ADDENDUM

IMPORTANT

If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

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Non-collateralised Structured Products Addendum to Base Listing Document relating to Structured Products to be issued by

MACQUARIE BANK LIMITED

(ABN 46 008 583 542)

(incorporated under the laws of Australia)

This addendum ("**Addendum**") is a supplement to and should be read in conjunction with a base listing document dated 24 May 2024 ("**Base Listing Document**"). This Addendum, for which Macquarie Bank Limited (the "**Issuer**") accepts full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**") for the purpose of giving information with regard to the Issuer and structured products to be issued by the Issuer from time to time generally ("**Structured Products**"). **Potential investors must read this Addendum in conjunction with the Base Listing Document.** This Addendum is available at the website at *www.warrants.com.hk*.

Each Structured Product issued pursuant to the Base Listing Document is issued by the Issuer. Any other parties distributing any Structured Product are only doing so as a distributor for the Issuer. Macquarie Capital Limited is the Sponsor pursuant to the terms of the Base Listing Document and provides various administrative services to the Issuer.

The Structured Products constitute general unsecured contractual obligations of the Issuer and of no other person and will rank equally among themselves and with all other unsecured obligations of the Issuer (save for those obligations preferred by law) upon liquidation. If you purchase the Structured Products you are relying upon the creditworthiness of the Issuer and have no rights under the Structured Products against, as applicable, (a) the company which has issued the underlying securities; (b) the fund which has issued the underlying securities, or its trustee (if applicable) or manager; or (c) the index compiler of any underlying index. If the Issuer becomes insolvent or default on its obligations under the Structured Products, you may not be able to recover all or even part of the amount due under the Structured Products (if any).

This Addendum does not constitute or form part of any offer or invitation to subscribe for or to sell or solicitation of any offer to purchase Structured Products or other securities of the Issuer or any other company, nor is it calculated to invite persons to subscribe for, or purchase for cash, or other consideration Structured Products or other securities of the Issuer or any other company.

The Issuer, having made all reasonable enquiries, confirm that to the best of its knowledge and belief the information contained in this Addendum is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this Addendum or the Base Listing Document misleading.

The Structured Products involve derivatives. Do not invest in them unless you fully understand and are willing to assume the risks associated with them.

The Structured Products are complex products. You should exercise caution in relation to them. Investors are warned that the price of the Structured Products may fall in value as rapidly as it may rise and holders may sustain a total loss of their investment. Prospective purchasers should therefore ensure that they understand the nature of the Structured Products and carefully study the risk factors set out in the Base Listing Document, this Addendum and the relevant launch announcement and supplemental listing document and, where necessary, seek professional advice, before they invest in the Structured Products.

Sponsor

Macquarie Capital Limited

29 November 2024

The Issuer has undertaken, in respect of each series of Structured Products, from the Listing Date (as defined in the relevant launch announcement and supplemental listing document) until the Expiry Date (as defined in the relevant launch announcement and supplemental listing document) to make available on the website of the HKEX at *www.hkexnews.hk* and our website at *www.warrants.com.hk*, both an English and a Chinese version of this Addendum, both an English and a Chinese version of the Base Listing Document, the relevant launch announcement and supplemental listing document, the Issuer's audited consolidated financial statements for the year ended 31 March 2024 and interim financial statements for the half year ended 30 September 2024, and the consent letters issued by PricewaterhouseCoopers.

發行人就各系列結構性產品承諾，由上市日(定義見有關之公佈及補充上市文件)至期滿日(定義見有關之公佈及補充上市文件)，可於香港交易所披露易網站 *www.hkexnews.hk* 及我們的網站 *www.warrants.com.hk* 查閱本增編之中英文本、基礎上市文件之中英文本、有關之公佈及補充上市文件、發行人截至 2024 年 3 月 31 日止年度的經審核合併財務報表及截至 2024 年 9 月 30 日止半年度的中期財務報表以及 PricewaterhouseCoopers 發出之同意書。

Additional information regarding the Issuer and its controlled entities may be available through the life of the particular series of Structured Products on the Issuer's website *www.warrants.com.hk.* Holders of Structured Products are cautioned that this information (if available) will be of a general nature and cannot be relied upon as accurate and/or correct and will not have been prepared exclusively for the purposes of any particular financial instrument issued by the Issuer, including Structured Products.

What are the Issuer's credit ratings?

The long term credit ratings of the Issuer as of 28 November 2024 were:

Rating agency	*Credit ratings**
S&P Global Ratings	A+ (stable outlook)
Moody's Investors Service, Inc.	Aa2 (stable outlook)

* Credit ratings are subject to change or withdrawal at any time within each rating agency's sole discretion. You should conduct your own research using publicly available sources to obtain the latest information with respect to our ratings from time to time.

Rating agencies usually receive a fee from the companies that they rate. When evaluating the creditworthiness of the Issuer, you should not solely rely on the Issuer's credit ratings because:

(a) a credit rating is not a recommendation to buy, sell or hold the Structured Products;

(b) ratings of companies may involve difficult-to-quantify factors such as market competition, the success or failure of new products and markets and managerial competence;

(c) a high credit rating is not necessarily indicative of low risk. The Issuer's credit ratings as of the above date are for reference only. Any downgrading of the Issuer's ratings could result in a reduction in the value of the Structured Products;

(d) a credit rating is not an indication of the liquidity or volatility of the Structured Products; and

(e) a credit rating may be downgraded if the credit quality of the Issuer declines or by other events that are not related to Macquarie Bank Limited and/or its controlled entities.

The Structured Products are not rated.

Has the financial position of the Issuer changed since last financial year-end?

Save as disclosed in Appendix 5 to the Base Listing Document and this Addendum, there has been no material adverse change in the Issuer's financial or trading position since 31 March 2024.

Is the Issuer subject to any litigation?

There are currently claims against us and other Macquarie Group entities (the "**Group**"). Details of these claims and the Group's position in respect of them are confidential. Where necessary, appropriate provisions have been made. Save as disclosed in the Base Listing Document and this Addendum, the Group does not consider that the outcome of any such claims known to exist at this date, either individually or in aggregate, is likely to have a material effect on its operations or financial position.

Is the Issuer regulated by the Hong Kong Monetary Authority as referred to in Rule 15A.13(2) or by the Securities and Futures Commission as referred to in Rule 15A.13(3) of the Listing Rules?

The Issuer is not regulated by the Hong Kong Monetary Authority referred to in Rule 15A.13(2) or the Securities and

Futures Commission referred to in Rule 15A.13(3). The Issuer is regulated by, among others, the Australian Prudential Regulation Authority ("**APRA**").

Authorised Representatives

We have appointed Dean Herbert and Kathleen Kan (c/o Macquarie Capital Limited, Level 22, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong) to accept services of process and notices pursuant to the Listing Rules.

Other information

Neither the delivery of the Base Listing Document, this Addendum nor any sale of any Structured Products shall under any circumstances create any implication that there has been no change in the affairs of the Issuer since the date hereof. No person has been authorised to give any information or to make any representations not contained in or not consistent with the Base Listing Document, this Addendum and/or the relevant launch announcement and supplemental listing document in connection with the offering of each series of Structured Products, and, if given or made, such information or representations must not be relied upon as having been authorised by the Issuer.

HKEX, the Stock Exchange and HKSCC have made no assessment of, nor taken any responsibility for, the financial soundness of the Issuer or the merits of investing in Structured Products, nor have they verified the accuracy or the truthfulness of statements made or opinions expressed in this Addendum.

All references herein to "Hong Kong Dollars" and to "HK$" are to the lawful currency of Hong Kong and to "Australian Dollars" and "A$" are to the lawful currency of Australia.

All references to times are to Hong Kong time, unless otherwise stated herein or in the relevant launch announcement and supplemental listing document. Capitalised terms not defined shall have the meanings ascribed thereto in the Base Listing Document.

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INFORMATION IN RELATION TO US

Updated information

With effect from 1 August 2024:

- the registered office, principal place of business and principal administrative office address of the Issuer; and business address of each Voting Director and the Company Secretary of the Issuer have been changed to Level 1, 1 Elizabeth Street, Sydney NSW 2000, Australia, and references to such addresses in the Base Listing Document shall be construed accordingly; and
- the information relating to the paragraph under the section headed "Authorised Representatives" on Page 4 of the Base Listing Document shall be changed and replaced as follows:

  "We have appointed Dean Herbert and Kathleen Kan (c/o Macquarie Capital Limited, Level 22, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong) to accept services of process and notices pursuant to the Listing Rules.".

Recent developments on APRA's actions

On 1 April 2021, APRA announced actions required regarding Macquarie Bank Limited's risk management practices and ability to calculate and report key prudential ratios. APRA increased Macquarie Bank Limited's operational risk capital requirement and made adjustments to requirements for certain liquidity prudential ratios, effective from 1 April 2021. The actions relate to specific intra-group funding arrangements as well as breaches of APRA's reporting standards on liquidity between 2018 and 2020. APRA noted that the breaches are historical and do not impact the current overall soundness of Macquarie Group's capital and liquidity positions. On 22 October 2021, we published restated historical Macquarie Bank Limited Pillar 3 disclosures for the period from March 2018 to June 2021. As at 30 September 2024, Macquarie Bank Limited's CET1 ratio was 12.8% and Leverage ratio was 5.0%, comfortably exceeding APRA's Basel III requirements.

We have been working with APRA on a remediation plan that strengthens Macquarie Bank Limited's governance, culture, structure, and remuneration to ensure full and ongoing compliance with prudential standards and management of Macquarie Bank-specific risks.

SUPPLEMENTAL FINANCIAL INFORMATION OF THE ISSUER

The interim financial report for the half year ended 30 September 2024

The information set out below has been extracted from the interim financial report for the half year ended 30 September 2024. Unless otherwise stated, that report has been prepared in accordance with the Issuer's usual accounting policies and procedures. References to page numbers in this section are to pages of such document.

The financial statements of the Issuer for the half year ended 30 September 2024 included in this Addendum have been reviewed by PricewaterhouseCoopers, Chartered Accountants, as stated in its review report appearing therein. The review report of PricewaterhouseCoopers for these financial statements was provided to the addressees of the report at the date of its issue and is subject to the disclaimers and qualifications contained therein. To the extent permitted by law, PricewaterhouseCoopers expressly disclaims and accepts no responsibility to any party other than the addressees of such report at the date of its issue.

Investors may visit the Issuer's website at *https://www.macquarie.com/hk/en/investors/reports.html* to access such report.

Contents

The Financial Report was authorised for issue by the Board of Directors on 1 November 2024.

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

Consolidated income statement

For the half year ended 30 September 2024

	Notes	**Half year to 30 Sep 24 $m**	Half year to 31 Mar 24 $m	Half year to 30 Sep 23 $m
Interest and similar income				
Effective interest rate method	2	**7,035**	6,819	6,127
Other	2	**442**	373	251
Interest and similar expense	2	**(5,907)**	(5,521)	(4,918)
Net interest income		**1,570**	1,671	1,460
Net trading income	2	**2,388**	2,665	2,605
Fee and commission income	2	**1,266**	1,349	1,242
Net credit impairment (charges)/reversals	2	**(13)**	40	(6)
Net other impairment (charges)/reversals	2	**(21)**	16	(1)
Net other operating income	2	**299**	248	277
Net operating income		**5,489**	5,989	5,577
Employment expenses	2	**(2,451)**	(2,423)	(2,488)
Brokerage, commission and fee expenses	2	**(319)**	(316)	(278)
Non-salary technology expenses	2	**(459)**	(467)	(475)
Other operating expenses	2	**(554)**	(535)	(509)
Total operating expenses		**(3,783)**	(3,741)	(3,750)
Operating profit before income tax		**1,706**	2,248	1,827
Income tax expense	4	**(540)**	(653)	(510)
Profit after income tax		**1,166**	1,595	1,317
Profit attributable to the ordinary equity holder of Macquarie Bank Limited		**1,166**	1,595	1,317

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 2024

	Notes	**Half year to 30 Sep 24 $m**	Half year to 31 Mar 24 $m	Half year to 30 Sep 23 $m
Profit after income tax		**1,166**	1,595	1,317
Other comprehensive income/(loss)[1]				
Movements in items that may be subsequently reclassified to the income statement				
Fair value through other comprehensive income (FVOCI) reserve:				
Revaluation movement	18	**(24)**	(12)	(12)
Changes in expected credit losses (ECL) allowance	18	**-**	(1)	(1)
Cash flow hedges reserves:				
Revaluation movement	18	**3**	(32)	54
Transferred to income statement on realisation	18	**(9)**	(6)	(27)
Cost of hedging reserves:				
Revaluation movement	18	**(11)**	12	(47)
Transferred to income statement on realisation	18	**8**	4	9
Foreign exchange movement on translation and hedge accounting of foreign operations	18	**(357)**	(69)	266
Share of other comprehensive income from associates and joint ventures and Other reserves	18	**4**	39	4
Movements in items that will not be subsequently reclassified to the income statement				
Fair value changes attributable to own credit risk on debt designated at fair value through profit or loss (DFVTPL)	18	**(2)**	(5)	(4)
Others		**1**	1	-
Total other comprehensive (loss)/income		**(387)**	(69)	242
Total comprehensive income attributable to the ordinary equity holder of Macquarie Bank Limited		**779**	1,526	1,559

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

[1] All items are net of tax, where applicable.

Consolidated statement of financial position

As at 30 September 2024

	Notes	As at 30 Sep 24 $m	As at 31 Mar 24 $m	As at 30 Sep 23 $m
Assets				
Cash and bank balances		**15,861**	28,055	25,542
Cash collateralised lending and reverse repurchase agreements		**61,932**	49,575	57,811
Trading assets	6	**28,348**	26,628	19,205
Margin money and settlement assets	7	**16,028**	16,627	17,137
Derivative assets	8	**23,479**	23,766	28,909
Financial investments		**15,003**	18,974	17,440
Other assets	9	**6,762**	8,107	9,114
Loan assets	10	**166,196**	156,736	149,514
Due from other Macquarie Group entities		**4,745**	4,784	6,107
Property, plant and equipment and right-of-use assets		**5,986**	5,835	5,189
Deferred tax assets		**981**	1,076	1,002
Total assets		**345,321**	340,163	336,970
Liabilities				
Deposits		**158,395**	148,340	135,892
Cash collateralised borrowing and repurchase agreements		**3,146**	12,599	13,507
Trading liabilities	12	**5,013**	4,937	8,145
Margin money and settlement liabilities	13	**22,497**	22,269	20,714
Derivative liabilities	14	**22,089**	25,283	29,344
Other liabilities	15	**8,667**	10,280	9,808
Due to other Macquarie Group entities		**9,501**	12,288	15,899
Issued debt securities and other borrowings	16	**82,922**	71,939	74,030
Deferred tax liabilities		**14**	22	14
Total liabilities excluding loan capital		**312,244**	307,957	307,353
Loan capital		**11,988**	10,825	9,461
Total liabilities		**324,232**	318,782	316,814
Net assets		**21,089**	21,381	20,156
Equity				
Contributed equity	17	**10,210**	10,184	10,148
Reserves	18	**852**	1,238	1,303
Retained earnings	18	**10,027**	9,959	8,705
Total capital and reserves attributable to the ordinary equity holder of Macquarie Bank Limited		**21,089**	21,381	20,156
Total equity		**21,089**	21,381	20,156

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

Consolidated statement of changes in equity

For the half year ended 30 September 2024

	Notes	Contributed Equity $m	Reserves $m	Retained earnings $m	Total equity $m
Balance as at 1 Apr 2023		10,161	1,057	9,134	20,352
Profit after income tax		–	–	1,317	1,317
Other comprehensive income/(loss), net of tax		–	246	(4)	242
Total comprehensive income		–	246	1,313	1,559
Dividends paid	5	–	–	(1,742)	(1,742)
Other equity movements	17	(13)	–	–	(13)
Balance as at 30 Sep 2023		10,148	1,303	8,705	20,156
Profit after income tax		–	–	1,595	1,595
Other comprehensive loss, net of tax		–	(65)	(4)	(69)
Total comprehensive income		–	(65)	1,591	1,526
Dividends paid	5	–	–	(337)	(337)
Other equity movements	17	36	–	–	36
Balance as at 31 Mar 2024		**10,184**	**1,238**	**9,959**	**21,381**
Profit after income tax		**–**	**–**	**1,166**	**1,166**
Other comprehensive loss, net of tax		**–**	**(386)**	**(1)**	**(387)**
Total comprehensive income		**–**	**(386)**	**1,165**	**779**
Dividends paid	5	**–**	**–**	**(1,097)**	**(1,097)**
Other equity movements	17	**26**	**–**	**–**	**26**
Balance as at 30 Sep 2024		**10,210**	**852**	**10,027**	**21,089**

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

Consolidated statement of cash flows

For the half year ended 30 September 2024

	Notes	Half year to 30 Sep 24 $m	Half year to 31 Mar 24[1] $m	Half year to 30 Sep 23[1] $m
Cash flows (utilised in)/generated from operating activities				
Interest income and expense:				
Received		**7,478**	7,275	6,140
Paid		**(6,019)**	(5,491)	(4,589)
Fees, commissions and other income and charges:				
Received		**1,273**	1,359	1,351
Paid		**(308)**	(301)	(296)
Operating lease income received		**396**	377	366
Dividends and distributions received		**16**	25	12
Operating expenses paid:				
Employment expenses		**(2,992)**	(1,905)	(3,361)
Other operating expenses including commission and fee expenses		**(773)**	(849)	(963)
Income tax paid		**(387)**	(365)	(521)
Changes in operating assets:				
Loan assets and receivables from Macquarie Group entities		**(11,965)**	(9,264)	(8,357)
Assets under operating lease		**(352)**	(392)	(251)
Other assets (net of liabilities)		**(224)**	(54)	(9)
Liquid asset holdings		**3,541**	(23)	(1,206)
Trading and related assets, and collateralised lending balances, including trading balances with Macquarie Group entities (net of liabilities)		**(5,886)**	(10,897)	6,220
Changes in operating liabilities:				
Deposits		**10,308**	12,391	1,098
Issued debt securities, borrowings and other funding		**4,328**	(1,926)	4,314
Net cash flows utilised in operating activities		**(1,566)**	(10,040)	(52)
Cash flows (utilised in)/generated from investing activities				
Net proceeds/(payments) for financial investments		**70**	(8)	14
Associates, joint ventures, subsidiaries and businesses:				
Proceeds from distribution or disposal, net of cash deconsolidated		**10**	63	36
Payments for additional contribution or acquisitions, net of cash acquired		**(44)**	(28)	(22)
Payments for acquisitions of Property, plant and equipment		**(229)**	(587)	(392)
Net cash flows utilised in investing activities		**(193)**	(560)	(364)
Cash flows generated from/(utilised in) financing activities				
Receipt from issuance of loan capital		**1,246**	1,246	–
Dividends and distributions paid		**(1,097)**	(337)	(1,742)
Net cash flows generated from/(utilised in) financing activities		**149**	909	(1,742)
Net decrease in cash and cash equivalents		**(1,610)**	(9,691)	(2,158)
Cash and cash equivalents at the beginning of the period	19	**46,293**	56,546	57,868
Effect of exchange rate movements on cash and cash equivalents		**(921)**	(562)	836
Cash and cash equivalents at the end of the period	19	**43,762**	46,293	56,546

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

[1] Comparative information has been re-presented to conform to changes in the current period. Refer to Note 19 *Notes to the statement of cash flows*.

Notes to the consolidated financial statements

For the half year ended 30 September 2024

Note 1

Basis of preparation

This general purpose interim financial report for the half year reporting period ended 30 September 2024 has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* (AASB 134) and the *Corporations Act 2001* (Cth). Compliance with AASB 134 ensures compliance with International Accounting Standard IAS 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board (IASB).

This interim financial report comprises the consolidated financial report of Macquarie Bank Limited (MBL or the Company) and the entities it controlled at the end of, or during, the half year ended 30 September 2024 (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 2024 and any public announcements made by the Consolidated Entity during the reporting period in accordance with the continuous disclosure requirements issued by the Australian Securities Exchange (ASX).

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

The accounting policies adopted in the preparation of the interim financial report are consistent with those adopted and disclosed in the Consolidated Entity's annual financial report for the year ended 31 March 2024.

(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 2024.

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

Management believes that the estimates and judgements used in preparing the interim financial report are reasonable. Notwithstanding, it is possible that outcomes differ from management's assumptions and estimates, which may result in an adjustment to the carrying amounts of the reported assets and liabilities in future reporting periods.

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

(a) AASB 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 for 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 Global Anti-Base Erosion Rules (GloBE) income in each jurisdiction representing at least the minimum rate of 15%.

The Consolidated Entity's Pillar Two Project

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

As part of the project, the Consolidated Entity is monitoring the progress of the implementation of the model rules into domestic legislation. Certain jurisdictions in which the Consolidated Entity has operations have started to enact the rules generally with operational effect from the Consolidated Entity's 31 March 2025 financial year.

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.

The Consolidated Entity is now subject to Pillar Two legislation in various jurisdictions. The Consolidated Entity has assessed its tax liability in these jurisdictions as at 30 September 2024 and concluded that no Pillar Two top-up tax is required to be accrued on the basis that the jurisdiction-based results are currently above the minimum threshold rate.

Australian legislation to implement the top-up tax was not enacted as at 30 September 2024. Consequently, Pillar Two tax has not been accrued for entities that only fall within the Australian Income Inclusion Rule legislation.

Note 1

Basis of preparation continued

Due to the complexities in applying the legislation and calculating GloBE income and covered taxes, the quantitative impact of the enacted or substantively enacted legislation has to date been estimated using historical data over a number of years. Based on this assessment it is not anticipated that there will be a material impact to current tax expense of the Consolidated Entity on implementation of the changes. The impact of the Pillar Two income taxes legislation on future financial performance will continue to be assessed.

(b) 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 2024 did not result in a material impact on this interim financial report.

(iii) New Australian Accounting Standards and amendments to Australian Accounting Standards and Interpretations that are not yet effective for the financial year

(i) AASB 18 *Presentation and Disclosure in Financial Statements*

In June 2024, the Australian Accounting Standards Board (AASB) issued AASB 18 *Presentation and Disclosure in Financial Statements* (AASB 18) which sets out requirements for the presentation and disclosure of information in general purpose financial statements.

AASB 18 will replace AASB 101 *Presentation of Financial Statements*. AASB 18 is effective for annual reporting periods beginning on or after 1 January 2027, with earlier application permitted.

The transition provisions of AASB 18 require retrospective application. The Consolidated Entity is continuing to assess the full impact of adopting AASB 18.

(ii) Amendments to AASB 9 *Financial Instruments* and AASB 7 *Financial Instruments: Disclosure*

In August 2024, the Australian Accounting Standards Board issued AASB 2024-2 to amend AASB 7 *Financial Instruments: Disclosures* and AASB 9 *Financial Instruments.* AASB 2024-2 amends AASB 7 and AASB 9 in response to feedback from the International Accounting Standard Board's 2022 Post-implementation Review of the classification and measurement requirements in AASB 9 and the related requirements in AASB 7.

The amendments are effective for reporting periods beginning on or after 1 January 2026, with earlier application permitted. An entity is required to apply the amendments retrospectively.

The Consolidated Entity is continuing to assess the full impact of the amendments to AASB 7 and AASB 9.

(iii) Other amendments made to existing standards

Other amendments to existing standards that are not mandatorily effective for the annual reporting period beginning on 1 April 2024 and have not been early adopted, are not likely to result in a material impact to the Consolidated Entity's financial statements.

(iv) Other developments

(a) AASB sustainability reporting standards

The Australian climate-related financial disclosures legislation received Royal Assent in September 2024, the *Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Act 2024* ("Act").

Following the Act's enactment, the Australian Accounting Standards Board (AASB) introduced the first set of Australian Sustainability Reporting Standards (ASRS).

These standards include:
- AASB S1 *General Requirements for Disclosure of Sustainability-related Financial Information:* A voluntary standard that provides entities with a framework for disclosing sustainability-related financial information in a consistent and comparable manner.
- AASB S2 *Climate-related Disclosures:* A mandatory standard requiring entities to disclose detailed information about their governance, strategy, risk management, and metrics and targets related to climate-related risks and opportunities.

In accordance with the Act, Macquarie Group Limited, the Consolidated Entity's ultimate parent company, will prepare a sustainability report for the financial year commencing 1 April 2025.

(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, have ceased publication. The Consolidated Entity's IBOR reform project oversaw the transition of such exposures and the Consolidated Entity ceased the use of LIBOR in new products in accordance with industry and regulatory guidance.

The Consolidated Entity continues to have certain exposures referencing IBOR undergoing reform (including the Mexican Interbank Equilibrium Interest Rate (TIIE)). The Consolidated Entity's exposure to IBOR transition risk has not changed materially during the period to 30 September 2024, with the exception of exposures to Canadian Dollar Offered Rates which transitioned to ARRs during the period.

(v) Comparatives

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

Notes to the consolidated financial statements

For the half year ended 30 September 2024 continued

Note 2

Operating profit before income tax

	Half year to 30 Sep 24 $m	Half year to 31 Mar 24 $m	Half year to 30 Sep 23 $m
Net interest income			
Interest and similar income:			
Effective interest rate method - Amortised cost	**5,913**	5,745	5,092
Effective interest rate method - FVOCI	**1,122**	1,074	1,035
Other - FVTPL	**442**	373	251
Interest and similar expense:			
Effective interest rate method - Amortised cost	**(5,888)**	(5,486)	(4,878)
Other	**(19)**	(35)	(40)
Net interest income	**1,570**	1,671	1,460
Net trading income[1]			
Commodities[2]	**1,478**	2,048	1,813
Equities	**564**	307	289
Credit, interest rate and foreign exchange products	**346**	310	503
Net trading income	**2,388**	2,665	2,605
Fee and commission income			
Service fee from Macquarie Group entities	**689**	775	707
Brokerage and other trading-related fees	**178**	182	152
Portfolio administration fees	**158**	148	148
Lending fees	**73**	73	77
Other fee and commission income	**168**	171	158
Total fee and commission income	**1,266**	1,349	1,242

[1] Includes gains/losses for trading assets, derivatives and other financial assets and financial liabilities held at fair value including any ineffectiveness recorded on hedging transactions.
[2] Includes $277 million (half year to 31 March 2024: $328 million; half year to 30 September 2023: $312 million) of transportation, storage and certain other trading-related costs.

Note 2

Operating profit before income tax continued

	Half year to 30 Sep 24 $m	Half year to 31 Mar 24 $m	Half year to 30 Sep 23 $m
Credit and other impairment (charges)/reversals			
Credit impairment (charges)/reversals			
Loan assets	**(11)**	15	14
Margin money and settlement assets	**1**	3	8
Financial investments, other assets and off balance sheet exposures	**(3)**	22	(28)
Net credit impairment (charges)/reversals	**(13)**	40	(6)
Other impairment (charges)/reversals			
Interests in associates and joint ventures	**(3)**	20	(1)
Intangible and other non-financial assets	**(18)**	(4)	–
Net other impairment (charges)/reversals	**(21)**	16	(1)
Net other operating income			
Investment income			
Net loss on financial investments and non-financial assets	**(20)**	(7)	(5)
Share of net profits from associates and joint ventures	**6**	27	14
Net gain from interests in associates, joint ventures, subsidiaries and businesses	**8**	–	31
Net investment (loss)/income	**(6)**	20	40
Operating lease income			
Rental income	**427**	440	416
Depreciation	**(214)**	(220)	(203)
Net operating lease income	**213**	220	213
Net other income	**92**	8	24
Total net other operating income	**299**	248	277
Net operating income	**5,489**	5,989	5,577

Notes to the consolidated financial statements

For the half year ended 30 September 2024 continued

Note 2

Operating profit before income tax continued

	Half year to 30 Sep 24 $m	Half year to 31 Mar 24 $m	Half year to 30 Sep 23 $m
Employment expenses			
Salary and related costs including commissions, superannuation and performance-related profit share	**(2,033)**	(2,076)	(2,061)
Share-based payments	**(253)**	(200)	(246)
Provision for long service leave and annual leave	**(27)**	(5)	(29)
Total compensation expenses	**(2,313)**	(2,281)	(2,336)
Other employment expenses including on-costs, staff procurement and staff training	**(138)**	(142)	(152)
Total employment expenses	**(2,451)**	(2,423)	(2,488)
Brokerage, commission and fee expenses			
Brokerage and other trading-related fee expenses	**(271)**	(252)	(234)
Other fee and commission expenses	**(48)**	(64)	(44)
Total brokerage, commission and fee expenses	**(319)**	(316)	(278)
Non-salary technology expenses			
Information services	**(71)**	(67)	(67)
Depreciation on own use assets: equipment	**(14)**	(12)	(11)
Service provider and other non-salary technology expenses	**(374)**	(388)	(397)
Total non-salary technology expenses	**(459)**	(467)	(475)
Other operating expenses			
Occupancy expenses			
Lease and other occupancy expenses	**(153)**	(140)	(137)
Depreciation on own use assets: buildings, furniture, fittings and leasehold improvements	**(42)**	(22)	(21)
Total occupancy expenses	**(195)**	(162)	(158)
Other expenses			
Professional fees	**(91)**	(120)	(104)
Indirect and other taxes	**(40)**	(54)	(67)
Travel and entertainment expenses	**(35)**	(33)	(40)
Advertising and promotional expenses	**(24)**	(24)	(20)
Fees for audit and other services	**(17)**	(19)	(17)
Other	**(152)**	(123)	(103)
Total other expenses	**(359)**	(373)	(351)
Total other operating expenses	**(554)**	(535)	(509)
Total operating expenses	**(3,783)**	(3,741)	(3,750)
Operating profit before income tax	**1,706**	2,248	1,827

Note 3

Segment reporting

(i) Operating segments

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

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

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

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

- **BFS** which provides a diverse range of personal banking, wealth management and business banking products and services to retail clients, advisers, brokers and business clients.
- **CGM** which is a global business offering capital and financing, risk management, market access, physical execution and logistics solutions to its diverse client base across Commodities, Financial Markets and Asset Finance.

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

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

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

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

Internal funding arrangements

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

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

Transactions between Operating Segments

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

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

Accounting for derivatives that economically hedge interest rate risk

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

Note 3

Segment reporting continued

(i) Operating segments continued

Central Service Groups

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

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

Performance-related profit share and share-based payments expense

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

Income tax

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

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

Presentation of segment income statements

The income statements on the following pages for each of the reported segments are in some cases summarised by grouping non-material balances together. The financial information disclosed relates to the Consolidated Entity's ordinary activities.

Reportable segment assets

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

Note 3

Segment reporting continued

(i) Operating segments continued

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

	Banking and Financial Services $m	Commodities and Global Markets $m	Corporate $m	Total $m
				HALF YEAR TO 30 SEP 24
Net interest and trading income	**1,326**	**2,178**	**454**	**3,958**
Fee and commission income	**304**	**283**	**679**	**1,266**
Other operating income and charges				
Net credit and other impairment charges	**(21)**	**(12)**	**(1)**	**(34)**
Net other operating income and charges	**(19)**	**316**	**2**	**299**
Internal management (charges)/revenue	**(4)**	**5**	**(1)**	**-**
Net operating income	**1,586**	**2,770**	**1,133**	**5,489**
Total operating expenses	**(936)**	**(1,462)**	**(1,385)**	**(3,783)**
Operating profit/(loss) before income tax	**650**	**1,308**	**(252)**	**1,706**
Income tax expense	**-**	**-**	**(540)**	**(540)**
Net profit/(loss) contribution	**650**	**1,308**	**(792)**	**1,166**
Reportable segment assets	**152,089**	**135,222**	**58,010**	**345,321**
				HALF YEAR TO 31 MAR 24
Net interest and trading income	1,285	2,602	449	4,336
Fee and commission income	281	302	766	1,349
Other operating income and charges				
Net credit and other impairment reversals	38	9	9	56
Net other operating income and charges	(4)	252	—	248
Internal management revenue/(charges)	-	23	(23)	-
Net operating income	1,600	3,188	1,201	5,989
Total operating expenses	(997)	(1,440)	(1,304)	(3,741)
Operating profit/(loss) before income tax	603	1,748	(103)	2,248
Income tax expense	-	-	(653)	(653)
Net profit/(loss) contribution	603	1,748	(756)	1,595
Reportable segment assets	141,982	134,458	63,723	340,163
				HALF YEAR TO 30 SEP 23
Net interest and trading income	1,360	2,251	454	4,065
Fee and commission income	273	271	698	1,242
Other operating income and charges				
Net credit and other impairment (charges)/reversals	(23)	(1)	17	(7)
Net other operating income and charges	(2)	270	9	277
Internal management revenue/(charges)	1	-	(1)	-
Net operating income	1,609	2,791	1,177	5,577
Total operating expenses	(971)	(1,423)	(1,356)	(3,750)
Operating profit/(loss) before income tax	638	1,368	(179)	1,827
Income tax expense	-	-	(510)	(510)
Net profit/(loss) contribution	638	1,368	(689)	1,317
Reportable segment assets	135,821	138,287	62,862	336,970

Notes to the consolidated financial statements

For the half year ended 30 September 2024 continued

Note 3

Segment reporting continued

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

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

	Banking and Financial Services $m	Commodities and Global Markets $m	Corporate $m	Total $m
Fee and commission income				**HALF YEAR TO 30 SEP 24**
Service fee from Macquarie Group entities	**–**	**–**	**689**	**689**
Brokerage and other trading-related fees	**25**	**153**	**–**	**178**
Portfolio administration fees	**158**	**–**	**–**	**158**
Lending fees	**71**	**2**	**–**	**73**
Other fee and commission income	**50**	**128**	**(10)**	**168**
Total fee and commission income	**304**	**283**	**679**	**1,266**
Fee and commission income				HALF YEAR TO 31 MAR 24
Service fee from Macquarie Group entities	–	–	775	775
Brokerage and other trading-related fees	20	162	–	182
Portfolio administration fees	148	–	–	148
Lending fees	72	1	–	73
Other fee and commission income	41	139	(9)	171
Total fee and commission income	281	302	766	1,349
Fee and commission income				HALF YEAR TO 30 SEP 23
Service fee from Macquarie Group entities	–	–	707	707
Brokerage and other trading-related fees	19	133	–	152
Portfolio administration fees	148	–	–	148
Lending fees	74	3	–	77
Other fee and commission income	32	135	(9)	158
Total fee and commission income	273	271	698	1,242

Note 4
Income tax expense

	Half year to 30 Sep 24 $m	Half year to 31 Mar 24 $m	Half year to 30 Sep 23 $m
(i) Reconciliation of income tax expense to prima facie tax expense			
Prima facie income tax expense on operating profit @30% (31 March 2024: 30%; 30 September 2023: 30%)	**(512)**	(675)	(548)
Tax effect of amounts which are (non-deductible)/non-assessable in calculating taxable income:			
Rate differential on offshore income	**29**	33	51
Other items	**(57)**	(11)	(13)
Total income tax expense	**(540)**	(653)	(510)
(ii) Tax benefit/(expense) relating to Other Comprehensive Income (OCI)			
FVOCI reserve	**11**	5	6
Own credit risk	**1**	3	1
Cash flow hedges and cost of hedging	**1**	2	13
Foreign currency translation reserve	**–**	1	(1)
Share of other comprehensive loss of associates and joint ventures	**(2)**	(13)	–
Total tax benefit/(expense) relating to OCI	**11**	(2)	19

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

Note 5
Dividends

Dividends paid to the parent entity (Macquarie B.H. Pty Limited)			
28 June 2024	**1,097**	–	–
28 March 2024	**–**	337	–
29 September 2023	**–**	–	623
30 June 2023	**–**	–	1,119
Total dividend paid (Note 18)	**1,097**	337	1,742

Note 6
Trading assets

	As at 30 Sep 24 $m	As at 31 Mar 24 $m	As at 30 Sep 23 $m
Equity securities	**17,639**	18,831	10,889
Debt securities	**5,408**	2,853	2,720
Commodity inventories	**3,061**	1,964	2,057
Commodity contracts	**2,240**	2,980	3,539
Total trading assets	**28,348**	26,628	19,205

Note 7

Margin money and settlement assets

	As at 30 Sep 24 $m	As at 31 Mar 24 $m	As at 30 Sep 23 $m
Margin money	**12,469**	12,711	14,013
Security settlement assets	**2,394**	2,527	1,389
Commodity settlement assets	**1,165**	1,389	1,735
Total margin money and settlement assets	**16,028**	16,627	17,137

Note 8

Derivative assets

Held for trading	**22,780**	22,982	27,820
Designated in hedge relationships	**699**	784	1,089
Total derivative assets	**23,479**	23,766	28,909

Derivative instruments include futures, forwards and forward rate agreements, swaps and options in the interest rate, foreign exchange, commodity, credit and equity markets 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 annual financial report for the year ended 31 March 2024 in Note 33 *Financial risk management*, remained unchanged during the period.

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 $13,130 million (31 March 2024: $12,433 million; 30 September 2023: $15,198 million), cash and other financial collateral of $2,634 million (31 March 2024: $4,104 million; 30 September 2023: $6,421 million) the residual derivative asset exposure amounts to $7,715 million (31 March 2024: $7,229 million; 30 September 2023: $7,290 million). The majority of the residual derivative asset exposure is short term in nature and managed within the Consolidated Entity's market and credit risk frameworks, with the majority of the exposure with investment grade counterparties.

Note 9
Other assets

	As at 30 Sep 24 $m	As at 31 Mar 24 $m	As at 30 Sep 23 $m
Other financial assets			
Commodity-related receivables	**3,870**	4,797	6,174
Trade debtors and other receivables	**1,160**	1,685	1,361
Fee and commission receivables	**109**	90	91
Total other financial assets	**5,139**	6,572	7,626
Other non-financial assets			
Interest in associates and joint ventures	**509**	505	451
Prepayments	**482**	391	329
Income tax receivables	**293**	298	367
Indirect tax receivables	**146**	117	110
Intangible assets	**95**	95	97
Other	**98**	129	134
Total other non-financial assets	**1,623**	1,535	1,488
Total other assets	**6,762**	8,107	9,114

Note 10
Loan assets

	AS AT 30 SEP 2024			AS AT 31 MAR 2024			AS AT 30 SEP 2023		
	Gross carrying value $m	**ECL allowance[1] $m**	**Net carrying value $m**	Gross carrying value $m	ECL allowance[1] $m	Net carrying value $m	Gross carrying value $m	ECL allowance[1] $m	Net carrying value $m
Home loans[2]	**131,121**	**(112)**	**131,009**	120,521	(106)	120,415	115,326	(116)	115,210
Corporate, commercial and other lending[2]	**28,587**	**(313)**	**28,274**	28,952	(340)	28,612	26,048	(343)	25,705
Asset financing[2]	**6,995**	**(82)**	**6,913**	7,814	(105)	7,709	8,737	(138)	8,599
Total loan assets	**166,703**	**(507)**	**166,196**	157,287	(551)	156,736	150,111	(597)	149,514

[1] The ECL allowance carried against loan assets measured at FVOCI is not presented in the table as the allowance is included in FVOCI reserves. Refer to Note 11 *Expected credit losses*.
[2] Prior corresponding period information has been re-presented to conform with re-presentation in Consolidated Entity's annual financial report for the year ended 31 March 2024.

Note 11

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

Retail exposures

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

Wholesale exposures

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

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

For both retail and wholesale portfolios:

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

Definition of default

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

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

Note 11

Expected credit losses continued

Forward-looking information (FLI)

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

The Consolidated Entity applies its professional judgement in determining whether there are any inherent risks in the models' predictive outcomes. The overlays primarily reflect management's assessment of the current economic and credit environment relative to the FLI credit cycle model. These overlays account for the risk that underlying credit risk events have occurred, but observable modelled inputs are yet to reflect those events, as well as risks that are specific to regions, counterparties or industries which are difficult to account for within the modelled outcomes. Over time the credit models are recalibrated to enhance the predictive capability. At the reporting date this overlay was approximately $160 million (31 March 2024: $150 million, 30 September 2023: $190 million). These judgements are reviewed by FMG and RMG at each reporting date.

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

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

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

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

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

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

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

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

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

Note 11

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 ~$650 million[1]	Probable	**Global**: The baseline scenario forecasts a 3.0% year-on-year expansion in real global GDP in 2025, an increase from 2.6% full year 2024 growth with the global economy expected to be supported by interest rates cuts continuing from the second half of 2024 through into the first half of 2025. **Australia**: A full year real GDP growth rate of 2.1% is forecast for 2025 based on tax cuts and real wages growth supporting household consumption. Interest rate cuts by the Reserve Bank of Australia (RBA) are expected to begin in the first quarter of 2025, which are anticipated to further support real GDP growth in 2025 accelerating from 1.1% in 2024. House prices are projected to rise by a cumulative 10.0% over 2024 and 2025. **United States**: Real GDP is forecast to expand by 1.9% in 2025, slower than the 2.6% expected full year GDP growth in 2024. The unemployment rate is expected to peak at 4.7% by mid 2025. Weaker labour market data, softer economic indicators, and continued disinflation anticipated in the second half of 2024 and early 2025 are expected to result in a further 25 basis points of rate cuts by the US Federal Reserve by end of 2024 and another 125 basis points of cuts in 2025. **Europe**: The scenario projects annual real GDP growth increasing to 1.8% in 2025 from 0.8% in 2024. The unemployment rate is forecasted to remain stable at 6.5% over the next 2 years.
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 ~$800 million[1]	Possible	**Global**: The downside scenario projects annual real GDP growth that is approximately 1 percentage point lower than the baseline until late 2025. **Australia**: The scenario forecasts full year GDP to grow by 1.2% in 2025. The unemployment rate is expected to rise over the course of 2024-25, reaching 5.4% by end-2025. Inflation is expected to remain above the RBA's target, averaging 3.6% and the RBA is expected to initially hike the cash rate 25 basis points in the last quarter of 2024 before a projected cumulative cut of 125 basis points in the second half of 2025. House prices are expected to fall by a cumulative 15.0% over 2025 and 2026. **United States**: The scenario projects annual real GDP growth slowing from 2.4% in 2024 to 1.2% in 2025. Year-on-year inflation is projected to increase above 4.0% in the first quarter of 2025, and the US Federal Reserve is expected to respond by increasing interest rates by 25 basis points before holding rates steady until projected cuts recommence in Q4 2025 to support the slowing economy. The unemployment rate is projected to peak at 5.4% in Q2 2025. **Europe**: The scenario projects sluggish economic growth in 2024-25. Forecasted full-year annual real GDP growth of 1.0% in 2025 follows expected growth of 0.8% in 2024. The unemployment rate is projected to peak at 7.5% by mid-2026.
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 ~$1,100 million[1]	Unlikely	**Global**: The scenario projects a sharp slowdown in annual real GDP growth, around 3 to 3.5 percentage points lower than the baseline. **Australia**: The scenario projects five consecutive quarters of contraction in real GDP beginning in Q4 2024. The unemployment rate is projected to peak at 7.2% by mid-2026. House prices are expected to fall for nine consecutive quarters throughout 2025 and 2026, a cumulative decline of 27.0%, before beginning to gradually rise at the start of 2027, with expected substantial cash rate cuts from the RBA. **United States**: The scenario projects five consecutive quarters of economic contraction with an annual real GDP contraction of 0.2% is projected in 2025 following an anticipated growth of 2.4% in 2024. The unemployment rate is anticipated to rise to 7.3% by end-2025 and fall below 7% in Q4 2026. The interest rate is initially projected to be hiked to 6.0-6.3% amid a spike in inflation but the US Federal Reserve is expected to embark on a 375 basis points easing cycle between Q2 2025 and Q2 2026. **Europe**: The scenario projects an annual real GDP contraction of 0.7% in 2025 following anticipated growth of 0.7% in 2024. Positive quarter-on-quarter growth is not expected until Q1 2026 and the unemployment rate, which peaks at 8.6% in Q4 2025, remains above 8.0% until Q4 2027.
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 ~$550 million[1]	Possible	**Global**: The upside scenario projects annual real GDP growth that is approximately 1 percentage point higher than the baseline in 2024 and 2025. **Australia**: The scenario projects annual real GDP growth accelerating to 3.1% in 2025 from 1.3% in 2024. Inflationary pressures are expected to ease, enabling the RBA to cut the cash rate by 75 basis points to 3.6% by Q1 2025 and hold rates steady through 2026. The unemployment rate is projected to remain steady at 4.1% while house prices are expected to rise 7.0% in 2025 and a further 5% in 2026. **United States**: The scenario projects strong economic growth through 2024-25, with full-year real GDP growth of 3.0% in 2025. Inflation rate is expected to near the US Federal Reserve's 2.0% target, facilitating 125 basis point of rate cuts, bringing the benchmark interest rate target to 4.0%-4.3%. House prices and share prices are anticipated to rise 10.0% each by end-2026. **Europe**: The scenario projects an acceleration in growth that leads annual real GDP to expand by 0.9% and 2.8% in 2024 and 2025, respectively. The unemployment rate is expected to stabilise around 6% over the remainder of 2024 through to 2026.

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

Note 11

Expected credit losses continued

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

	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 24
Cash and bank balances	**15,861**	**–**	**–**	**15,861**	**–**	**–**	**–**	**–**
Cash collateralised lending and reverse repurchase agreements	**17,400**	**35,300**	**–**	**52,700**	**3**	**–**	**–**	**3**
Margin money and settlement assets	**15,768**	**–**	**–**	**15,768**	**16**	**–**	**–**	**16**
Financial investments	**2,069**	**12,698**	**–**	**14,767**	**–**	**1**	**–**	**1**
Other assets	**1,925**	**255**	**–**	**2,180**	**112**	**–**	**–**	**112**
Loan assets	**165,479**	**–**	**–**	**165,479**	**507**	**–**	**–**	**507**
Due from other Macquarie Group entities	**1,852**	**–**	**–**	**1,852**	**–**	**–**	**–**	**–**
Off balance sheet exposures	**–**	**–**	**24,711**	**24,711**	**–**	**–**	**39**	**39**
Total	**220,354**	**48,253**	**24,711**	**293,318**	**638**	**1**	**39**	**678**
								AS AT 31 MAR 24
Cash and bank balances	28,056	–	–	28,056	1	–	–	1
Cash collateralised lending and reverse repurchase agreements	11,727	26,076	–	37,803	1	–	–	1
Margin money and settlement assets	16,392	–	–	16,392	40	–	–	40
Financial investments	1,919	16,758	–	18,677	–	1	–	1
Other assets	2,550	255	–	2,805	114	–	–	114
Loan assets	156,081	–	–	156,081	551	–	–	551
Due from other Macquarie Group entities	562	–	–	562	–	–	–	–
Off balance sheet exposures	–	–	25,157	25,157	–	–	46	46
Total	217,287	43,089	25,157	285,533	707	1	46	754
								AS AT 30 SEP 23
Cash and bank balances	25,544	–	–	25,544	2	–	–	2
Cash collateralised lending and reverse repurchase agreements	12,673	38,734	–	51,407	4	–	–	4
Margin money and settlement assets	16,783	–	–	16,783	43	–	–	43
Financial investments	1,870	15,344	–	17,214	–	2	–	2
Other assets	2,234	193	–	2,427	108	–	–	108
Loan assets	149,836	1	–	149,837	596	–	–	596
Due from other Macquarie Group entities	684	–	–	684	–	–	–	–
Off balance sheet exposures	–	–	24,364	24,364	–	–	79	79
Total	209,624	54,272	24,364	288,260	753	2	79	834

Notes to the consolidated financial statements

For the half year ended 30 September 2024 continued

Note 11

Expected credit losses continued

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

	Cash and bank balances	Cash collateralised lending and repurchase agreements	Margin money and settlement assets	Financial investments	Other assets	Loan assets	Off balance sheet exposures	Total
	$m	$m	$m	$m	$m	$m	$m	$m
Balance as at 1 Apr 2023	1	7	51	3	94	624	65	845
Credit impairment charges/ (reversals) (Note 2)	1	(3)	(8)	(1)	21	(14)	10	6
Amounts written off, previously provided for	–	–	–	–	(9)	(15)	–	(24)
Reclassifications, foreign exchange and other movements	–	–	–	–	2	1	4	7
Balance as at 30 Sep 2023	2	4	43	2	108	596	79	834
Credit impairment (reversals)/ charges (Note 2)	(1)	–	(3)	(2)	12	(15)	(31)	(40)
Amounts written off, previously provided for	–	–	–	–	(24)	(14)	–	(38)
Reclassifications, foreign exchange and other movements	–	(3)	–	1	18	(16)	(2)	(2)
Balance as at 31 Mar 2024	1	1	40	1	114	551	46	754
Credit impairment charges/ (reversals) (Note 2)	**1**	**2**	**(1)**	**–**	**7**	**11**	**(7)**	**13**
Amounts written off, previously provided for	**–**	**–**	**(22)**	**–**	**(7)**	**(49)**	**–**	**(78)**
Reclassifications, foreign exchange and other movements	**(2)**	**–**	**(1)**	**–**	**(2)**	**(6)**	**–**	**(11)**
Balance as at 30 Sep 2024	**–**	**3**	**16**	**1**	**112**	**507**	**39**	**678**

Note 11

Expected credit losses continued

ECL on loan assets

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

		LIFETIME ECL		
	Stage I 12 month ECL	Stage II Not credit impaired	Stage III Credit impaired	Total ECL Allowance
	$m	$m	$m	$m
Balance as at 1 Apr 2023	302	169	153	624
Transfer during the period	14	(5)	(9)	–
Credit impairment (reversals)/charges (Note 2)	(54)	(7)	47	(14)
Amounts written off, previously provided for	–	–	(15)	(15)
Reclassifications, foreign exchange and other movements	–	–	1	1
Balance as at 30 Sep 2023	262	157	177	596
Transfer during the period	12	(13)	1	–
Credit impairment (reversals)/charges (Note 2)	(71)	(26)	82	(15)
Amounts written off, previously provided for	–	–	(14)	(14)
Reclassifications, foreign exchange and other movements	–	–	(16)	(16)
Balance as at 31 Mar 2024	203	118	230	551
Transfer during the period	**12**	**(10)**	**(2)**	**–**
Credit impairment (reversals)/charges (Note 2)	**(9)**	**1**	**19**	**11**
Amounts written off, previously provided for	**–**	**–**	**(49)**	**(49)**
Reclassifications, foreign exchange and other movements	**(1)**	**(2)**	**(3)**	**(6)**
Balance as at 30 Sep 2024	**205**	**107**	**195**	**507**

Note 12

Trading liabilities

	As at 30 Sep 24	As at 31 Mar 24	As at 30 Sep 23
	$m	$m	$m
Equity securities	**4,824**	4,884	8,077
Debt securities	**101**	53	68
Commodities	**88**	–	–
Total trading liabilities	**5,013**	4,937	8,145

Note 13

Margin money and settlement liabilities

	As at 30 Sep 24 $m	As at 31 Mar 24 $m	As at 30 Sep 23 $m
Margin money	**15,843**	17,789	16,479
Commodity settlement liabilities	**3,390**	2,576	2,939
Security settlement liabilities	**3,264**	1,904	1,296
Total margin money and settlement liabilities	**22,497**	22,269	20,714

Note 14

Derivative liabilities

Held for trading	**21,221**	24,196	27,950
Designated in hedge relationships	**868**	1,087	1,394
Total derivative liabilities	**22,089**	25,283	29,344

Note 15

Other liabilities

Other financial liabilities			
Commodity-related payables	**2,887**	3,678	4,057
Trade and other payables	**1,338**	1,130	975
Lease liabilities	**663**	734	747
Total other financial liabilities	**4,888**	5,542	5,779
Other non-financial liabilities			
Provisions[1]	**1,456**	1,456	1,405
Employment-related liabilities	**1,035**	1,595	1,078
Accrued charges and other payables	**677**	692	727
Income tax provision[2]	**282**	440	393
Indirect taxes payables	**59**	199	101
Other	**270**	356	325
Total other non-financial liabilities	**3,779**	4,738	4,029
Total other liabilities	**8,667**	10,280	9,808

[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. The amount and timing of the outcomes are uncertain and may differ from the provisions recognised. Based on existing information, the range of likely outcomes, the matters did not have and are not currently expected to have a material impact on the Consolidated Entity. The Consolidated Entity considers the risk of there being a material adverse effect in respect of claims and actions that have not been provided for to be remote.

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

Note 16

Issued debt securities and other borrowings

	As at 30 Sep 24 $m	As at 31 Mar 24 $m	As at 30 Sep 23 $m
Commercial paper	**35,284**	26,025	31,070
Bonds	**22,978**	21,585	19,318
Securitised notes	**11,038**	11,621	10,925
Structured notes[1,2]	**1,196**	1,081	995
Certificates of deposits	**2,083**	1,333	3,207
Total issued debt securities	**72,579**	61,645	65,515
Borrowings	**10,343**	10,294	8,515
Total issued debt securities and other borrowings	**82,922**	71,939	74,030

Reconciliation of issued debt securities and other borrowings by major currency

(In Australian dollar equivalent)

United States dollar	**50,685**	41,628	45,877
Australian dollar	**17,778**	19,446	20,033
Euro	**9,109**	7,094	4,348
Pound sterling	**3,415**	2,669	2,395
Other	**1,935**	1,102	1,377
Total issued debt securities and other borrowings	**82,922**	71,939	74,030

[1] The amount that would be contractually required to be paid at maturity to the holders of issued debt securities which are measured at DFVTPL is $1,649 million (31 March 2024: $1,399 million; 30 September 2023: $1,350 million). This amount is based on the final notional amount rather than the fair value. Refer to Note 21 *Measurement categories of financial instruments* for the carrying value of issued debt securities measured at DFVTPL.

[2] Includes a cumulative fair value gain recognised in OCI of $1 million (31 March 2024; loss of $1 million; 30 September 2023: $10 million) due to changes in own credit risk on issued debt securities measured at DFVTPL.

Notes to the consolidated financial statements

For the half year ended 30 September 2024 continued

Note 17

Contributed equity

	As at 30 Sep 24 $m	As at 31 Mar 24 $m	As at 30 Sep 23 $m
Ordinary share capital	**9,879**	9,879	9,879
Other equity	**331**	305	269
Total contributed equity	**10,210**	10,184	10,148

	Half year to 30 Sep 24 $m	Half year to 31 Mar 24 $m	Half year to 30 Sep 23 $m
(i) Ordinary share capital[1]			
Opening balance of fully paid ordinary shares 696,603,664 of shares issued to parent entity (Macquarie B.H. Pty Limited)	**9,879**	9,879	9,879
Closing balance of fully paid ordinary shares	**9,879**	9,879	9,879
(ii) Other equity[2]			
Equity contribution from ultimate parent entity			
Balance at the beginning of the period	**305**	269	282
Change attributable to share-based payment expense including deferred tax	**26**	36	(13)
Balance at the end of the period	**331**	305	269

[1] Ordinary shares have no par value.
[2] Capital contribution by ultimate parent MGL towards MEREP awards issued to employees of the Consolidated Entity, where MGL is not subsequently reimbursed by the Consolidated Entity.

Note 18

Reserves and retained earnings

	Half year to 30 Sep 24 $m	Half year to 31 Mar 24 $m	Half year to 30 Sep 23 $m
(i) Reserves			
Foreign currency translation reserve			
Balance at the beginning of the period	**1,197**	1,266	1,000
Foreign exchange movement on translation and hedge accounting of foreign operations, net of tax	**(357)**	(69)	266
Balance at the end of the period	**840**	1,197	1,266
FVOCI reserve			
Balance at the beginning of the period	**(26)**	(13)	–
Revaluation movement, net of tax	**(24)**	(12)	(12)
Changes in ECL allowance, net of tax	**–**	(1)	(1)
Balance at the end of the period	**(50)**	(26)	(13)
Cash flow hedge reserve			
Balance at the beginning of the period	**81**	119	92
Revaluation movement, net of tax	**3**	(32)	54
Transferred to income statement on realisation, net of tax	**(9)**	(6)	(27)
Balance at the end of the period	**75**	81	119
Cost of hedging reserves			
Balance at the beginning of the period	**(59)**	(75)	(37)
Revaluation movement, net of tax	**(11)**	12	(47)
Transferred to income statement on realisation, net of tax	**8**	4	9
Balance at the end of the period	**(62)**	(59)	(75)
Share of reserves in associates and joint ventures and other reserves			
Balance at the beginning of the period	**45**	6	2
Share of other comprehensive income from associates and joint ventures, net of tax	**4**	39	4
Balance at the end of the period	**49**	45	6
Total reserves at the end of the period	**852**	1,238	1,303

	Half year to 30 Sep 24 $m	Half year to 31 Mar 24 $m	Half year to 30 Sep 23 $m
(ii) Retained earnings			
Balance at the beginning of the period	**9,959**	8,705	9,134
Profit attributable to the ordinary equity holders of MBL	**1,166**	1,595	1,317
Dividends paid on ordinary share capital (Note 5)	**(1,097)**	(337)	(1,742)
Fair value changes attributable to own credit risk on debt classified as DFVTPL, net of tax	**(2)**	(5)	(4)
Remeasurement of defined benefit plans	**1**	1	–
Balance at the end of the period	**10,027**	9,959	8,705

Notes to the consolidated financial statements

For the half year ended 30 September 2024 continued

Note 19

Notes to the statement of cash flows

	As at 30 Sep 24 $m	As at 31 Mar 24 $m	As at 30 Sep 23 $m
Cash and bank balances[1,2]	**8,389**	19,929	19,839
Cash collateralised lending and reverse repurchase agreements	**34,265**	24,452	35,485
Financial investments[3]	**1,108**	1,912	1,222
Cash and cash equivalents at the end of the period	**43,762**	46,293	56,546

Note 20

Contingent liabilities and commitments

Credit risk related exposures:			
Undrawn credit facilities and debt commitment[4]	**22,567**	23,137	22,142
Letter of credit and guarantees[5]	**2,144**	2,020	2,222
Total credit risk related exposures	**24,711**	25,157	24,364
Other contingencies and commitments:			
Performance-related contingencies	**316**	318	444
Asset development and purchase commitments	**145**	527	1,010
Total other contingencies and commitments	**461**	845	1,454
Total contingent liabilities and commitments	**25,172**	26,002	25,818

[1] Amounts excluded from cash and cash equivalents but presented in the Statements of financial position as Cash and bank balances primarily relates to $7,183 million (31 March 2024: $8,015 million, 30 September 2023: $5,434 million) of funds received from clients which are segregated from the Consolidated Entity's own funds and other balances of $289 million (31 March 2024: $111 million, 30 September 2023: $269 million), not readily available to meet the Consolidated Entity's short-term cash commitments.

[2] Includes $1,171 million (31 March 2024: $918 million, 30 September 2023: $642 million) of balances held by consolidated SEs that are restricted from use by the Consolidated Entity, balances required to be maintained with central banks and other regulatory authorities and balances held in countries where remittance of cash outside the country is subject to certain restrictions.

[3] The Consolidated Entity maintains a portfolio of highly liquid unencumbered assets, including financial investments across various contractual maturities, for liquidity purposes. Financial investments that qualify as cash and cash equivalent have been adjusted to exclude investments with a residual maturity of three months or less at the balance date but whose maturity exceeded three months at the date of acquisition. Comparative information has been represented to conform to changes in the current period.
The half year ended 31 March 2024, Cash and cash equivalent at the beginning and at the end of the period decreased $4,708 million and $7,311 million, respectively, and cash flows from the operating activities under liquid asset holdings decreased by $2,603 million. For the half year ended 30 September 2023, Cash and cash equivalent at the beginning and at the end of the period decreased by $3,314 million and $4,708 million, respectively, and cash flows from the operating activities under liquid asset holdings decreased by $1,394 million.

[4] Undrawn credit facilities include fully or partially undrawn commitments against which clients can borrow money under defined terms and conditions. Balance includes revocable undrawn commitments for certain retail banking products $16,455 million (31 March 2024: $14,839 million; 30 September 2023: $14,973 million) which are considered to be exposed to credit risk.

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

Note 21

Measurement categories of financial instruments

The following table contains information relating to the measurement categories (i.e. Held for Trading (HFT), FVTPL, DFVTPL, FVOCI or Amortised cost) of assets and liabilities of the Consolidated Entity. The descriptions of measurement categories are included in Note 41(vii) *Financial Instruments* in the Consolidated Entity's annual financial report for the year ended 31 March 2024.

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

	FINANCIAL INSTRUMENTS CARRIED AT							FAIR VALUE 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 2024**
Cash and bank balances	-	-	-	-	15,861	-	15,861	-	15,861
Cash collateralised lending and reverse repurchase agreements	-	226	9,009	35,300	17,397	-	61,932	44,535	17,397
Trading assets[1]	25,287	-	-	-	-	3,061	28,348	28,348	-
Margin money and settlement assets	-	-	276	-	15,752	-	16,028	276	15,752
Derivative assets	22,780	-	699	-	-	-	23,479	23,479	-
Financial investments:									
Equity	-	-	216	-	-	-	216	216	-
Debt[2]	-	-	87	12,631	2,069	-	14,787	12,718	2,069
Other assets	-	-	3,068	255	1,816	1,623	6,762	3,323	1,816
Loan assets[2]	-	-	346	-	165,850	-	166,196	346	165,782
Due from other Macquarie Group entities[3]	2,410	-	-	-	1,852	483	4,745	2,410	1,852
Property, plant and equipment and right-of use assets[2]	-	-	-	-	-	5,986	5,986	-	-
Deferred tax assets	-	-	-	-	-	981	981	-	-
Total assets	**50,477**	**226**	**13,701**	**48,186**	**220,597**	**12,134**	**345,321**	**115,651**	**220,529**
Liabilities									
Deposits	-	-	-	-	158,395	-	158,395	-	158,392
Cash collateralised borrowing and repurchase agreements	-	5	-	-	3,141	-	3,146	5	3,141
Trading liabilities	5,013	-	-	-	-	-	5,013	5,013	-
Margin money and settlement liabilities	-	-	-	-	22,497	-	22,497	-	22,497
Derivative liabilities	21,221	-	868	-	-	-	22,089	22,089	-
Other liabilities[4]	-	2,881	6	-	2,001	3,779	8,667	2,887	1,341
Due to other Macquarie Group entities[3]	633	-	-	-	8,692	176	9,501	633	8,692
Issued debt securities and other borrowings[2]	-	1,560	-	-	81,362	-	82,922	1,560	81,561
Deferred tax liabilities	-	-	-	-	-	14	14	-	-
Loan capital[2]	-	-	-	-	11,988	-	11,988	-	12,183
Total liabilities	**26,867**	**4,446**	**874**	**-**	**288,076**	**3,969**	**324,232**	**32,187**	**287,807**

[1] Non-financial assets under 'Trading assets' represent commodities carried at fair value less costs to sell.
[2] Items measured at amortised cost or cost includes, where applicable, fair value hedge accounting adjustments for designated hedged risks.
[3] Due from other Macquarie Group entities and Due to other Macquarie Group entities includes derivatives and trading positions classified as HFT. All other intercompany receivables or payables are carried at amortised cost except for non-financial instruments.
[4] The fair value of other liabilities carried at amortised cost excludes lease liabilities. Carrying value of other liabilities at DFVTPL approximates the contractual payables at maturity.

Note 21

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 31 MAR 2024
Cash and bank balances	–	–	–	–	28,055	–	28,055	–	28,055
Cash collateralised lending and reverse repurchase agreements	–	–	11,773	26,076	11,726	–	49,575	37,848	11,726
Trading assets[5]	24,664	–	–	–	–	1,964	26,628	26,628	–
Margin money and settlement assets	–	–	275	–	16,352	–	16,627	275	16,352
Derivative assets	22,982	–	784	–	–	–	23,766	23,766	–
Financial investments:									
Equity	–	–	238	–	–	–	238	238	–
Debt[6]	–	–	114	16,703	1,919	–	18,736	16,817	1,919
Other assets	–	–	3,881	255	2,436	1,535	8,107	4,135	2,436
Loan assets[6]	–	–	450	–	156,286	–	156,736	450	156,112
Due from other Macquarie Group entities[7]	3,543	–	–	–	562	679	4,784	3,543	562
Property, plant and equipment and right-of use assets[6]	–	–	–	–	–	5,835	5,835	–	–
Deferred tax assets	–	–	–	–	–	1,076	1,076	–	–
Total assets	51,189	–	17,515	43,034	217,336	11,089	340,163	113,700	217,162
Liabilities									
Deposits	–	–	–	–	148,340	–	148,340	–	148,299
Cash collateralised borrowing and repurchase agreements	–	83	–	–	12,516	–	12,599	83	12,516
Trading liabilities	4,937	–	–	–	–	–	4,937	4,937	–
Margin money and settlement liabilities	–	–	–	–	22,269	–	22,269	–	22,269
Derivative liabilities	24,196	–	1,087	–	–	–	25,283	25,283	–
Other liabilities[8]	–	3,669	–	–	1,873	4,738	10,280	3,669	1,444
Due to other Macquarie Group entities[7]	425	–	–	–	11,625	238	12,288	425	11,625
Issued debt securities and other borrowings[6]	–	1,416	–	–	70,523	–	71,939	1,416	70,603
Deferred tax liabilities	–	–	–	–	–	22	22	–	–
Loan capital[6]	–	–	–	–	10,825	–	10,825	–	11,158
Total liabilities	29,558	5,168	1,087	–	277,971	4,998	318,782	35,813	277,914

[5] Non-financial assets under 'Trading assets' represent commodities carried at fair value less costs to sell.
[6] Items measured at amortised cost or cost includes, where applicable, fair value hedge accounting adjustments for designated hedged risks.
[7] Due from other Macquarie Group entities and Due to other Macquarie Group entities includes derivatives and trading positions classified as HFT. All other intercompany receivables or payables are carried at amortised cost except for non-financial instruments.
[8] The fair value of other liabilities carried at amortised cost excludes lease liabilities. Carrying value of other liabilities at DFVTPL approximates the contractual payables at maturity.

Note 21

Measurement categories of financial instruments continued

	FINANCIAL INSTRUMENTS CARRIED AT						Statement of financial position total	FAIR VALUE OF ITEMS CARRIED AT	
	FAIR VALUE				Amortised Cost	Non-financial instruments		Fair Value	Amortised Cost
	HFT	DFVTPL	FVTPL	FVOCI					
	$m	$m	$m	$m	$m	$m	$m	$m	$m
Assets									AS AT 30 SEP 2023
Cash and bank balances	–	–	–	–	25,542	–	25,542	–	25,542
Cash collateralised lending and reverse repurchase agreements	–	–	6,408	38,734	12,669	–	57,811	45,142	12,669
Trading assets[9]	17,148	–	–	–	–	2,057	19,205	19,205	–
Margin money and settlement assets	–	–	397	–	16,740	–	17,137	397	16,740
Derivative assets	27,820	–	1,089	–	–	–	28,909	28,909	–
Financial investments:									
Equity	–	–	250	–	–	–	250	250	–
Debt[10]	–	–	99	15,221	1,870	–	17,190	15,320	1,870
Other assets	–	–	5,306	193	2,126	1,489	9,114	5,499	2,126
Loan assets[10]	–	–	341	1	149,172	–	149,514	342	148,633
Due from other Macquarie Group entities[11]	4,562	–	–	–	684	861	6,107	4,562	684
Property, plant and equipment and right-of use assets[10]	–	–	–	–	–	5,189	5,189	–	–
Deferred tax assets	–	–	–	–	–	1,002	1,002	–	–
Total assets	49,530	–	13,890	54,149	208,803	10,598	336,970	119,626	208,264
Liabilities									
Deposits	–	—	–	–	135,892	–	135,892	–	135,831
Cash collateralised borrowing and repurchase agreements	–	144	–	–	13,363	–	13,507	144	13,363
Trading liabilities	8,145	–	–	–	–	–	8,145	8,145	–
Margin money and settlement liabilities	–	–	–	–	20,714	–	20,714	–	20,714
Derivative liabilities	27,950	–	1,394	–	–	–	29,344	29,344	–
Other liabilities[12]	–	3,787	–	–	1,992	4,029	9,808	3,787	1,065
Due to other Macquarie Group entities[11]	394	–	–	–	15,315	190	15,899	394	15,315
Issued debt securities and other borrowings[10]	–	1,338	–	–	72,692	–	74,030	1,338	72,686
Deferred tax liabilities	–	–	–	–	–	14	14	–	–
Loan capital[10]	–	–	–	–	9,461	–	9,461	–	9,554
Total liabilities	36,489	5,269	1,394	–	269,429	4,233	316,814	43,152	268,528

[9] Non-financial assets under 'Trading assets' represent commodities carried at fair value less costs to sell.
[10] Items measured at amortised cost or cost includes, where applicable, fair value hedge accounting adjustments for designated hedged risks.
[11] Due from other Macquarie Group entities and Due to other Macquarie Group entities includes derivatives and trading positions classified as HFT. All other intercompany receivables or payables are carried at amortised cost except for non-financial instruments.
[12] The fair value of other liabilities carried at amortised cost excludes lease liabilities. Carrying value of other liabilities at DFVTPL approximates the contractual payables at maturity.

Note 22

Fair value of assets and liabilities

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

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

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

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

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

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

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

The following methods and significant assumptions have been applied in determining the fair values of the following items carried at amortised cost in the Statement of financial position (as disclosed in Note 21 *Measurement categories of financial instruments*).

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

Note 22

Fair value of assets and liabilities continued

The following methods and significant assumptions have been applied in determining the fair values of the following items carried at fair value in the 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.
Repurchase and reverse repurchase agreements	Repurchase and reverse repurchase agreements, being collateralised financing arrangements, are measured at fair value with reference to current market rates and giving considerations to the fair value of securities held or provided as the collateral.
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 and other borrowings	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.
Margin money, settlement assets and liabilities, Other financial assets and 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, 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. Models are reviewed and calibrated periodically to test the outputs and reflect the prices from observable current market transactions in same instrument or other available observable market data.

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

Note 22

Fair value of assets and liabilities continued

Assets and liabilities measured at fair value

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

	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Assets				**AS AT 30 SEP 2024**
Cash collateralised lending and reverse repurchase agreements	**–**	**44,535**	**–**	**44,535**
Trading assets	**19,419**	**7,953**	**976**	**28,348**
Margin money and settlement assets	**–**	**276**	**–**	**276**
Derivative assets	**12**	**23,182**	**285**	**23,479**
Financial investments	**473**	**12,256**	**205**	**12,934**
Other assets	**–**	**3,302**	**21**	**3,323**
Loan assets	**–**	**341**	**5**	**346**
Due from other Macquarie Group entities	**–**	**2,410**	**–**	**2,410**
Total assets	**19,904**	**94,255**	**1,492**	**115,651**
Liabilities				
Cash collateralised borrowing and repurchase agreements	**–**	**5**	**–**	**5**
Trading liabilities	**4,747**	**266**	**–**	**5,013**
Derivative liabilities	**–**	**21,640**	**449**	**22,089**
Other liabilities	**–**	**2,873**	**14**	**2,887**
Due to other Macquarie Group entities	**–**	**633**	**–**	**633**
Issued debt securities and other borrowings	**–**	**1,560**	**–**	**1,560**
Total liabilities	**4,747**	**26,977**	**463**	**32,187**
Assets				AS AT 31 MAR 2024
Cash collateralised lending and reverse repurchase agreements	–	37,848	–	37,848
Trading assets	19,583	6,226	819	26,628
Margin money and settlement assets	–	275	–	275
Derivative assets	–	23,403	363	23,766
Financial investments	159	16,649	247	17,055
Other assets	–	4,078	57	4,135
Loan assets	–	428	22	450
Due from other Macquarie Group entities	–	3,543	–	3,543
Total assets	19,742	92,450	1,508	113,700
Liabilities				
Cash collateralised borrowing and repurchase agreements	–	83	–	83
Trading liabilities	4,787	150	–	4,937
Derivative liabilities	–	24,728	555	25,283
Other liabilities	–	3,616	53	3,669
Due to other Macquarie Group entities	–	425	–	425
Issued debt securities and other borrowings	–	1,416	–	1,416
Total liabilities	4,787	30,418	608	35,813

Note 22

Fair value of assets and liabilities continued

	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Assets				AS AT 30 SEP 2023
Cash collateralised lending and reverse repurchase agreements	–	45,142	–	45,142
Trading assets	11,806	6,242	1,157	19,205
Margin money and settlement assets	–	397	–	397
Derivative assets	11	28,197	701	28,909
Financial investments	2,206	12,990	374	15,570
Other assets	–	5,439	60	5,499
Loan assets	–	334	8	342
Due from other Macquarie Group entities	–	4,562	–	4,562
Total assets	14,023	103,303	2,300	119,626
Liabilities				
Cash collateralised borrowing and repurchase agreements	–	144	–	144
Trading liabilities	7,999	146	–	8,145
Derivative liabilities	2	28,430	912	29,344
Other liabilities	–	3,787	–	3,787
Due to other Macquarie Group entities	–	394	–	394
Issued debt securities and other borrowings	–	1,338	–	1,338
Total liabilities	8,001	34,239	912	43,152

Notes to the consolidated financial statements

For the half year ended 30 September 2024 continued

Note 22

Fair value of assets and liabilities continued

Reconciliation of balances in Level 3 of the fair value hierarchy

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

	Trading assets $m	Financial investments $m	Other assets $m	Loan assets $m	Derivative financial instruments (net fair values)[1] $m	Other liabilities $m	Total $m
Balance as at 1 Apr 2023	758	273	48	3	5	–	1,087
Purchases, originations, issuances and other additions	645	45	52	4	47	–	793
Sales, settlements and repayments	(220)	(2)	(14)	–	9	–	(227)
Transfers into Level 3[2]	17	86	–	–	10	–	113
Transfers out of Level 3[2]	(68)	(47)	(32)	–	(111)	–	(258)
Fair value movements recognised in the income statement:							
Net trading income/(loss)[3]	25	8	–	1	(171)	–	(137)
Other (loss)/income	–	(9)	6	–	–	–	(3)
Fair value movements recognised in OCI	–	20	–	–	–	–	20
Balance as at 30 Sep 2023	1,157	374	60	8	(211)	–	1,388
Fair value movements for the period included in the income statement for assets and liabilities held at the end of the period[3]	25	3	6	1	(172)	–	(137)
Balance as at 1 Oct 2023	1,157	374	60	8	(211)	–	1,388
Purchases, originations, issuances and other additions	67	(12)	6	21	(3)	(78)	1
Sales, settlements and repayments	(382)	–	(32)	(6)	(234)	21	(633)
Transfers into Level 3[2]	(7)	(53)	–	–	(2)	–	(62)
Transfers out of Level 3[2]	(82)	(34)	29	–	57	4	(26)
Fair value movements recognised in the income statement:							
Net trading income/(loss)[3]	66	12	–	(1)	201	–	278
Other (loss)/income	–	(49)	(6)	–	–	–	(55)
Fair value movements recognised in OCI	–	9	–	–	–	–	9
Balance as at 31 Mar 2024	819	247	57	22	(192)	(53)	900
Fair value movements for the period included in the income statement for assets and liabilities held at the end of the period	66	(42)	(6)	(1)	200	–	217
Balance as at 1 Apr 2024	**819**	**247**	**57**	**22**	**(192)**	**(53)**	**900**
Purchases, originations, issuances and other additions	**306**	**1**	**9**	**11**	**119**	**(28)**	**418**
Sales, settlements and repayments	**(180)**	**(38)**	**(1)**	**(28)**	**(1)**	**4**	**(244)**
Reclassification	**—**	**—**	**(50)**	**—**	**—**	**50**	**—**
Transfers into Level 3	**129**	**37**	**10**	**-**	**—**	**-**	**176**
Transfers out of Level 3	**(125)**	**(18)**	**-**	**-**	**(98)**	**-**	**(241)**
Fair value movements recognised in the income statement:							
Net trading income/(loss)	**27**	**(8)**	**-**	**-**	**8**	**-**	**27**
Other (loss)/income	**-**	**(21)**	**(4)**	**-**	**-**	**13**	**(12)**
Fair value movements recognised in OCI	**-**	**5**	**-**	**-**	**-**	**-**	**5**
Balance as at 30 Sep 2024	**976**	**205**	**21**	**5**	**(164)**	**(14)**	**1,029**
Fair value movements for the period included in the income statement for assets and liabilities held at the end of the period[3]	**(1)**	**(22)**	**(2)**	**-**	**8**	**5**	**(12)**

[1] The derivative financial instruments in the table above are represented on a net basis. On a gross basis, derivative assets are $285 million (31 March 2024: $363 million; 30 September 2023: $701 million) and derivative liabilities are $449 million (31 March 2024: $555 million; 30 September 2023: $912 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 risks including foreign exchange risks in Level 3 positions. The gains and losses relating to such hedging techniques, may include the purchase or sale of financial instruments measured at fair value that are classified as Level 1 or 2 positions or foreign currency financial instruments measured at amortised cost that are not presented in the table above.

Note 22

Fair value of assets and liabilities continued

Significant transfers between levels of the fair value hierarchy

During the period, the Consolidated Entity did not have significant transfers between Level 1 and 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 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 (or when inputs from unobservable markets are insignificant). Where such alternative evidence exists, the Consolidated Entity recognises profit or loss immediately after the asset or liability is recognised ('day 1 profit or loss'). When significant unobservable inputs are used to determine fair value, the day 1 profit or loss is deferred and is recognised in the income statement over the life of the transaction or when the inputs become observable.

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

	Half year to 30 Sep 2024 $m	Half year to 31 Mar 2024 $m	Half year to 30 Sep 2023 $m
Balance at the beginning of the period	**270**	242	247
Deferred gain on new transactions and other adjustments	**61**	145	46
Foreign exchange movements	**(2)**	(2)	–
Recognised in net trading income during the period	**(94)**	(115)	(51)
Balance at the end of the period	**235**	270	242

Note 22

Fair value of assets and liabilities continued

Significant unobservable inputs

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

					RANGE OF INPUTS	
	Assets $m	Liabilities $m	Valuation technique(s)	Significant unobservable inputs	Minimum value	Maximum value
						AS AT 30 SEP 2024
Commodities	**1,192**	**443**	**Pricing Model**	**Commodity margin curves**	**(542.5)**	**2,170.0**
			Pricing Model	**Correlation**	**(50.0%)**	**100.0%**
			Pricing Model	**Volatility and related variables**	**3.0%**	**97.3%**
Interest rate and other products	**155**	**20**	**Discounted cash flows**	**Discount rates - Credit spread**	**0.0%**	**10.0%**
Equity and equity linked products	**145**	**-**	**Comparable transactions**	**Price in %[4]**		
Total	**1,492**	**463**				
						AS AT 31 MAR 2024
Commodities	1,185	591	Pricing Model	Commodity margin curves	**(230.9)**	**958.7**
			Pricing Model	Correlation	**(50.0%)**	**100.0%**
			Pricing Model	Volatility and related variables	**0.1%**	**212.1%**
Interest rate and other products	151	15	Discounted cash flows	Discount rates - Credit spread	**0.0%**	**10.0%**
Equity and equity linked products	172	2	Comparable transactions	Price in %[4]		
Total	1,508	608				
						AS AT 30 SEP 2023
Commodities	1,760	888	Pricing Model	Commodity margin curves	**(372.2)**	**2,099.9**
			Pricing Model	Correlation	**(50.0%)**	**100.0%**
			Pricing Model	Volatility and related variables	**5.9%**	**415.0%**
Interest rate and other products	344	24	Discounted cash flows	Discount rates - Credit spread	**5.5%**	**20.0%**
Equity and equity linked products	196	-	Comparable transactions	Price in %[4]		
Total	2,300	912				

[4] The range of inputs related to market comparability has not been disclosed as the diverse nature of the underlying investments results in a wide range of inputs.

Note 22

Fair value of assets and liabilities continued

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

Commodities

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

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

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

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

Interest rates and other products

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

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.

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.

Note 22

Fair value of assets and liabilities continued

Sensitivity analysis of valuations using unobservable inputs

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

	FAVOURABLE CHANGES	UNFAVOURABLE CHANGES
	Profit or loss	Profit or loss
	$m	$m
Product type		**AS AT 30 SEP 2024**
Commodities	**163**	**(134)**
Interest rate and other products	**13**	**(30)**
Equity and equity-linked products	**35**	**(10)**
Total	**211**	**(174)**
Product type		AS AT 31 MAR 2024
Commodities	213	(180)
Interest rate and other products	13	(38)
Equity and equity-linked products	18	(19)
Total	244	(237)
Product type		AS AT 30 SEP 2023
Commodities	158	(91)
Interest rate and other products	16	(32)
Equity and equity-linked products	15	(15)
Total	189	(138)

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

Note 23

Events after the reporting date

There were no material events subsequent to 30 September 2024 and up until the authorisation of the financial statements for issue, requiring a disclosure in the interim financial report, other than those that have been disclosed elsewhere in the financial statements.

Directors' declaration

For the half year ended 30 September 2024

In the Directors' opinion:

(a) the financial statements and notes set out on pages 19 to 58 are in accordance with the *Corporations Act 2001* (Cth) including:

  (i) complying with the Australian Accounting Standards, and

  (ii) giving a true and fair view of the Consolidated Entity's financial position as at 30 September 2024 and performance for the half year ended on that date, and

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

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

Glenn Stevens AC
Independent Director and Chair

Stuart Green
Managing Director and Chief Executive Officer

Sydney
1 November 2024

Independent auditor's review report

To the member of Macquarie Bank Limited

Report on the half year financial report

Conclusion

We have reviewed the half year financial report of Macquarie Bank 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 2024, the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and consolidated income statement for the half year ended on that date, material accounting policy information and selected explanatory notes and the directors' declaration.

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

- giving a true and fair view of the Consolidated Entity's financial position as at 30 September 2024 and of its performance for the half year ended on that date
- complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

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

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

Responsibilities of the directors for the half year financial report

The directors of the Company are responsible for the preparation of the half year financial report, in accordance with Australian Accounting Standards and the *Corporations Act 2001* (Cth), including giving a true and fair view, 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.

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

Our responsibility is to express a conclusion on the half year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* (Cth) including giving a true and fair view of the Consolidated Entity's financial position as at 30 September 2024 and of its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

PricewaterhouseCoopers

PricewaterhouseCoopers

V. Papageorgiou

Voula Papageorgiou
Partner

Sydney
1 November 2024

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