MACQUARIE

Macquarie Group Interim Financial Report

Half year ended 30 September 2021

Macquarie Group Limited ACN 122 169 279

Macquarie is a global financial services group operating in 33 markets in asset management, retail and business banking, wealth management, leasing and asset financing, market access, commodity trading, renewables development, specialist advice, access to capital and principal investment.

Macquarie Group 2022 Interim Financial Report

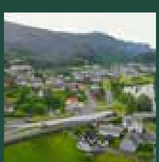
This Interim Financial Report has been prepared in accordance with Australian Accounting Standards and the *Corporations Act 2001* (Cth) and does not include all the notes of the type normally included in an annual financial report.

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

The Interim Financial Report was authorised for issue by MGL's Directors on 29 October 2021. The Board of Directors has the power to amend and reissue the Financial Report.

Cover image

Installation and commissioning of turbines has commenced on Green Investment Group's Buheii project in Norway. The project will provide Eramet Norway with predictably priced power through a 17-year power purchase agreement.



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Directors' Report

Directors

For the half year ended 30 September 2021

The Directors of MGL submit their report with the financial report of the Consolidated Entity for the half year ended 30 September 2021.

Directors

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

Independent Directors

P.H. Warne, Chairman

J.R. Broadbent AC

P.M. Coffey

M.J. Coleman

D.J. Grady AO

R.J. McGrath

M. Roche

G.R. Stevens AC

N.M. Wakefield Evans

Executive Voting Director

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

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

G.M. Cairns retired as an Independent Director on 7 May 2021.

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

Result

The financial report for the half year ended 30 September 2021 and the results herein are prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001* (Cth).

The consolidated profit attributable to the ordinary equity holders of Macquarie Group Limited, in accordance with Australian Accounting Standards, for the period was $A2,043 million (half year to 31 March 2021: $A2,030 million; half year to 30 September 2020: $A985 million).

Outlook

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

- the duration of COVID-19, speed of the global economic recovery and extent of government support for economies
- market conditions including significant volatility events and the impact of geopolitical events
- potential tax or regulatory changes and tax uncertainties
- completion of period-end reviews and the completion rate of transactions
- the geographic composition of income and the impact of foreign exchange.

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

Events after the reporting date

Ordinary share issue via non-underwritten institutional placement (IP) and share purchase plan (SPP)

On 28 October 2021 the MGL Board approved in principle the capital raising of approximately $A1.5 billion of ordinary share capital through an IP on 29 October 2021, to be followed by a retail SPP to be concluded in early December 2021.

Other

There were no material events subsequent to 30 September 2021 and up until the authorisation of the financial statements for issue, requiring a disclosure in the interim financial report, other than those that have been disclosed elsewhere in the financial statements.

Interim dividend

The Directors have resolved to pay an interim dividend for the half year ended 30 September 2021 of $A2.72 per fully paid ordinary MGL share on issue at 9 November 2021.

The dividend will be 40% franked and paid on 14 December 2021.

Rounding of amounts

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

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

Peter Warne
Independent Director and Chairman

Shemara Wikramanayake
Managing Director and Chief Executive Officer

Sydney
29 October 2021

Auditor's independence declaration

For the half year ended 30 September 2021

As lead auditor for the review of Macquarie Group Limited for the half year ended 30 September 2021, 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 review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

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

K. Stubbins

Kristin Stubbins
Partner
PricewaterhouseCoopers

Sydney
29 October 2021

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Financial Report

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For the half year ended 30 September 2021

The Financial Report was authorised for issue by the Board of Directors on 29 October 2021.

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

Consolidated income statement

For the half year ended 30 September 2021

	Notes	Half year to 30 Sep 21 $m	Half year to 31 Mar 21 $m	Half year to 30 Sep 20 $m
Interest and similar income				
Effective interest rate method	2	**1,921**	1,798	1,834
Other	2	**143**	145	188
Interest and similar expense	2	**(691)**	(781)	(989)
Net interest income		**1,373**	1,162	1,033
Fee and commission income	2	**3,452**	2,563	2,613
Net trading income	2	**1,659**	1,995	1,487
Share of net profits/(losses) from associates and joint ventures	2	**242**	51	(54)
Net operating lease income	2	**186**	221	245
Net credit impairment charges	2	**(176)**	(27)	(407)
Net other impairment charges	2	**(54)**	(50)	(40)
Net other operating income	2	**1,122**	1,340	642
Net operating income		**7,804**	7,255	5,519
Employment expenses	2	**(3,164)**	(2,902)	(2,615)
Brokerage, commission and fee expenses	2	**(498)**	(408)	(471)
Non-salary technology expenses	2	**(417)**	(386)	(395)
Other operating expenses	2	**(990)**	(905)	(785)
Total operating expenses		**(5,069)**	(4,601)	(4,266)
Operating profit before income tax		**2,735**	2,654	1,253
Income tax expense	4	**(603)**	(624)	(275)
Profit after income tax		**2,132**	2,030	978
(Profit)/loss attributable to non-controlling interests		**(89)**	–	7
Profit attributable to the ordinary equity holders of Macquarie Group Limited		**2,043**	2,030	985
		Cents per share	Cents per share	Cents per share
Basic earnings per share	6	**562.5**	565.2	276.7
Diluted earnings per share	6	**545.4**	546.0	272.9

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

Consolidated statement of comprehensive income

For the half year ended 30 September 2021

	Notes	**Half year to 30 Sep 21 $m**	Half year to 31 Mar 21 $m	Half year to 30 Sep 20 $m
Profit after income tax		**2,132**	2,030	978
Other comprehensive income/(loss):[1]				
Movements in items that may be subsequently reclassified to the income statement:				
Fair value through other comprehensive (FVOCI) reserve:				
Revaluation movement	18	**3**	59	174
Change in allowance for expected credit losses	18	**(2)**	(67)	(60)
Cash flow hedges:				
Revaluation movement	18	**(24)**	51	(64)
Transferred to income statement	18	**17**	–	8
Share of other comprehensive (loss)/income from associates and joint ventures	18	**(8)**	42	(64)
Foreign exchange movements on translation and hedge accounting of foreign operations		**441**	(442)	(1,319)
Movements in item that will not be subsequently reclassified to the income statement:				
Fair value changes attributable to own credit risk on debt designated as fair value through profit or loss (DFVTPL)	18	**(6)**	(16)	(91)
Total other comprehensive income/(loss)		**421**	(373)	(1,416)
Total comprehensive income/(loss)		**2,553**	1,657	(438)
Total comprehensive (income)/loss attributable to non-controlling interests		**(90)**	8	50
Total comprehensive income/(loss) attributable to the ordinary equity holders of Macquarie Group Limited		**2,463**	1,665	(388)

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

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

Consolidated statement of financial position

As at 30 September 2021

	Notes	As at 30 Sep 21 $m	As at 31 Mar 21 $m	As at 30 Sep 20 $m
Assets				
Cash and bank balances		**32,221**	18,425	8,681
Cash collateralised lending and reverse repurchase agreements		**39,444**	36,681	42,933
Trading assets	7	**21,783**	21,746	19,252
Margin money and settlement assets	8	**22,143**	14,397	12,338
Derivative assets		**77,186**	20,642	22,055
Financial investments		**13,142**	9,566	8,977
Held for sale assets		**1,940**	279	2,176
Other assets	9	**7,805**	6,006	6,331
Loan assets	10	**118,359**	105,026	93,414
Property, plant and equipment and right-of-use assets		**4,961**	4,676	4,519
Interests in associates and joint ventures		**4,675**	4,194	6,012
Intangible assets	12	**3,497**	2,543	2,816
Deferred tax assets		**1,411**	1,472	1,231
Total assets		**348,567**	245,653	230,735
Liabilities				
Cash collateralised borrowing and repurchase agreements		**13,809**	4,542	4,961
Trading liabilities	13	**5,495**	6,205	6,136
Margin money and settlement liabilities	14	**25,895**	22,124	20,093
Derivative liabilities		**77,980**	17,579	16,467
Deposits		**91,736**	84,199	77,258
Held for sale liabilities		**404**	18	1,267
Other liabilities	15	**8,401**	8,211	6,561
Borrowings		**10,109**	9,817	12,288
Issued debt securities	16	**80,043**	60,980	56,339
Deferred tax liabilities		**320**	204	165
Total liabilities excluding loan capital		**314,192**	213,879	201,535
Loan capital		**9,961**	9,423	8,411
Total liabilities		**324,153**	223,302	209,946
Net assets		**24,414**	22,351	20,789
Equity				
Contributed equity	17	**9,394**	8,531	8,434
Reserves	18	**1,613**	1,286	1,378
Retained earnings	18	**13,057**	12,231	10,696
Total capital and reserves attributable to the ordinary equity holders of Macquarie Group Limited		**24,064**	22,048	20,508
Non-controlling interests	18	**350**	303	281
Total equity		**24,414**	22,351	20,789

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

Consolidated statement of changes in equity

For the half year ended 30 September 2021

	Notes	Contributed equity $m	Reserves $m	Retained earnings $m	Total $m	Non-controlling interests $m	Total equity $m
Balance as at 1 Apr 2020		7,851	2,773	10,439	21,063	721	21,784
Profit/(loss) after income tax		–	–	985	985	(7)	978
Other comprehensive loss, net of tax		–	(1,282)	(91)	(1,373)	(43)	(1,416)
Total comprehensive (loss)/income		–	(1,282)	894	(388)	(50)	(438)
Transactions with equity holders in their capacity as ordinary equity holders:							
Issue of shares	17	216	–	–	216	–	216
Dividends paid	5,18	–	–	(637)	(637)	–	(637)
Non-controlling interests:							
Change in non-controlling ownership interests		–	–	–	–	1	1
Redemption of Macquarie Income Securities (MIS)	17	(9)	–	-	(9)	(391)	(400)
Other equity movements:							
MEREP share-based payment arrangements	17,18	374	(121)	–	253	–	253
Deferred tax benefit on MEREP share-based payment arrangements	17,18	2	8	–	10	–	10
		583	(113)	(637)	(167)	(390)	(557)
Balance as at 30 Sep 2020		8,434	1,378	10,696	20,508	281	20,789
Profit after income tax		–	–	2,030	2,030	–	2,030
Other comprehensive loss, net of tax		–	(349)	(16)	(365)	(8)	(373)
Total comprehensive (loss)/income		–	(349)	2,014	1,665	(8)	1,657
Transactions with equity holders in their capacity as ordinary equity holders:							
Issue of shares	17	46	–	–	46	–	46
Dividends paid	5,18	–	–	(486)	(486)	–	(486)
Non-controlling interests:							
Change in non-controlling ownership interests		–	–	(1)	(1)	30	29
Other equity movements:							
MEREP share-based payment arrangements	17,18	45	223	8	276	–	276
Deferred tax benefit on MEREP share-based payment arrangements	17,18	6	34	–	40	–	40
		97	257	(479)	(125)	30	(95)
Balance as at 31 Mar 2021		8,531	1,286	12,231	22,048	303	22,351

	Notes	Contributed equity $m	Reserves $m	Retained earnings $m	Total $m	Non-controlling interests $m	Total equity $m
Balance as at 31 Mar 2021		**8,531**	**1,286**	**12,231**	**22,048**	**303**	**22,351**
Profit after income tax				**2,043**	**2,043**	**89**	**2,132**
Other comprehensive income/(loss), net of tax		**–**	**426**	**(6)**	**420**	**1**	**421**
Total comprehensive income		**–**	**426**	**2,037**	**2,463**	**90**	**2,553**
Transactions with equity holders in their capacity as ordinary equity holders:							
Issue of shares	17	**432**	**–**	**–**	**432**	**–**	**432**
Dividends paid	5,18	**–**	**–**	**(1,208)**	**(1,208)**	**–**	**(1,208)**
Non-controlling interests:							
Change in non-controlling ownership interests		**–**	**–**	**(10)**	**(10)**	**101**	**91**
Dividends and distributions paid or provided for		**–**	**–**	**–**	**–**	**(144)**	**(144)**
Other equity movements:							
MEREP share-based payment arrangements	17,18	**408**	**(118)**	**7**	**297**	**–**	**297**
Deferred tax benefit on MEREP share-based payment arrangements	17,18	**23**	**19**	**–**	**42**	**–**	**42**
		863	**(99)**	**(1,211)**	**(447)**	**(43)**	**(490)**
Balance as at 30 Sep 2021		**9,394**	**1,613**	**13,057**	**24,064**	**350**	**24,414**

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

Consolidated statement of cash flows

For the half year ended 30 September 2021

	Notes	**Half year to 30 Sep 21 $m**	Half year to 31 Mar 21 $m	Half year to 30 Sep 20 $m
Cash flows generated from/(utilised in) operating activities				
Interest income and expense:				
Received		**2,136**	1,941	2,051
Paid		**(676)**	(857)	(1,062)
Fee, commission, other income and charges:				
Received		**3,951**	3,318	2,928
Paid		**(1,083)**	(957)	(1,026)
Operating lease income received		**359**	398	628
Dividends and distributions received		**153**	85	63
Operating expenses paid:				
Employment expenses		**(3,323)**	(1,607)	(3,040)
Other operating expenses including brokerage, commission, and fee expenses		**(1,377)**	(873)	(999)
Income tax paid		**(775)**	(394)	(396)
Changes in operating assets:				
Loan assets		**(13,391)**	(11,765)	(2,291)
Other assets		**(504)**	542	(440)
Assets under operating lease		**(243)**	(316)	(72)
Trading, trading-related and collateralised lending balances (net of liabilities)		**8,871**	5,461	(6,956)
Changes in operating liabilities:				
Issued debt securities		**16,381**	6,873	(2,735)
Deposits		**7,465**	7,026	10,153
Borrowings		**21**	(1,104)	(1,694)
Other liabilities		**(28)**	56	(113)
Net cash flows generated from/(utilised in) operating activities	19	**17,937**	7,827	(5,001)
Cash flows (utilised in)/generated from investing activities				
Net (payments for)/proceeds from financial investments		**(1,925)**	160	(11)
Associates, joint ventures, subsidiaries, and businesses:				
Payments for additional capital contribution or acquisitions, net of cash acquired		**(2,248)**	(614)	(478)
Proceeds from capital return or disposal, net of cash deconsolidated		**1,633**	2,416	1,832
Property, plant and equipment, right-of-use assets, investment property and intangible assets:				
Payments for acquisitions		**(407)**	(518)	(243)
Proceeds from disposals		**81**	309	50
Net cash flows (utilised in)/generated from investing activities		**(2,866)**	1,753	1,150
Cash flows (utilised in)/generated from financing activities				
Loan capital:				
Issuance		**1,405**	1,945	2,474
Redemption		**(1,084)**	(531)	(740)
Dividends and distributions paid		**(776)**	(440)	(421)
Non-Controlling interests:				
Redemption of MIS		**–**	–	(400)
(Payments to)/receipts from other non-controlling interests		**(7)**	33	(8)
Net cash flows (utilised in)/generated from financing activities		**(462)**	1,007	905
Net increase/(decrease) in cash and cash equivalents		**14,609**	10,587	(2,946)
Cash and cash equivalents at the beginning of the period		**33,493**	23,632	28,960
Effect of exchange rate movements on cash and cash equivalents		**1,135**	(726)	(2,382)
Cash and cash equivalents at the end of the period	19	**49,237**	33,493	23,632

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

Notes to the consolidated financial statements

For the half year ended 30 September 2021

Note 1
Basis of preparation

This general purpose interim financial report for the half year reporting period ended 30 September 2021 has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* (AASB 134) and the *Corporations Act 2001* (Cth). Compliance with AASB 134 ensures compliance with International Accounting Standard IAS 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board (IASB).

This interim financial report comprises the consolidated financial report of Macquarie Group Limited (MGL or the Company) and the entities it controlled at the end of, or during the half year ended 30 September 2021 (the Consolidated Entity).

This interim financial report does not include all the disclosures of the type that are normally included in the Consolidated Entity's annual financial report. Accordingly, this report is to be read in conjunction with the Consolidated Entity's annual financial report for the year ended 31 March 2021 and any public announcements made by the Consolidated Entity during the reporting period in accordance with the continuous disclosure requirements issued by the Australian Securities Exchange (ASX).

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

The accounting policies adopted in the preparation of the interim financial report are consistent with those adopted and disclosed in the Consolidated Entity's annual financial report for the year ended 31 March 2021.

(i) Critical accounting estimates and significant judgements

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

Areas of estimation uncertainty and the basis of key judgements applied by management in preparing the interim financial report are consistent with those that were applied and disclosed in the annual financial report for the year ended 31 March 2021.

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 the interim financial report are reasonable. It is however reasonably possible that future outcomes that are different from the Consolidated Entity's assumptions and estimates at 30 September 2021, other than adjusting events that provide evidence of conditions that existed at the end of the reporting period, could require an adjustment to the carrying amounts of the reported assets and liabilities in future reporting periods.

(ii) Coronavirus (COVID-19)

The Novel Coronavirus (COVID-19) continued to impact global economies and equity, debt and commodity markets which resulted in several support actions by governments and regulators. Where applicable, the impact of COVID-19 has been incorporated into the determination of the Consolidated Entity's results of operations and measurement of its assets and liabilities at the reporting date.

The Consolidated Entity's processes to determine the impact of COVID-19 for this interim financial report are consistent with the processes disclosed and applied in its 31 March 2021 financial reports. Those processes identified that expected credit losses (Note 11) required continued judgement as a result of the impact of COVID-19.

The Consolidated Entity drew down an additional $9.5 billion from the Reserve Bank of Australia (RBA) under the Term Funding Facility (TFF) during the reporting period. As at 30 September 2021, the Consolidated Entity had drawn $11.3 billion of its total TFF allowance which is in the form of repurchase agreements, is collateralised with issued loan notes in the Consolidated Entity's home loans' securitisation vehicles. The objective of the TFF is to reduce interest rates for borrowers and support businesses during this period through lending.

Note 1
Basis of preparation continued

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

The amendments made to existing standards that were mandatorily effective or have been early adopted for the annual reporting period beginning on 1 April 2021 did not result in a material impact on this interim financial report.

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

(iv) Other developments

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

The Consolidated Entity's IBOR reform project, as outlined in the Consolidated Entity's 31 March 2021 annual financial report, continued to progress in line with its overall strategy to transition broadly in line with markets and ahead of the relevant IBOR cessation dates.

The IBOR reform project's progress during the reporting period included implementation of plans to:

- ensure that the use of LIBOR in new products ceases in line with industry milestones and regulatory expectations
- increase the use of ARRs in new business
- convert legacy contracts that reference GBP LIBOR, and other IBORs that will cease publication on 31 December 2021, where feasible, to ARRs. The conversion approach, which is outlined in a group-wide transition framework, aligns to industry recommendations and regulatory expectations and includes client communications, conduct risk management, conversion timing, use of recommended ARRs, pricing methodologies and spread adjustments designed to mitigate potential value transfer during transition
- assess the implications of the Financial Conduct Authority's (FCA) updated arrangements for synthetic LIBOR including its decision to compel the LIBOR administrator to continue to publish selected GBP and JPY LIBOR settings for a limited time period after the end of 2021 using a 'synthetic' methodology
- continue to apply the available accounting relief under AASB 2020-8 *Interest Rate Benchmark Reform Phase 2* amendments, which was early adopted by the Consolidated Entity for its annual financial report for the year ended 31 March 2021, and
- enhance system and operational readiness to support a broader range of ARR products and transition activities.

Whilst IBOR reforms are important changes for the Consolidated Entity, the risks associated with the transition are managed within the Consolidated Entity's existing risk management framework.

(v) Comparatives

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

Note 2
Operating profit before income tax

	Half year to 30 Sep 21 $m	Half year to 31 Mar 21 $m	Half year to 30 Sep 20 $m
Net interest income			
Interest and similar income			
Effective interest rate method[1]	**1,921**	1,798	1,834
Other	**143**	145	188
Interest and similar expense[2]	**(691)**	(781)	(989)
Net interest income	**1,373**	1,162	1,033
Fee and commission income			
Base and other asset management fees[3]	**1,592**	1,175	1,130
Mergers and acquisitions, advisory and underwriting fees	**618**	445	413
Brokerage and other trading-related fee income	**381**	415	401
Performance fees[4]	**177**	247	413
Other fee and commission income[5]	**684**	281	256
Total fee and commission income	**3,452**	2,563	2,613
Net trading income[6]			
Commodities[7],[8]	**1,256**	1,596	1,154
Credit, interest rate and foreign exchange products	**187**	195	138
Equities	**216**	204	195
Net trading income	**1,659**	1,995	1,487
Net operating lease income			
Rental income	**359**	410	539
Depreciation and other operating lease-related charges	**(173)**	(189)	(294)
Net operating lease income	**186**	221	245
Share of net profits/(losses) from associates and joint ventures[9]	**242**	51	(54)

(1) Includes interest income of $1,877 million (half year to 31 March 2021: $1,750 million; half year to 30 September 2020: $1,750 million) on financial assets measured at amortised cost and $44 million (half year to 31 March 2021: $48 million; half year to 30 September 2020: $84 million) on financial assets measured at FVOCI.
(2) Includes interest expense on financial liabilities measured at amortised cost calculated using the effective interest rate method of $671 million (half year to 31 March 2021: $775 million; half year to 30 September 2020: $959 million).
(3) Includes $1,374 million (half year to 31 March 2021: $1,026 million; half year to 30 September 2020: $985 million) of base fee income.
(4) Includes $156 million (half year to 31 March 2021: $205 million; half year to 30 September 2020: $407 million) from transactions with the Consolidated Entity's associates.
(5) Current period includes disposition fee income from Macquarie Infrastructure Corporation (MIC).
(6) 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.
(7) Includes $249 million (half year to 31 March 2021: $312 million; half year to 30 September 2020: $367 million) of transportation, storage and certain other trading-related costs.
(8) Includes $28 million (half year to 31 March 2021: $25 million; half year to 30 September 2020: $22 million) depreciation on right-of-use (ROU) assets held for trading-related business.
(9) Interests in associates and joint ventures primarily include a 50% interest in Macquarie AirFinance Limited, 16.52% interest in MIC and investments in Macquarie-managed funds. The investments in Macquarie funds are classified as associates where it has a less than 20% ownership interest on the basis of its ability to participate in the financial and operating policy decisions through its role as manager.

Note 2
Operating profit before income tax continued

	Half year to 30 Sep 21 $m	Half year to 31 Mar 21 $m	Half year to 30 Sep 20 $m
Credit and other impairment (charges)/reversal			
Credit impairment (charges)/reversal			
Loan assets	**(64)**	45	(368)
Other assets	**(52)**	(30)	(20)
Loans to associates and joint ventures	**(33)**	(19)	2
Undrawn credit commitments, letters of credit and financial guarantees	**(12)**	(26)	17
Margin money and settlement assets	**(11)**	(6)	(36)
Financial investments	**(4)**	9	(4)
Gross credit impairment charges	**(176)**	(27)	(409)
Recovery of loans previously written off	**–**	–	2
Net credit impairment charges	**(176)**	(27)	(407)
Other impairment (charges)/reversal			
Interests in associates and joint ventures(1)	**(5)**	93	(28)
Intangible and other non-financial assets	**(49)**	(143)	(12)
Net other impairment charges	**(54)**	(50)	(40)
Total credit and other impairment charges	**(230)**	(77)	(447)
Net other operating income			
Investment income			
Net gain/(loss) on:			
Disposal of businesses and subsidiaries(2)	**794**	165	74
Financial investments	**122**	183	37
Interests in associates and joint ventures	**44**	954	109
Non-financial assets	**34**	98	394
Change of control, joint control and/or significant influence	**–**	(2)	11
Total investment income	**994**	1,398	625
Subsidiaries held for investment purposes(3)			
Net operating revenue(4)	**287**	197	157
Expenses(5)	**(265)**	(275)	(229)
Net profit/(loss) from subsidiaries held for investment purposes	**22**	(78)	(72)
Other income	**106**	20	89
Total net other operating income	**1,122**	1,340	642
Net operating income	**7,804**	7,255	5,519

(1) Includes the impairment reversal of $114 million (half year to 31 March 2021: $126 million; half year to 30 September 2020: $nil) on the Consolidated Entity's investment in MIC. During the current period, further impairment reversal indicators were identified following MIC entering into sales agreements for its remaining assets and, based on the VIU, the cumulative impairment recognised to date was reversed. The carrying value of the Consolidated Entity's investment in MIC as at 30 September 2021 is $831 million which is supported by the distributions expected to be received subsequently.
(2) Half year to 30 September 2021 includes $99 million attributable to non-controlling interests.
(3) Subsidiaries held for investment purposes are consolidated entities that are held with the ultimate intention to sell as part of the Consolidated Entity's investment activities.
(4) Includes revenue of $699 million (half year to 31 March 2021: $485 million; half year to 30 September 2020: $483 million) after deduction of $412 million (half year to 31 March 2021: $288 million; half year to 30 September 2020: $326 million) related to cost of goods sold.
(5) Includes employment expenses, depreciation, amortisation expenses and other operating expenses.

Note 2
Operating profit before income tax continued

	Half year to 30 Sep 21 $m	Half year to 31 Mar 21 $m	Half year to 30 Sep 20 $m
Employment expenses			
Salary and related costs including commissions, superannuation and performance-related profit share	**(2,628)**	(2,445)	(2,077)
Share-based payments[1]	**(319)**	(303)	(279)
Provision for long service leave and annual leave	**(54)**	(11)	(75)
Total compensation expenses	**(3,001)**	(2,759)	(2,431)
Other employment expenses including on-costs, staff procurement, and staff training	**(163)**	(143)	(184)
Total employment expenses	**(3,164)**	(2,902)	(2,615)
Brokerage, commission, and fee expenses			
Brokerage and other trading-related fee expenses	**(368)**	(295)	(348)
Other fee and commission expenses	**(130)**	(113)	(123)
Total brokerage, commission and fee expenses	**(498)**	(408)	(471)
Non-salary technology expenses			
Information services	**(103)**	(106)	(110)
Depreciation on own use assets: equipment	**(12)**	(14)	(13)
Service provider and other non-salary technology expenses	**(302)**	(266)	(272)
Total non-salary technology expenses	**(417)**	(386)	(395)
Other operating expenses			
Occupancy expenses			
Lease expenses[2]	**(79)**	(81)	(91)
Depreciation on own use assets: buildings, furniture, fittings and leasehold improvements	**(36)**	(36)	(31)
Other occupancy expenses	**(67)**	(69)	(74)
Total occupancy expenses	**(182)**	(186)	(196)
Other expenses			
Professional fees	**(241)**	(279)	(216)
Indirect and other taxes	**(85)**	(75)	(79)
Advertising and promotional expenses	**(96)**	(54)	(46)
Amortisation of intangible assets	**(70)**	(30)	(33)
Audit fees	**(26)**	(32)	(23)
Depreciation on own use assets: infrastructure assets	**(2)**	(5)	(4)
Other	**(288)**	(244)	(188)
Total other expenses	**(808)**	(719)	(589)
Total other operating expenses	**(990)**	(905)	(785)
Total operating expenses	**(5,069)**	(4,601)	(4,266)
Operating profit before income tax	**2,735**	2,654	1,253

(1) Includes share-based payments related expense of $22 million (half year to 31 March 2021: $26 million; half year to 30 September 2020: $24 million) for cash settled awards.
(2) Includes $69 million (half year to 31 March 2021: $76 million; half year to 30 September 2020: $83 million) of depreciation on ROU assets relating to property leases.

Note 3
Segment reporting

(i) Operating Segments

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

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

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

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

- **MAM** provides investment solutions to clients across a range of capabilities, including infrastructure and renewables, real estate, agriculture and natural assets, asset finance, private credit, equities, fixed income and multi-asset solutions aiming to deliver positive impact for everyone
- **BFS** provides a diverse range of personal banking, wealth management, business banking and vehicle finance[1] products and services to retail clients, advisers, brokers and business clients
- **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
- **Macquarie Capital** has global capability in advisory and capital raising services, investing alongside partners and clients across the capital structure, and providing clients with specialist expertise, advice and flexible capital solutions across a range of sectors. It also has global capability in the development and investment in infrastructure and energy projects and companies, and in relation to renewable energy projects and the supply of green energy solutions to corporate clients. Additionally, Macquarie Capital's equities brokerage business provides clients with access to equity research, sales, execution capabilities and corporate access.

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

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

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

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

Internal funding arrangements

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

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

Deposits are a funding source for the Banking 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.

(1) Includes general plant and equipment.

Note 3
Segment reporting continued

(i) Operating Segments continued

Accounting for derivatives that economically hedge interest rate risk

With respect to businesses that predominantly earn income from lending activities, derivatives that hedge interest rate risk are measured at fair value through profit or loss (FVTPL). Changes in fair value are presented in net trading income and gives rise to income statement volatility unless designated in a hedge accounting relationship, in which case the carrying value of the hedged item is adjusted for changes in fair value attributable to the hedged risk to reduce volatility in the income statement. If designated in a cash flow hedge accounting relationship, the effective portion of the derivative's fair value gains or losses is deferred in the cash flow hedge reserve as part of 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.

Central Service Groups

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

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

Performance-related profit share and share based payments expense

Performance-related profit share and share-based payments expense relating to the Macquarie Group Employee Retained Equity Plan (MEREP) are recognised in the Corporate segment and 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.

Reportable segment assets

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

Notes to the consolidated financial statements

For the half year ended 30 September 2021 continued

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:

	Macquarie Asset Management $m	Banking and Financial Services $m
Net interest and trading (expense)/income	**(135)**	**974**
Fee and commission income/(expense)	**2,143**	**220**
Net operating lease income	**32**	**–**
Share of net profits/(loss) from associates and joint ventures	**185**	**(1)**
Net credit and other impairment reversal/(charges)	**116**	**(31)**
Net other operating income	**115**	**1**
Internal management revenue/(charges)	**–**	**–**
Net operating income	**2,456**	**1,163**
Total operating expenses	**(1,152)**	**(681)**
Operating profit/(loss) before income tax	**1,304**	**482**
Income tax expense	**–**	**–**
Loss/(profit) attributable to non-controlling interests	**1**	**–**
Net profit/(loss) contribution	**1,305**	**482**
Reportable segment assets	**8,924**	**100,065**
Net interest and trading (expense)/income	(126)	902
Fee and commission income/(expense)	1,416	216
Net operating lease income	33	–
Share of net profits/(losses) from associates and joint ventures	43	(2)
Net credit and other impairment reversal/(charges)	96	(37)
Net other operating income	274	14
Internal management revenue/(charges)	29	–
Net operating income	1,765	1,093
Total operating expenses	(753)	(639)
Operating profit/(loss) before income tax	1,012	454
Income tax expense	–	–
Loss/(profit) attributable to non-controlling interests	–	–
Net profit/(loss) contribution	1,012	454
Reportable segment assets	5,927	90,226
Net interest and trading (expense)/income	(123)	844
Fee and commission income/(expense)	1,505	203
Net operating lease income	46	–
Share of net (losses)/profits from associates and joint ventures	(55)	(1)
Net credit and other impairment charges	(11)	(78)
Net other operating income	425	16
Internal management revenue/(charges)	2	1
Net operating income	1,789	985
Total operating expenses	(721)	(668)
Operating profit/(loss) before income tax	1,068	317
Income tax expense	–	–
(Profit)/loss attributable to non-controlling interests	(6)	–
Net profit/(loss) contribution	1,062	317
Reportable segment assets	6,882	80,041

Commodities and Global Markets $m	Macquarie Capital $m	Corporate $m	Total $m
			HALF YEAR ENDED 30 SEP 2021
1,878	**115**	**200**	**3,032**
228	**871**	**(10)**	**3,452**
152	**–**	**2**	**186**
15	**43**	**–**	**242**
(58)	**(209)**	**(48)**	**(230)**
520	**451**	**35**	**1,122**
34	**17**	**(51)**	**–**
2,769	**1,288**	**128**	**7,804**
(1,040)	**(730)**	**(1,466)**	**(5,069)**
1,729	**558**	**(1,338)**	**2,735**
–	**–**	**(603)**	**(603)**
–	**(90)**	**-**	**(89)**
1,729	**468**	**(1,941)**	**2,043**
163,719	**23,451**	**52,408**	**348,567**
			HALF YEAR ENDED 31 MAR 2021
2,119	63	199	3,157
228	722	(19)	2,563
185	–	3	221
30	(18)	(2)	51
(71)	(110)	45	(77)
63	946	43	1,340
(6)	31	(54)	–
2,548	1,634	215	7,255
(1,029)	(798)	(1,382)	(4,601)
1,519	836	(1,167)	2,654
–	–	(624)	(624)
–	4	(4)	–
1,519	840	(1,795)	2,030
94,972	19,342	35,186	245,653
			HALF YEAR ENDED 30 SEP 2020
1,737	6	56	2,520
257	665	(17)	2,613
198	–	1	245
13	(17)	6	(54)
(166)	(119)	(73)	(447)
90	79	32	642
1	–	(4)	–
2,130	614	1	5,519
(1,048)	(816)	(1,013)	(4,266)
1,082	(202)	(1,012)	1,253
–	–	(275)	(275)
–	13	–	7
1,082	(189)	(1,287)	985
102,925	19,743	21,144	230,735

Notes to the consolidated financial statements

For the half year ended 30 September 2021 continued

Note 3
Segment reporting continued

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

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

	Macquarie Asset Management $m	Banking and Financial Services $m	Commodities and Global Markets $m	Macquarie Capital $m	Corporate $m	Total $m
Fee and commission income/(expense)						**HALF YEAR TO 30 SEP 2021**
Base and other asset management fees	**1,474**	**117**	**1**	**–**	**–**	**1,592**
Mergers and acquisitions, advisory and underwriting fees	**2**	**–**	**(7)**	**624**	**(1)**	**618**
Brokerage and other trading-related fee income	**16**	**25**	**112**	**229**	**(1)**	**381**
Performance fees	**177**	**–**	**–**	**–**	**–**	**177**
Other fee and commission income/(expense)	**474**	**78**	**122**	**18**	**(8)**	**684**
Total fee and commission income/(expense)	**2,143**	**220**	**228**	**871**	**(10)**	**3,452**
Fee and commission income/(expense)						HALF YEAR TO 31 MAR 2021
Base and other asset management fees	1,066	108	1	–	–	1,175
Mergers and acquisitions, advisory and underwriting fees	8	–	5	441	(9)	445
Brokerage and other trading-related fee income	27	23	97	268	–	415
Performance fees	240	–	–	7	–	247
Other fee and commission income/(expense)	75	85	125	6	(10)	281
Total fee and commission income/(expense)	1,416	216	228	722	(19)	2,563
Fee and commission income/(expense)						HALF YEAR TO 30 SEP 2020
Base and other asset management fees	1,024	104	2	–	–	1,130
Mergers and acquisitions, advisory and underwriting fees	10	–	7	398	(2)	413
Brokerage and other trading-related fee income	9	24	112	256	–	401
Performance fees	413	–	–	–	–	413
Other fee and commission income/(expense)	49	75	136	11	(15)	256
Total fee and commission income/(expense)	1,505	203	257	665	(17)	2,613

Note 3
Segment reporting continued

(iii) Products and services

Segment reporting based on products and services is based on the following activities of the Consolidated Entity:

- **Financial markets:** broker services and trading in fixed income, equities, foreign exchange and commodities
- **Lending:** home loans, corporate loans, structured financing, banking activities, asset financing and leasing
- **Capital markets:** capital raising, underwriting, facilitation and advisory services, principal lending and investments
- **Asset and wealth management:** distribution and management of funds and wealth management products.

	Half year to 30 Sep 21 $m	Half year to 31 Mar 21 $m	Half year to 30 Sep 20 $m
Revenue from external customers			
Financial markets	**2,713**	3,165	2,858
Lending	**2,498**	1,990	2,360
Capital markets	**2,365**	2,465	1,349
Asset and wealth management	**2,276**	1,581	1,627
Total revenue from external customers[1]	**9,852**	9,201	8,194

(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.

Revenue from external customers			
Americas[2]	**4,118**	3,415	2,955
Europe, Middle East, and Africa[3]	**2,606**	2,207	1,834
Australia	**2,430**	2,855	2,570
Asia Pacific	**698**	724	835
Total	**9,852**	9,201	8,194

(v) Major customers

The Consolidated Entity does not rely on any major customer.

(1) Revenue from external customers includes fee and commission income relating to contracts with customers, interest and similar income, net trading income, operating lease income, operating income from subsidiaries held for investment purposes, share of net profits/(losses) from associates and joint ventures, income associated with investing activities and other operating income.
(2) Includes external revenue generated in the United States of America of $4,104 million (half year to 31 March 2021: $3,217 million; half year to 30 September 2020: $2,762 million).
(3) Includes external revenue generated in the United Kingdom of $1,915 million (half year to 31 March 2021: $1,756 million; half year to 30 September 2020: $1,187 million).

Note 4
Income tax expense

	Half year to 30 Sep 21 $m	Half year to 31 Mar 21 $m	Half year to 30 Sep 20 $m
(i) Reconciliation of income tax expense to *prima facie* tax expense			
Prima facie income tax expense on operating profit[1]	**(821)**	(796)	(376)
Tax effect of amounts which are non-assessable/(non-deductible) in calculating taxable income:			
Rate differential on offshore income	**242**	182	120
Other items	**(24)**	(10)	(19)
Total income tax expense	**(603)**	(624)	(275)
(ii) Tax benefit/(expense) relating to items of OCI			
FVOCI reserve	**–**	5	(30)
Own credit risk	**2**	7	39
Cash flow hedges and cost of hedging	**5**	2	13
Share of other comprehensive expense/(income) from associates and joint ventures	**9**	(6)	20
Total tax benefit relating to items of OCI	**16**	8	42

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.

(1) *Prima facie* income tax expense on operating profit is calculated at the Australian statutory corporate tax rate of 30% (half year to 31 March 2021: 30%; half year to 30 September 2020: 30%)

Note 5
Dividends

(i) Dividends paid

	Half year to 30 Sep 21 $m	Half year to 31 Mar 21 $m	Half year to 30 Sep 20 $m
Ordinary share capital and exchangeable shares			
Final dividend paid (2021: $3.35 (2020: $1.80) per share)	**1,208**	–	637
Interim dividend paid (2021: $1.35 per share)	**–**	486	–
Total dividends paid (Note 18)(1)	**1,208**	486	637

The 2021 final dividend paid during the period was franked at 40% based on tax paid at 30% (2021 interim dividend franked at 40% based on tax paid at 30%; 2020 final dividend franked at 40% based on tax paid at 30%).

The Company's Dividend Reinvestment Plan (DRP) remains active. The DRP is optional and offers ordinary shareholders in Australia and New Zealand the opportunity to acquire fully paid ordinary shares without transaction costs. A shareholder can elect to participate in or terminate their involvement in the DRP at any time. Equity shares issued by the Consolidated Entity in the current and earlier periods were allocated as fully paid ordinary shares pursuant to the DRP, details of which are included in Note 17 *Contributed equity*.

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

Since the end of the period, the Directors have resolved to pay an interim dividend for the half year ended 30 September 2021 of $2.72 per fully paid ordinary share, 40% franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 14 December 2021 from retained profits, but not recognised as a liability at the end of the period is $1,003 million. This amount has been estimated based on the number of shares and MEREP awards eligible to participate as at 30 September 2021(2).

	Half year to 30 Sep 21 $ per share	Half year to 31 Mar 21 $ per share	Half year to 30 Sep 20 $ per share
Cash dividend per ordinary share (distribution of current period profits)	**2.72**	3.35	1.35

(1) Includes $7 million (half year to 31 March 2021: $3 million; half year to 30 September 2020: $4 million) of dividend equivalent amount paid to Deferred Share Unit (DSU) holders.
(2) Excludes shares to be issued under the non-underwritten institutional placement. Refer to Note 25 *Events after the reporting date* for further information.

Note 6

Earnings per share

Basic earnings per share is calculated by dividing the Consolidated Entity's profit attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the period.

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

	Half year to 30 Sep 21	Half year to 31 Mar 21	Half year to 30 Sep 20
			CENTS PER SHARE
Basic earnings per share	**562.5**	565.2	276.7
Diluted earnings per share	**545.4**	546.0	272.9
	$m	**$m**	**$m**
Reconciliation of earnings used in the calculation of basic and diluted earnings per share			
Profit after income tax	**2,132**	2,030	978
(Profit)/loss attributable to non-controlling interests	**(89)**	–	7
Total profit attributable to the ordinary equity holders of MGL	**2,043**	2,030	985
Less: profit attributable to participating unvested MEREP awards	**(65)**	(67)	(32)
Total earnings used in the calculation of basic earnings per share	**1,978**	1,963	953
Add back:			
Profit attributable to dilutive participating unvested MEREP awards	**41**	44	17
Interest on convertible subordinated debt holders	**61**	62	46
Total earnings used in the calculation of diluted earnings per share	**2,080**	2,069	1,016

	Half year to 30 Sep 21	Half year to 31 Mar 21	Half year to 30 Sep 20
			NUMBER OF SHARES
Total weighted average number of equity shares (net of treasury shares) adjusted for participating unvested MEREP awards used in the calculation of basic earnings per share[(1)]	**351,667,930**	347,294,293	344,424,850
Reconciliation of weighted average number of equity shares used in the calculation of basic and diluted earnings per share			
Weighted average number of equity shares used in the calculation of basic earnings per share:	**351,667,930**	347,294,293	344,424,850
Weighted average number of potential dilutive equity shares:			
Unvested MEREP awards	**10,175,359**	10,740,688	8,824,318
Convertible subordinated debt[(2)]	**19,562,835**	20,907,305	19,050,020
Total weighted average number of equity shares (net of treasury shares) and potential equity shares used in the calculation of diluted earnings per share	**381,406,124**	378,942,286	372,299,188

(1) Includes weighted average number of additional equity shares issued during half year to 30 September 2021 under MEREP and DRP participation (half year to 31 March 2021 included weighted average number of additional equity shares issued under the Macquarie Group Employee Share Plan (ESP) and DRP participation; half year to 30 September 2020 included weighted average number of additional equity shares issued under the MEREP and DRP participation).

(2) For details of loan capital included in potential dilutive equity shares, refer to Note 26 *Loan capital* of the Consolidated Entity's March 2021 annual financial report.

	As at 30 Sep 21 $m	As at 31 Mar 21 $m	As at 30 Sep 20 $m

Note 7
Trading assets

	As at 30 Sep 21 $m	As at 31 Mar 21 $m	As at 30 Sep 20 $m
Commodities	**7,358**	6,988	6,504
Listed equity securities	**7,334**	6,756	5,426
Commodity contracts	**4,121**	3,345	1,745
Debt securities			
Commonwealth and foreign government securities	**2,520**	4,385	4,995
Corporate loans and securities	**447**	269	558
Other	**3**	3	24
Total trading assets	**21,783**	21,746	19,252

Note 8
Margin money and settlement assets

	As at 30 Sep 21 $m	As at 31 Mar 21 $m	As at 30 Sep 20 $m
Margin money	**10,043**	4,852	4,454
Security settlements	**8,893**	7,253	6,198
Commodity settlements	**3,207**	2,292	1,686
Total margin money and settlement assets	**22,143**	14,397	12,338

Note 9
Other assets

	As at 30 Sep 21 $m	As at 31 Mar 21 $m	As at 30 Sep 20 $m
Debtors and prepayments(1)	**3,673**	2,948	2,895
Commodity-related receivables	**2,559**	1,661	2,132
Property and other inventory(2)	**873**	681	614
Income tax receivables	**649**	675	649
Other	**51**	41	41
Total other assets	**7,805**	6,006	6,331

Note 10
Loan assets

	AS AT 30 SEP 21			AS AT 31 MAR 21			AS AT 30 SEP 20		
	Gross $m	**ECL allowance(3) $m**	**Net $m**	Gross $m	ECL allowance(3) $m	Net $m	Gross $m	ECL allowance(3) $m	Net $m
Home loans(4)	**81,836**	**(73)**	**81,763**	72,068	(67)	72,001	62,168	(75)	62,093
Corporate, commercial and other lending	**25,430**	**(593)**	**24,837**	20,392	(722)	19,670	17,850	(746)	17,104
Asset financing(4)	**12,104**	**(345)**	**11,759**	13,697	(342)	13,355	14,551	(334)	14,217
Total loan assets	**119,370**	**(1,011)**	**118,359**	106,157	(1,131)	105,026	94,569	(1,155)	93,414

(1) Includes $979 million (31 March 2021: $778 million; 30 September 2020: $729 million) of fee and commission receivables and $469 million (31 March 2021: $331 million; 30 September 2020: $594 million) of fee-related contract assets.
(2) Includes $536 million (31 March 2021: $356 million; 30 September 2020: $256 million) of investment properties measured at fair value. The asset is classified as Level 3 in the fair value hierarchy as defined in Note 22 *Fair values of assets and liabilities*.
(3) The ECL allowance carried against loan assets measured at FVOCI is not presented in the table as the allowance is included in FVOCI reserves. Refer to Note 11 *Expected credit losses*.
(4) Includes $13,580 million (31 March 2021: $11,344 million; 30 September 2020: $14,810 million) loans that are held by consolidated Structured Entities (SEs), and which are available as security to note holders and debt providers. Refer to Note 16 *Issued debt securities*.

Note 11
Expected credit losses

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

Model Inputs

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

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

For retail portfolios, behavioural variables are also considered in the determination of inputs for ECL modelling. The key model components used in measuring the ECL include:

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

Significant increase in credit risk (SICR)

The Consolidated Entity periodically assesses exposures to determine whether there has been a SICR, which may be evidenced by either qualitative or quantitative factors.

Qualitative factors include, but are not limited to, whether an exposure has been identified and placed on CreditWatch, an internal credit monitoring mechanism supervised by the Credit Watch Management Committee to closely monitor exposures showing signs of stress. All exposures on CreditWatch are classified as stage II or, if defaulted, as stage III.

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

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 the realisation of collateral, or the borrower is 90 days or more past due.

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.

Forward-looking information (FLI)

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

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

Note 11
Expected credit losses continued

Forward-looking information (FLI) continued

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

The scenarios have been developed using a combination of publicly available data, internal forecasts, and third-party information to form the initial baseline. Internal specialists within the Consolidated Entity are consulted to assist in refining and challenging the baseline and the alternate scenarios. For the current reporting period the Consolidated Entity has re-introduced a fourth scenario to better reflect the range of potential loss outcomes and associated macroeconomic uncertainties.

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

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

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

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

The scenarios for each of the key regions where Macquarie's ECL is derived have been set out on the following page. Noting the wide range of possible scenarios and macroeconomic outcomes, and the continuing uncertainty of how COVID-19 and its social and economic consequences will flow, 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.

The modelled ECL for each scenario is sensitive to the speed and resilience of post-COVID-19 economic normalisation, and the longevity of monetary and fiscal intervention, as these influence both the PD, and the value of collateral that may be utilised.

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

Note 11
Expected credit losses continued

Forward-looking information continued

Scenario	Weighting	Expectation
Baseline A 100% weighting to this scenario would result in an estimated total expected credit loss provision on balance sheet at the reporting date of ~$1,450 million(1)	Probable	**Global:** The baseline scenario assumes the global economic recovery continues into 2022 as containment measures and vaccine rollouts enable countries to cautiously open up. Job retention schemes and other policy measures are expected to be withdrawn gradually, with unemployment rates receding slowly as growth picks up in most economies. Global growth is expected to ease back towards pre-COVID trend levels over the next 12 months. **Australia:** The September 2021 quarter reflected a sharp contraction in Australian GDP as a result of COVID-19 lockdowns across much of the country. A steady recovery is expected over the next 12 months. Unemployment is projected to decline below 4.5% by the end of 2022 as the recovery gathers pace. House prices are projected to grow at approximately 5% year on year, supported by low interest rates as the RBA maintains the cash rate at historic lows until late 2023. **United States:** Having recovered to, and exceeded, pre-COVID-19 output levels, the rate of growth in the US economy is projected to slow over the next 12 months. Growth in 2022 is projected to be at 3% year on year, down from an estimated 5.6% year on year in 2021, but still above historical trends. Equity markets are above their early 2020 peak. This growth is not projected to continue in 2022 as the US Federal Reserve tapering of stimulus takes effect, however a material decline in the equity markets from current levels is not projected. **Europe:** After enduring a prolonged second wave of COVID-19 infections, the Eurozone recovery is projected to remain behind developed markets. Unemployment rates have been largely controlled through job retention schemes and Europe's overall unemployment rate is projected to continue to steadily decline towards long-run levels. The European Central Bank (ECB) is projected to maintain an accommodative monetary policy position through 2022 and into 2023.
Downside A 100% weighting to this scenario would result in an estimated total expected credit loss provision on balance sheet at the reporting date of ~$1,800 million(1)	Possible	**Global:** The downside scenario projects growth in global GDP that is approximately 1 % lower than the baseline scenario through to 2025. **Australia:** The scenario projects that the post-lockdown economic recovery is delayed, with GDP trending up at a slower pace. Unemployment is projected to remain above 5% for much of 2022. Continued supportive monetary policy from the RBA is projected, leading house price growth to stabilise but not fall. **United States:** The scenario projects modestly lower growth compared to the baseline through to 2025. As a consequence, the US Federal Reserve would delay the tapering of stimulus and interest rate increases. Unemployment rates are projected to remain at approximately 5.5% until 2023. **Europe:** The scenario projects GDP growth to be below 1% year on year through 2022 and 2023, resulting in unemployment levels above 8.5%. Equity prices are projected to remain close to current levels throughout the forecast period to 2025.
More Severe Downside A 100% weighting to this scenario would result in an estimated total expected credit loss provision on balance sheet at the reporting date of ~$2,300 million(1)	Unlikely	**Global:** The scenario projects a slowdown followed by a recession throughout 2022 and into 2023. A robust recovery from 2024 onwards is projected, however this recovery would remain significantly below the baseline scenario expectations. **Australia:** The scenario projects GDP to recover to pre-pandemic levels before Australia re-enters a recession in the second half of 2022. Unemployment rates are projected to rise to approximately 7% and despite continued low interest rates, house prices are projected to decline by a total of 9% over 2022 and 2023. **United States:** The scenario projects the current economic recovery slows in late-2021 and GDP contracts by 3% year on year in 2022. House prices are projected to decline by 8% from their peak by the end of 2023 as unemployment rate peaks at a projection of approximately 8% in 2023. **Europe:** The scenario projects growth to be impacted with GDP declining further below pre-pandemic levels, with a recovery to pre-pandemic levels not reached until the end of 2025 forecast period. Unemployment, house prices and equity indexes are all projected to be significantly impacted within this scenario.
Upside A 100% weighting to this scenario would result in an estimated total expected credit loss provision on balance sheet at the reporting date of ~$1,350 million(1)	Unlikely	**Global:** The upside scenario projects growth in global GDP that is approximately 1% higher that then the baseline scenario throughout the forecast period to 2025. **Australia:** The scenario projects the post-lockdown recovery continues through 2022, with the RBA cash rate projected to rise by the end of 2022. Property and equity markets are projected to stabilise without declining. Unemployment rates in this scenario are projected to fall below 4% in 2022. **United States:** The scenario projects the strong growth trend to continue, restoring GDP to pre-pandemic trend levels. By 2023 the unemployment rate is projected to be below 3.5% and to remain at that level through to the end of 2025. US Federal Reserve policy normalisation is projected to increase in 2022 resulting in equity indexes stabilising and slowing the growth in house prices. **Europe:** The scenario projects moderately higher growth than the baseline expectations throughout 2022 and 2023 resulting in Europe's unemployment falling below 7% by 2024.

(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 counterparty that may occur if these scenarios were to occur, nor changes to individually assessed stage 3 provisions. Changes in credit ratings or these individually assessed provisions may have a material impact on these ECL provisions.

Note 11
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*.[1]

	GROSS EXPOSURE FOR FINANCIAL ASSETS CARRIED AT[1]				ECL ALLOWANCE ON FINANCIAL ASSETS CARRIED AT			
	Amortised Cost $m	FVOCI $m	Other $m	Total exposure $m	Amortised Cost $m	FVOCI $m	Other $m	Total ECL allowance $m
								AS AT 30 SEP 21
Cash and bank balances	**32,221**	**–**	**–**	**32,221**	**–**	**–**	**–**	**–**
Cash collateralised lending and reverse repurchase agreements	**12,259**	**21,485**	**–**	**33,744**	**–**	**–**	**–**	**–**
Margin money and settlement assets	**21,637**	**–**	**–**	**21,637**	**82**	**–**	**–**	**82**
Financial investments	**10**	**10,700**	**–**	**10,710**	**–**	**5**	**–**	**5**
Held for sale and other assets[2]	**4,468**	**–**	**469**	**4,937**	**263**	**–**	**–**	**263**
Loan assets	**118,839**	**304**	**–**	**119,143**	**1,011**	**46**	**–**	**1,057**
Loans to associates and joint ventures	**598**	**85**	**–**	**683**	**62**	**33**	**–**	**95**
Undrawn credit commitments, letters of credit and financial guarantees[3]	**–**	**–**	**10,542**	**10,542**	**–**	**–**	**72**	**72**
Total	**190,032**	**32,574**	**11,011**	**233,617**	**1,418**	**84**	**72**	**1,574**
								AS AT 31 MAR 21
Cash and bank balances	18,425	–	–	18,425	–	–	–	–
Cash collateralised lending and reverse repurchase agreements	9,284	19,488	–	28,772	–	–	–	–
Margin money and settlement assets	14,136	–	–	14,136	71	–	–	71
Financial investments	18	7,632	–	7,650	–	6	–	6
Held for sale and other assets[2]	2,455	6	331	2,792	158	–	–	158
Loan assets	105,404	317	–	105,721	1,131	50	–	1,181
Loans to associates and joint ventures	635	90	–	725	99	31	–	130
Undrawn credit commitments, letters of credit and financial guarantees[3]	–	–	8,695	8,695	–	–	57	57
Total	150,357	27,533	9,026	186,916	1,459	87	57	1,603
								AS AT 30 SEP 20
Cash and bank balances	8,681	–	–	8,681	–	–	–	–
Cash collateralised lending and reverse repurchase agreements	11,448	17,921	–	29,369	–	–	–	–
Margin money and settlement assets	12,320	–	–	12,320	71	–	–	71
Financial investments	31	7,329	–	7,360	–	14	–	14
Held for sale and other assets[2]	2,620	6	594	3,220	137	–	–	137
Loan assets	93,326	774	–	94,100	1,155	131	–	1,286
Loans to associates and joint ventures	696	84	–	780	80	31	–	111
Undrawn credit commitments, letters of credit and financial guarantees[3]	–	–	6,769	6,769	–	–	34	34
Total	129,122	26,114	7,363	162,599	1,443	176	34	1,653

(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 exposures will not equal the amounts as presented in the Statement of financial position.
(2) Other exposures included in other assets represent fee-related contract assets.
(3) Gross exposure for undrawn credit commitments, letters of credit and financial guarantees (not measured at FVTPL) represents the notional values of these contracts.

Notes to the consolidated financial statements

For the half year ended 30 September 2021 continued

Note 11
Expected credit losses continued

The tables below represents the reconciliation from the opening to closing balance of the ECL allowances:

	Margin money and settlement Assets $m	Financial investments $m	Held for sale and other assets $m	Loan assets $m	Loans to associates and joint ventures $m	Undrawn credit commitments, letters of credit and financial guarantees $m	Total $m
Balance as at 1 Apr 2020	71	15	143	1,106	150	56	1,541
Credit impairment charge/(reversal) (Note 2)	36	4	20	368	(2)	(17)	409
Amounts written off, previously provided for	(33)	–	(7)	(111)	(21)	–	(172)
Reclassifications, foreign exchange and other movements	(3)	(5)	(19)	(77)	(16)	(5)	(125)
Balance as at 30 Sep 2020	71	14	137	1,286	111	34	1,653
Credit impairment charge/(reversal) (Note 2)	6	(9)	30	(45)	19	26	27
Amounts written off, previously provided for	–	(2)	(5)	(48)	–	–	(55)
Reclassifications, foreign exchange and other movements	(6)	3	(4)	(12)	–	(3)	(22)
Balance as at 31 Mar 2021	71	6	158	1,181	130	57	1,603
Credit impairment charge (Note 2)	**11**	**4**	**52**	**64**	**33**	**12**	**176**
Amounts written off, previously provided for	**–**	**–**	**(14)**	**(138)**	**(73)**	**–**	**(225)**
Reclassifications, foreign exchange and other movements	**–**	**(5)**	**67**	**(50)**	**5**	**3**	**20**
Balance as at 30 Sep 2021	**82**	**5**	**263**	**1,057**	**95**	**72**	**1,574**

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 36.1 *Credit risk* in the Consolidated Entity's March 2021 Annual Financial Statements.

Note 11
Expected credit losses continued

ECL on loan assets

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

		LIFETIME ECL		
	Stage I 12 month ECL $m	Stage II Not credit impaired $m	Stage III Credit impaired $m	Total ECL Allowance $m
Balance as at 1 Apr 2020	285	358	463	1,106
Transfers during the period	(12)	(3)	15	–
Credit impairment charge (Note 2)	173	64	131	368
Amounts written off, previously provided for	–	–	(111)	(111)
Reclassifications, foreign exchange and other movements	(17)	(18)	(42)	(77)
Balance as at 30 Sep 2020	429	401	456	1,286
Transfers during the period	29	(21)	(8)	–
Credit impairment (reversal)/charge (Note 2)	(30)	(108)	93	(45)
Amounts written off, previously provided for	–	–	(48)	(48)
Reclassifications, foreign exchange and other movements	(7)	8	(13)	(12)
Balance as at 31 Mar 2021	421	280	480	1,181
Transfers during the period	**18**	**1**	**(19)**	**–**
Credit impairment charge (Note 2)	**63**	**–**	**1**	**64**
Amounts written off, previously provided for	**–**	**–**	**(138)**	**(138)**
Reclassifications, foreign exchange and other movements	**(4)**	**–**	**(46)**	**(50)**
Balance as at 30 Sep 2021	**498**	**281**	**278**	**1,057**

Note 12
Intangible assets

	AS AT 30 SEP 21			AS AT 31 MAR 21			AS AT 30 SEP 20		
	Cost $m	**Accumulated amortisation and Impairment $m**	**Carrying Value $m**	Cost $m	Accumulated amortisation and Impairment $m	Carrying Value $m	Cost $m	Accumulated amortisation and Impairment $m	Carrying Value $m
Goodwill[1]	**1,568**	**(35)**	**1,533**	1,354	(33)	1,321	1,666	(205)	1,461
Management rights and licenses[1]	**1,384**	**(219)**	**1,165**	486	(133)	353	458	(111)	347
Customer and servicing contracts	**612**	**(225)**	**387**	557	(216)	341	628	(208)	420
Intangible assets with indefinite lives	**286**	**–**	**286**	272	–	272	289	–	289
Other identifiable intangible assets	**299**	**(173)**	**126**	464	(208)	256	568	(269)	299
Total intangible assets	**4,149**	**(652)**	**3,497**	3,133	(590)	2,543	3,609	(793)	2,816

Goodwill and intangible assets with indefinite lives comprises of $1,627 million (31 March 2021: $926 million; 30 September 2020: $1,090 million) related to the Consolidated Entity's integrated businesses and $192 million (31 March 2021: $667 million; 30 September 2020: $660 million) related to the Consolidated Entity's subsidiaries that are held for investment purposes.

Where there were impairment indicators the recoverable amount was determined on the basis of the asset or cash generating unit's fair value less costs to sell. Where applicable, this measurement basis was determined with reference to external valuations or using discounted cashflow methodologies for goodwill and intangible assets with indefinite lives, in which case the key assumptions included discount rates ranging from 8%–10%, forecasted cashflows and long term growth rate information specific to the underlying asset or cash generating unit.

There were no significant impairment indicators for Management rights and licenses, Customer and servicing contracts, and Other identifiable intangible assets, which comprises of $1,276 million (31 March 2021: $445 million; 30 September 2020: $475 million) related to the Consolidated Entity's integrated businesses and $402 million (31 March 2021: $505 million; 30 September 2020: $591 million) related to the Consolidated Entity's subsidiaries that are held for investment purposes.

	As at 30 Sep 21 $m	As at 31 Mar 21 $m	As at 30 Sep 20 $m
Note 13			
Trading liabilities			
Listed equity securities	**5,466**	6,205	6,136
Debt securities	**29**	–	–
Total trading liabilities	**5,495**	6,205	6,136

(1) Increase in goodwill and management rights relates to business acquisition partly offset through disposals of business during the current period. Refer Note 24 *Acquisitions and disposals of subsidiaries and business* for details.

	As at 30 Sep 21 $m	As at 31 Mar 21 $m	As at 30 Sep 20 $m
Note 14			
Margin money and settlement liabilities			
Margin money	**15,642**	12,368	13,255
Security settlements	**7,372**	7,490	5,572
Commodity settlements	**2,881**	2,266	1,266
Total margin money and settlement liabilities	**25,895**	22,124	20,093

Note 15
Other liabilities

	As at 30 Sep 21 $m	As at 31 Mar 21 $m	As at 30 Sep 20 $m
Accrued charges, employment-related liabilities and provisions[1]	**3,654**	4,002	2,888
Creditors	**1,859**	1,475	1,279
Income tax payable	**850**	1,075	708
Lease liabilities	**694**	784	905
Commodity-related payables	**546**	604	595
Unitholder liabilities	**503**	12	13
Other	**295**	259	173
Total other liabilities	**8,401**	8,211	6,561

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

	As at 30 Sep 21 $m	As at 31 Mar 21 $m	As at 30 Sep 20 $m
Note 16			
Issued debt securities			
Bonds, negotiable certificate of deposits and commercial paper(1)	**77,267**	58,258	53,318
Structured notes(2)	**2,776**	2,722	3,021
Total issued debt securities(3),(4)	**80,043**	60,980	56,339

Subsequent to 30 September 2021, the Consolidated Entity has raised $7.7 billion(5) of term funding.

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

Reconciliation of issued debt securities by major currency

(In Australian dollar equivalent)

	As at 30 Sep 21 $m	As at 31 Mar 21 $m	As at 30 Sep 20 $m
United States dollar	**49,041**	33,903	27,924
Australian dollar	**20,369**	18,166	18,861
Euro	**5,723**	5,788	5,816
Swiss franc	**1,571**	1,031	1,133
Pound sterling	**1,438**	580	897
Chinese renminbi	**517**	491	511
Japanese yen	**491**	587	735
Canadian dollar	**485**	–	–
Norwegian krone	**162**	157	160
Hong Kong dollar	**148**	83	89
Swedish krona	**50**	48	50
Other	**48**	146	163
Total issued debt securities	**80,043**	60,980	56,339

(1) Includes $12,170 million (31 March 2021: $9,994 million; 30 September 2020: $12,264 million) liabilities to note holders and debt holders for which loan assets are held by consolidated SEs and are available as security. Refer to Note 10 *Loan assets*.
(2) Includes debt instruments on which the return is linked to commodities, equities, currencies, interest rates, or credit risk of a counterparty.
(3) The amount that would be contractually required to be paid at maturity to the holders of issued debt securities measured at DFVTPL is $3,537 million (31 March 2021: $2,744 million; 30 September 2020: $3,144 million). This amount is based on the final notional amount rather than the fair value. Refer to Note 21 *Measurement categories of financial instruments* for the carrying value of issued debt securities measured at DFVTPL.
(4) Includes a cumulative fair value loss of $42 million (31 March 2021: $34 million; 30 September 2020: $11 million) due to changes in own credit risk on DFVTPL debt securities recognised directly in OCI.
(5) Issuances cover a range of tenors, currencies and product types and are Australian dollar equivalent based on exchange rates at the time of issuance and includes undrawn facilities.

Note 17
Contributed equity

	As at 30 Sep 21 $m	As at 31 Mar 21 $m	As at 30 Sep 20 $m
Ordinary share capital	**11,290**	10,164	10,136
Treasury shares	**(1,896)**	(1,633)	(1,702)
Total contributed equity	**9,394**	8,531	8,434

	Number of shares	Total $m
(i) Ordinary share capital[1],[2]		
Balance as at 1 Apr 2020	354,381,396	9,297
Issued fully paid shares pursuant to the MEREP on 9 June 2020 and 9 August 2020 @112.15 per share[3]	5,163,874	579
Issued fully paid shares pursuant to the DRP on 3 July 2020 @110.47 per share	1,958,357	216
For employee MEREP awards:		
Transfer from share-based payments reserve on vesting of MEREP awards	–	374
Transfer of deferred tax benefit on MEREP from share-based payments reserve on vesting of MEREP awards	–	2
Transfer from treasury shares for MEREP awards exercised	–	(323)
Other[4]	–	(9)
Balance as at 30 Sep 2020	361,503,627	10,136
Issued shares on retraction of exchangeable shares on 24 November 2020 @139.70 per share	1,730	–
Issued fully paid shares pursuant to the DRP on 22 December 2020 @139.08 per share	302,706	42
Issued fully paid shares pursuant to the ESP Scheme on 9 December 2020 @139.70 per share	13,314	2
For employee MEREP awards:		
Transfer from share-based payments reserve on vesting of MEREP awards	–	45
Transfer of deferred tax benefit on MEREP from share-based payments reserve on vesting of MEREP awards	–	6
Transfer from treasury shares for MEREP awards exercised	–	(69)
Other[4]	–	2
Balance as at 31 Mar 2021	361,821,377	10,164
Issued fully paid shares pursuant to the MEREP on 9 June 2021 and 3 August 2021 @151.73 per share[3]	**4,108,915**	**623**
Issued fully paid shares pursuant to the DRP on 2 July 2021 @149.45 per share	**2,892,121**	**432**
Issued shares on retraction of exchangeable shares on 6 August 2021 @157.07 per share	**756**	**–**
For employee MEREP awards:		
Transfer from share-based payments reserve on vesting of MEREP awards	**–**	**408**
Transfer of deferred tax benefit on MEREP from share-based payments reserve on vesting of MEREP awards	**–**	**23**
Transfer from treasury shares for MEREP awards exercised	**–**	**(360)**
Balance as at 30 Sep 2021	**368,823,169**	**11,290**

(1) Ordinary shares have no par value.
(2) Includes $7 million (half year to 31 March 2021: $7 million; half year to 30 September 2021: $7 million) of exchangeable shares. The exchangeable shares were issued by subsidiaries as consideration for the acquisitions of Tristone Capital Global Inc. and Orion Financial Inc. and are classified as equity.
(3) MGL issued fully paid ordinary shares, that were allocated to the MEREP trust under the MEREP plan and were accounted for as treasury shares.
(4) Includes transaction costs and related tax, where applicable.

Note 17
Contributed equity continued

	Number of shares	Total $m
(ii) Treasury shares[1]		
Balance as at 1 Apr 2020	(14,391,059)	(1,446)
Acquisition of shares for employee MEREP awards	(5,163,874)	(579)
Transfer to ordinary share capital for MEREP awards exercised	3,707,103	323
Balance as at 30 Sep 2020	(15,847,830)	(1,702)
Transfer to ordinary share capital for MEREP awards exercised	711,908	69
Balance as at 31 Mar 2021	(15,135,922)	(1,633)
Acquisition of shares for employee MEREP awards	**(4,108,915)**	**(623)**
Transfer to ordinary share capital for MEREP awards exercised	**3,630,091**	**360**
Balance as at 30 Sep 2021	**(15,614,746)**	**(1,896)**

(1) Represents a portion of staff retained profit share held in MGL ordinary shares by the MEREP Trust and presented as Treasury shares.

Note 18
Reserves, retained earnings and non-controlling interests
(i) Reserves

	Half year to 30 Sep 21 $m	Half year to 31 Mar 21 $m	Half year to 30 Sep 20 $m
Foreign currency translation reserve			
Balance at the beginning of the period	**306**	740	2,016
Foreign exchange movement on translation and hedge accounting of foreign operations, net of tax(1)	**440**	(434)	(1,276)
Balance at the end of the period	**746**	306	740
FVOCI reserve			
Balance at the beginning of the period	**34**	42	(72)
Revaluation movement for the period, net of tax	**3**	59	174
Changes in ECL allowance, net of tax	**(2)**	(67)	(60)
Balance at the end of the period	**35**	34	42
Share-based payments reserve			
Balance at the beginning of the period	**1,211**	954	1,067
MEREP share-based payment arrangements for the period	**297**	276	253
Deferred tax benefit on MEREP share-based payment arrangements	**42**	40	10
Transfer to ordinary share capital on vesting of MEREP awards	**(408)**	(45)	(374)
Transfer of deferred tax benefit to ordinary share capital on vesting of MEREP awards	**(23)**	(6)	(2)
Transfer to retained earnings for unexercised awards	**(7)**	(8)	–
Balance at the end of the period	**1,112**	1,211	954
Cash flow hedge reserve			
Balance at the beginning of the period	**(97)**	(146)	(90)
Revaluation movement for the period, net of tax	**(24)**	51	(64)
Transferred to income statement on realisation, net of tax	**17**	(2)	8
Balance at the end of the period	**(104)**	(97)	(146)
Share of reserves in associates and joint ventures			
Balance at the beginning of the period	**(153)**	(195)	(131)
Share of other comprehensive (loss)/income from associates and joint ventures during the period, net of tax	**(8)**	42	(64)
Balance at the end of the period	**(161)**	(153)	(195)
Other reserves			
Balance at the beginning of the period	**(15)**	(17)	(17)
Transferred to income statement on realisation, net of tax	**–**	2	–
Balance at the end of the period	**(15)**	(15)	(17)
Total reserves at the end of the period	**1,613**	1,286	1,378

(1) The current period movement represents the revaluation of the Consolidated Entity's unhedged investments in foreign operations primarily driven by the depreciation of the Australian dollar against the foreign currencies. It excludes foreign exchange movements of $1 million (31 March 2021: $51 million; 30 September 2020: $43 million) attributable to non-controlling interest. Refer to Note 36.3 *Market risk* of the Consolidated Entity's March 2021 financial report for the Consolidated Entity's foreign exchange risk management policy in relation to the alignment of capital supply to capital requirements.

Note 18
Reserves, retained earnings and non-controlling interests continued

(ii) Retained earnings

	Half year to 30 Sep 21 $m	Half year to 31 Mar 21 $m	Half year to 30 Sep 20 $m
Balance at the beginning of the period	**12,231**	10,696	10,439
Profit attributable to the ordinary equity holders of MGL	**2,043**	2,030	985
Dividends paid on ordinary share capital and exchangeable shares (Note 5)	**(1,208)**	(486)	(637)
Loss on change in non-controlling ownership interest	**(10)**	(1)	–
Transferred from share-based payment reserve for unexercised awards	**7**	8	–
Fair value changes attributable to own credit risk on debt classified as DFVTPL, net of tax	**(6)**	(16)	(91)
Balance at the end of the period	**13,057**	12,231	10,696

(iii) Non-controlling interests(1)

	As at 30 Sep 21 $m	As at 31 Mar 21 $m	As at 30 Sep 20 $m
Share capital	**587**	486	434
Reserves	**(58)**	(59)	(53)
Accumulated losses	**(179)**	(124)	(100)
Total non-controlling interests	**350**	303	281

(1) Non-controlling interests represents equity in subsidiaries that is not attributable, directly or indirectly, to the parent company. As such, it is ineligible to absorb losses arising elsewhere within the Consolidated Entity.

Note 19
Notes to the consolidated statement of cash flows

(i) Reconciliation of cash and cash equivalents

Cash and cash equivalents at the end of the period are reflected in the related items in the consolidated statement of financial position as follows:

	As at 30 Sep 21 $m	As at 31 Mar 21 $m	As at 30 Sep 20 $m
Cash and bank balances[1],[2]	**28,273**	15,452	5,289
Cash collateralised lending and reverse repurchase agreements	**19,714**	17,606	17,651
Financial investments	**1,136**	430	662
Held for sale assets	**114**	5	30
Cash and cash equivalents	**49,237**	33,493	23,632

(1) Amounts excluded from cash and cash equivalents but presented in the Statement of financial position as cash and bank balances primarily relates to $2,617 million (31 March 2021: $2,451 million; 30 September 2020: $2,654 million) of funds received from clients which are segregated from the Consolidated Entity's own funds and other balances of $1,331 million (31 March 2021: $522 million; 30 September 2020: $738 million), not readily available to meet the Consolidated Entity's short-term cash commitments.
(2) Cash and bank balances include $1,492 million (31 March 2021: $1,506 million; 30 September 2020: $998 million) of balances held by consolidated SEs that are restricted from use by the Consolidated Entity, balances 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.

Note 19
Notes to the consolidated statement of cash flows continued

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

	Half year to 30 Sep 21 $m	Half year to 31 Mar 21 $m	Half year to 30 Sep 20 $m
Profit after income tax	**2,132**	2,030	978
Adjustments to profit after income tax:			
Depreciation and amortisation	**393**	439	486
Expected credit losses and other impairment charges	**230**	77	447
Investment income and gain on sale of operating lease assets and other non-financial assets	**(967)**	(1,379)	(589)
Share-based payments expense	**319**	274	255
Share of net (profits)/losses from associates and joint ventures	**(242)**	(51)	54
Changes in assets and liabilities:			
Issued debt securities	**16,381**	6,873	(2,735)
Deposits	**7,465**	7,026	10,153
Trading, trading-related and collateralised lending balances (net of liabilities)(1)	**7,213**	3,416	(8,486)
Carrying value of associates due to dividends received	**134**	65	53
Borrowings	**21**	(1,104)	(1,694)
Interest, fee and commission receivable and payable	**(145)**	86	(339)
Tax balances	**(172)**	233	(121)
Operating lease assets	**(243)**	(316)	(72)
Other assets and liabilities	**(532)**	598	(553)
Debtors, prepayments, accrued charges and creditors	**(659)**	1,325	(547)
Loan assets	**(13,391)**	(11,765)	(2,291)
Net cash flows generated from/(utilised in) operating activities	**17,937**	7,827	(5,001)

(iii) Non-cash financing activities

During the period ended 30 September 2021, non-cash transactions included the issue of ordinary shares of $623 million (half year to 31 March 2021: $nil; half year to 30 September 2020: $579 million) relating to the issue of shares to the MEREP trust under the MEREP plan and $432 million (half year to 31 March 2021: $42 million; half year to 30 September 2020: $216 million) relating to issue of shares to shareholders under the DRP for settlement of the dividend liability. Refer to Note 17 *Contributed equity* for details

(iv) Reconciliation of loan capital

	Half year to 30 Sep 21 $m	Half year to 31 Mar 21 $m	Half year to 30 Sep 20 $m
Balance at the beginning of the period	**9,423**	8,411	7,414
Cash flows:(2),(3)			
Issuance	**1,405**	1,945	2,474
Redemption	**(1,084)**	(531)	(740)
Non-cash changes:			
Foreign currency translation and other movements	**217**	(402)	(737)
Balance at the end of the period	**9,961**	9,423	8,411

(1) Includes unrealised foreign exchange movements relating to derivatives which largely offsets the unrealised foreign exchange movements on financial assets and liabilities.
(2) During the half year ended 30 September 2021, the Consolidated Entity issued BCN3 for $655 million (half year to 31 March 2021: issued MCN5 for $725 million and redeemed MCN2 for $531 million; half year to 30 September 2020: issued BCN2 for $641 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.
(3) During the half year ended 30 September 2021, the Consolidated Entity raised $750 million (31 March 2021: $1,220 million; 30 September 2020: $1,833 million) through the issue of Tier 2 Loan capital and redeemed $1,084 million (31 March 2021: $nil; 30 September 2020: $740 million) of Loan Capital under fixed repayment obligation.

Note 20
Contingent liabilities and commitments

	As at 30 Sep 21 $m	As at 31 Mar 21 $m	As at 30 Sep 20 $m
Contingent liabilities:			
Letters of credit	**1,261**	1,085	887
Indemnities	**421**	391	441
Guarantees	**600**	651	545
Performance-related contingencies	**285**	297	311
Total contingent liabilities(1)	**2,567**	2,424	2,184
Commitments:			
Undrawn credit facilities and securities commitments(2),(3),(4),(5),(6)	**16,174**	14,041	9,449
Property, plant and equipment and right-of-use asset and other asset developments(7),(8)	**2,396**	2,246	2,394
Total commitments	**18,570**	16,287	11,843
Total contingent liabilities and commitments	**21,137**	18,711	14,027

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

(1) It is not practicable to ascertain the timing of any outflow and the possibility of any reimbursement related to these contingent liabilities.
(2) Undrawn credit facilities are irrevocably extended to clients. These amounts include fully or partially undrawn commitments that are legally binding and cannot be unconditionally cancelled by the Consolidated Entity. Securities underwriting represents firm commitments to underwrite debt and equity securities issuances and private equity commitments.
(3) Includes $901 million (31 March 2021: $854 million; 30 September 2020: $990 million) in undrawn facilities where the loan and further commitments will be assigned to a third-party post drawdown.
(4) Includes $3,245 million (31 March 2021: $1,750 million; 30 September 2020: $1,111 million) of equity commitments and $77 million (31 March 2021: $116 million; 30 September 2020: $21 million) of debt commitments to associates and joint ventures of the Consolidated Entity. Also, includes $617 million (31 March 2021: $598 million; 30 September 2020: $525 million) of debt and equity commitment to Macquarie-managed funds.
(5) Half year ended 31 March 2021, included equity commitment relating to the acquisition of Waddell & Reed Financial Inc., a publicly traded US asset manager providing wealth and asset management services. The transaction was executed in the current period. Refer Note 24 *Acquisitions and disposals of subsidiaries and businesses*
(6) Includes $1,194 million for current period in undrawn commitments where the Equity commitments will be assigned to Macquarie managed funds subject to fundraising.
(7) Includes asset development commitments to third parties of $427 million (31 March 2021: $515 million; 30 September 2020: $429 million) which certain subsidiaries of the Consolidated Entity will fund with borrowings of $273 million (31 March 2021: $365 million; 30 September 2020: $295 million).
(8) Includes asset development commitments to third parties of $1,642 million (31 March 2021: $1,613 million; 30 September 2020: $1,794 million). During the half year ended 31 March 2021, the Consolidated Entity entered into a sales agreement to divest off several assets the derecognition of which is contingent upon completion of their development.

Notes to the consolidated financial statements

For the half year ended 30 September 2021 continued

Note 21

Measurement categories of financial instruments

The following table contains information relating to the measurement categories (i.e. Held for trading (HFT), FVTPL, DFVTPL, FVOCI or Amortised cost) of financial assets and liabilities of the Consolidated Entity.

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

	FINANCIAL INSTRUMENTS CARRIED AT							FAIR VALUE OF FINANCIAL INSTRUMENTS CARRIED AT	
	FAIR VALUE								
	HFT $m	DFVTPL $m	FVTPL $m	FVOCI $m	Amortised cost $m	Non-financial instruments $m	Statement of financial position total $m	Fair value $m	Amortised cost $m
Assets									AS AT 30 SEP 2021
Cash and bank balances	–	–	–	–	32,221	–	32,221	–	32,221
Cash collateralised lending and reverse repurchase agreements	–	–	5,700	21,485	12,259	–	39,444	27,185	12,259
Trading assets(1)	14,425	–	–	–	–	7,358	21,783	14,425	–
Margin money and settlement assets	–	–	588	–	21,555	–	22,143	588	21,555
Derivative assets(2)	75,944	–	1,242	–	–	–	77,186	77,186	–
Financial investments									
Equity	–	–	1,695	–	–	–	1,695	1,695	–
Debt	–	–	698	10,739	10	–	11,447	11,437	10
Held for sale and other assets(3)	–	1,957	82	–	4,205	3,501	9,745	2,039	4,205
Loan assets(4)	–	34	234	263	117,828	–	118,359	531	118,687
Property, plant and equipment and right-of-use assets	–	–	–	–	–	4,961	4,961	–	–
Interests in associates and joint ventures									
Equity interests	–	–	–	–	–	3,810	3,810	–	–
Loans to associates and joint ventures(4)	–	–	277	52	536	–	865	329	574
Intangible assets	–	–	–	–	–	3,497	3,497	–	–
Deferred tax assets	–	–	–	–	–	1,411	1,411	–	–
Total assets	**90,369**	**1,991**	**10,516**	**32,539**	**188,614**	**24,358**	**348,567**	**135,415**	**189,511**
Liabilities									AS AT 30 SEP 2021
Cash collateralised borrowing and repurchase agreements	–	420	–	–	13,389	–	13,809	420	13,389
Trading liabilities	5,495	–	–	–	–	–	5,495	5,495	–
Margin money and settlement liabilities	–	–	–	–	25,895	–	25,895	–	25,895
Derivative liabilities(2)	77,449	–	531	–	–	–	77,980	77,980	–
Deposits	–	214	–	–	91,522	–	91,736	214	91,533
Held for sale and other liabilities(5)	–	541	–	–	3,094	5,170	8,805	541	2,400
Borrowings	–	–	–	–	10,109	–	10,109	–	10,140
Issued debt securities(4)	–	2,776	–	–	77,267	–	80,043	2,776	78,688
Deferred tax liabilities	–	–	–	–	–	320	320	–	–
Loan capital(4)	–	–	–	–	9,961	–	9,961	–	10,411
Total liabilities	**82,944**	**3,951**	**531**	**–**	**231,237**	**5,490**	**324,153**	**87,426**	**232,456**

(1) Non-financial instruments represent commodities carried at fair value less costs to sell.
(2) Derivatives designated in effective hedge accounting relationships are presented as FVTPL.
(3) Non-financial assets primarily represent assets of disposal groups, equity interests in associates and joint ventures that have been classified as held for sale and other assets that include fee-related contract assets, prepayments, tax receivables, inventory held for sale and investment properties.
(4) Items measured at amortised cost includes, where applicable, fair value hedge accounting adjustments for designated hedged risks.
(5) Non-financial liabilities primarily represent liabilities of disposal groups classified as held for sale and other liabilities that include accrued charges, employee related provisions, retained director profit share, tax payables and income received in advance. The fair value of other liabilities carried at amortised cost excludes lease liabilities.

Note 21
Measurement categories of financial instruments continued

	FINANCIAL INSTRUMENTS CARRIED AT							FAIR VALUE OF FINANCIAL INSTRUMENTS CARRIED AT	
	FAIR VALUE								
	HFT $m	DFVTPL $m	FVTPL $m	FVOCI $m	Amortised cost $m	Non-financial instruments $m	Statement of financial position total $m	Fair value $m	Amortised cost $m
Assets								AS AT 31 MAR 2021	
Cash and bank balances	–	–	–	–	18,425	–	18,425	–	18,425
Cash collateralised lending and reverse repurchase agreements	–	–	7,909	19,488	9,284	–	36,681	27,397	9,284
Trading assets[1]	14,758	–	–	–	–	6,988	21,746	14,758	–
Margin money and settlement assets	–	–	332	–	14,065	–	14,397	332	14,065
Derivative assets[2]	19,479	–	1,163	–	–	–	20,642	20,642	–
Financial investments									
Equity	–	–	1,442	–	–	–	1,442	1,442	–
Debt	–	–	432	7,674	18	–	8,124	8,106	18
Held for sale and other assets[3]	–	1,266	57	6	2,297	2,659	6,285	1,329	2,297
Loan assets[4]	–	64	420	269	104,273	–	105,026	753	105,024
Property, plant and equipment and right-of-use assets	–	–	–	–	–	4,676	4,676	–	–
Interests in associates and joint ventures									
Equity interests	–	–	–	–	–	3,562	3,562	–	–
Loans to associates and joint ventures[4]	–	–	36	60	536	–	632	96	538
Intangible assets	–	–	–	–	–	2,543	2,543	–	–
Deferred tax assets	–	–	–	–	–	1,472	1,472	–	–
Total assets	34,237	1,330	11,791	27,497	148,898	21,900	245,653	74,855	149,651
Liabilities								AS AT 31 MAR 2021	
Cash collateralised borrowing and repurchase agreements	–	345	–	–	4,197	–	4,542	345	4,197
Trading liabilities	6,205	–	–	–	–	–	6,205	6,205	–
Margin money and settlement liabilities	–	–	–	–	22,124	–	22,124	–	22,124
Derivative liabilities[2]	16,804	–	775	–	–	–	17,579	17,579	–
Deposits	–	–	–	–	84,199	–	84,199	–	84,217
Held for sale and other liabilities[5]	–	605	–	–	2,036	5,588	8,229	605	1,230
Borrowings	–	–	–	–	9,817	–	9,817	–	9,867
Issued debt securities[4]	–	2,722	–	–	58,258	–	60,980	2,722	59,526
Deferred tax liabilities	–	–	–	–	–	204	204	–	–
Loan capital[4]	–	–	–	–	9,423	–	9,423	–	9,829
Total liabilities	23,009	3,672	775	–	190,054	5,792	223,302	27,456	190,990

(1) Non-financial instruments represent commodities carried at fair value less costs to sell.
(2) Derivatives designated in effective hedge accounting relationships are presented as FVTPL.
(3) Non-financial assets primarily represent assets of disposal groups and equity interests in associates and joint ventures that have been classified as held for sale and other assets that include fee-related contract assets, prepayments, tax receivables, inventory held for sale and investment properties.
(4) Items measured at amortised cost includes where applicable, fair value hedge accounting adjustments for designated hedged risks.
(5) Non-financial liabilities primarily represent liabilities of disposal groups classified as held for sale and other liabilities that include accrued charges, employee related provisions, retained director profit share, tax payables and income received in advance. The fair value of other liabilities carried at amortised cost excludes lease liabilities.

Note 21
Measurement categories of financial instruments continued

	FINANCIAL INSTRUMENTS CARRIED AT							FAIR VALUE OF FINANCIAL INSTRUMENTS CARRIED AT	
	FAIR VALUE								
	HFT $m	DFVTPL $m	FVTPL $m	FVOCI $m	Amortised cost $m	Non-financial instruments $m	Statement of financial position total $m	Fair value $m	Amortised cost $m
Assets								AS AT 30 SEP 2020	
Cash and bank balances	–	–	–	–	8,681	–	8,681	–	8,681
Cash collateralised lending and reverse repurchase agreements	–	–	13,564	17,921	11,448	–	42,933	31,485	11,448
Trading assets[1]	12,748	–	–	–	–	6,504	19,252	12,748	–
Margin money and settlement assets	–	–	89	–	12,249	–	12,338	89	12,273
Derivative assets[2]	20,018	–	2,037	–	–	–	22,055	22,055	–
Financial investments									
Equity	–	–	1,161	–	–	–	1,161	1,161	–
Debt	–	–	410	7,375	31	–	7,816	7,785	31
Held for sale and other assets[3]	45	1,733	19	6	2,483	4,221	8,507	1,803	2,483
Loan assets[4]	–	33	560	650	92,171	–	93,414	1,243	92,664
Property, plant and equipment and right-of-use assets	–	–	–	–	–	4,519	4,519	–	–
Interests in associates and joint ventures									
Equity interests	–	–	–	–	–	5,249	5,249	–	–
Loans to associates and joint ventures[4]	–	–	95	52	616	–	763	147	603
Intangible assets	–	–	–	–	–	2,816	2,816	–	–
Deferred tax assets	–	–	–	–	–	1,231	1,231	–	–
Total assets	32,811	1,766	17,935	26,004	127,679	24,540	230,735	78,516	128,183
Liabilities								AS AT 30 SEP 2020	
Cash collateralised borrowing and repurchase agreements	–	1,079	–	–	3,882	–	4,961	1,079	3,882
Trading liabilities	6,136	–	–	–	–	–	6,136	6,136	–
Margin money and settlement liabilities	–	–	–	–	20,093	–	20,093	–	20,093
Derivative liabilities[2]	15,958	–	509	–	–	–	16,467	16,467	–
Deposits	–	–	–	–	77,258	–	77,258	–	77,290
Held for sale and other liabilities[5]	46	608	–	–	3,108	4,066	7,828	654	2,200
Borrowings	–	–	–	–	12,288	–	12,288	–	12,298
Issued debt securities[4]	–	3,021	–	–	53,318	–	56,339	3,021	54,667
Deferred tax liabilities	–	–	–	–	–	165	165	–	–
Loan capital[4]	–	–	–	–	8,411	–	8,411	–	8,605
Total liabilities	22,140	4,708	509	–	178,358	4,231	209,946	27,357	179,035

(1) Non-financial instruments represent commodities carried at fair value less costs to sell.
(2) Derivatives designated in effective hedge accounting relationships are presented as FVTPL.
(3) Non-financial assets primarily represent assets of disposal groups and equity interests in associates and joint ventures that have been classified as held for sale and other assets that include fee-related contract assets, prepayments, tax receivables, inventory held for sale and investment properties
(4) Items measured at amortised cost includes, where applicable, fair value hedge accounting adjustments for the designated hedged risks.
(5) Non-financial liabilities primarily represent liabilities of disposal groups classified as held for sale and other liabilities that include accrued charges, employee related provisions, retained director profit share, tax payables and income received in advance. The fair value of other liabilities carried at amortised cost excludes lease liabilities.

Note 22
Fair values of assets and liabilities

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

Quoted prices or rates are used to determine fair value where an active market exists. If the market for a financial instrument is not active, fair values are estimated using present value or other valuation techniques, using inputs based on market conditions prevailing on 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 inputs such as timing and amounts of future cash flows, discount rates, credit risk, volatility and correlation.

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

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

The appropriate fair value hierarchy level for an instrument is determined on the basis of the lowest level input that is significant to the fair value measurement. AASB 13 *Fair Value Measurement* requires the use of the price within the bid-offer spread that is most representative of fair value.

Valuation systems will typically generate mid-market prices. The bid-offer adjustment reflects the extent to which bid-offer costs would be incurred if substantially all of the residual net exposure to market risks were closed, on a portfolio basis, using available hedging instruments.

The fair values calculated for financial instruments which are carried in the statement of financial position at amortised cost (as disclosed in Note 21 *Measurement categories of financial instruments*) are for disclosure purposes only. The following methods and assumptions applied to derive these fair values can require significant judgement by management and therefore may not necessarily be comparable to other financial institutions nor may it be the price at which the asset is sold or a liability repurchased in a market-based transaction:

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

The following methods and significant assumptions have been applied in determining the fair values of financial instruments that are measured at fair value:

- trading assets and 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 pricing models or other recognised valuation techniques
- repurchase and reverse repurchase agreements, being collateralised financing arrangements, are measured at fair value with reference to the securities which are held or provided as the collateral for the financing agreement
- financial investments classified as FVTPL or FVOCI are measured at fair value by reference to quoted prices in active markets where available (for example listed securities). If quoted prices in active markets are not available, the fair values are estimated on the basis of pricing models or other recognised valuation techniques that maximise the use of quoted prices and observable market inputs
- fair values of variable rate loans classified at FVOCI approximates their carrying value on the basis that the interest rates are reflective of market rates offered on similar loans
- fair values of fixed rate loans classified as FVTPL or FVOCI and issued debt classified as DFVTPL are estimated by reference to current market rates offered on similar loans and issued debt
- for financial assets carried at fair value, in order to reflect counterparty credit risk, an adjustment is incorporated into the valuation. Where exposures are managed on a portfolio basis then the adjustment is calculated on a counterparty basis for those exposures

Note 22
Fair values of assets and liabilities Continued

- for financial liabilities carried at fair value, in order to reflect the Consolidated Entity's own credit risk, an adjustment is incorporated into the valuations
- the Consolidated Entity has incorporated the market implied funding costs for uncollateralised derivative positions as a Funding Valuation Adjustment (FVA). FVA is determined by calculating the net expected exposures at a counterparty level and applying the Consolidated Entity's internal Treasury lending rates as an input into the calculation. The approach takes into account the PD of each counterparty, as well as any mandatory break clauses.

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

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

Note 22
Fair values of assets and liabilities Continued

The following table summarises the levels of the fair value hierarchy for financial instruments and commodities measured at fair value:[1]

	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Assets				**AS AT 30 SEP 2021**
Cash collateralised lending and reverse repurchase agreements	**–**	**27,185**	**–**	**27,185**
Trading assets[2]	**8,937**	**12,245**	**601**	**21,783**
Margin money and settlement assets	**–**	**588**	**–**	**588**
Derivative assets	**33**	**76,796**	**357**	**77,186**
Financial investments	**834**	**10,401**	**1,897**	**13,132**
Held for sale and other assets	**–**	**1,928**	**111**	**2,039**
Loan assets	**–**	**95**	**436**	**531**
Loans to associates and joint ventures	**–**	**–**	**329**	**329**
Total assets	**9,804**	**129,238**	**3,731**	**142,773**
Liabilities				
Cash collateralised borrowing and repurchase agreements	**–**	**420**	**–**	**420**
Trading liabilities	**5,316**	**179**	**–**	**5,495**
Derivative liabilities	**44**	**77,061**	**875**	**77,980**
Deposits	**–**	**214**	**–**	**214**
Held for sale and other liabilities	**–**	**541**	**–**	**541**
Issued debt securities	**–**	**2,776**	**–**	**2,776**
Total liabilities	**5,360**	**81,191**	**875**	**87,426**
Assets				AS AT 31 MAR 2021
Cash collateralised lending and reverse repurchase agreements	–	27,397	–	27,397
Trading assets[2]	10,269	10,978	499	21,746
Margin money and settlement assets	–	332	–	332
Derivative assets	235	20,137	270	20,642
Financial investments	711	7,283	1,554	9,548
Held for sale and other assets	–	1,258	71	1,329
Loan assets	16	162	575	753
Loans to associates and joint ventures	–	–	96	96
Total assets	11,231	67,547	3,065	81,843
Liabilities				
Cash collateralised borrowing and repurchase agreements	–	345	–	345
Trading liabilities	6,090	115	–	6,205
Derivative liabilities	224	17,053	302	17,579
Held for sale and other liabilities	–	605	–	605
Issued debt securities	–	2,722	–	2,722
Total liabilities	6,314	20,840	302	27,456

(1) The fair value of non-financial assets and liabilities, where applicable, is disclosed under the respective notes.
(2) Includes commodities carried at fair value less costs to sell.

Note 22
Fair values of assets and liabilities continued

	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Assets				AS AT 30 SEP 2020
Cash collateralised lending and reverse repurchase agreements	–	31,485	–	31,485
Trading assets[1]	9,428	9,424	400	19,252
Margin money and settlement assets	–	89	–	89
Derivative assets	202	21,409	444	22,055
Financial investments	600	7,099	1,247	8,946
Held for sale and other assets	–	1,740	63	1,803
Loan assets	–	160	1,083	1,243
Loans to associates and joint ventures	–	–	147	147
Total assets	10,230	71,406	3,384	85,020
Liabilities				
Cash collateralised borrowing and repurchase agreements	–	1,079	–	1,079
Trading liabilities	6,004	132	–	6,136
Derivative liabilities	572	15,567	328	16,467
Held for sale and other liabilities	–	606	48	654
Issued debt securities	–	3,021	–	3,021
Total liabilities	6,576	20,405	376	27,357

(1) Includes commodities carried at fair value less costs to sell.

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Note 22
Fair values of assets and liabilities continued

Reconciliation of balances in Level 3 of the fair value hierarchy

The following table summarises the movements in Level 3 of the fair value hierarchy for the financial instruments and commodities measured at fair value:

	Trading assets $m	Financial investments $m	Held for sale and other assets $m
Balance as at 1 Apr 2020	656	1,388	10
Purchases, originations, issuances and other additions	207	333	6
Sales, settlements and repayments	(248)	(253)	(1)
Reclassifications(2)	–	–	45
Transfers into Level 3(3)	–	181	4
Transfers out of Level 3(3)	(185)	(244)	–
Fair value movements recognised in the income statement			
Net trading loss(4)	(30)	(114)	–
Other loss	–	(40)	(1)
Fair value movements recognised in OCI(4)	–	(4)	–
Balance as at 30 Sep 2020	400	1,247	63
Fair value movements for the period included in the income statement for assets and liabilities held at the end of the period(4)	(7)	(105)	(1)
Balance as at 1 Oct 2020	400	1,247	63
Purchases, originations, issuances and other additions	327	244	17
Sales, settlements and repayments	–	–	–
Reclassifications(2)	–	–	(45)
Transfers into Level 3(3)	126	21	21
Transfers out of Level 3(3)	(4)	–	–
Fair value movements recognised in the income statement			
Net trading loss(4)	(350)	(95)	(2)
Other income/(loss)	–	94	17
Fair value movements recognised in OCI(4)	–	43	–
Balance as at 31 Mar 2021	499	1,554	71
Fair value movements for the period included in the income statement for assets and liabilities held at the end of the period(4)	24	3	15
Balance as at 1 Apr 2021	**499**	**1,554**	**71**
Purchases, originations, issuances and other additions	**106**	**460**	**55**
Sales, settlements and repayments	**(31)**	**(232)**	**(19)**
Transfers into Level 3(3)	**14**	**224**	**–**
Transfers out of Level 3(3)	**(124)**	**(174)**	**–**
Fair value movements recognised in the income statement			
Net trading income/(loss)(4)	**137**	**65**	**2**
Other income/(loss)	**–**	**43**	**2**
Fair value movements recognised in OCI(4)	**–**	**(43)**	**–**
Balance as at 30 Sep 2021	**601**	**1,897**	**111**
Fair value movements for the period included in the income statement for assets and liabilities held at the end of the period(4)	**147**	**39**	**3**

(1) The derivative financial instruments in the table above are represented on a net basis. On a gross basis, derivative assets are $357 million (31 March 2021: $270 million; 30 September 2020: $444 million) and derivative liabilities are $875 million (31 March 2021: $302 million; 30 September 2020: $328 million).
(2) Represents reclassification of Level 3 fair value hierarchy balances across different categories of assets and liabilities.
(3) Assets and liabilities transferred into or out of Level 3 are presented as if the assets or liabilities had been transferred at the beginning of the period.
(4) The Consolidated Entity employs various hedging techniques in order to manage risks including foreign exchange risks in Level 3 positions. The gains and losses relating to such hedging techniques, may include the purchase or sale of financial instruments measured at fair value that are classified as Level 1 or 2 positions or foreign currency financial instruments measured at amortised cost that are not presented in the table above.

Loan assets $m	Loans to associates and joint ventures $m	Held for sale and other liabilities $m	Derivative financial instruments (net fair values)[1] $m	Total $m
2,515	241	–	497	5,307
186	37	(2)	26	793
(1,249)	(8)	–	(111)	(1,870)
–	–	(46	1	–
–	4	–	8	197
(49)	(16)	–	(69)	(563)
(316)	(31)	–	(236)	(727)
(23)	(6)	–	–	(70)
19	(74)	–	–	(59)
1,083	147	(48)	116	3,008
(145)	(35)	–	(128)	(421)
1,083	147	(48)	116	3,008
282	45	2	153	1,070
(794)	(11)	–	(178)	(983)
–	–	46	(1)	–
24	1	–	(6)	187
–	(58)	–	31	(31)
(35)	(5)	–	(147)	(634)
(31)	(21)	–	–	59
46	(2)	–	–	87
575	96	–	(32)	2,763
26	(26)	–	(194)	(152)
575	**96**	**–**	**(32)**	**2,763**
366	**230**	**–**	**(37)**	**1,180**
(524)	**(11)**	**–**	**(7)**	**(824)**
–	**9**	**–**	**9**	**256**
(1)	**(2)**	**–**	**19**	**(282)**
(5)	**10**	**–**	**(470)**	**(261)**
21	**(3)**	**–**	**–**	**63**
4	**–**	**–**	**–**	**(39)**
436	**329**	**–**	**(518)**	**2,856**
(8)	**3**	**–**	**(440)**	**(256)**

Note 22
Fair values of assets and liabilities continued

Significant transfers between levels of the fair value hierarchy

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

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

Unrecognised gains or losses

For financial instruments, 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 financial 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 the income statement over the life of the transaction or when the inputs become observable.

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

	Half year to 30 Sep 21 $m	Half year to 31 Mar 21 $m	Half year to 30 Sep 20 $m
Balance at the beginning of the period	**87**	122	179
Deferred gains/(losses) on new transactions and other adjustments	**35**	(1)	7
Foreign exchange movements	**1**	(29)	6
Recognised in net trading income during the period[1]	**(43)**	(5)	(70)
Balance at the end of the period	**80**	**87**	**122**

Sensitivity analysis of valuations using unobservable inputs

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

	FAVOURABLE CHANGES		UNFAVOURABLE CHANGES	
	Profit or loss $m	OCI $m	Profit or loss $m	OCI $m
Product type				**AS AT 30 SEP 2021**
Equity and equity-linked products	**120**	**–**	**(112)**	**-**
Commodities	**141**	**–**	**(130)**	**-**
Interest rate and other products	**79**	**1**	**(89)**	**(3)**
Total	**340**	**1**	**(331)**	**(3)**
Product type				AS AT 31 MAR 2021
Equity and equity-linked products	108	–	(116)	–
Commodities	113	–	(73)	–
Interest rate and other products	58	3	(69)	(4)
Total	279	3	(258)	(4)
Product type				AS AT 30 SEP 2020
Equity and equity-linked products	108	–	(123)	–
Commodities	109	–	(62)	–
Interest rate and other products	60	11	(84)	(17)
Total	277	11	(269)	(17)

(1) Includes amortisation, subsequent realisation due to unobservable inputs becoming observable, maturity and termination.

Note 22
Fair values of assets and liabilities continued

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

Significant unobservable inputs

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

					RANGE OF INPUTS	
Product Type	Assets $m	Liabilities $m	Valuation technique(s)	Significant unobservable inputs	Minimum value	Maximum value
					AS AT 30 SEP 2021	
Equity and equity-linked products	**1,079**	**84**	Net Asset Value (NAV)	Fund's NAV[1]	**1.1x**	**18.0x**
			Pricing model	Earnings multiples		
Commodities	**735**	**784**	Pricing model	Commodity margin curves	**(175.4)**	**1,691.0**
			Pricing model	Correlations	**(46.0%)**	**100.0%**
			Pricing model	Volatility and related variables	**(3.5%)**	**19.5%**
Interest rate and other products	**1,917**	**7**	Pricing model	Bond Yields	**(2.2%)**	**4.8%**
			Pricing model	Correlations	**0.0%**	**100%**
			Comparable transactions	Prices in %	**50.3%**	**95.4%**
Total	**3,731**	**875**				
					AS AT 31 MAR 2021	
Equity and equity-linked products	910	8	NAV	Fund's NAV[1]		
			Pricing model	Earnings multiples	3.2x	11.6x
Commodities	622	287	Pricing model	Commodity margin curves	(121.4)	1,458.0
			Pricing model	Correlations	(43%)	100%
			Pricing model	Volatility and related variables	8.3%	290.5%
Interest rate and other products	1,533	7	Discounted cash flows	Discount rates	2.5%	12.0%
			Pricing model	Correlations	0.0%	100.0%
			Pricing model	Bond yield	(2.3%)	2.9%
			Comparable transactions	Prices in %	44.0%	97.0%
Total	3,065	302				
					AS AT 30 SEP 2020	
Equity and equity-linked products	842	46	NAV	Fund's NAV[1]		
			Pricing model	Earnings multiples	2.0x	16.1x
Commodities	523	270	Pricing model	Commodity margin curves	(334.0)	913.0
			Pricing model	Correlations	(55.0%)	100.0%
			Pricing model	Volatility and related variables	0.0%	400.0%
Interest rate and other products	2,019	60	Discounted cash flows	Discount rates	7.0%	14.0%
			Pricing model	Correlations	0.0%	100%
			Pricing model	Bond yield	0.0%	4.5%
			Comparable transactions	Prices in %	44.0%	97.0%
Total	3,384	376				

(1) The range of inputs related to NAV is not disclosed as the diverse nature of the underlying investments results in a wide range of inputs.

Note 22
Fair values of assets and liabilities continued

Correlation

Correlation is a measure of the relationship between the movements of input variables (i.e., how the change in one input variable influences a change in the other variable). Correlation is a key input into the valuation of derivatives with more than one underlying and is generally used to value hybrid and exotic instruments.

Volatility

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

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

Inputs for equity and equity-linked products

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

Inputs for interest rate products (discount rate)

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

Note 23
Financial risk management – derivatives

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

The Consolidated Entity's approach to financial risk management, as set out in its financial statements for the year ended 31 March 2021 in Note 36 *Financial risk management*, remained unchanged during the period. This included entering into margining and collateralisation arrangements and enforceable master netting arrangements (MNA) with counterparties, particularly in respect of derivatives. 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.

Derivative assets of $77.2 billion as at 30 September 2021 increased significantly from $20.6 billion as at 31 March 2021. Derivative liabilities of $78.0 billion as at 30 September 2021 also increased significantly from $17.6 billion as at March 2021. These increases were primarily due to an increase in client trade volumes and mark-to-market movements resulting from elevated commodity prices, particularly in EMEA.

These derivative balances are presented in the statement of financial position after offsetting balances where the Consolidated Entity has both a legal right of set off and the intention to settle on a net basis. After taking into account $56.3 billion (31 March 2021: $11.0 billion) of derivatives held with counterparties that are governed by the MNAs(1), and cash and other collateral(1) relating to derivative assets of $8.3 billion (31 March 2021: $4.4 billion) and derivative liabilities of $7.8 billion (31 March 2021: $2.8 billion) there are residual derivative assets of $12.6 billion (31 March 2021: $5.2 billion) and derivative liabilities of $13.9 billion (31 March 2021: $3.8 billion).

(1) Includes offsetting exposures the Consolidated Entity has with counterparties under MNAs with a right to set off only in the event of default, or the offset criteria are otherwise not satisfied.

Note 24
Acquisitions and disposals of subsidiaries and businesses

Acquisitions of businesses

In addition to the acquisitions of businesses that are held for investment purposes, on 30 April 2021 the Consolidated Entity also acquired control of Waddell & Reed Financial Inc. ("Waddell and Reed"), a publicly traded US asset manager providing wealth management and asset management services, for a consideration of $1,657 million (net of $356 million received on the sale of the wealth management business to LPL Financial Holdings Inc. and net of certain other liabilities acquired, which were settled immediately after the acquisition). On acquisition, goodwill and other intangible assets of $1,223 million were recognised net of the related deferred tax liability. Post-acquisition of Waddell and Reed, the Consolidated entity's net operating income for the half year ended 30 September 2021 increased by $393 million and profit before income tax after acquisition-related costs, amortisation of intangible assets and integration costs, decreased by $58 million. Had the Consolidated Entity acquired control of Waddell and Reed on 1 April 2021, the Consolidated Entity's net operating income for the half year ended 30 September 2021, excluding the sold wealth management business, would have further increased by $79 million and profit before income tax by $25 million.

The table below represents aggregated details of the businesses acquired during the period. The purchase price allocation for the current period's business acquisitions is provisional as at 30 September 2021:

	Half year to 30 Sep 21 $m	Half year to 31 Mar 21 $m	Half year to 30 Sep 20 $m
Fair value of net assets acquired			
Cash and bank balances	**443**	32	19
Financial investments, loan assets and other assets	**553**	83	20
Property, plant and equipment and right-of-use assets	**175**	125	51
Intangible assets	**960**	–	73
Payables, provisions, borrowings and other liabilities	**(1,059)**	(8)	(52)
Non-controlling interests	**–**	(56)	(2)
Total fair value of net assets acquired	**1,072**	176	109
Consideration			
Cash consideration	**1,832**	172	109
Deferred consideration	**5**	6	–
Total consideration	**1,837**	178	109
Goodwill recognised on acquisition	**765**	2	–
Net cash flow			
Cash consideration	**(1,832)**	(172)	(109)
Less: cash and cash equivalents acquired	**443**	32	19
Net cash outflow	**(1,389)**	(140)	(90)

Note 24
Acquisitions and disposals of subsidiaries and businesses continued

Disposal of businesses and subsidiaries

During the half year ended 30 September 2021, in addition to the disposal of certain businesses and subsidiaries which were held for investment purposes resulting in gains of $339 million, the Consolidated Entity also realised a gain of $455 million on the partial sale of less than 5% of the UK Meters portfolio of assets comprising the industrial and commercial portfolio.

During the half year ended 31 March 2021, the Consolidated Entity disposed of certain businesses and subsidiaries which were held for investment purposes resulting in gains of $165 million.

During the half year ended 30 September 2020, the Consolidated Entity disposed of certain businesses and subsidiaries which were held for investment purposes resulting in gains of $74 million.

Subsequent Disposals

Subsequent to 30 September 2021, the Consolidated Entity disposed of certain held for sale assets and liabilities. A pre-tax gain of approximately $290 million will be recognised by the Consolidated Entity in the half year ending 31 March 2022.

Note 25
Events after the reporting date

Ordinary share issue via non-underwritten institutional placement (IP) and share purchase plan (SPP)

On 28 October 2021 the MGL Board approved in principle the capital raising of approximately $1.5 billion of ordinary share capital through an IP on 29 October 2021, to be followed by a retail SPP to be concluded in early December 2021.

Other

There were no material events subsequent to 30 September 2021 and up until the authorisation of the financial statements for issue, requiring a disclosure in the interim financial report, other than those that have been disclosed elsewhere in the financial statements.

Directors' declaration

Macquarie Group Limited

In the Directors' opinion:

(a) the financial statements and notes set out on pages 21 to 74 are in accordance with the *Corporations Act 2001* (Cth) including:
   (i) complying with the Australian Accounting Standards, and
   (ii) giving a true and fair view of the Consolidated Entity's financial position as at 30 September 2021 and performance for the half year ended on that date, and

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

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

Peter Warne
Independent Director and Chairman

Shemara Wikramanayake
Managing Director and Chief Executive Officer

Sydney
29 October 2021

Independent auditor's review report

To the members of Macquarie Group Limited

Report on the half-year financial report

We have reviewed the half-year financial report of Macquarie Group Limited (the Company) and the entities it controlled during the half-year (together the Consolidated Entity), which comprises the consolidated statement of financial position as at 30 September 2021, the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and consolidated income statement for the half-year ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

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

- giving a true and fair view of the Consolidated Entity's financial position as at 30 September 2021 and of its performance for the half-year ended on that date
- complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* (Cth).

Basis for conclusion

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

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

Responsibilities of the directors for the half-year financial report

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

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

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* (Cth) including giving a true and fair view of the Consolidated Entity's financial position as at 30 September 2021 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* (Cth).

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

PricewaterhouseCoopers

PricewaterhouseCoopers

K. Stubbins

Kristin Stubbins
Partner

Sydney
29 October 2021

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