credit risk does not dominate the changes in value of either the hedged item or the hedging instrument</li> <li>the hedge ratio is reflective of the Consolidated Entity's risk management approach.</li> </ul> <p>The hedge effectiveness assessment is performed by a combination of qualitative and, where applicable, quantitative assessments. Changes in the hedge ratio, or rebalancing, may be required to adjust the designated quantities of either the hedged item or the hedging instrument.</p> |   |  |
| <b>Accounting treatment for the hedging instrument</b> | Fair value through the income statement, aligned to the presentation of the hedged item.   | Fair value through the cash flow hedge reserve as part of OCI, and then recognised in the income statement at the time at which the hedged item affects the income statement for the hedged risk.   | Foreign exchange gains and losses are recognised in the Net Investment Hedge Reserve (NIHR), a separate component of FCTR in OCI.  |
| <b>Accounting treatment for the hedged item</b>        | Adjustments to the carrying value are recognised in the income statement for changes in fair value attributable to the hedged risk.  | Accounted for on an amortised cost basis.   | Foreign exchange gains and losses are recognised in the Consolidated Entity's foreign currency translation reserve as part of OCI. |

(1) The Company (but not the Consolidated Entity) designates selected hedge accounting relationships that only meet the qualifying criteria for hedge accounting in the Company financial statements.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 41

### Significant accounting policies continued

#### (x) Derivative instruments and hedging activities continued

|   | Fair value hedge   | Cash flow hedge   | Net investment hedge  |
|---|--|---|---|
| <b>Accounting treatment for hedge ineffectiveness</b>                 | Recognised as part of net trading income in the income statement to the extent that changes in fair value of the hedged item attributable to the hedged risk are not offset by changes in fair value of the hedging instrument.  | Recognised as part of net trading income in the income statement to the extent to which changes in the fair value of the hedging instrument exceed, in absolute terms, the change in the fair value of the hedged item.   |   |
| <b>Accounting treatment if the hedge relationship is discontinued</b> | Where the hedged item still exists and is a financial instrument carried at amortised cost, adjustments to the hedged item are amortised to the income statement on an EIR basis. For non-financial items, the adjustment continues as part of the carrying value of the asset up until it is recovered through use or sale, or the item becomes impaired.   | The gain or loss remains in the cash flow hedge reserve to the extent that the hedged cash flows are still expected to take place and subsequently recognised in the income statement at the time at which the hedged item affects the income statement for the hedged risk. Where the hedged cash flows are no longer expected to take place, the gain or loss in the cash flow hedge reserve is recognised immediately in the income statement. | The exchange gains or losses recognised in the NIHR within FCTR are reclassified to the income statement or reattributed within equity as follows: <ul style="list-style-type: none"> <li>• if the hedge is discontinued due to a disposal of the hedged foreign operation, then the accumulated NIHR is reclassified from OCI to investment income within other operating income and charges</li> <li>• if there is a partial disposal of a foreign operation that is an associate or joint arrangement, without loss of significant influence or joint control, then a proportionate share of the accumulated NIHR is reclassified to investment income</li> <li>• if there is a partial disposal of a foreign operation that is a subsidiary, without loss of control, then a proportionate share of the accumulated NIHR is reattributed within equity to non-controlling interests.</li> </ul> |
| <b>Other accounting policies</b>                                      | Certain components of the hedging instrument such as the forward element of a forward contract, the time value of an option and the foreign currency basis spread (being the liquidity charge for exchanging different currencies), may be excluded from the hedge designation. These elements are deferred in the cost of hedging reserve and released to the income statement either at the time at which the hedged exposure affects the income statement, or on a systematic basis over the life of the hedge. |   |   |

## Note 41

### Significant accounting policies continued

#### (xi) Margin money and settlement assets and liabilities

Margin money and settlement assets and liabilities includes trade settlement balances, margin monies and balances with clearing houses. Margin monies primarily represent deposits placed with clearing houses in relation to futures trading and other derivatives transactions. The balance includes both initial and variance margin which varies based on trading activities. The balance also includes client margin calls which are funded by the Consolidated Entity. Settlement balances represent outstanding trade timing balances as at the reporting date due to the timing difference between trade and settlement date. Balances are carried at amortised cost except for certain margin money balances that are held in money market funds and certain settlement balances which are carried at FVTPL.

#### (xii) Financial investments

Investment securities in this category include investments in equity or debt securities which are not actively traded by the Consolidated Entity.

Debt investment securities in this category comprise liquid asset holdings, bonds, money markets and other debt securities.

Financial investments are initially recognised on trade date at fair value (adjusted for directly attributable transaction costs for debt investments subsequently measured at amortised cost or FVOCI) and subsequently measured in accordance with Note 41(vii) *Financial instruments*.

#### (xiii) Loan assets

This category includes loans that are not held for trading purposes and typically includes the Consolidated Entity's lending activities to its customers.

Loan assets are initially recognised on settlement date at fair value (adjusted for directly attributable transaction costs for loan assets subsequently measured at amortised cost or FVOCI) and subsequently measured in accordance with Note 41(vii) *Financial instruments*.

Certain finance lease receivables are also presented as part of asset financing within loan assets. For the detailed policy on financial instruments, including treatment of derecognition, refer to Note 41(vii) *Financial instruments*.

#### (xiv) Property, plant and equipment and right-of-use assets

Property, plant and equipment are stated at historical cost (which includes, where applicable, directly attributable borrowing costs and expenditure directly attributable to the acquisition of the asset) less, accumulated depreciation and, where applicable, accumulated impairment losses.

Right-of-use (ROU) assets are initially measured at cost and comprise of the amount that corresponds to the amount recognised for the lease liability on initial recognition together with any lease payments made at or before the commencement date (less any lease incentives received), initial direct costs and restoration-related costs. Subsequently, it is stated at historical cost less accumulated depreciation and, where applicable, impairment losses, and adjusted for remeasurement of lease liabilities.

Property, plant and equipment and right-of-use assets includes assets leased out under operating leases.

Depreciation is the process to allocate the difference between cost and residual values over the estimated useful life. Where the residual value exceeds the carrying value, no depreciation is charged. Depreciation is calculated on a straight-line basis.

A ROU asset is depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term.

Annual depreciation rates are summarised below:

| Property, plant and equipment                                 | Depreciation rates |
|---|--------------------|
| Buildings   | 2.5 to 3.3%        |
| Furniture, fittings and leasehold improvements <sup>(1)</sup> | 10 to 20%          |
| Equipment   | 33%                |
| Meters  | 5 to 36%           |
| Telecommunications  | 24%                |
| Other operating lease assets                                  | 2 to 25%           |

Useful lives, residual values and depreciation methods are reviewed annually and reassessed in the light of commercial and technological developments. Gains and losses on disposal are determined by comparing the proceeds with the asset's carrying amount and are recognised in other income as part of other operating income and charges.

The depreciation charge is recognised as part of:

- net operating lease income for assets given on operating lease
- occupancy expenses for corporate buildings
- non-salary technology expenses for technology assets
- net trading income for depreciation relating to leased assets held by trading related business for the purpose of facilitating trading activities
- other operating expenses for all other assets.

The Consolidated Entity does not recognise a ROU asset for short-term or low value leases, instead the expense is recognised over the lease term as appropriate as part of operating expenses.

(1) Where remaining lease terms are less than five years, leasehold improvements are depreciated over the remaining lease term.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 41

### Significant accounting policies continued

#### (xv) Goodwill and other identifiable intangible assets

##### Goodwill

Goodwill is measured as the excess of consideration, recognised NCI, and the fair value of previously held equity interests over the fair value of the identifiable net assets of the business acquired. Goodwill arising from business combinations is included in intangible assets.

##### Other acquired identifiable intangible assets

At the time at which the Consolidated Entity determines that it has acquired a business, the Consolidated Entity identifies intangible assets that are required to be initially recognised at fair value. An intangible asset is considered to have an indefinite useful life where it is expected to contribute to the Consolidated Entity's net cash inflows indefinitely.

The following intangible assets are typically identified and recognised by the Consolidated Entity:

- licences and trading rights: generally carried at cost less accumulated impairment loss. Where no contractual or legal limitation exists, these assets are not amortised because they are considered to have an indefinite useful life
- customer and servicing contracts acquired with a finite useful life: carried at cost less accumulated amortisation and accumulated impairment loss. Amortisation is calculated over the period for which the customer relationship is expected to exist
- customer and servicing contracts with an indefinite useful life: carried at cost less accumulated impairment loss.

Certain other intangible assets held for trading, including emission certificates, are measured at fair value less costs to sell in accordance with the broker-trader exemption (on the basis that such assets are acquired with the purpose of selling in the near future and generating a profit from fluctuations in price or broker traders' margin).

Amortisation of intangible assets held by trading related business is recorded in net trading income and for others is recognised in other operating expenses. Impairments (reversal of impairments) of intangible assets are recognised in other impairment charges/reversal.

##### Software

Certain internal and external costs directly incurred in acquiring and developing certain computer software programmes are capitalised and amortised over the estimated useful life, usually a period of three to seven years on a straight-line basis. The capitalised software asset is subject to impairment testing on an annual basis.

Costs incurred on the maintenance of software is expensed as incurred and recognised in other operating expenses.

#### (xvi) Deposits

Deposits include customer deposits, business banking and home loan related deposits, deposits from financial institutions and other balances such as client monies. These deposits are initially recognised at fair value less directly attributable transaction costs and are subsequently measured at amortised cost.

#### (xvii) Other assets and liabilities

##### Contract assets, contract liabilities and capitalised expenses

Where the Consolidated Entity provides services to clients and the consideration is unconditional, a receivable is recognised. Where the consideration is conditional on something other than the passage of time, a contract asset is recognised. Both receivables and contract assets are assessed for impairment in accordance with AASB 9.

The Consolidated Entity, as permitted by AASB 15, has applied the practical expedient that allows for costs incurred to obtain a contract to be expensed as incurred where the amortisation period for any asset recognised would be less than 12 months. The Consolidated Entity also applies the practical expedient not to adjust consideration for the effects of a significant financing component, where the period between transferring a good or service and when the customer pays for that good or service is expected to be one year or less.

Contract liabilities relate to prepayments received from customers where the Consolidated Entity is yet to satisfy its performance obligation.

##### Non-current assets and liabilities of disposal groups classified as held for sale

This category includes assets and disposal groups (groups of assets to be disposed in a single transaction and directly associated liabilities) for which the carrying amount will be recovered principally through a sale or distribution transaction rather than continuing use. This includes assets and liabilities of businesses and subsidiaries, associates and joint ventures, other assets and liabilities, and subsidiaries that are acquired exclusively with a view to sell or distribute.

These assets and disposal groups are classified as held for sale when they are available for immediate sale in their present condition and the sale or distribution is highly probable, including that the sale or distribution is expected to occur within 12 months. Where there is a planned partial disposal of a subsidiary resulting in loss of control, but the Consolidated Entity retains an interest in the disposed subsidiary, the entire carrying value of the subsidiary's assets and liabilities is classified as held for sale.

Non-current assets and liabilities of disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Equity accounting, depreciation and amortisation is suspended when the held for sale criteria are met.



## Note 41

### Significant accounting policies continued

#### (xvii) Other assets and liabilities continued

An impairment loss is recognised for any initial or subsequent write down of the asset to fair value less costs to sell and is recognised in other impairment charges/reversal. A gain is recognised for any subsequent increase in fair value less costs to sell, limited to the cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of sale is recognised at the date of sale.

Financial assets and liabilities that are classified as held for sale are measured in accordance with the Consolidated Entity's financial instruments' policies.

#### Provisions and contingent liabilities

Provisions are recognised when it is probable that an outflow of economic benefits will be required to settle a present legal or constructive obligation that has arisen as a result of past events and for which a reliable estimate can be made.

Contingent liabilities are either possible obligations whose existence will be confirmed only by uncertain future events, or they are present obligations where a transfer of economic resources is not probable or cannot be reliably measured. Contingent liabilities are not recognised on the balance sheet but are disclosed unless an outflow of economic resources is remote.

Contingent liabilities, which generally include letters of credit, performance-related contingents and guarantees are disclosed in Note 30 *Contingent liabilities and commitments*.

#### Employee benefit provisions

Employee benefit provisions are recognised by the Consolidated Entity as and when the service has been rendered after deducting amounts already paid. Liabilities for unpaid salaries, salary-related costs and provisions for annual leave are recorded in the Statements of financial position at the salary rates which are expected to be paid when the liability is settled. Provisions for long service leave and other long-term benefits are recognised at the present value of expected future payments to be made.

In determining this amount, consideration is given to expected future salary levels and employee service histories. Expected future payments are discounted to their net present value using discount rates on high quality corporate bonds, except where there is no deep market, in which case rates on Government securities are used. Such discount rates have terms that match as closely as possible the expected future cash flows.

Provisions for unpaid employee benefits are derecognised when the benefit is settled or is transferred to another entity and the Company and Consolidated Entity are legally released from the obligation and do not retain a constructive obligation.

#### Dividends

Where a dividend is declared by the Company's Board of Directors, the provision for the dividend is recognised in the Statements of financial position as a liability, with a corresponding reduction in retained earnings, on the declaration date. Where the Company's

Board of Directors determine or resolve to pay a dividend, the liability and the corresponding reduction in retained earnings is recognised on the payment date.

#### (xviii) Borrowings

Borrowings includes loans and other payables due to banks and financial and non-financial institutions. These balances are subsequently measured at amortised cost.

#### (xix) Due to/from related body corporate entities and subsidiaries

Transactions between the Consolidated Entity and other related body corporate entities under common control of MGL and between the Company and its subsidiaries, principally arise from the provision of banking and other financial services, lending arrangements and acceptance of funds on deposit, the provision of management and administration services, facilities and accommodation and the provision of financial guarantees, and are accounted for in accordance with Note 41(iv) *Revenue and expense recognition* and Note 41(vii) *Financial instruments*.

Financial assets and financial liabilities are presented net where the offsetting requirements are met (Note 41(vii) *Financial instruments*), such that the net amount is reported in the Statements of financial position.

#### (xx) Debt issued

Debt issued includes debt securities issued by the Consolidated Entity. These balances are subsequently measured at either amortised cost or are DFVTPL and measured at fair value in accordance with the Consolidated Entity's accounting policy for financial instruments, refer to Note 41(vii) *Financial instruments*.

#### (xxi) Loan capital

Loan capital represents issued debt with terms and conditions that qualify for inclusion as capital under Australian Prudential Regulation Authority (APRA) Standards.

Capital instruments are first assessed to determine whether the Consolidated Entity is required to deliver cash or another financial asset on the occurrence of a contingent event that is considered genuine and beyond the control of both the issuer and the holder (such as Common Equity Tier 1 Trigger Events or Non-Viability Trigger Events). Where such a contingent event exists, then the Consolidated Entity does not have the unconditional right to avoid delivering cash or another financial asset and the capital instrument is classified as a financial liability. The financial liability is initially measured at fair value plus directly attributable transaction costs and is subsequently measured at amortised cost.

For compound instruments that have both equity and liability features, the liability component is initially measured at fair value plus directly attributable transaction costs (and is thereafter measured at amortised cost using the EIR method), with the residual being accounted for within the Consolidated Entity's equity.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 41

### Significant accounting policies continued

#### (xxii) Impairment

##### Expected credit losses

The ECL requirements apply to financial assets measured at amortised cost or FVOCI, lease receivables, amounts receivable from contracts with customers, loan commitments, certain letters of credit and financial guarantee contracts issued that are not DFVTPL. The Consolidated Entity applies a three-stage approach to measuring the ECL based on changes in the financial asset's underlying credit risk and includes forward looking information (FLI).

The calculation of ECL requires judgement and the choice of inputs, estimates and assumptions. Refer to Note 12 *Expected credit losses* for further information. Outcomes within the next financial period that are different from management's assumptions and estimates could result in changes to the timing and amount of ECL to be recognised.

The ECL is determined with reference to the following stages:

##### (i) Stage I—12 month ECL

At initial recognition, and for financial assets for which there has not been a significant increase in credit risk (SICR) since initial recognition, ECL is determined based on the probability of default (PD) over the next 12 months and the lifetime losses associated with such PD, adjusted for FLI. Stage I also includes financial assets where the credit risk has improved and has been reclassified from stage II.

##### (ii) Stage II—Not credit-impaired

When there has been a SICR since initial recognition, the ECL is determined with reference to the financial asset's lifetime PD and the lifetime losses associated with that PD, adjusted for FLI. The Consolidated Entity exercises judgement in determining whether there has been a SICR since initial recognition based on qualitative, quantitative, and reasonable and supportable information that includes FLI. Detail on the Consolidated Entity's process to determine whether there has been a SICR is provided in Note 12 *Expected credit losses*.

Use of alternative criteria could result in significant changes to the timing and amount of ECL to be recognised. Lifetime ECL is generally determined based upon the contractual maturity adjusted, where appropriate, for prepayments, extension, call and similar options, of the financial asset. For revolving facilities, the Consolidated Entity exercises judgement based on the behavioural, rather than contractual characteristics of the facility type. Stage II may include financial assets where the credit risk has improved and has been reclassified from stage III.

##### (iii) Stage III—Credit-impaired

Financial assets are classified as Stage III where they are determined to be credit impaired, which generally matches the APRA definition of default. This includes exposures that are at least 90 days past due and where the obligor is unlikely to pay without recourse against available collateral.

The ECL for credit impaired financial assets is generally measured as the difference between the contractual and expected cash flows from the individual exposure, discounted using the EIR for that exposure. For credit-impaired exposures that are modelled collectively for portfolios of exposures, ECL is measured as the product of the lifetime PD, the loss given default (LGD) and the exposure at default (EAD), adjusted for FLI.

##### Presentation of ECL allowances

The ECL allowances are presented in the Statements of financial position as follows:

- loan assets, loans to related body corporate entities and subsidiaries, associates and joint ventures measured at amortised cost – as a deduction to the gross carrying amount
- loan assets, loans to associates and joint ventures, and debt financial investments measured at FVOCI – as a reduction in the FVOCI reserve within equity. The carrying amount of the asset is not adjusted as it is measured at fair value
- lease receivables, contract receivables and other assets measured at amortised cost – as a deduction to the gross carrying amount
- undrawn credit commitments and financial guarantees (not measured at FVTPL) – as a provision included in other liabilities.

When the Consolidated Entity concludes that there is no reasonable expectation of recovering cash flows from the financial asset, and all possible collateral has been realised, the financial asset is written off, either partially or in full, against the related provision. Recoveries of loans previously written off are recorded based on the cash received.

##### Impairment of interests in associates and joint ventures

The Consolidated Entity performs an assessment at each reporting date to determine whether there is any objective evidence that its interests in associates and joint ventures are impaired. The main indicators of impairment are significant changes with an adverse effect that have taken place in the technological market, economic or legal environment and a significant or prolonged decline in fair value below cost.

In making this judgement, the Consolidated Entity evaluates, among other factors, the normal volatility in share price and the period of time for which fair value has been below cost. If there is an indication that an investment in an associate or joint venture may be impaired, then the entire carrying amount of the investment in the associate or joint venture is tested for impairment by comparing the recoverable amount, being the higher of fair value less costs to sell and value-in-use, with its carrying amount.



## Note 41

### Significant accounting policies continued

#### (xxii) Impairment continued

Impairment losses recognised in the income statement for investments in associates and joint ventures are subsequently reversed through the income statement if there has been a change in the estimates used to determine the recoverable amount since the impairment loss was recognised. The impairment losses (reversal of impairments) on investments in associates and joint ventures are recognised in the income statement as part of other impairment charges/reversal.

Fair value less costs to sell is estimated using market-based approaches using revenues, earnings and assets under management and multiples based on companies deemed comparable as well as other publicly available information relevant to the business.

Value-in-use is calculated using pre-tax cashflow projections of operating revenue and expenses. Forecasts are extrapolated using a growth rate and discounted using a pre-tax discount rate incorporating market risk determinants, adjusted for specific risks related to the cash generating units, if any, and the environment in which it operates.

#### Impairment of investments in subsidiaries

Investments in subsidiaries in the Company's financial statements are reviewed annually for indicators of impairment or more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment is recognised in other impairment charges/reversal for the amount by which the investment's carrying amount exceeds its recoverable amount, being the higher of fair value less costs to sell and value-in-use. At each reporting date, investments in subsidiaries that have been impaired are reviewed for possible reversal of impairment. The amount of any reversal of impairment recognised must not cause the investment's carrying value to exceed its original cost.

#### Impairment of goodwill and other intangible assets; property, plant and equipment and right-of-use assets

Intangible assets with indefinite lives (goodwill and certain intangible assets) are not subject to amortisation but are tested annually for impairment, or more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable.

For intangible assets that have a finite useful life and property, plant and equipment and ROU assets, an assessment is made at each reporting date for indications of impairment.

Impairment losses are recognised in other impairment charges as part of other operating income and charges for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value-in-use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Intangible assets (other than goodwill) for which an impairment loss has been recognised are reviewed for possible reversal of the impairment at each reporting date. A reversal is recognised only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised for the asset in prior years.

In relation to businesses acquired and held for disposal, the individual business is treated as a cash generating unit. Assets associated with strategic business acquisitions are allocated to each of the Operating Segments (refer to Note 3 *Segment reporting*) and assessed for impairment.

#### (xxiii) Performance based remuneration

##### Share-based payments

The ultimate parent company, MGL operates share-based compensation plans, which include awards (including those delivered through the Macquarie Group Employee Retained Equity Plan (MEREP)) granted to employees under share acquisition plans. Information relating to these schemes is set out in Note 29 *Employee equity participation*.

The Consolidated Entity accounts for its share-based payments as follows:

**Equity settled awards:** The awards are measured at their grant date fair value and based on the number of equity instruments expected to vest. Expenses are recognised as part of employment expenses with reference to the vesting period of those awards. To the extent that the Consolidated Entity or Company does not compensate the ultimate parent for MEREP awards offered to its employees, a corresponding credit is recognised in contributed equity. To the extent the amount is paid in advance, a receivable due from the ultimate parent is recognised. The receivable is amortised to the income statement as share-based payment expense over the vesting period. MEREP receivable amounts are recognised and disclosed in Note 27 *Related party information*.

Performance hurdles attached to Performance Share Units (PSUs) under the MEREP are not taken into account when determining the fair value of the PSUs at the grant date. Instead, these vesting conditions are taken into account by adjusting the number of equity instruments expected to vest.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 41

### Significant accounting policies continued

#### (xxiii) Performance based remuneration continued

**Cash settled awards:** The awards are measured at their grant date fair value and based on the number of instruments expected to vest. Expenses are recognised as part of employment expenses with reference to vesting period of those awards which are settled in cash. The award liability is measured with reference to the number of awards and the fair value of those awards at each reporting date.

#### Profit share remuneration

The Consolidated Entity recognises a liability and an expense for profit share remuneration to be paid in cash with reference to the performance period to which the profit share relates.

#### (xxiv) Leases

At the inception of a contract, the Consolidated Entity assesses whether a contract is, or contains, a lease. At inception, or on reassessment of a contract that contains a lease component, the Consolidated Entity allocates the consideration in the contract to each lease component unless an election is made to account for the lease and non-lease components as a single lease component.

##### (i) Accounting where the Consolidated Entity is the lessee

The Consolidated Entity leases office premises, commodity storage facilities, technology and other equipment for which contracts are typically entered into for fixed periods of 12 months to 15 years and may include extension options. Leases are recognised as an ROU asset (as explained in Note 41(xiv) *Property, plant and equipment and right-of-use assets*) and a corresponding liability at the commencement date, being the date the leased asset is available for use by the Consolidated Entity.

##### Lease liability

Lease liabilities are initially measured at the present value of the future lease payments at the commencement date, discounted using the interest rate implicit in the lease (or if that rate cannot be readily determined, the lessee's incremental borrowing rate). Lease payments are allocated between principal and interest expense. Interest expense is, unless capitalised on a qualifying asset which is not measured at fair value, recognised as part of interest and similar expense over the lease period on the remaining lease liability balance for each period. Any variable lease payments not included in the measurement of the lease liability are also recognised in the income statement in the period in which the event or condition that triggers those payments occurs.

Lease liabilities are remeasured when there is a change in future lease payments arising from a change in lease term, an assessment of an option to purchase the underlying asset, an index or rate, or a change in the estimated amount payable under a residual value guarantee.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying value of the ROU asset, or, in the income statement, where the carrying value of the ROU asset has been reduced to zero.

##### Presentation

The Consolidated Entity presents ROU assets in Property, plant and equipment and right-of-use assets (refer to Note 13) and lease liabilities in Other liabilities (refer to Note 20) in the Statements of financial position.

##### (ii) Accounting where the Consolidated Entity is a lessor

Leases where the lessee has substantially all the risks and rewards incidental to ownership of the leased assets are classified as finance leases. All other leases are classified as operating leases.

##### Finance lease

Where finance leases are granted to third parties, the present value of the minimum lease payments plus an estimate of the value of any unguaranteed residual value is recognised as a receivable and included in loan assets.

The difference between the gross receivable and the present value of the receivable is unearned interest income. Lease receipts are discounted using the interest rate implicit in the lease. Interest income is recognised over the term of the lease using the EIR method, which reflects a constant rate of return. Finance lease income is presented within interest and similar income in the income statement.

##### Operating lease

Where the Consolidated Entity is the lessor under an operating lease, the underlying asset is carried at cost and depreciated over its useful life in accordance with the rates specified in Note 41(xiv) *Property, plant and equipment and right-of-use assets*. Operating lease income is recognised on a straight-line basis over the period of the lease unless another systematic basis is more appropriate. Assets leased out under operating leases are included in property, plant and equipment and right-of-use assets.

When the Consolidated Entity is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. The lease classification of the sublease is determined with reference to the ROU asset arising from the head lease.

## Note 41

### Significant accounting policies continued

#### (xxv) Contributed equity

Ordinary shares and other similar instruments are classified as equity. Incremental costs directly attributable to the issue of new shares are recorded in equity as a deduction, net of tax, from the issue proceeds.

#### (xxvi) Fiduciary assets and client money

The Consolidated Entity engages in trust, fund or other fiduciary activities as well as certain brokerage and other trading-related activities that result in the holding or placing of assets on behalf of third parties. Where such assets are controlled, and future economic benefits are expected to be realised by the Consolidated Entity, such assets and the income thereon are reflected in the Statements of financial position and income statement respectively.

Where this is not the case, these assets and the income thereon are excluded from the Consolidated Entity's financial statements as they are not the assets of the Consolidated Entity. Fee income earned by the Consolidated Entity relating to its responsibilities from fiduciary and brokerage and other trading-related activities is included as part of fee and commission income.

#### (xxvii) Cash and bank balances

Cash and bank balances includes currency on hand, demand deposits and short-term balances with Central and other banks including unallocated precious metal balances. These balances are subsequently measured at amortised cost, except unallocated precious metals which are held at FVTPL.

#### (xxviii) Cash and cash equivalents

Cash and cash equivalents comprise of cash and bank balances (except unallocated precious metal balances) as well as certain liquid financial investments and non-trading reverse repurchase agreements that have a contractual maturity of three months or less from the date of acquisition and which are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are available to meet the Consolidated Entity's short-term cash commitments. Cash and cash equivalents exclude margin money balances, trading assets and certain client-related balances which are segregated from the Consolidated Entity's own funds and are thus restricted from use.

#### (xxix) Comparatives

During the financial year, the Consolidated Entity has re-presented information in the following matters:

- Undrawn commitments for certain retail banking products which despite being revocable have been considered to be exposed to credit risk and accordingly the comparative credit commitment exposures have been re-presented under Note 30 *Contingent liabilities and commitments* and Note 33 *Financial risk management* for the Consolidated Entity and the Company.
- Credit concentration in the Note 33.1 *Credit risk*, covering the geographical locations and counter party type for certain debt securities under Financial investment has been re-presented for the Consolidated Entity and the Company. Additionally, Credit quality in the Note 33.1 *Credit risk* for Loan assets has been re-presented for the Consolidated Entity and the Company to reflect a refinement in the methodology for portfolio grading.
- The Company's Statement of financial position has been re-presented for certain margin money balances in compliance with the accounting policy for fiduciary assets reducing the Margin money and settlement assets balances by \$2,300 million offset by a decrease in Due to subsidiaries by \$2,200 million and Due from subsidiaries by \$100 million. This representation had no impact on net assets of the Company.

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

#### (xxx) Rounding of amounts

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

#### (xxxi) New Australian Accounting Standards and amendments to Australian Accounting Standards and Interpretations that are not yet effective for the financial year

##### (i) AASB 17 Insurance Contracts

AASB 17 *Insurance Contracts*, amends the accounting for insurance contracts and will replace AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*. The standard is mandatorily effective for the Consolidated Entity's annual reporting period beginning on 1 April 2023. Based on the Consolidated Entity's current business activities AASB 17 Insurance Contracts will not have a material impact on the Consolidated Entity's financial statements.

##### (ii) Other amendments made to existing standards

Other amendments to existing standards that are not mandatorily effective for the annual reporting period beginning on 1 April 2022 and have not been early adopted, are not likely to result in a material impact on the Consolidated Entity's financial statements.

# Directors' declaration

Macquarie Bank Limited

In the Directors' opinion:

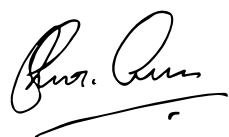
- (a) the financial statements and notes set out on pages 71 to 203 are in accordance with the *Corporations Act 2001* (Cth), including:
  - (i) complying with Australian Accounting Standards, and
  - (ii) giving a true and fair view of the Company's and the Consolidated Entity's financial positions as at 31 March 2023 and their performance for the financial year ended on that date, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Note 1(i) includes a statement that the Financial Report complies with International Financial Reporting Standards.

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 Chair



**Stuart Green**  
Managing Director and Chief Executive Officer

Sydney  
5 May 2023

## Independent auditor's report

To the member of Macquarie Bank Limited



### Report on the audit of the financial report

#### Our opinion

In our opinion:

The accompanying financial report of Macquarie Bank Limited (the Company) and its controlled entities (together the Consolidated Entity) is in accordance with the *Corporations Act 2001* (Cth), including:

- (a) giving a true and fair view of the Company's and Consolidated Entity's financial positions as at 31 March 2023 and of their financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001* (Cth).

#### What we have audited

The Consolidated Entity and Company financial report comprises:

- the Consolidated and Company statements of financial position as at 31 March 2023
- the Consolidated and Company statements of comprehensive income for the year then ended
- the Consolidated and Company statements of changes in equity for the year then ended
- the Consolidated and Company statements of cash flows for the year then ended
- the Consolidated and Company income statements for the year then ended
- the notes to the financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We are independent of the Company and 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 our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

#### Our audit approach for the Consolidated Entity

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Consolidated Entity, its accounting processes and controls and the industry in which it operates.

The Consolidated Entity is structured into two operating groups and a corporate segment. It undertakes operational activities that are important to the financial reporting process in multiple locations overseas, including sites in Gurugram in India, Jacksonville in the United States and Manila in the Philippines.



# Independent auditor's report

To the member of Macquarie Bank Limited continued



## Consolidated Entity materiality

For the purpose of our audit we used overall Consolidated Entity materiality of \$265 million, which represents approximately 5% of the Consolidated Entity's profit before tax.

We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of audit procedures and to evaluate the effect of misstatements on the financial report as a whole.

We chose Consolidated Entity profit before tax because, in our view, it is the benchmark against which the performance of the Consolidated Entity is most commonly measured.

We utilised a threshold of approximately 5% based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

## Consolidated Entity audit scope

Our audit focused on where the Consolidated Entity made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. To identify these subjective judgements, we considered the inherent risks arising from its respective business operations, and how the Consolidated Entity manages these risks. We also considered a number of other factors including the design and implementation of the Consolidated Entity's control environment relevant to the audit, the appropriateness of the use of the going concern basis of accounting in the preparation of the financial report and the risk of management override of controls.

We aligned our audit to the Consolidated Entity's structure by instructing a component audit team for each of the two operating groups and the corporate segment. These component audit teams, in consultation with the group audit team, established an audit strategy tailored for each operating group and the corporate segment.

Given the extent of the overseas operations of the Consolidated Entity, the component audit teams instructed a number of other member firms of the PwC global network to perform audit procedures. The group audit team determined the level of supervision and direction it needed to have over the audit work performed by component audit teams, including the component audit teams' review and supervision of the overseas audit teams they, in turn, instructed.

The work performed by the component audit teams and the overseas audit teams, together with additional audit procedures performed by the group audit team such as procedures over the Consolidated Entity's consolidation and the financial report disclosures, provided us with the information we needed for our opinion on the Consolidated Entity's financial report as a whole.



# Independent auditor's report

To the member of Macquarie Bank Limited continued



## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. The key audit matters identified below relate to the audit of both the Consolidated Entity and the Company, and references to the Consolidated Entity also apply to the Company. We communicated the key audit matters to the Board Audit Committee.

### Key audit matter

### How our audit addressed the key audit matter

#### Provision for expected credit losses on loan assets (Refer to Note 12)

Under the credit impairment model required by AASB 9: *Financial Instruments* (AASB 9), losses are recognised on an Expected Credit Loss (ECL) basis. ECLs are required to incorporate forward-looking information, reflecting the Consolidated Entity's view of potential future economic scenarios.

The global economic outlook remains uncertain. Significant regulatory intervention has been necessary in order to contain further crises in the financial sector. Rising interest rates and rising inflation continue to place pressure on the economies throughout the World, and the ongoing conflict in Europe shows little sign of resolution. As a result, significant judgement was required to be exercised by the Consolidated Entity in calculating the ECL. Specifically, this includes judgements around the use of forward-looking information, including developing macroeconomic scenarios and their associated weightings and the use of post model adjustments in the calculation of the ECL.

In order to meet the ECL requirements of AASB 9, the Consolidated Entity has developed models that involve judgement including determining assumptions such as defining a significant increase in credit risk (SICR). The ECL models of the Consolidated Entity rely on numerous data elements and certain post model adjustments are applied based on the Consolidated Entity's judgement.

Given the extent of judgement involved, we consider this to be a key audit matter.

Our procedures included assessing the design and testing the operating effectiveness of certain controls supporting the Consolidated Entity's estimate of the ECL including controls relating to:

- review, challenge and approval of certain forward-looking macroeconomic assumptions and scenario weightings, including specifically the consideration of impacts of rising inflation and interest rates
- monitoring of the effectiveness of models used to support ECL estimates, and the validation of new and revised models implemented
- assessment of the credit quality of counterparties
- accuracy of certain critical data elements used in key ECL models, and
- review and challenge forums to assess the ECL output and post model adjustments.

In addition to controls testing, we also performed substantive procedures including:

- together with PwC credit modelling experts, assessing the appropriateness of conclusions reached by the Consolidated Entity from model monitoring performed on key models. This included assessing key model components such as SICR and reperformance of certain tests performed as part of the model monitoring
- together with PwC credit modelling experts, testing the appropriateness of a selection of changes to key models
- together with PwC credit modelling experts, assessing whether the list of critical data elements identified by the Consolidated Entity was appropriate for key models
- together with PwC economics experts, assessing the appropriateness of relevant macroeconomic scenarios and certain forward-looking economic data developed by the Consolidated Entity
- test the completeness and accuracy of certain critical data elements used in key ECL models
- assessing a selection of post model adjustments identified by the Consolidated Entity, including developing an understanding of the methodology used for overlay derivation and testing the underlying datasets used for the calculations, and
- considering the impacts on the ECL events occurring subsequent to balance date.

For credit impaired loan (stage III) provisions, we examined a sample of individual loan exposures to consider the appropriateness of provisions recognised.

We assessed the reasonableness of the Consolidated Entity's disclosures in the financial report against the Australian Accounting Standards.

# Independent auditor's report

To the member of Macquarie Bank Limited continued



## Key audit matter

## How our audit addressed the key audit matter

Valuation of complex or illiquid financial instruments carried at fair value through profit and loss which are based on significant unobservable inputs (level 3 financial instruments) (Refer to Note 35)

The Consolidated Entity exercises judgement in valuing certain financial assets and liabilities at fair value where there are significant unobservable inputs for the valuation of these assets and liabilities. These assets and liabilities are known as Level 3 financial instruments.

For the Consolidated Entity, these Level 3 financial instruments predominantly consist of derivative financial instruments, trading assets, financial investments and loan assets. Judgement is required in estimating the fair value of these financial instruments in determining appropriate models, assumptions and inputs.

Given the extent of judgement involved in valuing these Level 3 financial instruments, we considered this to be a key audit matter.

Our procedures included assessing the design and testing the operating effectiveness of certain controls relating to Level 3 financial instruments, including controls over:

- approval and validation of the models adopted
- accuracy of inputs to models
- the price verification process performed by the Consolidated Entity using prices and model inputs sourced from third parties
- calculation and approval of key valuation adjustments, and
- governance, review and challenge forums.

Together with PwC valuation experts, we tested the Consolidated Entity's estimate for a sample of level 3 derivative financial instruments and trading assets. We considered a sample of collateral disputes, gains and losses on disposals and other events to help assess the appropriateness of the valuations. We tested a sample of valuation adjustments at period end, including evaluating the methodology applied and underlying assumptions.

For a sample of financial investments and loan assets, together with PwC valuation experts, we assessed the appropriateness of the valuation methodologies applied, as well as the appropriateness of significant inputs used, such as forecasts and comparable market information.

For a sample of financial instruments, we tested the allocation of financial instruments to the appropriate level within the fair value hierarchy.

We assessed the reasonableness of the Consolidated Entity's disclosures in the financial report against the requirements of Australian Accounting Standards.



# Independent auditor's report

To the member of Macquarie Bank Limited continued



## Key audit matter

## How our audit addressed the key audit matter

### IT systems and controls over financial reporting

The Consolidated Entity's operations and financial reporting processes are heavily dependent on IT systems for the processing and recording of a significant volume of transactions.

A fundamental component of these IT systems and controls is ensuring that risks in relation to inappropriate user access management, unauthorised program changes and IT operating protocols are managed.

Due to this, we consider the operation of IT systems and controls over financial reporting to be a key audit matter.

For material financial statement balances we developed an understanding of the business processes, IT systems used to generate and support those balances and associated IT application controls and IT dependencies in manual controls. Our procedures included evaluating the design and testing the operating effectiveness, where relevant, of certain controls over the continued integrity of the IT systems that are relevant to financial reporting. This involved assessing, where relevant to the audit:

- change management: the processes and controls used to develop, test and authorise changes to the functionality and configurations within systems;
- system development: the project disciplines which ensure that significant developments or implementation are appropriately tested before implementation and that data is migrated/converted and transferred completely and accurately;
- security: the access controls designed to enforce segregation of duties, govern the use of generic and privileged accounts or ensure that data is only changed through authorised means; and
- IT operations: the controls over operations are used to ensure that any issues that arise are managed appropriately.

Within the scope of our audit where technology services are provided by a third party, we obtained assurance through independent testing or, where available, considered assurance reports from the third party's auditor on the design and operating effectiveness of controls for the reporting period.

We also carried out tests, on a sample basis, of IT application controls and IT dependencies in manual controls that were key to our audit testing in order to assess the accuracy of certain system calculations, the generation of certain reports and the operation of certain system enforced access controls.

Where we identified design or operating effectiveness matters relating to IT systems or application controls relevant to our audit, we performed alternative or additional audit procedures, which included considering mitigating controls in order to respond to the impact on our overall audit approach.

### Estimation of tax payable relating to tax uncertainties (Refer to Note 20)

The Consolidated Entity is subject to taxation in a number of jurisdictions. The assessment of the amounts expected to be paid to tax authorities is considered initially by the Consolidated Entity in each local territory, and then reviewed centrally, with consideration given to particular tax positions in certain jurisdictions. In some cases, the treatment of tax positions requires judgement to estimate the ultimate amounts of tax that will be paid.

Given the extent of judgement involved, we consider this to be a key audit matter.

Our procedures included evaluating the analysis conducted by the Consolidated Entity which sets out the basis for judgements made in respect of the ultimate amounts expected to be paid to tax authorities.

Assisted by PwC tax experts, we read a risk focused selection of correspondence with tax authorities and external advice obtained by the Consolidated Entity and used our understanding of the business to assess the completeness and quantum of the provisions for tax. We considered the likelihood of additional tax exposures occurring based on our knowledge of tax legislation, applicable precedent and industry developments, noting the level of judgement involved.

We assessed the reasonableness of the Consolidated Entity's disclosures in the financial report against the requirements of the Australian Accounting Standards.

# Independent auditor's report

To the member of Macquarie Bank Limited continued



## Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 March 2023, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon through our opinion on the financial report. We have issued a separate audit opinion on the remuneration report.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company and the Consolidated Entity to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or the Consolidated Entity or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf). This description forms part of our auditor's report.

## Report on the remuneration report

### Our opinion on the remuneration report

We have audited the remuneration report included in pages 42 to 66 of the directors' report for the year ended 31 March 2023.

In our opinion, the remuneration report of Macquarie Bank Limited for the year ended 31 March 2023 complies with section 300A of the *Corporations Act 2001* (Cth).

### Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001* (Cth). Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers

K. Stubbins

Kristin Stubbins  
Partner

Sydney  
5 May 2023

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## Further Information

### Protecting our customers from scams and fraud

Macquarie's Banking and Financial Services team established the Macquarie Scams Hub to help our customers stay ahead of the curve with scam prevention knowledge.

## Additional investor information

### Calendar

#### 2023

| Date                      | Event                              |
|---------------------------|------------------------------------|
| 7 June                    | Payment date for BCN3 distribution |
| 21 June                   | Payment date for BCN2 distribution |
| 7 September               | Payment date for BCN3 distribution |
| 21 September              | Payment date for BCN2 distribution |
| 30 September              | Financial half-year end            |
| 3 November <sup>(1)</sup> | Half-year result announcement      |
| 7 December                | Payment date for BCN3 distribution |
| 21 December               | Payment date for BCN2 distribution |

#### 2024

| Date     | Event                              |
|----------|------------------------------------|
| 7 March  | Payment date for BCN3 distribution |
| 21 March | Payment date for BCN2 distribution |
| 31 March | Financial year end                 |

### Stock exchange listing

| Equity or hybrid security                      | Stock exchange listing | Trading code |
|--|------------------------|--------------|
| Macquarie Additional Capital Securities (MACS) | SGX                    | 6F6B         |
| Macquarie Bank Capital Notes 2 (BCN2)          | ASX                    | MBLPC        |
| Macquarie Bank Capital Notes 3 (BCN3)          | ASX                    | MBLPD        |

MBL also has debt securities quoted on exchanges that include the ASX, London Stock Exchange, Luxembourg Stock Exchange (LuxSE), SGX, SIX Swiss Exchange Ltd and the Taipei Exchange. Macquarie Bank also has warrants quoted on the LuxSE, SGX, Hong Kong Stock Exchange and certificates listed on the LuxSE.

### Securities on issue

The following information is correct as at 31 March 2023.

#### Fully paid ordinary shares

##### Voting Rights

At meetings of members or classes of members, each member may vote in person or by proxy, attorney or (if the member is a body corporate) corporate representative. On a show of hands, every person present who is a member or a proxy, attorney or corporate representative of a member has one vote and on a poll every member present in person or by proxy, attorney or corporate representative has:

- one vote for each fully paid share held by the member, and
- that proportion of a vote for any partly paid ordinary share held that the amount paid on the partly paid share bears to the total issue price of the share.

#### Macquarie Additional Capital Securities (MACS)

##### Voting rights

MACS are unsecured subordinated notes issued by MBL, acting through its London Branch that may be exchanged for MGL ordinary shares in certain limited circumstances. MACS holders have no voting rights in respect of meetings of members of MBL and have no voting rights in respect of meetings of members of MGL in the absence of such an exchange.

##### Single Shareholder

As at 31 March 2023, the \$US750 million of MACS were held by one holder, Cede & Co, as authorised representative for the Depository Trust Company being the common depository for the MACS global security. The Bank of New York Mellon as Registrar keeps the register in respect of MACS.

#### Macquarie Bank Capital Notes 2 (BCN2)

##### Voting rights

BCN2 are unsecured, subordinated notes issued by MBL that may be exchanged for MGL ordinary shares in certain limited circumstances. They are non-cumulative and mandatorily convertible. BCN2 holders have no voting rights in respect of MBL and have no voting rights in respect of meetings of members of MGL in the absence of such an exchange.

(1) These dates are subject to change.



## 20 largest holders

| Registered Holder   | Number of BCN2 held | % of BCN2    |
|---|---------------------|--------------|
| HSBC Custody Nominees (Australia) Limited                       | 426,876             | 6.66         |
| J P Morgan Nominees Australia Pty Limited                       | 242,040             | 3.78         |
| Netwealth Investments Limited <Wrap Services A/C>               | 210,109             | 3.28         |
| Citicorp Nominees Pty Limited                                   | 186,020             | 2.90         |
| BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd <DRP A/C> | 148,120             | 2.31         |
| Mutual Trust Pty Ltd  | 91,565              | 1.43         |
| HSBC Custody Nominees (Australia) Limited – A/C 2               | 74,100              | 1.16         |
| National Nominees Limited                                       | 60,773              | 0.95         |
| Navigator Australia Ltd <JB Were List Fix Int Sma A/C>          | 44,324              | 0.69         |
| 33 Bank Street Nominees Pty Ltd                                 | 37,100              | 0.58         |
| Herbert St Investments Pty Ltd                                  | 31,080              | 0.48         |
| Netwealth Investments Limited <Super Services A/C>              | 30,681              | 0.48         |
| Dimbulu Pty Ltd   | 25,000              | 0.39         |
| Diocese Development Fund – Catholic Diocese of Parramatta       | 23,930              | 0.37         |
| Navigator Australia Ltd <MLC Investment Sett A/C>               | 23,549              | 0.37         |
| Citicorp Nominees Pty Limited <DPSL A/C>                        | 21,561              | 0.34         |
| Northcape Capital Pty Ltd                                       | 20,200              | 0.32         |
| Vesade Pty Ltd  | 18,896              | 0.29         |
| Pro Medicus Limited   | 17,500              | 0.27         |
| Mrs Anne-Marie Hood   | 16,000              | 0.25         |
| <b>Total</b>  | <b>1,749,424</b>    | <b>27.29</b> |

## Spread of noteholdings

| Range                  | Number of BCN2 holders | Number of BCN2   | % of BCN2     |
|------------------------|------------------------|------------------|---------------|
| 1-1,000                | 9,933                  | 2,756,840        | 43.01         |
| 1,001-5,000            | 736                    | 1,455,277        | 22.70         |
| 5,001-10,000           | 50                     | 344,722          | 5.38          |
| 10,001-100,000         | 23                     | 640,266          | 9.99          |
| 100,001 notes and over | 5                      | 1,213,165        | 18.93         |
| <b>Total</b>           | <b>10,747</b>          | <b>6,410,270</b> | <b>100.00</b> |

There were 13 noteholders (representing 15 notes) who held less than a marketable parcel.

# Additional investor information

Continued

## Macquarie Bank Capital Notes 3 (BCN3)

### Voting Rights

BCN3 are unsecured, subordinated notes issued by MBL that may be exchanged for MGL ordinary shares in certain limited circumstances. They are non-cumulative and mandatorily convertible. BCN3 holders have no voting rights in respect of MBL and have no voting rights in respect of meetings of members of MGL in the absence of such an exchange.

### 20 largest holders

| Registered Holder   | Number of BCN3 held | % of BCN3    |
|---|---------------------|--------------|
| HSBC Custody Nominees (Australia) Limited                       | 344,473             | 5.26         |
| BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd <DRP A/C> | 239,626             | 3.66         |
| Netwealth Investments Limited <Wrap Services A/C>               | 228,032             | 3.48         |
| Citicorp Nominees Pty Limited                                   | 190,258             | 2.91         |
| National Nominees Limited                                       | 116,245             | 1.78         |
| Citicorp Nominees Pty Limited <143212 NMMT Ltd A/C>             | 95,018              | 1.45         |
| J P Morgan Nominees Australia Pty Limited                       | 70,636              | 1.08         |
| Mutual Trust Pty Ltd  | 70,281              | 1.07         |
| BNP Paribas Nominees Pty Ltd <Pitcher Partners DRP>             | 63,781              | 0.97         |
| BNP Paribas Nominees Pty Ltd <IB AU Noms Retailclient DRP>      | 52,535              | 0.80         |
| HSBC Custody Nominees (Australia) Limited – A/C 2               | 48,238              | 0.74         |
| Fishbourne Pty Ltd  | 44,798              | 0.68         |
| Dimbulu Pty Ltd   | 28,000              | 0.43         |
| Navigator Australia Ltd <JB Were List Fix Int Sma A/C>          | 25,493              | 0.39         |
| Netwealth Investments Limited <Super Services A/C>              | 25,380              | 0.39         |
| Colchester Pty Ltd  | 22,000              | 0.34         |
| Leda Holdings Pty Ltd   | 20,000              | 0.31         |
| Invia Custodian Pty Limited <WEHI – Investment Pool A/C>        | 19,800              | 0.30         |
| Jove Pty Ltd  | 15,950              | 0.24         |
| Mark Bowden (Pastoral Group) Pty Ltd <The Bowden Pastoral A/C>  | 15,000              | 0.23         |
| <b>Total</b>  | <b>1,735,544</b>    | <b>26.50</b> |

### Spread of noteholdings

| Range                  | Number of BCN3 holders | Number of BCN3   | % of BCN3     |
|------------------------|------------------------|------------------|---------------|
| 1-1,000                | 7,542                  | 2,562,831        | 39.14         |
| 1,001-5,000            | 803                    | 1,691,807        | 25.84         |
| 5,001-10,000           | 50                     | 370,081          | 5.65          |
| 10,001-100,000         | 31                     | 805,127          | 12.30         |
| 100,001 notes and over | 5                      | 1,118,634        | 17.08         |
| <b>Total</b>           | <b>8,431</b>           | <b>6,548,480</b> | <b>100.00</b> |

There were 4 noteholders (representing 12 notes) who held less than a marketable parcel.



## Enquiries

### Investor relations:

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Email: [macquarie.shareholders@macquarie.com](mailto:macquarie.shareholders@macquarie.com)

Website: [macquarie.com/investors](https://macquarie.com/investors)

Macquarie Bank's Company Secretary, Simone Kovacic, can be contacted on the above number and email address.

### Website



Annual Reports, presentations and other investor information is available at [macquarie.com/investors](https://macquarie.com/investors)

# Glossary

| Defined term                    | Definition  |
|---------------------------------|---|
| <b>A</b>                        |   |
| AASB                            | Australian Accounting Standards Board   |
| Accountable Person              | Accountable Person under the Banking Executive Accountability Regime (BEAR)   |
| the Act                         | <i>Corporations Act 2001</i> (Cth)  |
| ADI                             | authorised deposit-taking institution   |
| AGM                             | Annual General Meeting  |
| ALCO                            | Asset and Liability Committee   |
| Annual Report                   | MBL's 2023 Annual Report  |
| ANZ                             | Australia and New Zealand   |
| APRA                            | Australian Prudential Regulation Authority  |
| ARRs                            | alternative reference rates   |
| ASIC                            | Australian Securities and Investments Commission  |
| ASX                             | Australian Securities Exchange or ASX Limited ABN 98 008 624 691 and the market operated by ASX Limited   |
| <b>B</b>                        |   |
| BAC                             | Board Audit Committee   |
| Bank Group                      | MBL and its subsidiaries  |
| BBSW                            | Australian Financial Markets Association's bank-bill rate published daily on AAP Reuters website. The Australian equivalent of LIBOR, SIBOR, etc. |
| BCBS                            | Basel Committee on Banking Supervision  |
| BCC                             | Board Conflicts Committee   |
| BCN2                            | Macquarie Bank Capital Notes 2  |
| BCN3                            | Macquarie Bank Capital Notes 3  |
| BEAR                            | Banking Executive Accountability Regime   |
| BFS                             | Banking and Financial Services Group  |
| BGCC                            | Board Governance and Compliance Committee   |
| the Boards                      | the Macquarie Bank Board and the Macquarie Board  |
| the Board, Macquarie Bank Board | the Board of Voting Directors of Macquarie Bank Limited   |
| BONDS                           | bank-only non-executive directors   |
| BRC                             | Board Remuneration Committee  |
| BRIC                            | Board Risk Committee  |
| Businesses                      | the areas within the Operating Groups carrying out various operations   |
| <b>C</b>                        |   |
| CAGR                            | compound annual growth rate   |
| Central Service Groups          | the Central Service Groups consist of RMG, LGG, FMG and COG   |
| CEO                             | Managing Director and Chief Executive Officer   |
| CFLI                            | Climate Finance Leadership Initiative   |
| CGM                             | Commodities and Global Markets Group  |
| CFO                             | Chief Financial Officer   |

| Defined term   | Definition  |
|--|---|
| Clawback   | the Board's ability to recover (in whole or in part) vested profit share  |
| COG  | Corporate Operations Group  |
| the Company, MBL   | Macquarie Bank Limited ABN 46 008 583 542   |
| Comparable Executive Key Management Personnel (Comparable Executive KMP) | Executive KMP who were members of the Executive Committee for the full-year in both FY2023 and FY2022           |
| Common NEDs  | NEDs of MGL who are also members of the MBL Board   |
| the Consolidated Entity, Macquarie Bank                                  | MBL and its subsidiaries  |
| Corporate  | Head office and Central Service Groups including Group Treasury   |
| CPS 511  | APRA Prudential Standard CPS 511 <i>Remuneration</i>  |
| CRO  | Chief Risk Officer  |
| <b>D</b>   |   |
| Deed   | Deed of Access, Indemnity, Insurance and Disclosure   |
| Deed Poll  | Indemnity and Insurance Deed Poll dated 12 September 2007   |
| DEI  | Diversity, Equity and Inclusion   |
| DFVTPL   | designated as FVTPL   |
| Directors  | the Voting Directors of MBL (unless the context indicates otherwise)  |
| Divisions  | named divisions within the Macquarie Group  |
| DPS Plan   | Directors' Profit Share Plan  |
| DSU  | Deferred Share Unit issued under the MEREP  |
| <b>E</b>   |   |
| EAD  | exposure at default   |
| ECL  | expected credit loss  |
| EIR  | effective interest rate   |
| EMEA   | Europe, Middle East and Africa  |
| EPS  | earnings per share  |
| ESP  | Macquarie Group Employee Share Plan   |
| EU   | the European Union  |
| EURIBOR  | Euro Inter-bank Offered Rate  |
| Executive Director   | Macquarie Group's most senior employees including Group Heads, Division Heads and senior business unit managers |
| Executive Key Management Personnel (Executive KMP)                       | members of the Executive Committee of MBL   |
| Executive Voting Director  | an executive Board member   |
| <b>F-H</b>   |   |
| FCTR   | foreign currency translation rate   |
| FLI  | forward looking information   |
| FMG  | Financial Management Group  |

| Defined term                            | Definition  |
|---|---|
| FRN                                     | floating rate notes   |
| FVA                                     | funding valuation adjustment  |
| FVOCI                                   | fair value through other comprehensive income   |
| FVTPL                                   | fair value through profit or loss   |
| GDP                                     | gross domestic product  |
| GFANZ                                   | Glasgow Financial Alliance for Net Zero   |
| GGC                                     | Group General Counsel   |
| GST                                     | Goods and Services Tax  |
| Group within Macquarie                  | any Operating Group or Central Service Group within MGL or MBL  |
| HFT                                     | held for trading  |
| <b>I-J</b>                              |   |
| IASB                                    | International Accounting Standards Board  |
| IBOR                                    | Interbank-offered rates   |
| IFRS                                    | International Financial Reporting Standards   |
| <b>K</b>                                |   |
| Key Management Personnel (KMP)          | all Voting Directors and members of the Executive Committee of MBL  |
| <b>L</b>                                |   |
| LGD                                     | loss given default  |
| LGG                                     | Legal and Governance Group  |
| LIBOR                                   | London Inter-bank Offered Rate  |
| LMI                                     | lender mortgage insurance   |
| LuxSE                                   | Luxembourg Stock Exchange   |
| <b>M</b>                                |   |
| Macquarie Bank, the Consolidated Entity | MBL and its subsidiaries  |
| Macquarie Board                         | the Board of Voting Directors of MGL  |
| Macquarie Group                         | MGL and its subsidiaries  |
| MACS                                    | Macquarie Additional Capital Securities   |
| Malus                                   | the ability of the MGL Board or its delegate to reduce or eliminate unvested profit share for certain senior employees in certain circumstances |
| MAM                                     | Macquarie Asset Management Group  |
| Management                              | Division Directors and Executive Directors who have management or risk responsibility for a Division or business area                           |
| MBHPL                                   | Macquarie B.H. Pty Ltd  |
| MBL, the Company                        | Macquarie Bank Limited<br>ABN 46 008 583 542  |
| MCN3                                    | Macquarie Group Capital Notes 3   |
| MCN4                                    | Macquarie Group Capital Notes 4   |
| MCN5                                    | Macquarie Group Capital Notes 5   |
| MCN6                                    | Macquarie Group Capital Notes 6   |
| MEREP                                   | Macquarie Group Employee Retained Equity Plan   |
| MFHPL                                   | Macquarie Financial Holdings Pty Limited  |

| Defined term             | Definition   |
|--------------------------|--|
| MGL                      | Macquarie Group Limited<br>ABN 94 122 169 279  |
| MGL ordinary shares, MQG | MGL fully paid ordinary shares   |
| MNA                      | master netting arrangements  |
| <b>N</b>                 |  |
| NED                      | Non-Executive Director   |
| NIFO                     | net investment in foreign operations   |
| Non-Bank Group           | MGL, MFHPL and its subsidiaries, MAMHPL and its subsidiaries   |
| NPAT                     | net profit after tax   |
| <b>O</b>                 |  |
| OCI                      | other comprehensive income   |
| Operating Groups         | the Operating Groups consist of BFS, CGM, MAM and Macquarie Capital  |
| OTC                      | over-the-counter   |
| <b>P-Q</b>               |  |
| PD                       | probability of default   |
| PSU                      | Performance Share Unit issued under the MEREP  |
| PwC                      | PricewaterhouseCoopers   |
| <b>R</b>                 |  |
| RBA                      | Reserve Bank of Australia  |
| RMG                      | Risk Management Group  |
| ROE                      | return on ordinary equity  |
| ROU                      | right-of-use   |
| RSU                      | Restricted Share Unit issued under the MEREP   |
| <b>S</b>                 |  |
| Senior Management        | members of Macquarie Group's Executive Committee and Executive Directors who have a significant management or risk responsibility in the organisation  |
| SEs                      | structured entities  |
| SGX                      | Singapore Stock Exchange   |
| SICR                     | significant increase in credit risk  |
| SPPI                     | solely payment of principal and interest   |
| Statutory Remuneration   | statutory remuneration disclosures are prepared in accordance with Australian Accounting Standards and as disclosed throughout the Remuneration Report |
| <b>T-U</b>               |  |
| TFF                      | Term Funding Facility  |
| TSR                      | total shareholder return   |
| <b>V-Z</b>               |  |
| VaR                      | Value-at-Risk  |
| Voting Directors         | the Voting Directors of MBL as defined in the MBL Constitution   |

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## Contact details

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