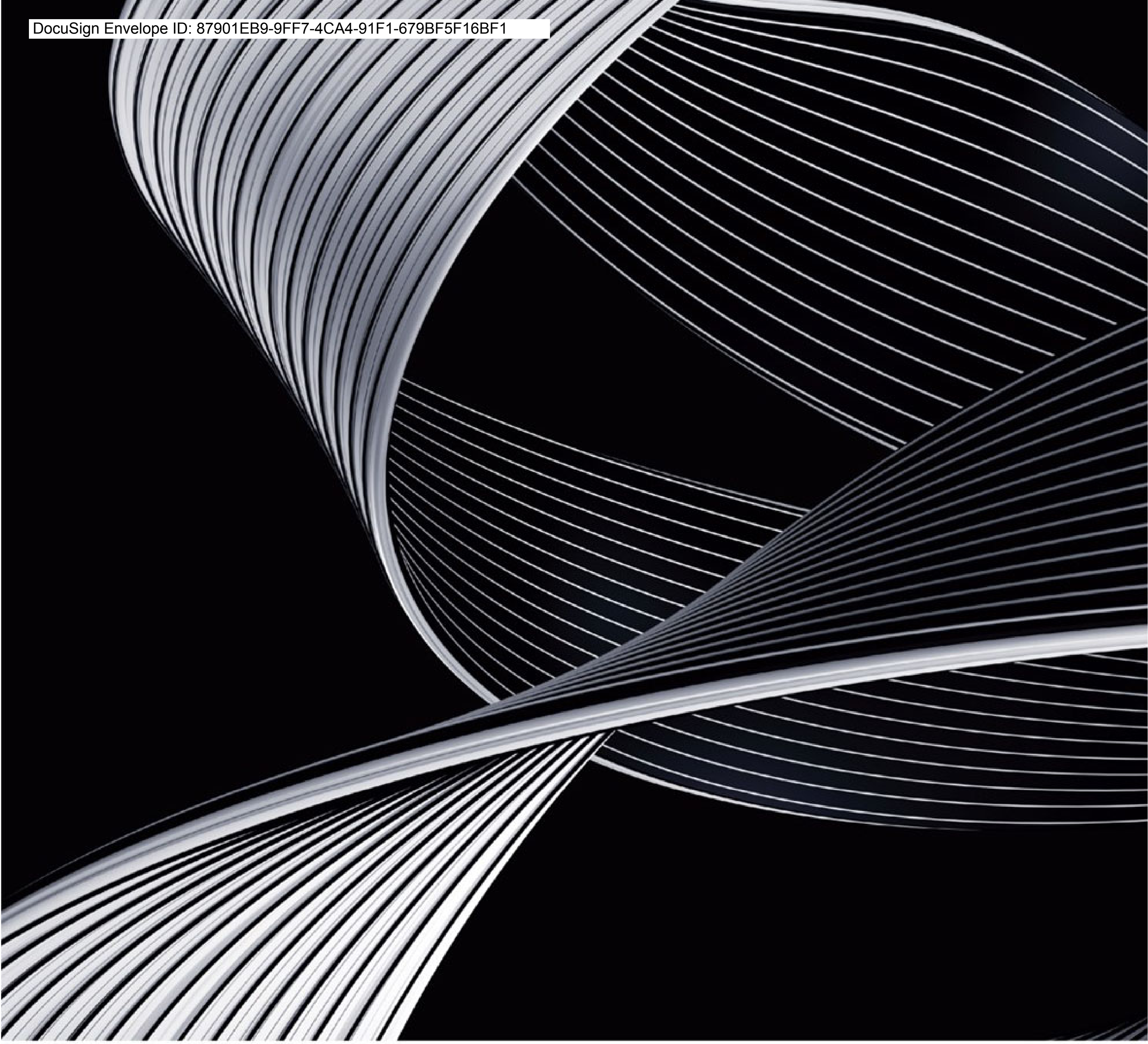

Macquarie International Finance Limited and its subsidiaries

30 September 2023

Interim Financial Report
ACN 092 985 263

Contents

The Financial Report was authorised for issue by the Board of Directors on 20 December 2023.

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

Directors' Report

For the half year ended 30 September 2023

In accordance with a resolution of the Directors of Macquarie International Finance Limited (the Company or MIFL), the Directors submit herewith the financial report of the Company and its subsidiaries (the Consolidated Entity) for the half year ended 30 September 2023.

Directors

The following persons were the Directors of the Company at the date of this report:

Name of Director	Appointed on
D. Saad	8 April 2021
R. Dixon	26 October 2021
S.J. Dyson	15 May 2023
U.B. Viswanatha	12 December 2023

Principal activities

The principal activity of the Company is to act as the holding company for the majority of the Non-Extended Licensed Entities ("Non-ELE Group"[(1)]) within the Macquarie Bank Group ("the Bank Group"[(1)]), relating to Commodities and Global Markets (CGM), Banking and Financial Services (BFS) businesses and to act as the rated entity which provides guarantees to external counterparties for the obligations of the Non-ELE Group within the Bank Group. The Company also raises finance from both external and related parties to meet the funding requirements of its subsidiaries and other related entities within the Non-ELE Group.

Result

The consolidated profit after income tax attributable to the ordinary equity holder of the Company for the half year ended 30 September 2023 was $117 million (half year ended 31 March 2023: $1,190 million; half year ended 30 September 2022: $441 million).

State of affairs

During the current period, MIFL established a USD 5,000 million commercial paper program, with USD 990 million commercial paper issued in August 2023 as part of its ongoing funding requirements.

During the current period, the Consolidated Entity sold its subsidiary Nu Mobile Pty Limited to an associate for a consideration of $2 million. No material gain or loss was recognised from this sale.

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

Review of operations

The profit attributable to the ordinary equity holder of the Consolidated Entity for the half year ended 30 September 2023 was $117 million (half year ended 31 March 2023: $1,190 million; half year ended 30 September 2022: $441 million).

Net operating income for the half year ended 30 September 2023 was $1,197 million (half year ended 31 March 2023: $2,851 million; half year ended 30 September 2022: $1,508 million), which primarily represents net trading income & fee and commission income.

Total operating expenses for the half year ended 30 September 2023 was $1,029 million (half year ended 31 March 2023: $1,284 million; half year ended 30 September 2022: $869 million), which primarily comprises of fee and commission expenses, employment expenses and other expenses.

Events subsequent to balance sheet date

On 20th December 2023, the Board of Directors had approved a dividend payment of $200m to MBL. The payment will be made on or before 22nd December 2023.

There were no other material events subsequent to 30 September 2023 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.

(1) Macquarie Bank Group ("the Bank Group") refers to Macquarie Bank Limited ("MBL") and its subsidiaries. The Bank Group further comprises of the Extended Licensed Entities ("ELE") Group and the Non-ELE Group (comprising of the Consolidated Entity and other Non-ELEs retained by MBL being their parent entity due to regulatory reasons or which are intended for dissolution).

Directors' Report

For the half year ended 30 September 2023

Likely developments, business strategies and prospects

Disclosure of information relating to the future developments in the operations, business strategies and prospects for future financial years of the Consolidated Entity have not been included in the report because the Directors believe it may result in unreasonable prejudice to the Consolidated Entity.

Interim dividend

No dividends were paid during the current period.

Rounding of amounts

In accordance with Australian Securities & Investments Commission Corporations (Rounding in Financial/Directors' Report) Instruments 2016/191, amounts in the Directors' Report and Interim Financial Report have been rounded off to the nearest million dollars unless otherwise indicated.

Company disclosures

All amounts relate to the Consolidated Entity unless otherwise stated.

DocuSigned by:

Stuart Dyson

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Stuart Dyson
Director

Sydney
20 December 2023

Consolidated income statement

For the half year ended 30 September 2023

	Notes	Half year to 30 Sep 23 $m	Half year to 31 Mar 23 $m	Half year to 30 Sep 22 $m
Net trading income	2	**689**	2,364	1,049
Fee and commission income	2	**509**	490	427
Net interest expense	2	**(112)**	(47)	(13)
Interest and similar income:				
Effective interest rate method	2	**251**	289	150
Other	2	**22**	14	7
Interest and similar expense	2	**(385)**	(350)	(170)
Net credit and other impairment charges	2	**(11)**	(8)	(14)
Net other impairment reversals/ (charges)	2	**19**	(13)	(21)
Net other operating income	2	**103**	65	80
Net operating income		**1,197**	2,851	1,508
Employment expenses	2	**(318)**	(552)	(349)
Brokerage, commission and fee expenses	2	**(94)**	(102)	(63)
Non-salary technology expenses	2	**(29)**	(28)	(18)
Other operating expenses	2	**(588)**	(602)	(439)
Total operating expenses		**(1,029)**	(1,284)	(869)
Operating profit before income tax		**168**	1,567	639
Income tax expense	3	**(51)**	(378)	(198)
Profit after income tax		**117**	1,189	441
Loss attributable to non-controlling interests		**-**	1	-
Profit attributable to the ordinary equity holder of Macquarie International Finance Limited		**117**	1,190	441

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

Consolidated statement of comprehensive income

For the half year ended 30 September 2023

	Notes	Half year to 30 Sep 23 $m	Half year to 31 Mar 23 $m	Half year to 30 Sep 22 $m
Profit after income tax		**117**	1,189	441
Other comprehensive income/(loss)[1]				
Movements in items that may be subsequently reclassified to the income statement:				
Other reserves	21	**8**	-	-
Cash flow hedges and cost of hedging reserve:	21			
Net movement recognized in other comprehensive income (OCI)		**(4)**	(12)	-
Transferred to income statement on realization		**2**	3	-
Foreign exchange movements on translation and hedge accounting of foreign operations	21	**1**	-	6
Movements in items 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)	21	**(1)**	-	-
Total comprehensive income		**123**	1,180	447
Total comprehensive loss attributable to non-controlling interests		**-**	1	-
Total comprehensive income attributable to the ordinary equity holder of Macquarie International Finance Limited		**123**	1,181	447

The above 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 2023

	Notes	As at 30 Sep 23 $m	As at 31 Mar 23 $m	As at 30 Sep 22 Restated $m
Assets				
Cash and bank balances		**1,391**	1,423	2,438
Cash collateralised lending and reverse repurchase agreements		**78**	66	502
Trading assets	5	**1,839**	1,339	1,721
Margin money and settlement assets	6	**3,070**	4,113	4,242
Derivative assets	7	**2,002**	2,583	2,513
Financial investments	8	**344**	610	3,634
Other financial assets	9	**1,971**	1,118	932
Other assets	10	**564**	423	544
Due from related body corporate entities	23	**6,932**	10,273	14,960
Loan assets	11	**1,083**	682	585
Interest in associates and joint ventures		**383**	330	231
Property, plant and equipment and right-of-use assets		**728**	702	419
Deferred tax assets		**218**	216	151
Total assets		**20,603**	23,878	32,872
Liabilities				
Cash collateralised borrowing and repurchase agreements		**114**	107	11
Trading liabilities	13	**-**	-	135
Margin money and settlement liabilities	14	**1,828**	1,962	5,064
Derivative liabilities	15	**1,419**	1,971	6,451
Other financial liabilities	16	**1,047**	832	963
Other liabilities	17	**828**	1,369	902
Due to related body corporate entities	23	**5,774**	10,090	13,030
Issued debt securities	18	**1,550**	-	22
Borrowings	19	**6,030**	5,653	4,312
Deferred tax liabilities		**5**	7	4
Total liabilities		**18,595**	21,991	30,894
Net assets		**2,008**	1,887	1,978
Equity				
Contributed equity	20	**2,192**	2,194	2,190
Reserves	21	**(836)**	(843)	(760)
Retained earnings	21	**647**	531	542
Total capital and reserves attributable to the ordinary equity holder of Macquarie International Finance Limited		**2,003**	1,882	1,972
Non-Controlling Interest	21	**5**	5	6
Total equity		**2,008**	1,887	1,978

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

Consolidated statement of changes in equity

For the half year ended 30 September 2023

	Notes	Contributed equity $m	Reserves $m	Retained earnings $m	Total equity $m	Non-controlling interests $m	Total equity $m
Balance as at 1 Apr 2022		2,203	(766)	101	1,538	5	1,543
Profit after income tax		–	–	441	441	-	441
Other comprehensive income, net of tax		–	6	-	6	1	7
Total comprehensive income		–	6	441	447	1	448
Other equity movements:							
Deferred tax on Macquarie Group Employee Retained Equity Plan (MEREP) awards issued by the ultimate parent entity[1]		(13)	–	–	(13)	-	(13)
		(13)	-	–	(13)	-	(13)
Balance as at 30 Sep 2022		2,190	(760)	542	1,972	6	1,978
Profit after income tax		-	-	1,190	1,190	(1)	1,189
Other comprehensive loss, net of tax		-	(9)	-	(9)	(1)	(10)
Total comprehensive (loss)/income		-	(9)	1,190	1,181	(2)	1,179
Dividend paid	4	-	-	(1,200)	(1,200)	-	(1,200)
Restructure reserve attributable to group restructure	21	-	(74)	-	(74)	-	(74)
Movement in Non-controlling interest	21	-	-	(1)	(1)	1	-
Other equity movements:							
Deferred tax on Macquarie Group Employee Retained Equity Plan (MEREP) awards issued by the ultimate parent entity[1]		4	-	-	4	-	4
		4	(74)	(1,201)	(1,271)	1	(1,270)
Balance as at 31 Mar 2023		2,194	(843)	531	1,882	5	1,887
Profit after income tax		**-**	**-**	**117**	**117**	**-**	**117**
Other comprehensive income/(loss), net of tax		**-**	**7**	**(1)**	**6**	**-**	**6**
Total comprehensive income		**-**	**7**	**116**	**123**	**-**	**123**
Other equity movements:							
Deferred tax on Macquarie Group Employee Retained Equity Plan (MEREP) awards issued by the ultimate parent entity[1]		**(2)**	**-**	**-**	**(2)**	**-**	**(2)**
		(2)	**-**	**-**	**(2)**	**-**	**(2)**
Balance as at 30 Sep 2023		**2,192**	**(836)**	**647**	**2,003**	**5**	**2,008**

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

(1) Macquarie Group Limited ("MGL") is the ultimate parent Company.

Consolidated statement of cash flows

For the half year ended 30 September 2023

	Notes	Half year to 30 Sep 23 $m	Half year to 31 Mar 23 $m	Half year to 30 Sep 22 $m
Cash flows (utilised in)/generated from operating activities				
Interest income and expense:				
Received		**265**	279	150
Paid		**(375)**	(343)	(162)
Fees, commissions and other income and charges:				
Received		**533**	564	427
Paid		**(99)**	(101)	(64)
Operating lease income received		**120**	106	89
Dividend and distributions received		**6**	-	-
Operating expenses paid:				
Employment expenses		**(728)**	(210)	(480)
Other operating expenses including brokerage, commission and fee expenses		**(667)**	(296)	(510)
Income tax paid		**(183)**	(307)	(287)
Changes in operating assets:				
Loan assets and receivables and balances with related body corporate entities		**(1,762)**	1,192	1,623
Movement in other financial assets and other non-financial assets		**(196)**	(710)	593
Assets under operating lease		**(107)**	(321)	(12)
Trading and related assets, liquid investments and collateralised lending balances (net of liabilities)		**1,137**	(2,082)	1,007
Changes in operating liabilities:				
Borrowings and other funding		**1,713**	1,488	875
Movement in other financial liabilities and other non-financial liabilities		**(122)**	86	33
Net cash flows (utilised in)/generated from operating activities		**(465)**	(655)	3,282
Cash flows generated from/(utilised in) investing activities				
Net proceeds from/(payments for) financial investments		**300**	2,714	(3,301)
Subsidiaries and businesses:				
Proceeds from distribution or disposal, net of cash deconsolidated		**2**	-	-
Associates and joint ventures:				
Payment for acquisitions		**(8)**	(83)	(32)
Proceeds from disposals		**13**	26	-
Property, plant and equipment and intangible assets:				
Payments for acquisitions		**(3)**	(21)	(2)
Proceeds from disposals		**-**	22	-
Net cash flows generated from/(utilised in) investing activities		**304**	2,658	(3,335)
Cash flows utilised in financing activities				
Dividends and distributions paid		**-**	(1,200)	-
Non-controlling interests:				
Receipts from non-controlling interests		**-**	1	-
Net cash flows utilised in financing activities		**-**	(1,199)	-
Net (decrease)/increase in cash and cash equivalents		**(161)**	804	(53)
Cash and cash equivalents at the beginning of the period		**2,687**	1,687	1,515
Effect of exchange rate movement on cash and cash equivalents		**34**	196	225
Cash and cash equivalents at the end of the period	22	**2,560**	2,687	1,687

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

Notes to the financial statements

For the half year ended 30 September 2023

Note 1
Basis of preparation

This general purpose interim financial report for the half year reporting period ended 30 September 2023 has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* (AASB 134). 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 International Finance Limited (MIFL or the Company) and the entities it controlled at the end of, or during the half year ended 30 September 2023 (the Consolidated Entity).

This interim financial report does not include all the disclosures of the type that are normally included in the Consolidated Entity's annual financial report. Accordingly, this report is to be read in conjunction with the Consolidated Entity's annual financial report for the year ended 31 March 2023.

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

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

(i) Critical accounting estimates and significant judgements

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

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

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

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

(ii) Functional currency and presentation currency

The functional currency of each entity (including branches) in the Consolidated Entity is the currency of the primary economic environment in which the entity operates. The financial statements of the Consolidated Entity are presented in Australian dollars ('AUD', the presentation currency), which is also the Company's functional currency.

The functional currency of the Company was reviewed during the period, following an increase in USD-denominated Borrowings and Issued debt securities. On balance of all AASB 121 *The Effects of Changes in Foreign Exchange Rates* (AASB 121) factors, the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions of the Company continues to be AUD.

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

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

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

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

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

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

The Consolidated Entity's Pillar Two Project

During 2022, parent of the Consolidated Entity i.e., Macquarie Bank Limited ("MBL") initiated a project to manage the impact of the Pillar Two rules globally. The project's scope is to ensure the Consolidated Entity and its subsidiaries can meet their Pillar Two compliance obligations.

Notes to the financial statements

For the half year ended 30 September 2023

Note 1

Basis of preparation continued

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

Impacts on financial reporting

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

(c) Other amendments made to existing standards

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

(iv) Other developments

(a) ISSB sustainability reporting standards

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

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

The Australian-equivalent standards have now been issued in draft. The Consolidated Entity acknowledges this development along with the growing importance of sustainability-related disclosures and continues to progress its established project to assess and prepare for future sustainability and climate-related reporting obligations.

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

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

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

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

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

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

(v) **Comparatives**

Where necessary, comparative information has been re-presented to conform to changes in presentation in the current period. Also, refer *Note 23 Related Party Information* regarding a restatement made due to prior period error.

Notes to the financial statements

For the half year ended 30 September 2023 continued

Note 2

Operating profit before income tax

	Half year to 30 Sep 23 $m	Half year to 31 Mar 23 $m	Half year to 30 Sep 22 $m
Net trading income/(expense)[1]			
Commodities[2]	**683**	2,308	1,022
Credit, interest rate, foreign exchange products	**(43)**	(17)	(49)
Equities	**49**	73	76
Net trading income	**689**	2,364	1,049
Fee and commission income			
Service fee from related parties	**207**	245	181
Portfolio administration fees	**121**	117	108
Lending fees	**52**	15	80
Brokerage and other trading-related fees	**41**	37	38
Other fee and commission income	**88**	76	20
Total fee and commission income	**509**	490	427
Net interest (expense)/ income			
Interest and similar income:[3]			
Effective interest rate method – Amortised Cost	**251**	289	150
Other – FVTPL	**22**	14	7
Interest and similar expense:			
Effective interest rate method – Amortised Cost	**(385)**	(350)	(170)
Net interest expense	**(112)**	(47)	(13)

(1) Includes fair value movements on trading assets and liabilities, ineffective portion of designated hedge relationships, fair value changes on derivatives used to economically hedge the Consolidated Entity's interest rate risk and foreign currency gains and losses on foreign currency-denominated monetary assets and liabilities. Refer to Note 38(ix) *Derivative instruments and hedging activities* in the Consolidated Entity's March 2023 Annual Financial Report.
(2) Includes $296 million (half year to 31 March 2023: $277 million; half year to 30 September 2022: $214 million) of transportation, storage and certain other trading-related costs and $5 million (half year to 31 March 2023: $5 million; half year to 30 September 2022: $6 million) depreciation on right-of-use (ROU) assets held for trading-related business.
(3) Prior period comparatives for interest income have been re-presented between Effective interest rate and Other to conform with the presentation in the current period in alignment with the accounting policy.

Notes to the financial statements

For the half year ended 30 September 2023 continued

Note 2
Operating profit before income tax continued

	Half year to 30 Sep 23 $m	Half year to 31 Mar 23 $m	Half year to 30 Sep 22 $m
Credit and other impairment (charges)/reversals			
Credit impairment (charges)/reversals			
Margin money and settlement assets	**2**	14	(12)
Other assets	**1**	(12)	3
Due from related corporate body entities	**1**	(5)	-
Loan assets	**(5)**	(5)	(2)
Off balance sheet exposures	**(10)**	1	(3)
Cash and bank balances	**-**	(1)	-
Net credit impairment charges	**(11)**	(8)	(14)
Other impairment reversals/(charges)			
Intangible and other non-financial assets	**19**	(13)	(21)
Net other impairment reversals/(charges)	**19**	(13)	(21)
Total credit and other impairment reversals/(charges)	**8**	(21)	(35)
Net other operating income			
Investment income/(loss)			
Net gain on sale of Interest in associates and joint ventures	**7**	-	10
Net (loss)/gain on financial investments and non-financial investments	**(1)**	(28)	4
Share of net profits from associates and joint ventures	**13**	12	14
Total investment income/(loss)	**19**	(16)	28
Net operating lease income			
Rental income	**132**	115	87
Depreciation	**(82)**	(67)	(54)
Net operating lease income	**50**	48	33
Other income	**34**	33	19
Total other operating income	**103**	65	80
Net operating income	**1,197**	2,851	1,508

Notes to the financial statements

For the half year ended 30 September 2023 continued

Note 2

Operating profit before income tax continued

	Half year to 30 Sep 23 $m	Half year to 31 Mar 23 $m	Half year to 30 Sep 22 $m
Employment expenses			
Salary and related costs including commissions, superannuation and performance-related profit share	**(217)**	(471)	(285)
Share-based payments	**(101)**	(80)	(64)
Provision for long service leave and annual leave	**-**	(1)	-
Total employment expenses	**(318)**	(552)	(349)
Brokerage, commission and fee expenses			
Brokerage and other trading-related fee expenses	**(79)**	(85)	(61)
Other fee and commission expenses	**(15)**	(17)	(2)
Total brokerage, commission and fee expenses	**(94)**	(102)	(63)
Non-salary technology expenses			
Information services	**(15)**	(15)	(13)
Service provider and other non-salary technology expenses	**(14)**	(12)	(5)
Depreciation on own use assets: equipment	**-**	(1)	-
Total non-salary technology expenses	**(29)**	(28)	(18)
Other operating expenses			
Occupancy expenses			
Lease and other occupancy expenses	**(14)**	(10)	(11)
Depreciation on right-of-use assets: office premises	**(1)**	(2)	-
Depreciation on own use assets: buildings, furniture, fittings and leasehold improvements	**(1)**	(1)	-
Total occupancy expenses	**(16)**	(13)	(11)
Other expenses			
Service cost recoveries by related parties	**(504)**	(451)	(386)
Professional fees	**(24)**	(26)	(18)
Travel and entertainment expenses	**(9)**	(8)	(6)
Indirect and other taxes	**(4)**	(4)	(3)
Audit fees	**(5)**	(7)	(4)
Other	**(26)**	(93)	(11)
Total other expenses	**(572)**	(589)	(428)
Total other operating expenses	**(588)**	(602)	(439)
Total operating expenses	**(1,029)**	(1,284)	(869)
Operating profit before income tax	**168**	1,567	639

Notes to the financial statements

For the half year ended 30 September 2023 continued

Note 3
Income tax expense

	Half year to 30 Sep 23 $m	Half year to 31 Mar 23 $m	Half year to 30 Sep 22 $m
(i) Reconciliation of income tax expense to *prima facie* income tax expense			
Prima facie income tax expense on operating profit @ 30% (31 March 2023: 30%; 30 September 2022: 30%)	**(50)**	(470)	(192)
Tax effect of amounts which are (non-deductible)/non-assessable in calculating taxable income:			
Rate differential on offshore income	**(1)**	69	(6)
Other items	**-**	23	-
Total income tax expense	**(51)**	(378)	(198)
(ii) Tax benefit/(expense) relating to OCI			
Cash flow hedges and cost of hedging	**-**	2	(1)
Own credit risk	**1**	-	-
Total tax benefit/(expense) relating to OCI	**1**	2	(1)

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

Notes to the financial statements

For the half year ended 30 September 2023 continued

Note 4
Dividends

	Half year to 30 Sep 23 $m	Half year to 31 Mar 23 $m	Half year to 30 Sep 22 $m
Dividends paid to the parent entity (Macquarie Bank Limited)			
On 30 March 2023	-	1,200	-
Total dividends paid (Note 21)	**-**	1,200	-

Note 5
Trading assets

	As at 30 Sep 23 $m	As at 31 Mar 23 $m	As at 30 Sep 22 $m
Commodities	**990**	836	1,113
Commodity contracts	**726**	472	554
Debt Securities	**79**	2	-
Equity securities	**44**	29	54
Total trading assets	**1,839**	1,339	1,721

Note 6
Margin money and settlement assets

	As at 30 Sep 23 $m	As at 31 Mar 23 $m	As at 30 Sep 22 Restated[1] $m
Margin money	**2,022**	2,794	2,067
Commodity settlement assets	**1,006**	1,316	2,162
Security settlement assets	**42**	3	13
Total margin money and settlement assets[2]	**3,070**	4,113	4,242

(1) During the period, comparatives were restated to correct a prior period error relating to fiduciary assets. For more details, refer Note 23 *Related Party Information.*
(2) Prior period comparatives have been re-presented between Derivative liabilities and Margin money and settlement assets to conform with the presentation in the current period in alignment with the accounting policy.

Notes to the financial statements

For the half year ended 30 September 2023 continued

Note 7
Derivative assets

	As at 30 Sep 23 $m	As at 31 Mar 23 $m	As at 30 Sep 22 $m
Held for trading	**2,002**	2,583	2,513
Total derivative assets[1]	**2,002**	2,583	2,513

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

The Consolidated Entity's approach to financial risk management, as set out in its financial statements for the year ended 31 March 2023 in Note 29 *Financial risk management*, remained unchanged during the period. This included entering into margining and collateralisation arrangements and enforceable netting arrangements with counterparties, particularly in respect of derivatives. The enforceable netting arrangements may allow for net settlement of specified contracts with a counterparty in the event of default or other pre-determined events, such that their potential effects on the Consolidated Entity's financial position in that circumstance is to settle these contracts as one arrangement.

These derivative balances are presented in the statement of financial position after offsetting balances where the Consolidated Entity has both a legally enforceable right to set off and the intention to settle on a net basis. After taking into account related financial instruments (primarily derivative liabilities) of $397 million (31 March 2023: $693 million; 30 September 2022: $1,321 million), and cash collateral of $63 million (31 March 2023: $133 million; 30 September 2022: $216 million) the residual derivative exposure amounts to $1,542 million (31 March 2023: $1,757 million; 30 September 2022: $976 million). The majority of the residual derivative exposure is short-term in nature and managed within the Consolidated Entity's market and credit risk frameworks, with the majority of the exposure with investment grade counterparties.

Note 8
Financial Investments

	As at 30 Sep 23 $m	As at 31 Mar 23 $m	As at 30 Sep 22 $m
Debt Securities[2]	**330**	596	3,620
Equity Securities	**14**	14	14
Total financial investments	**344**	610	3,634

Note 9
Other financial assets

	As at 30 Sep 23 $m	As at 31 Mar 23 $m	As at 30 Sep 22 $m
Commodity-related receivables	**1,720**	856	857
Trade debtors and other receivables	**251**	262	75
Total other financial assets	**1,971**	1,118	932

(1) Prior period comparatives have been re-presented between Derivative assets and Margin money and settlement liabilities to conform with the presentation in the current period in alignment with the accounting policy.
(2) Includes Money Market Securities amounting to $Nil (31 March 2023: $Nil; 30 September 2022: $2,917 million) and US Treasury bills amounting to $308 million (31 March 2023: $596 million; 30 September 2022: $701 million).

Notes to the financial statements

For the half year ended 30 September 2023 continued

Note 10
Other assets

	As at 30 Sep 23 $m	As at 31 Mar 23 $m	As at 30 Sep 22 $m
Held for sale assets			
Assets held for sale	-	6	116
Other non-financial assets			
Income tax receivables	**237**	125	162
Prepayments	**101**	105	114
Indirect tax receivables	**95**	61	57
Goodwill and other intangible assets	**72**	70	71
Other	**59**	56	24
Total other non-financial assets	**564**	417	428
Total other assets	**564**	423	544

Note 11
Loan assets

	As at 30 Sep 23			As at 31 Mar 23			As at 30 Sep 22		
	Gross $m	ECL allowance $m	Net $m	Gross $m	ECL allowance $m	Net $m	Gross $m	ECL allowance $m	Net $m
Asset financing	**842**	**(9)**	**833**	528	(10)	518	464	(4)	460
Commodity related loans	**192**	**(4)**	**188**	111	(2)	109	87	(3)	84
Corporate, commercial, and other lending	**67**	**(5)**	**62**	58	(3)	55	20	(5)	15
Home loans	-	-	-	-	-	-	26	-	26
Total loan assets	**1,101**	**(18)**	**1,083**	697	(15)	682	597	(12)	585

Notes to the financial statements

For the half year ended 30 September 2023 continued

Note 12
Expected credit losses

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

Model inputs

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

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

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

The key model inputs used in measuring the ECL include:

- **Exposure at default (EAD)**: The EAD represents the estimated exposure in the event of a default.
- **Probability of default (PD)**: The calculation of PDs for retail and wholesale exposures is generally performed at a facility level. Retail exposures are segmented based on product type and shared characteristics that are highly correlated to credit risk such as region, product, counterparty groupings, loan-to-value ratio (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 material change in internal credit rating or whether an exposure has been identified and placed on CreditWatch, an internal credit monitoring mechanism supervised by the credit watch forum to closely monitor exposures showing signs of stress. All exposures on CreditWatch are classified as stage II or, if defaulted, as stage III.

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

Retail exposures

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

Wholesale exposures

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

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

For both retail and wholesale portfolios:

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

Definition of default

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

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

Notes to the financial statements

For the half year ended 30 September 2023 continued

Note 12

Expected credit losses continued

Forward-looking information (FLI)

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

The Consolidated Entity applies its professional judgement in determining whether there are any inherent risks in the models' predictive outcomes. The overlays primarily reflect management's assessment of the current economic and credit environment relative to the FLI credit cycle model. These overlays account for the risk that underlying credit risk events have occurred, but observable modelled inputs are yet to reflect those events, as well as risks that are specific to regions, counterparties or industries which are difficult to account for within the modelled outcomes. Over time the credit models are recalibrated to enhance the predictive capability. At the reporting date this overlay was approximately $3 million (31 March 2023: $15 million; 30 September 2022: $20 million). These judgements are reviewed by FMG and RMG at each reporting date.

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

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

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

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

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

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

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

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

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

Notes to the financial statements

For the half year ended 30 September 2023 continued

Note 12

Expected credit losses continued

Forward-looking information (FLI) 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 ~$65 million[(1)]	Probable	**Global:** The baseline scenario assumes 2023 global GDP growth of approximately 2.2% year-on-year, slowing to 1.0% in 2024 as the impact of tight monetary policy feeds through to an expected global slowdown. Interest rates are forecast to remain high in the short term, with decline in interest rates to support growth by mid-2024 possible. **Australia:** Full-year annual growth of 1.4% is anticipated for 2023, slowing to 0.8% in 2024, with a technical recession expected to be narrowly avoided. Unemployment is forecast to rise steadily, peaking at 4.6% in mid-2025. Policy rate rises from the Reserve Bank of Australia (RBA) are assumed to conclude in 2023, with interest rate decline possible by mid-2024. House prices are expected to rise further as interest rates stabilise as the prospect of monetary easing nears. Equity prices are forecast to remain broadly flat over the next 12 months as inflation concerns ease, but growth slows. **United States:** GDP growth is expected to turn in 2023, leading to a full-year contraction in GDP of 1.0% in 2024 and an overall peak-to-trough decline of 1.5% over 12 months. The unemployment rate is projected to increase to 5.5% by the end of 2024. Interest rate cuts to support the economy are anticipated from mid-2024. **Europe:** The Eurozone economy is projected to contract by 0.5% in 2024 as the effects of tight monetary policy continue.
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 ~$75 million[(1)]	Possible	**Global:** The downside scenario projects annual growth in global GDP that is approximately 1 percentage point lower than the baseline until early-2025. **Australia:** The scenario projects a recession in late-2023 into early-2024 due to monetary tightening and continued inflation. The unemployment rate is projected to rise in the scenario to 5.5% in 2024 and is expected to reduce slowly in a projected low growth environment. The RBA cash rate is forecast to rise further, and house prices are projected to fall by approximately 14% in the two years to June 2025. **United States:** The scenario projects four consecutive quarters of negative growth beginning in late-2023, resulting in a 3.5% decline in real GDP. Persistent inflation is forecast to result in the US Federal Reserve delaying monetary support until disinflationary trends are clear. Unemployment is projected to rise by 3 percentage points to 6.9% at end-2024. **Europe:** The scenario projects a 1.3% fall in real GDP in 2024, driving the unemployment rate to approximately 8.8%. Equity markets are projected to fall over 10% and fail to recover to prior peaks in the forecast period to 2027.

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

Notes to the financial statements

For the half year ended 30 September 2023 continued

Note 12

Expected credit losses continued

Forward-looking information (FLI) continued

Scenario	Weighting	Expectation
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 ~$90 million(1)	Possible	**Global:** The scenario projects a sharp slowdown in annual GDP growth, around 3 to 3.5 percentage points lower than the baseline. The global economy is projected to contract by ~2.6% in the next twelve months and stagnate for the subsequent 12 months. **Australia:** The scenario projects five consecutive quarters of contraction in real GDP, resulting in a 2.6% decline by end-2024. Unemployment peaks at 7.3% in mid-2025, and house prices fall by over 25%. **United States:** The scenario projects a 4.7% fall in GDP to the end of 2024, contracting for six straight quarters and failing to recover prior output levels by the end of 2027. Unemployment is projected to reach 8.9% by the end of 2024, and housing and equity prices are expected to fall by 15% and 25% respectively. **Europe:** The scenario projects a recession that extends until the end of 2024, and GDP falls by 3.5% from current levels. Unemployment rates are projected to peak at 9.8% in early-2025 and recede slowly.
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 ~$60 million(1)	Unlikely	**Global:** The upside scenario projects annual growth in global GDP that is approximately 1 percentage point higher than the baseline scenario until late-2024. **Australia:** The scenario projects a slight slowdown in GDP growth to around 1.5% annually, but growth remains positive throughout. Unemployment rates are forecast to increase only modestly, remaining below 4.5%. Interest rate rises are sufficient to manage inflation without sharply slowing growth, and are gradually eased to maintain growth. **United States:** The scenario projects slowing GDP growth to 0.7% in 2024, with one modest quarterly contraction in output. The US Federal Reserve pauses monetary tightening as inflation recedes, achieving a 'soft landing' scenario. **Europe:** The scenario projects GDP to grow only 0.1% in 2023 and 0.6% in 2024, avoiding a technical recession. Thereafter, growth remains around 1.5-2% annually through to 2026, and unemployment stabilises at around 7.4%.

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

Notes to the financial statements

For the half year ended 30 September 2023 continued

Note 12

Expected credit losses continued

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

	GROSS EXPOSURE FOR FINANCIAL ASSETS CARRIED AT				ECL ALLOWANCE ON FINANCIAL ASSETS CARRIED AT			
	Amortised cost $m	FVOCI $m	Other $m	Gross exposure $m	Amortised cost $m	FVOCI $m	Other $m	Total ECL allowance $m
								AS AT 30 SEP 2023
Cash and bank balances	**1,392**	**-**	**-**	**1,392**	**1**	**-**	**-**	**1**
Cash collateralised lending and reverse repurchase agreements	**78**	**-**	**-**	**78**	**-**	**-**	**-**	**-**
Margin money and settlement assets	**2,744**	**-**	**-**	**2,744**	**3**	**-**	**-**	**3**
Financial investments	**308**	**-**	**-**	**308**	**-**	**-**	**-**	**-**
Other financial assets	**300**	**-**	**-**	**300**	**37**	**-**	**-**	**37**
Due from related body corporate entities	**4,572**	**-**	**-**	**4,572**	**2**	**-**	**-**	**2**
Loan assets	**1,089**	**-**	**-**	**1,089**	**18**	**-**	**-**	**18**
Off balance sheet exposures	**-**	**-**	**232**	**232**	**-**	**-**	**11**	**11**
Total	**10,483**	**-**	**232**	**10,715**	**61**	**-**	**11**	**72**
								AS AT 31 MAR 2023
Cash and bank balances	1,424	-	-	1,424	1	-	-	1
Cash collateralised lending and reverse repurchase agreements	66	-	-	66	-	-	-	-
Margin money and settlement assets	3,592	-	-	3,592	5	-	-	5
Financial investments	596	-	-	596	-	-	-	-
Other financial assets	299	4	-	303	41	-	-	41
Due from related body corporate entities	7,681	-	-	7,681	2	-	-	2
Loan assets	694	-	-	694	15	-	-	15
Off balance sheet exposures	-	-	197	197	-	-	2	2
Total	14,352	4	197	14,553	64	-	2	66

Notes to the financial statements

For the half year ended 30 September 2023 continued

Note 12

Expected credit losses continued

	GROSS EXPOSURE FOR FINANCIAL ASSETS CARRIED AT				ECL ALLOWANCE ON FINANCIAL ASSETS CARRIED AT			
	Amortised cost $m	FVOCI $m	Other $m	Gross exposure $m	Amortised cost $m	FVOCI $m	Other $m	Total ECL allowance $m
								AS AT 30 SEP 2022
Cash and bank balances	2,438	-	-	2,438	-	-	-	-
Cash collateralised lending and reverse repurchase agreements	502	-	-	502	-	-	-	-
Margin money and settlement assets	3,994	-	-	3,994	20	-	-	20
Financial investments	701	-	-	701	-	-	-	-
Other financial assets	104	3	-	107	31	-	-	31
Due from related body corporate entities	5,320	-	-	5,320	1	-	-	1
Loan assets	586	-	-	586	12	-	-	12
Off balance sheet exposures	-	-	95	95	-	-	3	3
Total	13,645	3	95	13,743	64	-	3	67

Notes to the financial statements

For the half year ended 30 September 2023 continued

Note 12

Expected credit losses continued

The table below provides a reconciliation between the opening and closing balance of the ECL allowance:

	Cash and bank balances $m	Margin money and settlement assets $m	Other financial assets $m	Loan assets $m	Off balance sheet exposures $m	Due from related body corporate entities $m	Total $m
Balance as at 1 Apr 2022	-	7	6	11	-	1	25
Credit impairment charges/ (reversals) (Note 2)	-	12	(3)	2	3	-	14
Transfer on group restructure	-	-	22	-	-	-	22
Reclassifications, foreign exchange and other movements	-	1	6	(1)	-	-	6
Balance as at 30 Sep 2022	-	20	31	12	3	1	67
Credit impairment charges/ (reversals) (Note 2)	1	(14)	12	5	(1)	5	8
Amounts written off, previously provided for	-	-	-	(1)	-	(5)	(6)
Reclassifications, foreign exchange and other movements	-	(1)	(2)	(1)	-	1	(3)
Balance as at 31 Mar 2023	1	5	41	15	2	2	66
Credit impairment (reversals)/ charges (Note 2)	**-**	**(2)**	**(1)**	**5**	**10**	**(1)**	**11**
Amounts written off, previously provided for	**-**	**-**	**(4)**	**(3)**	**-**	**-**	**(7)**
Reclassifications, foreign exchange and other movements	**-**	**-**	**1**	**1**	**(1)**	**1**	**2**
Balance as at 30 Sep 2023	**1**	**3**	**37**	**18**	**11**	**2**	**72**

Notes to the financial statements

For the half year ended 30 September 2023 continued

Note 13
Trading Liabilities

	As at 30 Sep 23 $m	As at 31 Mar 23 $m	As at 30 Sep 22 $m
Commodities	-	-	135
Total trading liabilities	-	-	135

Note 14
Margin money and settlement liabilities

	As at 30 Sep 23 $m	As at 31 Mar 23 $m	As at 30 Sep 22 $m
Commodity settlement liabilities	**936**	998	2,031
Margin money	**890**	958	3,028
Security settlement liabilities	**2**	6	5
Total margin money and settlement liabilities(1)	**1,828**	1,962	5,064

Note 15
Derivative liabilities

	As at 30 Sep 23 $m	As at 31 Mar 23 $m	As at 30 Sep 22 $m
Held for trading	**1,419**	1,971	6,451
Total derivative liabilities(2)	**1,419**	1,971	6,451

These derivative balances are presented in the statement of financial position after offsetting balances where the Consolidated Entity has both a legally enforceable right to set off and the intention to settle on a net basis. After taking into account related financial instruments (primarily derivative assets) of $364 million (31 March 2023: $566 million; 30 September 2022: $1,158 million) and cash collateral of $208 million (31 March 2023: $281 million; 30 September 2022: $598 million), the residual derivative exposure amounts to $808 million (31 March 2023: $1,084 million; 30 September 2022: $4,653 million). Refer to Note 7 *Derivative assets* for details of the Consolidated Entity's approach to derivative instruments and financial risk management.

(1) Prior period comparatives have been re-presented between Derivative assets and Margin money and settlement liabilities to conform with the presentation in the current period in alignment with the accounting policy.
(2) Prior period comparatives have been re-presented between Derivative liabilities and Margin money and settlement assets to conform with the presentation in the current period in alignment with the accounting policy.

Notes to the financial statements

For the half year ended 30 September 2023 continued

Note 16
Other financial liabilities

	As at 30 Sep 23 $m	As at 31 Mar 23 $m	As at 30 Sep 22 $m
Commodity-related payables	**766**	483	708
Creditors	**138**	187	163
Security deposits	**80**	93	73
Lease liabilities	**63**	69	19
Total other financial liabilities	**1,047**	832	963

Note 17
Other liabilities

	As at 30 Sep 23 $m	As at 31 Mar 23 $m	As at 30 Sep 22 $m
Provisions(1)	**368**	378	289
Employment-related liabilities	**167**	566	232
Indirect taxes payables	**138**	247	152
Income tax provision(2)	**99**	115	197
Other	**56**	63	32
Total other liabilities	**828**	1,369	902

Note 18
Issued debt securities

	As at 30 Sep 23 $m	As at 31 Mar 23 $m	As at 30 Sep 22 $m
Commercial paper(3)	**1,550**	-	-
Securitised notes	**-**	-	22
Total issued debt securities	**1,550**	-	22

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

(1) In the ordinary course of its business, the Consolidated Entity may be subject to actual and potential civil claims and regulatory enforcement actions. During the current period, these include matters in the Commonwealth of Australia, the United States of America, the United Kingdom, and the Federal Republic of Germany. The civil claims may result in settlements or damages awards. The regulatory enforcement actions may result in outcomes such as penalties, fines, disgorgement of profits and non-monetary sanctions. This amount includes provisions for such outcomes based on management's best estimate. The amount and timing of the outcomes are uncertain and may differ from the provisions recognised. The Consolidated Entity consider the risk of there being a material adverse effect in respect of claims and actions that have not been provided for to be remote.
(2) Revenue authorities undertake risk reviews and audits as part of their normal activities. The Consolidated Entity has assessed these and other taxation claims and litigation, including seeking external advice where appropriate, and considers that it holds appropriate provisions.
(3) During the current period, MIFL established a USD 5,000 million commercial paper program, with USD 990 million commercial paper issued in August 2023 as part of its ongoing funding requirements.

Notes to the financial statements

For the half year ended 30 September 2023 continued

Note 19
Borrowings

	As at 30 Sep 23 $m	As at 31 Mar 23 $m	As at 30 Sep 22 $m
Committed unsecured syndicated loans	**4,127**	3,922	3,270
Secured revolving facility	**975**	1,148	893
Other borrowings(1),(2)	**928**	583	149
Total borrowings	**6,030**	5,653	4,312

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

Note 20
Contributed equity

	As at 30 Sep 23 $m	As at 31 Mar 23 $m	As at 30 Sep 22 $m
Ordinary share capital	**2,109**	2,109	2,109
Other equity	**83**	85	81
Total contributed equity	**2,192**	2,194	2,190

	As at 30 Sep 23 $m	As at 31 Mar 23 $m	As at 30 Sep 22 $m
(i) Ordinary share capital(3)			
Opening balance of 2,109,312,580 fully paid ordinary shares	**2,109**	2,109	2,109
Closing balance of 2,109,312,580 (31 March 2023: 2,109,312,580; 30 September 2022: 2,109,312,580) fully paid ordinary shares	**2,109**	2,109	2,109
(ii) Other equity			
Tax contribution for business acquired under group restructure(4)	**66**	66	66
Deferred tax on MEREP(5)	**17**	19	15
Balance at the end of the period	**83**	85	81

(1) Includes $343 million (31 March 2023: $260 million; 30 September 2022: $Nil) that would be contractually required to be paid at maturity to the holders of structured loans classified under 'Other borrowings' which are measured at DFVTPL for the Consolidated Entity. This amount is based on the final notional amount rather than the fair value. Refer to Note 25 *Measurement categories of financial instruments* for the carrying value of borrowings measured at DFVTPL.
(2) Includes a cumulative fair value loss of $1 million (31 March 2023: $Nil; 30 September 2022: $Nil) due to changes in own credit risk on DFTVPL debt securities recognised in OCI.
(3) Ordinary shares have no par value.
(4) Represents tax balances funded by MGL under the Tax Funding Deed in relation to the acquisition of Bank non-ELE businesses. Recognition of deferred tax balances on acquisition is precluded under AASB 112 *Income Taxes* and hence, the funded amount is treated as an equity contribution.
(5) MEREP awards are primarily settled in shares of MGL. MEREP awards are issued by MGL to the employees of the Consolidated Entity and MGL has been subsequently reimbursed by the Consolidated Entity.

Notes to the financial statements

For the half year ended 30 September 2023 continued

Note 21

Reserves, retained earnings and non-controlling interests

	As at 30 Sep 23 $m	As at 31 Mar 23 $m	As at 30 Sep 22 $m
(i) Reserves			
Foreign currency translation reserve			
Balance at the beginning of the period	-	-	(6)
Foreign exchange movement on translation and hedge accounting of foreign operations, net of tax[1]	1	-	6
Balance at the end of the period	1	-	-
Restructure reserve			
Balance at the beginning of the period	(834)	(760)	(760)
Restructure reserves attributable to business acquired[2]	-	(74)	-
Balance at the end of the period	(834)	(834)	(760)
Cash flow hedge reserve			
Balance at the beginning of the period	(9)	-	-
Net movement recognised in OCI during the period, net of tax	(4)	(12)	-
Transferred to income statement on realisation, net of tax	2	3	-
Balance at the end of the period	(11)	(9)	-
Other reserve			
Balance at the beginning of the period	-	-	-
Movement during the period, net of tax	8	-	-
Balance at the end of the period	8	-	-
Total reserves at the end of the period	(836)	(843)	(760)
(ii) Retained earnings			
Balance at the beginning of the period	531	542	101
Profit attributable to the ordinary equity holder of MIFL	117	1,190	441
Dividend paid on ordinary share capital (Note 4)	-	(1,200)	-
Fair value changes attributable to own credit risk on debt classified at DFVTPL, net of tax	(1)	-	-
Movement due to change in non-controlling ownership interest	-	(1)	-
Balance at the end of the period	647	531	542
(iii) Non-controlling interest[3]			
Share capital	5	6	6
Accumulated losses	-	(1)	-
Total non-controlling interest	5	5	6

(1) The current year 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. Refer to Note 29.3 *Market risk* in the Consolidated Entity's March 2023 Annual Financial Statements for the Consolidated Entity's foreign exchange risk management policy in relation to the alignment of capital supply to capital requirements.
(2) Represents difference between the acquisition price and the book value of the net assets of the Non-ELE Group subsidiaries acquired during March 2023 under common control transactions. For details refer Note 27 *Acquisitions of subsidiaries and businesses.*
(3) Non-controlling interests represents equity in subsidiaries held by MBL and external party as a minority shareholder and therefore is not attributable, directly or indirectly, to the parent company. As such, it is ineligible to absorb losses arising elsewhere within the Consolidated Entity.

Notes to the financial statements

For the half year ended 30 September 2023 continued

Note 22

Reconciliation of cash and cash equivalents

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

	As at 30 Sep 23 $m	As at 31 Mar 23 $m	As at 30 Sep 22 $m
Cash and bank balances[(1),(2)]	**719**	549	787
Due from related body corporate entities[(3)]	**1,841**	2,138	900
Cash and cash equivalents at the end of the period	**2,560**	2,687	1,687

(1) Includes $21 million (31 March 2023: $44 million; 30 September 2022: $Nil) of balances, that are restricted from use by the Consolidated Entity and balances held in countries where remittance of cash outside the country is subject to certain restrictions.
(2) Amounts excluded from cash and cash equivalents but presented in the Statement of financial position as cash and bank balances primarily relates to $559 million (31 March 2023: $768 million; 30 September 2022: $1,578 million) of funds received from clients which are segregated from the Consolidated Entity's own funds and other balances of $113 million (31 March 2023: $106 million; 30 September 2022: $73 million) that are not readily available to meet the Consolidated Entity's short-term cash commitments.
(3) Balance represents cash and short-term deposits with MBL of $1,836 million (31 March 2023: $2,138 million; 30 September 2022: $656 million) and other related body corporate entities of $5 million (31 March 2023: $Nil; 30 September 2022: $244 million) and does not include cash placed as collateral of $778 million (31 March 2023: $3,733 million; 30 September 2022: $3,931 million) with MBL with respect to the Consolidated Entity's guarantees to MBL for MBL's exposures to certain Non-ELE Group subsidiaries as these balances are not considered as an integral part of the Consolidated Entity's cash management.

Notes to the financial statements

For the half year ended 30 September 2023 continued

Note 23
Related party information

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

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

Transaction under common control

During the half year ended March 2023, the Consolidated Entity acquired Macquarie US Trading LLC and Macquarie Trade & Asset Finance International Limited from MBL and another Bank Group holding companies through a business combination under common control. For details, refer to Note 27 *Acquisitions and disposals of subsidiaries and businesses.*

During the half year ended September 2022, the Consolidated Entity acquired Macquarie Corona Energy Holdings Limited and Macquarie Bermuda Limited from MBL and another Bank Group holding companies through a business combination under common control. For details, refer to Note 27 *Acquisitions and disposals of subsidiaries and businesses.*

During the current period, no such transaction has been entered into by the consolidated entity.

Ultimate and immediate parent entities

The Consolidated Entity's ultimate parent entity is MGL, and the immediate parent entity is MBL. Both MGL and MBL are incorporated in Australia. Both MGL and MBL produces consolidated financial statements that are available for public use. MGL as the ultimate parent entity of the Macquarie Group is the head entity of the Australian tax consolidated group. The terms and conditions of this agreement are set out in Note 38(v) *Taxation* in the Consolidated Entity's March 2023 Annual Financial Statements. Amounts receivable from MGL includes amounts receivable by the Company under the tax funding agreement of the tax consolidated group. Balances outstanding with MGL and MBL are included in Due from related body corporate entities or Due to related body corporate entities, as appropriate, separately in the Statements of financial position of the Consolidated entity except when the parties have the legal right and intention to offset.
All transactions with the ultimate and immediate parent entities were made on normal commercial terms and conditions and at market rates.

Other related body corporate entities

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

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

All transactions with related entities were made on normal commercial terms and conditions and at market rates.

Notable subsidiaries of the Consolidated Entity

- Macquarie Energy LLC (United States)
- Macquarie Energy Canada Ltd. (Canada)
- Macquarie America Holdings Inc. (United States)
- Macquarie Futures USA LLC (United States)

The subsidiaries included in the notable subsidiaries list above are identified on the basis of their ongoing contribution to the Consolidated Entity's external assets and operating profit. The country of incorporation has been stated in brackets. Overseas subsidiaries conduct business predominantly in their place of incorporation. All notable subsidiaries have 31 March as reporting date.

In accordance with Australian Securities & Investments Commission Corporations (Rounding in Financial/Directors' Report) Instruments 2016/191, amounts disclosed under related party information have been rounded off to the nearest thousand dollars.

Notes to the financial statements

For the half year ended 30 September 2023 continued

Note 23

Related party information continued

The following transactions occurred with the ultimate and immediate parent entities and other related entities during the period:

	ULTIMATE AND IMMEDIATE PARENT ENTITIES			OTHER RELATED ENTITIES		
	Half year to 30 Sep 23 $'000	Half year to 31 Mar 23 $'000	Half year to 30 Sep 22 $'000	**Half year to 30 Sep 23 $'000**	Half year to 31 Mar 23 $'000	Half year to 30 Sep 22 $'000
Interest income	**111,346**	166,453	54,054	**5,026**	4,466	9,775
Interest expense	**(119,223)**	(151,691)	(84,483)	**(66,067)**	(49,012)	(24,052)
Net interest (expense)/income[(1)]	**(7,877)**	14,762	(30,429)	**(61,041)**	(44,546)	(14,277)
Net Trading (expense)/income[(2),(3)]	**(281,396)**	(3,959,001)	344,638	**92,708**	161,463	352,526
Other Income	**-**	622	-	**306**	525	-
Fee and commission income	**184,391**	206,440	156,538	**70,451**	41,404	102,043
Other operating expense	**(151,794)**	(74,351)	(148,365)	**(352,651)**	(316,026)	(298,058)
Dividends and distributions (Note 4)	**-**	(1,200,000)	-	**-**	-	-

(1) Prior period comparatives for interest income have been re-presented between Effective interest rate and Other to conform with the presentation in the current period in alignment with the accounting policy.
(2) As part of the risk management strategy of the Bank Group, certain related body corporate entities, including MBL, will be specifically utilised to manage the Consolidated Entity's market risk based upon trading and exchange relationships. These related party transactions may result in material trading income/(expense) within the Consolidated Entity. Such transactions are typically traded under an ISDA agreement or similar type of arrangement which may contain provisions for the exchange of margin or collateral.
(3) Includes certain income/(expense) relating to trading assets and derivatives with the parent and other related body corporate entities offset with income/(expense) on similar financial instruments with the external counterparties, presented on a net basis in the net trading income in the Consolidated Entity's Income statement.

Notes to the financial statements

For the half year ended 30 September 2023 continued

Note 23

Related party information continued

The following balances and off-balance sheet arrangements with the ultimate and immediate parent entities and other related entities were outstanding as at half year end:

	ULTIMATE AND IMMEDIATE PARENT ENTITIES			OTHER RELATED ENTITIES		
	As at 30 Sep 23	As at 31 Mar 23	As at 30 Sep 22 Restated[1]	**As at 30 Sep 23**	As at 31 Mar 23	As at 30 Sep 22 Restated[1]
	$'000	$'000	$'000	**$'000**	$'000	$'000
On Balance Sheet:						
Due from related body corporate entities	**6,458,944**	9,774,494	14,456,900	**472,807**	498,506	503,401
Cash and bank balances[2],[3]	**2,620,670**	5,888,119	4,573,851	**4,973**	404	114,840
Cash collateralised lending and reverse repurchase agreements	**54,511**	33,730	79,595	**-**	-	-
Trading assets	**356**	61,187	59,310	**-**	-	-
Margin money and settlement assets[1]	**1,283,035**	1,259,355	20,567	**70,522**	85,737	25,136
Derivative assets[4]	**1,986,910**	2,227,959	9,374,019	**6,540**	876	858
Other financial assets	**186,923**	163,765	150,365	**66,812**	76,270	156,048
Other assets	**326,539**	140,379	199,193	**-**	53,932	-
Loan assets	**-**	-	-	**323,960**	281,287	206,519
Due to related body corporate entities	**3,891,099**	7,846,418	10,568,109	**1,882,523**	2,243,582	2,461,423
Cash collateralised borrowing and repurchase agreements	**303**	3,402,251	3,300,746	**-**	-	-
Trading liabilities	**21,948**	76,252	80,233	**-**	-	-
Margin money and settlement liabilities[1]	**352,124**	602,264	2,148,136	**43,880**	25,373	78,738
Derivative liabilities[5]	**2,651,779**	2,981,224	4,180,573	**9,237**	1,261	492
Other financial liabilities	**767,117**	540,511	588,807	**593,631**	395,500	485,368
Other liabilities	**76,389**	97,684	66,276	**21**	497	473
Borrowings[6]	**21,439**	146,232	203,338	**1,235,754**	1,820,951	1,896,352
Off Balance Sheet:						
Guarantees provided[7]	**-**	-	-	**50,334**	49,346	54,000
Guarantees and Letter of Credit received[8],[9]	**659,524**	902,803	2,709,725	**1,241**	1,537	87,264

(1) During the period, comparatives were restated to correct a prior period error relating to fiduciary assets. The error primarily relates to receivables from external parties being incorrectly presented as net intercompany receivables. The restatement involves increase in Margin money and settlement assets balances by $1,512,231 thousand in 30 September 2022, which is offset by a decrease in Due from related body corporate entities by $1,017,700 thousand in 30 September 2022 and increase in Due to related body corporate entities by $494,531 thousand in 30 September 2022. This restatement had no impact on net assets and profit or loss of the consolidated entity. Where necessary, comparative information has been restated to conform to changes in presentation in the current period.

(2) Balance includes cash and short-term deposits with MBL $1,836,130 thousand (31 March 2023: 2,138,036 thousand and 30 September 2022: $655,897 thousand) and other related body corporate entities $4,973 thousand (31 March 2023: $404 thousand and 30 September 2022: $244,424 thousand). This balance is also disclosed in Note 22 *Reconciliation of cash and cash equivalents* as Due from related body corporate entities.

(3) Includes cash collateral placed of $777,748 thousand (31 March 2023: $3,733,198 thousand and 30 September 2022: $3,930,526 thousand) with MBL with respect to the Consolidated Entity's guarantees to MBL for MBL's exposures to certain members of the Consolidated Entity. During the period ended 30 September 2023, the Consolidated Entity reduced the amount of cash collateral placed with MBL by $3,526,526 thousand and replaced it with off-balance sheet non-cash collateral in the form of government bonds of an equivalent amount. These bonds are borrowed by the Consolidated Entity from third parties on an off-balance sheet basis under uncollateralised stock loan agreements which were previously pledged under a repurchase agreement with MBL. The repurchase agreement with MBL was terminated concurrently with the replacement of cash collateral with MBL.

(4) These derivative balances are presented in the statement of financial position after offsetting balances where the Consolidated Entity has both a legally enforceable right to set off and the intention to settle on a net basis. After taking into account related financial instruments (primarily derivative liabilities) of $1,715,117 thousand (31 March 2023: $1,840,928 thousand; 30 September 2022: $4,077,897 thousand), and cash collateral of $179,783 thousand (31 March 2023: $252,320 thousand; 30 September 2022: $1,066,025 thousand) the residual derivative exposure amounts to $98,285 thousand (31 March 2023: $88,660 thousand; 30 September 2022: $4,134,878 thousand). The majority of the residual derivative exposure is short-term in nature and managed within the Consolidated Entity's market and credit risk frameworks, with the majority of the exposure with investment grade counterparties.

(5) These derivative balances are presented in the statement of financial position after offsetting balances where the Consolidated Entity has both a legally enforceable right to set off and the intention to settle on a net basis. After taking into account related financial instruments (primarily derivative assets) of $1,715,117 thousand (31 March 2023: $1,840,928 thousand; 30 September 2022: $4,077,897 thousand) and cash collateral of $908,262 thousand (31 March 2023: $1,038,929 thousand; 30 September 2022: $Nil), the residual derivative exposure amounts to $37,448 thousand (31 March 2023: $39,456 thousand: 30 September 2022: $57,707 thousand). Refer to Note 7 *Derivative assets* for details of the Consolidated Entity's approach to derivative instruments and financial risk management.

(6) The majority of the balance represents an evergreen loan of $1,235,754 thousand (31 March 2023: $1,820,951 thousand and 30 September 2022: $1,894,988 thousand) from Macquarie Financial Holdings Pty Limited (MFHPL) and a long-term borrowing from MBL of $21,439 thousand (31 March 2023: $146,232 thousand and 30 September 2022: $193,146 thousand).

(7) Represents guarantees issued to external counterparties with respect to their exposures to other related entities of the Consolidated Entity.

(8) Represents guarantees and LCs provided by MBL of $448,195 thousand (31 March 2023: $690,290 thousand; 30 September 2022: $2,487,726 thousand) and guarantees by MGL of $220,880 thousand (31 March 2023: $212,513 thousand; 30 September 2022: $221,999 thousand) to third parties as the immediate and ultimate parent respectively in relation to the performance and other obligations of the Consolidated Entity. Includes guarantees received from parent and ultimate parent with respect to their exposures to certain subsidiaries having a notional value of $10,879,748 thousand (31 March 2023: $10,046,978 thousand, 30 September 2022: $ 14,406,665 thousand) with the amount disclosed in the table above being the component of that guarantee value equivalent to the fair value of the underlying risk portion at the reporting date.

(9) Represents guarantees provided by MFHPL and its subsidiaries of $1,241 thousand (31 March 2023: $1,537 thousand, 30 September 2022: $87,264 thousand) to third parties in relation to the performance and other obligations of the Consolidated Entity.

Notes to the financial statements

For the half year ended 30 September 2023 continued

Note 23

Related party information continued

Associates and joint ventures

Transactions between the Consolidated Entity and its associates and joint ventures principally arise from the provision of corporate advisory services, the granting of loans and the provision of management services.

Balances may arise from lending and borrowing activities between the Consolidated Entity and its associates and joint ventures which are generally extended on a term basis and where appropriate may be either subordinated or collateralised.

During the half year, the following amounts of income/(expense) arose from transactions with associates and joint ventures:

	Half year to 30 Sep 23 $'000	Half year to 31 Mar 23 $'000	Half year to 30 Sep 22 $'000
Interest income	**1,610**	4,196	-
Fee and commission income/(expense)	**2,084**	755	-
Operating lease income	**678**	4,469	-

Dividends and distributions of $6,061 thousand (half year to March 2023: $Nil; half year to September 2022: $168 thousand) were received from the Consolidated Entity's associates and joint ventures. Under the equity method of accounting, these amounts are not included as income but are recorded as a reduction from the carrying amount of the investment.

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

	As at 30 Sep 23 $'000	As at 31 Mar 23 $'000	As at 30 Sep 22 $'000
On Balance Sheet:			
Amounts receivable	**50,817**	18,604	-
Amounts payable	**-**	(833)	-
Off Balance Sheet[(1)]:			
Undrawn commitments	**26,664**	23,404	-

(1) During the period, the consolidated entity issued a guarantee to an external party on behalf of its joint venture for $29,598 thousand (31 March 2023: $Nil, 30 September 2022: $Nil). For more details, refer Note 24 *Contingent liabilities and commitments.*

Notes to the financial statements

For the half year ended 30 September 2023 continued

Note 24

Contingent liabilities and commitments

	As at 30 Sep 23 $m	As at 31 Mar 23 $m	As at 30 Sep 22 $m
Credit risk related exposures:			
Letters of credit and guarantees[1]	**90**	60	60
Undrawn credit facilities and debt commitments[2]	**142**	137	35
Total credit risk related exposures	**232**	197	95
Other contingencies and commitments:			
Asset development and purchase commitments	**78**	51	56
Performance-related contingencies	**10**	10	-
Total other contingencies and commitments	**88**	61	56
Total contingent liabilities and commitments[3]	**320**	258	151

(1) Includes guarantees amounting to $30 million (31 March 2023: $Nil, 30 September 2022: $Nil) against which the consolidated entity received a back-to-back financial guarantee for 50% of the total guarantee.
(2) Undrawn credit facilities include fully or partially undrawn commitments against which clients can borrow money under defined terms and conditions.
(3) It is not practicable to ascertain the timing of any outflow and the possibility of any reimbursement related to these contingent liabilities.

Notes to the financial statements

For the half year ended 30 September 2023 continued

Note 25

Measurement categories of financial instruments

The following table contains information relating to the measurement categories (i.e., Held for Trading (HFT), FVTPL, DFVTPL, FVOCI or Amortised cost) of assets and liabilities of the Consolidated Entity. The description of measurement categories are included in Note 38(vi) *Financial Instruments* in the Consolidated Entity's March 2023 Annual Financial Report.

The methods and significant assumptions that have been applied in determining the fair values of assets and liabilities are disclosed in Note 26 *Fair value of assets and liabilities.*

	FINANCIAL INSTRUMENTS CARRIED AT							FAIR VALUE OF ITEMS CARRIED AT	
	FAIR VALUE								
	HFT	DFVTPL	FVTPL	FVOCI	Amortised cost	Non-financial instruments	Statement of financial position total	Fair value	Amortised cost
	$m	$m	$m	$m	$m	$m	$m	$m	$m
Assets									**AS AT 30 SEP 23**
Cash and bank balances	-	-	-	-	1,391	-	1,391	-	1,391
Cash collateralised lending and reverse repurchase agreements	-	-	-	-	78	-	78	-	78
Trading assets[1]	849	-	-	-	-	990	1,839	1,839	-
Margin money and settlement assets	-	-	329	-	2,741	-	3,070	329	2,741
Derivative assets	2,002	-	-	-	-	-	2,002	2,002	-
Financial investments									
Equity	-	-	14	-	-	-	14	14	-
Debt	-	-	22	-	308	-	330	22	308
Other financial assets	-	-	1,708	-	263	-	1,971	1,708	263
Other assets	-	-	-	-	-	564	564	-	-
Due from related body corporate entities[2]	1,984	-	49	-	4,570	329	6,932	2,033	4,570
Loan assets	-	-	12	-	1,071	-	1,083	12	1,062
Interest in associates and joint ventures	-	-	-	-	-	383	383	-	-
Property, plant and equipment and right-of-use assets	-	-	-	-	-	728	728	-	-
Deferred tax assets	-	-	-	-	-	218	218	-	-
Total assets	**4,835**	**-**	**2,134**	**-**	**10,422**	**3,212**	**20,603**	**7,959**	**10,413**
Liabilities									
Cash collateralised borrowing and repurchase agreements	-	112	-	-	2	-	114	112	2
Margin money and settlement liabilities	-	-	-	-	1,828	-	1,828	-	1,828
Derivative liabilities	1,419	-	-	-	-	-	1,419	1,419	-
Other financial liabilities	-	766	-	-	281	-	1,047	766	281
Other liabilities[3]	-	-	-	-	-	828	828	-	-
Due to related body corporate entities[2]	2,679	439	4	-	2,576	76	5,774	3,122	2,576
Issued debt securities	-	-	-	-	1,550	-	1,550	-	1,550
Borrowings	-	343	-	-	5,687	-	6,030	343	5,696
Deferred tax liabilities	-	-	-	-	-	5	5	-	-
Total liabilities	**4,098**	**1,660**	**4**	**-**	**11,924**	**909**	**18,595**	**5,762**	**11,933**

(1) Non-financial assets under 'Trading assets' represent commodities carried at fair value less costs to sell.
(2) Due from related body corporate entities and due to related body corporate entities includes derivatives and trading positions classified as HFT.
(3) Non-financial liabilities primarily represent accrued charges, employee-related provisions, and tax payable.

Notes to the financial statements

For the half year ended 30 September 2023 continued

Note 25
Measurement categories of financial instruments continued

	FINANCIAL INSTRUMENTS CARRIED AT						Statement of financial position	FAIR VALUE OF ITEMS CARRIED AT	
	FAIR VALUE				Amortised cost	Non-financial instruments			
	HFT	DFVTPL	FVTPL	FVOCI			total	Fair value	Amortised cost
	$m	$m	$m	$m	$m	$m	$m	$m	$m
Assets									AS AT 31 MAR 2023
Cash and bank balances	-	-	-	-	1,423	-	1,423	-	1,423
Cash collateralised lending and reverse repurchase agreements	-	-	-	-	66	-	66	-	66
Trading assets[(1)]	503	-	-	-	-	836	1,339	1,339	-
Margin money and settlement assets	-	-	526	-	3,587	-	4,113	526	3,587
Derivative assets	2,583	-	-	-	-	-	2,583	2,583	-
Financial investments									
Equity	-	-	14	-	-	-	14	14	-
Debt	-	-	-	-	596	-	596	-	596
Other financial assets	-	-	856	4	258	-	1,118	860	258
Other assets	-	-	-	-	-	423	423	-	-
Due from related body corporate entities[(2)]	2,288	-	112	-	7,679	194	10,273	2,400	7,679
Loan assets	-	-	3	-	679	-	682	3	675
Interest in associates and joint ventures	-	-	-	-	-	330	330	-	-
Property, plant and equipment and right-of-use assets	-	-	-	-	-	702	702	-	-
Deferred tax assets	-	-	-	-	-	216	216	-	-
Total assets	5,374	-	1,511	4	14,288	2,701	23,878	7,725	14,284
Liabilities									
Cash collateralised borrowing and repurchase agreements	-	106	-	-	1	-	107	106	1
Margin money and settlement liabilities	-	-	-	-	1,962	-	1,962	-	1,962
Derivative liabilities	1,971	-	-	-	-	-	1,971	1,971	-
Other financial liabilities	-	483	-	-	349	-	832	483	349
Other liabilities[(3)]	-	-	-	-	-	1,369	1,369	-	-
Due to related body corporate entities[(2)]	3,031	-	42	-	6,920	97	10,090	3,073	6,920
Borrowings	-	260	-	-	5,393	-	5,653	260	5,407
Deferred tax liabilities	-	-	-	-	-	7	7	-	-
Total liabilities	5,002	849	42	-	14,625	1,473	21,991	5,893	14,639

(1) Non-financial assets under 'Trading assets' represent commodities carried at fair value less costs to sell.
(2) Due from related body corporate entities and due to related body corporate entities includes derivatives and trading positions classified as HFT.
(3) Non-financial liabilities primarily represent accrued charges, employee-related provisions, and tax payable.

Notes to the financial statements

For the half year ended 30 September 2023 continued

Note 25
Measurement categories of financial instruments continued

	FINANCIAL INSTRUMENTS CARRIED AT							FAIR VALUE OF ITEMS CARRIED AT	
	FAIR VALUE								
	HFT	DFVTPL	FVTPL	FVOCI	Amortised cost	Non-financial instruments	Statement of financial position total	Fair value	Amortised cost
	$m	$m	$m	$m	$m	$m	$m	$m	$m
Assets									AS AT 30 SEP 2022
Cash and bank balances	–	–	–	–	2,438	–	2,438	–	2,438
Cash collateralised lending and reverse repurchase agreements	–	–	–	–	502	–	502	–	502
Trading assets[1]	608	–	–	–	–	1,113	1,721	1,721	–
Margin money and settlement assets	–	–	268	–	3,974	–	4,242	268	3,974
Derivative assets	2,513	–	–	–	–	–	2,513	2,513	–
Financial investments									
Equity	–	–	14	–	–	–	14	14	–
Debt	–	–	2,919	–	701	–	3,620	2,919	701
Other financial assets	–		856	3	73	–	932	859	73
Other assets	–	–	–	–	–	544	544	–	–
Due from other related body corporate entities[2]	9,437	–	8	–	5,319	196	14,960	9,445	5,319
Loan assets	–	–	11	-	574	–	585	11	574
Interest in associates and joint ventures	–	–	14	–	–	217	231	14	–
Property, plant and equipment and right-of-use assets	–	–	–	–	–	419	419	–	–
Deferred tax assets	–	–	–	–	–	151	151	–	–
Total assets	12,558	-	4,090	3	13,581	2,640	32,872	17,764	13,581
Liabilities									
Cash collateralised borrowing and repurchase agreements	–	–	–	–	11	–	11	–	11
Trading liabilities	135	–	–	–	–	–	135	135	–
Margin money and settlement liabilities	–	–	–	–	5,064	–	5,064	–	5,064
Derivative liabilities	6,451	–	–	–	–	–	6,451	6,451	–
Other financial liabilities	–	708	-	–	255	–	963	708	255
Other liabilities[3]	–	–	–	–	–	902	902	–	–
Due to related body corporate entities[2]	4,261	174	8	–	8,523	64	13,030	4,443	8,523
Issued debt securities	–	–	–	–	22	–	22	–	22
Borrowings	–	–	–	–	4,312	–	4,312	–	4,312
Deferred tax liabilities	–	–	–	–	–	4	4	–	–
Total liabilities	10,847	882	8	–	18,187	970	30,894	11,737	18,187

(1) Non-financial assets under 'Trading assets' represent commodities carried at fair value less costs to sell.
(2) Due from related body corporate entities and due to related body corporate entities includes derivatives and trading positions classified as HFT.
(3) Non-financial liabilities primarily represent accrued charges, employee-related provisions, and tax payable.

Notes to the financial statements

For the half year ended 30 September 2023 continued

Note 26
Fair value of assets and liabilities

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

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

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

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

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

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

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

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

ASSET OR LIABILITY	VALUATION TECHNIQUES, INPUTS AND OTHER SIGNIFICANT ASSUMPTIONS
Cash and bank balances, Cash collateralised lending and reverse repurchase agreements, Cash collateralised borrowing and repurchase agreements	The fair value of cash and bank balance, cash collateralised lending and reverse repurchase agreements, cash collateralised borrowing and repurchase agreements approximates their carrying amounts as these are highly liquid and short-term in nature.
Loan assets	The fair value of fixed rate loan assets is determined with reference to changes in interest rates and credit spreads. The fair value of variable rate loan assets approximates their carrying amounts, subject to any adjustment for changes in the credit spreads.
Financial investments	The fair value of liquid assets and other instruments maturing within three months are approximate to their carrying amounts. The fair value of fixed rate debt investments is estimated by reference to current market rates offered on similar securities and the creditworthiness of the borrower. The fair value of variable rate investments approximate their carrying amounts.
Borrowings	The fair value of borrowings 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.
Margin money, settlement assets and settlement liabilities, Other financial assets and financial liabilities	The fair value of margin money, settlement assets, settlement liabilities, other financial assets and financial liabilities approximate their carrying amounts.

Notes to the financial statements

For the half year ended 30 September 2023 continued

Note 26

Fair value of assets and liabilities continued

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

ASSET OR LIABILITY	VALUATION TECHNIQUES, INPUTS AND OTHER SIGNIFICANT ASSUMPTIONS
Trading assets, Trading liabilities and Derivatives	Trading assets, including commodities and commodity contracts, trading liabilities, derivative financial instruments and other transactions undertaken for trading purposes are measured at fair value by reference to quoted prices in active markets where available (for example, listed securities). If quoted prices in active markets are not available, then fair values are estimated on the basis of other recognised valuation techniques. The Consolidated Entity has incorporated the market implied funding costs for uncollateralised derivative positions as a Funding Valuation Adjustment (FVA). FVA is determined by calculating the net expected exposures at a counterparty level and applying the Consolidated Entity's internal Treasury lending rates as an input into the calculation. The approach takes into account the PD of each counterparty, as well as any mandatory break clauses.
Financial investments	Financial investments classified as FVTPL or FVOCI are measured at fair value by reference to quoted prices in active markets where available (for example, listed securities). If quoted prices in active markets are not available, the fair values are estimated on the basis of other recognised valuation techniques that maximise the use of quoted prices and observable market inputs.
Loan assets and Issued debt securities	Fair values of loans and issued debt securities are measured by reference to quoted prices in active markets where available. If quoted prices are not available in active markets, the fair values are estimated with reference to current market rates.
Other financial assets and financial liabilities	Fair values of other financial assets and financial liabilities are based upon data or valuation techniques appropriate to the nature and type of the underlying instruments.

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

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

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

Notes to the financial statements

For the half year ended 30 September 2023 continued

Note 26

Fair value of assets and liabilities continued

Assets and liabilities measured at fair value

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

	Level 1	Level 2	Level 3	Total
	$m	$m	$m	$m
				AS AT 30 SEP 2023
Assets				
Trading assets	**15**	**904**	**920**	**1,839**
Margin money and settlement assets	**-**	**329**	**-**	**329**
Derivative assets	**11**	**1,630**	**361**	**2,002**
Financial investments	**3**	**-**	**33**	**36**
Other financial assets	**-**	**1,702**	**6**	**1,708**
Due from related body corporate entities	**-**	**1,503**	**530**	**2,033**
Loan assets	**-**	**4**	**8**	**12**
Total assets	**29**	**6,072**	**1,858**	**7,959**
Liabilities				
Cash collateralised borrowing and repurchase agreements	**-**	**112**	**-**	**112**
Derivative liabilities	**-**	**768**	**651**	**1,419**
Other financial liabilities	**-**	**766**	**-**	**766**
Due to related body corporate entities	**-**	**2,674**	**448**	**3,122**
Borrowings	**-**	**343**	**-**	**343**
Total liabilities	**-**	**4,663**	**1,099**	**5,762**
				AS AT 31 MAR 2023
Assets				
Trading assets	9	862	468	1,339
Margin money and settlement assets	-	526	-	526
Derivative assets	-	2,142	441	2,583
Financial investments	3	-	11	14
Other financial assets	-	828	32	860
Due from related body corporate entities	-	2,400	-	2,400
Loan assets	-	-	3	3
Total assets	12	6,758	955	7,725
Liabilities				
Cash collateralised borrowing and repurchase agreements	-	106	-	106
Derivative liabilities	-	1,394	577	1,971
Other financial liabilities	-	475	8	483
Due to related body corporate entities	-	3,073	-	3,073
Borrowings	-	260	-	260
Total liabilities	-	5,308	585	5,893

Notes to the financial statements

For the half year ended 30 September 2023 continued

Note 26
Fair value of assets and liabilities continued

Assets and liabilities measured at fair value continued

	Level 1	Level 2	Level 3	Total
	$m	$m	$m	$m
				AS AT 30 SEP 2022
Assets				
Trading assets	32	1,254	435	1,721
Margin money and settlement assets	-	265	3	268
Derivative assets	-	2,131	382	2,513
Financial investments	2,921	-	12	2,933
Other financial assets	-	780	79	859
Due from related body corporate entities	-	9,445	-	9,445
Loan assets	-	-	11	11
Interests in associates and joint ventures	-	14	-	14
Total assets	2,953	13,889	922	17,764
Liabilities				
Trading liabilities	-	135	-	135
Derivative liabilities	-	5,628	823	6,451
Other financial liabilities	-	679	29	708
Due to related body corporate entities	-	4,443	-	4,443
Total liabilities	-	10,885	852	11,737

Notes to the financial statements

For the half year ended 30 September 2023 continued

Note 26

Fair value of assets and liabilities continued

Reconciliation of balances in Level 3 of the fair value hierarchy

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

	Trading assets $m	Margin Money and settlement assets $m	Financial investments $m	Other financial assets $m	Loan assets $m	Derivative financial instrument (net fair value)[1] $m	Other liabilities $m	Due from/(Due to) related body corporate entities $m	Total $m
Balance as at 1 Apr 2022	366	-	-	71	3	(564)	-	-	(124)
Purchases, originations, issuances and other additions	33	4	8	39	5	79	(10)	-	158
Sales, settlements and repayments	(7)	-	-	(17)	-	97	1	-	74
Transfers into Level 3[2]	59	-	-	5	3	(89)	(19)	-	(41)
Transfers out of Level 3[2]	(46)	-	-	(6)	-	26	-	-	(26)
Fair value movements recognised in the income statement:	30	(1)	4	(13)	-	10	(1)	-	29
Net trading income [3]	30	-	2	2	-	10	-	-	44
Other income/(loss)	-	(1)	2	(15)	-	-	(1)	-	(15)
Balance as at 30 Sep 2022	435	3	12	79	11	(441)	(29)	-	70
Fair value movements for the period included in the income statements for assets and liabilities held at the end of the period[2]	366	-	8	64	-	(563)	-	-	(125)
Balance as at 1 Oct 2022	435	3	12	79	11	(441)	(29)	`-	70
Purchases, originations, issuances and other additions	94	(3)	-	(28)	3	211	10	-	287
Sales, settlements and repayments	2	-	-	(57)	(12)	2	3	-	(62)
Transfers into Level 3[2]	17	-	-	19	-	175	4	-	215
Transfer out of Level 3[2]	(45)	-	-	3	-	27	-	-	(15)
Fair value movements recognised in the income statement:	(35)	-	(1)	16	1	(110)	4	-	(125)
Net trading income/(loss)[3]	(35)	-	(1)	(1)	1	(110)	-	-	(146)
Other income	-	-	-	17	-	-	4	-	21
Balance as at 31 Mar 2023	468	-	11	32	3	(136)	(8)	-	370
Fair value movements for the period included in the income statements for assets and liabilities held at the end of the period[3]	(369)	-	(8)	(53)	-	463	1	-	34

(1) The derivative financial instruments in the table above are represented on a net basis. On a gross basis, derivative assets are $361 million (31 March 2023: $441 million; 30 September 2022: $382 million) and derivative liabilities are $651 million (31 March 2023: $577 million; 30 September 2022: $823 million).
(2) Assets and liabilities transferred into or out of Level 3 are presented as if those assets or liabilities had been transferred at the beginning of the period.
(3) The Consolidated Entity employs various hedging techniques in order to manage market risks including foreign exchange risks in Level 3 positions. The gains and losses relating to such hedging techniques, that may include the purchase or sale of financial instruments measured at fair value that are classified as Level 1 or 2 positions or foreign currency denominated financial instruments that are measured at amortised cost, are not presented in the table above.

Notes to the financial statements

For the half year ended 30 September 2023 continued

Note 26

Fair value of assets and liabilities continued

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

	Trading assets	Margin Money and settlement assets	Financial investments	Other financial assets	Loan assets	Derivative financial instrument (net fair value)[(1)]	Other liabilities	Due from/ (Due to) related body corporate entities	Total
	$m	$m	$m	$m	$m	$m	$m	$m	$m
Balance as at 1 Apr 2023	468	-	11	32	3	(136)	(8)	-	370
Purchases, originations, issuances and other additions	513	-	24	6	4	29	-	-	576
Sales, settlements and repayments	(28)	-	-	(11)	-	49	6	-	16
Transfers into Level 3[(2)]	4	-	-	-	-	36	-	82	122
Transfer out of Level 3[(2)]	(41)	-	-	(20)	-	(86)	2	-	(145)
Fair value movements recognised in the income statement:	4	-	(2)	(1)	1	(182)	-	-	(180)
Net trading income/(loss)[(3)]	4	-	2	-	1	(182)	-	-	(175)
Other loss	-	-	(4)	(1)	-	-		-	(5)
Balance as at 30 Sep 2023	920	-	33	6	8	(290)		82	759
Fair value movements for the period included in the income statements for assets and liabilities held at the end of the period[(3)]	4	-	3	(1)	1	(182)	-	-	(175)

(1) The derivative financial instruments in the table above are represented on a net basis. On a gross basis, derivative assets are $361 million (31 March 2023: $441 million; 30 September 2022: $382 million) and derivative liabilities are $651 million (31 March 2023: $557 million; 30 September 2022: $823 million).
(2) Assets and liabilities transferred into or out of Level 3 are presented as if those assets or liabilities had been transferred at the beginning of the period.
(3) The Consolidated Entity employs various hedging techniques in order to manage market risks including foreign exchange risks in Level 3 positions. The gains and losses relating to such hedging techniques, that may include the purchase or sale of financial instruments measured at fair value that are classified as Level 1 or 2 positions or foreign currency denominated financial instruments that are measured at amortised cost, are not presented in the table above.

Notes to the financial statements

For the half year ended 30 September 2023 continued

Note 26

Fair value of assets and liabilities continued

Significant transfers between levels of the fair value hierarchy

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

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

Unrecognised gains or losses

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

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

	Half year to 30 Sep 23 $m	Half year to 31 Mar 23 $m	Half year to 30 Sep 22 $m
Balance at the beginning of the period	**(120)**	(60)	(10)
Deferred losses on new transactions and other adjustments	**(12)**	(80)	(51)
Foreign exchange movements	**-**	(2)	(2)
Recognised in net trading income during the period[1]	**17**	22	3
Balance at the end of the period	**(115)**	(120)	(60)

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

Notes to the financial statements

For the half year ended 30 September 2023 continued

Note 26
Fair value of assets and liabilities continued

Significant unobservable inputs

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

	Assets $m	Liabilities $m	Valuation technique(s)	Significant unobservable inputs	RANGE OF INPUTS Minimum value	Maximum value
					AS AT 30 SEP 2023	
Commodities	**1,213**	**647**	**Pricing model**	**Commodity margin curves**	**(372.22)**	**2,099.92**
			Pricing model	**Correlations**	**(50.0)%**	**100.0%**
			Pricing model	**Volatility and related variables**	**5.9%**	**415%**
Interest rate and other products	**93**	**-**	**Pricing model**	**Bond Price**	**97.64**	**99.95**
Equity and equity-linked products	**24**	**-**	**Market comparability**	**Price in %(1)**	**-**	**-**
Total	**1,330**	**647**				
					AS AT 31 MAR 2023	
Commodities	941	585	Pricing model	Commodity margin curves	(97.3)	626.9
			Pricing model	Correlations	(72.0)%	100.0%
			Pricing model	Volatility and related variables	1.3%	153.5%
Interest rate and other products	14	-	Discounted cash flows	Discount rates- Credit spread	1.0%	10.0%
			Pricing model	Bond yields	0.8%	3.8%
			Comparable transactions	Price in %	1.01%	97.2%
Equity and equity-linked products	-	-	Market comparability	Price in %(1)	-	-
Total	955	585				
					AS AT 30 SEP 2022	
Commodities	828	823	Pricing model	Commodity margin curves	(245.5)	1,255.0
			Pricing model	Correlations	(25.0)%	100.0%
			Pricing model	Volatility and related variables	(38.0)%	535.0%
Interest rate and other products	80	29	Discounted cash flows	Discount rates- Credit spread	1.0%	10.0%
			Pricing model	Bond yields	1.5%	4.5%
			Comparable transactions	Price in %	1.4%	99.1%
Equity and equity-linked products	14	-	Market comparability	Price in %(1)	-	-
Total	922	852				

(1) The range of inputs related to market comparability has not been disclosed as the diverse nature of the underlying investments results in a wide range of inputs.

Notes to the financial statements

For the half year ended 30 September 2023 continued

Sensitivity analysis of valuations using unobservable inputs

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

	FAVOURABLE CHANGES Profit or loss $m	UNFAVOURABLE CHANGES Profit or loss $m
Product type		**AS AT 30 SEP 23**
Commodities	**91**	**(47)**
Interest rate and other products	**1**	**(1)**
Equity and equity-linked products	**4**	**(4)**
Total	**96**	**(52)**
Product type		AS AT 31 MAR 23
Commodities	64	(58)
Interest rate and other products	-	-
Equity and equity-linked products	1	(1)
Total	65	(59)
Product type		AS AT 30 SEP 22
Commodities	75	(74)
Interest rate and other products	-	-
Equity and equity-linked products	1	(1)
Total	76	(75)

Notes to the financial statements

For the half year ended 30 September 2023 continued

Note 26

Fair value of assets and liabilities continued

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

Commodities

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

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

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

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

Equity and equity-linked products

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

Interest rate and other products

Bond Price: Bond price represents the market value of a bond, reflecting the present value of future cashflows and is influenced by factors including interest rates, credit quality and time to maturity. In certain circumstances where bond prices of a specific security are not observable in the market, bond prices may be estimated from comparables.

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

Yield: Yield represents expected rate of annual return on an instrument. In certain circumstances, yield of a specific security is not observable in the market, it is estimated using the historical data or by adjusting the yield of similar securities to capture the characteristics of the security being valued.

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

Notes to the financial statements

For the half year ended 30 September 2023 continued

Note 27
Acquisitions and disposals of subsidiaries and businesses

Acquisitions of subsidiaries and businesses

During the half year ended 30 September 2023, no subsidiaries and businesses were acquired or consolidated.

During the half year ended 31 March 2023, subsidiaries and businesses acquired or consolidated primarily included Macquarie US Trading LLC and Macquarie Trade and Asset Finance International Limited for a total consideration of $21 million. On acquisition, net assets of $24 million and restructure reserve of $3 million were recognised in the Statement of financial position. Additionally, restructure reserve was reduced by $78 million for an adjustment pertaining to acquisition of a subsidiary carried out in February 2022.

During the half year ended 30 September 2022, subsidiaries and businesses acquired or consolidated included Macquarie Bermuda Limited and Macquarie Corona Energy Holdings Limited for a total consideration of $94 million. On acquisition, net assets of $94 million were recognised in the Statement of financial position. No material restructure reserve was recognised on this acquisition.

Disposal of subsidiaries and businesses

During the half year ended 30 September 2023, Nu Mobile Pty Limited was sold to an associate for a consideration of $2 million. No material gain or loss was recognised from this sale.

During the half year ended 31 March 2023 and 30 September 2022, no subsidiaries were disposed of.

Note 28
Events after the reporting date

On 20th December 2023, the Board of Directors had approved a dividend payment of $200m to MBL. The payment will be made on or before 22nd December 2023.

There were no other material events subsequent to 30 September 2023 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

To the member of Macquarie International Finance Limited

In the Directors' opinion:

(a) the financial statements and notes set out on pages 5 to 49 are:

(i) complying with Australian accounting standards and regulations, and

(ii) giving a true and fair view of the Consolidated Entity's financial position as at 30 September 2023 and its performance, for the half year ended on that date, and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and

(c) the Financial Report complies with International Financial Reporting Standards issued by the International Accounting Standards Board.

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

DocuSigned by:
Stuart Dyson
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Stuart Dyson
Director

Sydney
20 December 2023

Independent auditor's review report to the members of Macquarie International Finance Limited

Report on the half-year financial report

Conclusion

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

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the accompanying half-year financial report of Macquarie International Finance Limited does not present fairly, in all material respects, the Consolidated Entity's financial position as at 30 September 2023 and its financial performance and its cash flows for the half-year ended on that date, in accordance with the accounting policies as described in Note 1 to the financial statements.

Basis for conclusion

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

We are independent of the Consolidated Entity in accordance with the 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.

Emphasis of matter - basis of accounting and restriction on use

We draw attention to Note 1 in the half-year financial report, which describes the basis of accounting. The half-year financial report has been prepared for internal purposes to assist Macquarie International Finance Limited. As a result, the half-year financial report may not be suitable for another purpose. Our report is intended solely for Macquarie International Finance Limited and its members and should not be used by parties other than Macquarie International Finance Limited and its members. Our conclusion is not modified in respect of this matter.

Responsibilities of the directors for the half-year financial report

The directors of the Company are responsible for the preparation and fair presentation of the half-year financial report in accordance with the accounting policies as described in Note 1 to the financial statements and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

PricewaterhouseCoopers, ABN 52 780 433 757
One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999

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 anything has come to our attention that causes us to believe that the half-year financial report does not present fairly, in all material respects, the financial position of the Consolidated Entity as at 30 September 2023 and of its financial performance and its cash flows for the half-year ended on that date in accordance with the accounting policies as described in Note 1 to the financial statements.

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.

Pricewaterhouse Coopers

PricewaterhouseCoopers

R.W.McMahon

R W McMahon
Partner

Sydney
20 December 2023